

2008

Consolidated Annual Accounts

| | |
|---|-----|
| Consolidated Auditor's Report | 8 |
| Consolidated Annual Accounts | 10 |
| Appendix | 112 |
| Supplementary information on oil and gas exploration and production activities | 132 |

Deloitte.

Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
España

Tel.: +34 915 14 50 00
Fax: +34 915 14 51 80
+34 915 56 74 30
www.deloitte.es

Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain. In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Repsol YPF, S.A.:

1. We have audited the consolidated financial statements of Repsol YPF, S.A. and Subsidiaries (the Repsol YPF Group) comprising the consolidated balance sheet at 31 December 2008 and the related consolidated income statement, consolidated statement of recognised income and expense, consolidated cash flow statement and notes to the consolidated financial statements for the year then ended. The preparation of these consolidated financial statements is the responsibility of the Parent's directors. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of their presentation, of the accounting policies applied and of the estimates made. Our work did not include an examination of the consolidated financial statements of Gas Natural SDG, S.A. and subsidiaries, in which at 31 December 2008 the Group held a 30.85% ownership interest, and whose assets and net profit at that date represented 11.7% and 12%, respectively, of the corresponding consolidated figures of the Repsol YPF Group at that date. The consolidated financial statements of the aforementioned investee were audited by other auditors and our opinion as expressed in this report on the consolidated financial statements of Repsol YPF, S.A. and Subsidiaries is based, with respect to these investees, solely on the report of the other auditors.
2. As required by Spanish corporate and commercial law, for comparison purposes the Parent's directors present, in addition to the consolidated figures for 2008 for each item in the consolidated balance sheet, consolidated income statement, consolidated statement of recognised income and expense and consolidated cash flow statement, the figures for 2007 (see Note 1). Our opinion refers only to the consolidated financial statements for 2008. On 27 March 2008, we issued our auditors' report on the 2007 consolidated financial statements, in which we expressed an unqualified opinion.
3. In our opinion, based on our audit and on the report of the other auditors, the accompanying consolidated financial statements for 2008 present fairly, in all material respects, the consolidated equity and consolidated financial position of Repsol YPF, S.A. and Subsidiaries at 31 December 2008 and the consolidated results of their operations, the changes in the consolidated income and expenses and their consolidated cash flows for the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with International Financial Reporting Standards as adopted by the European Union applied on a basis consistent with that used in the preparation of the figures for the preceding year, which are presented for comparison purposes.

4. The accompanying consolidated directors' report for 2008 contains the explanations which the Parent's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2008. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Repsol YPF, S.A. and Subsidiaries.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Javier Ares San Miguel
27 February 2009

REPSOL YPF, S.A. AND INVESTEEES COMPOSING THE REPSOL YPF GROUP
CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2008 AND 2007

Millions of Euros

| ASSETS | Note | 31/12/08 | 31/12/07 |
|---|------|---------------|---------------|
| Intangible assets: | | 4,079 | 4,326 |
| a. Goodwill | 8 | 2,851 | 3,308 |
| b. Other Intangible assets | 9 | 1,228 | 1,018 |
| Tangible assets | 10 | 25,737 | 23,676 |
| Investment property | 11 | 31 | 34 |
| Investments accounted for using the equity method | 13 | 525 | 537 |
| Non-current financial assets | 15 | 2,466 | 1,650 |
| Deferred tax assets | 25 | 1,463 | 1,020 |
| Other non-current assets | | 276 | 298 |
| NON-CURRENT ASSETS | | 34,577 | 31,541 |
| Non-current assets available for sale | 14 | 1,251 | 80 |
| Inventories | 16 | 3,584 | 4,675 |
| Trade and other receivables | | 6,632 | 8,017 |
| a. Sales and services customers | 15 | 4,209 | 5,767 |
| b. Other receivables | 15 | 2,180 | 1,993 |
| c. Income tax assets | | 243 | 257 |
| Other current financial assets | 15 | 494 | 266 |
| Cash and cash equivalents | 15 | 2,891 | 2,585 |
| CURRENT ASSETS | | 14,852 | 15,623 |
| TOTAL ASSETS | | 49,429 | 47,164 |

The accompanying Notes 1 to 42 are an integral part of these consolidated balance sheets.

REPSOL YPF, S.A. AND INVESTEEES COMPOSING THE REPSOL YPF GROUP
CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2008 AND 2007

Millions of Euros

| | Note | 31/12/08 | 31/12/07 |
|--|-------|----------------|----------------|
| LIABILITIES AND NET EQUITY | | | |
| NET EQUITY | | | |
| Share capital | | 1,221 | 1,221 |
| Share premium | | 6,428 | 6,428 |
| Reserves | | 247 | 247 |
| Treasury shares | | (241) | 4 |
| Retained earnings | | 11,427 | 9,459 |
| Results attributable to the shareholders of the parent company | | 2,711 | 3,188 |
| Dividends | | (634) | (610) |
| EQUITY | 17 | 21,159 | 19,937 |
| Financial assets available for sale | | (7) | 47 |
| Hedge transactions | | (150) | (50) |
| Translation differences | | (902) | (1,423) |
| ADJUSTMENTS FOR CHANGE IN VALUE | 17 | (1,059) | (1,426) |
| EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY | 17 | 20,100 | 18,511 |
| MINORITY INTERESTS | 17 | 1,170 | 651 |
| TOTAL NET EQUITY | | 21,270 | 19,162 |
| Subsidies | 22 | 108 | 109 |
| Non-current provisions for contingencies and expenses | 20-21 | 2,710 | 2,565 |
| Non-current Financial Liabilities | 19 | 10,315 | 10,065 |
| a. Debts with credit institutions and other obligations or other negotiable securities | | 10,001 | 9,883 |
| b. Other financial liabilities | | 314 | 182 |
| Deferred tax liabilities | 25 | 2,554 | 2,473 |
| Other non-current liabilities | 22-23 | 1,451 | 1,435 |
| NON-CURRENT LIABILITIES | | 17,138 | 16,647 |
| Liabilities linked to non-current assets available for sale | 14 | 601 | – |
| Current provisions | 20–21 | 437 | 286 |
| Current Financial Liabilities: | 19 | 1,788 | 1,501 |
| a. Debts with credit institutions and other obligations or other negotiable securities | | 1,742 | 1,483 |
| b. Other financial liabilities | | 46 | 18 |
| Trade debts and other accounts payable: | | 8,195 | 9,568 |
| a. Trade suppliers | 24 | 2,878 | 4,491 |
| b. Other creditors | 24 | 5,027 | 4,347 |
| c. Income tax liabilities | | 290 | 730 |
| CURRENT LIABILITIES: | | 11,021 | 11,355 |
| TOTAL LIABILITIES AND NET EQUITY | | 49,429 | 47,164 |

The accompanying Notes 1 to 42 are an integral part of these consolidated balance sheets.

REPSOL YPF, S.A. AND INVESTEES COMPOSING THE REPSOL YPF GROUP
CONSOLIDATED INCOME STATEMENTS
 FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

Millions of Euros

| | Note | 31/12/08 | 31/12/07 |
|--|------|-----------------|-----------------|
| Sales | | 57,740 | 52,098 |
| Services rendered and other income | | 1,892 | 1,767 |
| Changes in inventories of finished goods and work in progress inventories | | (274) | 387 |
| Income from reversal of impairment losses and gains on disposal of non-current assets | | 183 | 844 |
| Allocation of subsidies on nonfinancial assets and other subsidies | | 18 | 13 |
| Other operating income | | 1,416 | 814 |
| OPERATING REVENUE | 27 | 60,975 | 55,923 |
| Materials used | | (40,861) | (36,294) |
| Personnel expenses | | (2,016) | (1,855) |
| Other operating expenses | | (9,789) | (8,580) |
| Depreciation and amortisation of non-current assets | | (3,091) | (3,141) |
| Impairment losses recognized and losses on disposal of non-current assets | | (135) | (245) |
| OPERATING COSTS | 27 | (55,892) | (50,115) |
| OPERATING INCOME | 27 | 5,083 | 5,808 |
| Financial income | | 294 | 216 |
| Financial expenses | | (859) | (774) |
| Changes in the fair value of financial instruments | | (19) | 68 |
| Net exchange differences | | 212 | 266 |
| FINANCIAL RESULT | 28 | (372) | (224) |
| PROFIT BEFORE TAX AND SHARE OF RESULTS OF COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD | | 4,711 | 5,584 |
| Income Tax | 25 | (1,940) | (2,338) |
| Share of results of companies accounted for using the equity method | 13 | 66 | 109 |
| Net income for the year from continuing operations | | 2,837 | 3,355 |
| CONSOLIDATED NET INCOME FOR THE YEAR | | 2,837 | 3,355 |
| Net income attributable to minority interests | 17 | (126) | (167) |
| NET INCOME ATTRIBUTABLE TO THE PARENT | | 2,711 | 3,188 |
| NET INCOME PER SHARE (1) | | | Euros |
| Basic | | 2.23 | 2.61 |
| Diluted | | 2.23 | 2.61 |

(1) The net income per share has been calculated taking into account the average number of shares outstanding while also considering the Treasury shares held by the company (see notes 17.1 and 17.4).

The accompanying Notes 1 to 42 are an integral part of these consolidated income statements

REPSOL YPF, S.A. AND INVESTEES COMPOSING THE REPSOL YPF GROUP
CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSES
 FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

Millions of Euros

| | 31/12/08 | 31/12/07 |
|--|--------------|----------------|
| CONSOLIDATED NET INCOME FOR THE YEAR (from the Consolidated Income Statement) | 2,837 | 3,355 |
| INCOME AND EXPENSES ATTRIBUTED DIRECTLY TO EQUITY: | | |
| From valuation of financial assets available for sale | (75) | 17 |
| From cash flow hedges | (147) | (23) |
| Translation differences | 433 | (1,302) |
| From actuarial gains and losses and other adjustments | – | – |
| Tax effect | 204 | 209 |
| TOTAL | 415 | (1,099) |
| TRANSFERS TO THE CONSOLIDATED INCOME STATEMENT | | |
| From valuation of financial assets available for sale | (1) | (27) |
| From cash flow hedges | 9 | 29 |
| Translation differences | 8 | – |
| Entities accounted for using the equity method | – | – |
| Tax effect | (4) | (4) |
| TOTAL | 12 | (2) |
| TOTAL RECOGNIZED INCOME / (EXPENSE) | 3,264 | 2,254 |
| a. Attributable to the parent company | 3,078 | 2,131 |
| b. Attributable to minority interests | 186 | 123 |

The accompanying Notes 1 to 42 are an integral part of these consolidated statements of recognised income and expenses.

REPSOL YPF, S.A. AND INVESTEEES COMPOSING THE REPSOL YPF GROUP
CONSOLIDATED CASH FLOW STATEMENTS
 FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

Millions of Euros

| | Notes | 31/12/08 | 31/12/07 |
|--|-----------|----------|----------|
| Net income before tax and share of results of companies accounted for using the equity method | | 4,711 | 5,584 |
| Adjustments to result | | 3,449 | 2,989 |
| Depreciation and amortisation of assets | | 3,091 | 3,141 |
| Other adjustments to result (net) | | 358 | (152) |
| Changes in working capital | | 1,187 | (582) |
| Other cash flows from operating activities: | | (2,648) | (2,279) |
| Dividends received | | 110 | 179 |
| Income tax received / (paid) | | (2,399) | (2,157) |
| Other receipts / (payments) from operating activities | | (359) | (301) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | 6,699 | 5,712 |
| Payments for investing activities: | 8-11 y 30 | (5,586) | (5,373) |
| Group companies, affiliates and business units | | (99) | (492) |
| Tangible assets, intangible assets and investment properties | | (4,914) | (4,573) |
| Other financial assets | | (573) | (308) |
| Receipts from divestments: | 31 | 1,045 | 1,279 |
| Group companies, affiliates and business units | | 920 | 522 |
| Tangible assets, intangible assets and investment properties | | 102 | 548 |
| Other financial assets | | 23 | 209 |
| Others cash flows | | (174) | 12 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | (4,715) | (4,082) |
| Receipts and (payments) from equity instruments: | 17 | (245) | 4 |
| Acquisition | | (262) | (110) |
| Disposal | | 17 | 114 |
| Receipts and (payments) from liability instruments: | 19 | 447 | 26 |
| Issues | | 3,343 | 4,236 |
| Return and redemption | | (2,896) | (4,210) |
| Payments for dividends and payments on other equity instruments | 17 | (1,608) | (949) |
| Other cash flows from financing activities | | (314) | (459) |
| Interest payments | | (623) | (635) |
| Other receipts / (payments) from financing activities | | 309 | 176 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | (1,720) | (1,378) |
| Effect of changes in exchange rates | | 42 | (224) |
| Net increase / (decrease) in cash and cash equivalents | | 306 | 28 |
| Cash and cash equivalents at the beginning the year | 15 | 2,585 | 2,557 |
| Cash and cash equivalents at the end the year | 15 | 2,891 | 2,585 |
| COMPONENTS OF CASH AT THE END OF YEAR | | 31/12/08 | 31/12/07 |
| (+) Cash and banks | | 1,589 | 684 |
| (+) Other financial assets | | 1,302 | 1,901 |
| TOTAL CASH AND CASH EQUIVALENTS AT THE END OF YEAR | | 2,891 | 2,585 |

The accompanying Notes 1 to 42 are an integral part of these consolidated cash flow statements.

Index

| | |
|---|----|
| 1. Basis of presentation | 18 |
| 2. Regulatory framework | 19 |
| 3. Basis of consolidation | 25 |
| 4. Accounting policies | 27 |
| 4.1 Current/Non-current classification | 27 |
| 4.2 Offsetting | 27 |
| 4.3 Functional currency and foreign currency transactions | 27 |
| 4.4 Goodwill | 27 |
| 4.5 Other intangible assets | 28 |
| 4.6 Tangible assets | 29 |
| 4.7 Investment property | 31 |
| 4.8 Non-current assets available for sale and linked liabilities | 31 |
| 4.9 Impairment losses on tangible assets, intangible assets and goodwill | 31 |
| 4.10 Current and non-current financial assets | 32 |
| 4.11 Inventories | 33 |
| 4.12 Cash and cash equivalents | 33 |
| 4.13 Net income per share | 33 |
| 4.14 Financial liabilities | 34 |
| 4.15 Provisions | 34 |
| 4.16 Pensions and other similar obligations | 34 |
| 4.17 Subsidies | 35 |
| 4.18 Deferred income | 35 |
| 4.19 Leases | 36 |
| 4.20 Income tax | 36 |
| 4.21 Revenue and expense recognition | 37 |
| 4.22 Financial derivatives | 37 |
| 4.23 Methodology for estimating recoverable amount | 39 |
| 4.24 New standards issued | 39 |
| 5. Financial risk management and definition of hedges | 41 |
| 5.1 Market Risk | 41 |
| 5.2 Liquidity risk | 42 |
| 5.3 Credit Risk | 43 |
| 6. Capital management | 44 |
| 7. Accounting estimates and judgments | 45 |
| 8. Goodwill | 46 |
| 9. Other intangible assets | 48 |
| 10. Tangible assets | 49 |

| | |
|--|-----|
| 11. Investment property | 51 |
| 12. Asset impairment | 52 |
| 13. Investments accounted for using the equity method | 52 |
| 14. Non-current assets available for sale and linked liabilities | 54 |
| 15. Current and non-current financial assets | 54 |
| 16. Inventories | 59 |
| 17. Equity | 60 |
| 18. Dividends | 64 |
| 19. Financial liabilities | 64 |
| 20. Provisions for contingencies and expenses | 68 |
| 21. Provision for pensions and similar obligations | 68 |
| 22. Subsidies and other non-current liabilities | 69 |
| 23. Obligations under finance leases | 70 |
| 24. Trade debts and accounts payable | 70 |
| 25. Tax matters | 71 |
| 26. Joint ventures | 74 |
| 27. Income and expenses from continuing operations | 75 |
| 28. Finance income and costs | 76 |
| 29. Segment reporting | 76 |
| 30. Business combinations and changes in composition of the group | 80 |
| 31. Divestments | 82 |
| 32. Medium- and long-term incentive plans | 84 |
| 33. Information on related party transactions | 84 |
| 34. Information on the members of the board of directors and executives | 86 |
| 35. Headcount | 89 |
| 36. Operating leases | 90 |
| 37. Contingent liabilities and obligations | 90 |
| 38. Derivatives transactions | 98 |
| 38.1 Fair value hedges of assets and liabilities | 99 |
| 38.2 Cash flow hedges | 101 |
| 38.3 Hedges of net investment in foreign operation | 104 |
| 38.4 Other derivatives transactions | 105 |
| 39. Environmental information | 109 |
| 40. Fees paid to the auditors | 111 |
| 41. Subsequent events | 111 |
| 42. Explanation added for translation to english | 111 |

1

Basis of presentation

Repsol YPF, S.A. and investees composing the Repsol YPF Group (hereinafter “Repsol YPF”, “the Repsol YPF Group” or “the Group”) constitute an integrated group of oil and gas companies which commenced operations in 1987 and engage in all the activities relating to the oil and gas industry, including exploration, development and production of crude oil and natural gas, the transportation of oil products, liquid petroleum gas (LPG) and natural gas, refining, the production of a wide range of oil products and the retailing of oil products, oil derivatives, petrochemicals, LPG and natural gas.

The corporate name of the parent of the corporate Group of companies that prepares and files these consolidated financial statements is Repsol YPF, S.A.

Repsol YPF, S.A. is registered at the Madrid Mercantile Registry in volume 3893, folio 175, sheet no. M-65289, entry no. 63^a. Its Employer Identification Number is A-78/374725 and its National Classification of Economic Activities Number is 742.

Its registered office is in Madrid, at Paseo de la Castellana, 278, where the Shareholder Service Office is also located, the telephone number of which is 900 100 100.

Repsol YPF is a private-law entity incorporated in accordance with Spanish legislation, which is subject to the Spanish Corporations Law of 22 December 1989, and, in particular, to the legislation governing listed corporations, whose activities, both in Spain and abroad, are subject to wide-reaching regulations.

The accompanying consolidated financial statements are presented in millions of euros and were prepared from the accounting records of Repsol YPF, S.A. and of its investees. The consolidated financial statements are presented in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and as approved by the European Union at 31 December 2008. The IFRS approved by the European Union differ in some aspects to the IFRS published by the International Accounting Standards Board; however these differences do not have a relevant impact on the Group's consolidated financial statements for the years presented. Accordingly, they present fairly the Group's consolidated equity and financial position at 31 December 2008, the results of its operations, the changes in consolidated equity and the consolidated cash flows in the year then ended.

The presentation format of the accompanying financial statements has been amended with respect to 2007 in application of the disclosure requirements established in Circular 1/2008, of January 30, from the Spanish “Comisión Nacional del Mercado Valores” (CNMV). These mentioned amendments, although not relevant, have meant the implementation of new headings within the financial statements and changes in some disclosures in the notes to the financial statements (see mainly notes 15, 19 y 33). In addition, the Consolidated Statement of Recognised Income and Expense has been included for the first time. Necessary information, where appropriate, regarding the fiscal year 2007 has been amended and is shown for comparative purposes.

These consolidated financial statements for 2008, which were prepared by the Board of Directors of Repsol YPF, S.A. at its meeting, held on 25 February 2009, and the financial statements of the investees will be submitted for approval by the shareholders at the respective Annual General Meeting, and it is considered that they will be approved without any changes.

The preparation of the consolidated financial statements in accordance with IFRS, which is the responsibility of the Group's directors, makes it necessary to make certain accounting estimates and for the directors to use their judgment when applying the Standards. The most complex areas, the areas in which the directors' judgment is most required and the areas in which significant assumptions or estimates have to be made are detailed in Note 7 (Accounting Estimates and Judgments).

The consolidated financial statements for 2007 were approved by the shareholders at the Annual Meeting of Repsol YPF, S.A. held on 14 May 2008.

2

Regulatory framework

Spain

General

Spain currently has legislation to liberalize the oil industry, the most recent manifestation of which is Hydrocarbons Sector Law 34/1998, of October 7, 1998, which has been amended by several provisions, among them the Law 12/2007, of July 7, and implemented through numerous royal decrees and ministerial orders. The said Law establishes the criteria for allocating powers among the Spanish government and the central and regional administrations.

The Spanish National Energy Commission (Comisión Nacional de Energía) is the public agency attached to the Ministry of Industry, Tourism and Commerce, with power as regulatory authority, that is in charge of ensuring effective competition, objectivity and transparency in the electricity and liquid and gaseous hydrocarbons markets and to the benefit of all market participants, including consumers.

Royal Decree-Law 4/2006 expanded the functions of the Spanish National Energy Commission. Prior administrative authorization must be obtained for certain acquisitions or investments in companies that engage in regulated activities or activities that, although not regulated in the strict sense, are subject to significant oversight by administrative bodies in Spain. Notwithstanding this, on 28 July 2008, the European Court of Justice declared that the achievement of the aforementioned administrative authorization (regarding acquisitions carried out by Community Companies) is contrary to sections 43 and 56 of the EC.

Royal Decree-Law 5/2005, of March 11, 2005, contains provisions relating to the energy markets. Among these provisions, the definitions of “main operator” (a company that is among the five companies with greater market share in any of the different sectors at issue) and “dominant operator” (a company that has, as a group, a market share equal or superior to 10 percent of the market in which it is operating, that is, generation and supply electric energy sectors, production and supply of fuels; production and supply of LPG, production and supply of natural gas) are significant.

The definition of “main operator” is important because it affects the limitations on the exercise of voting rights and the appointment of members of the administrative body to the physical or legal persons which directly or indirectly have participations in the Capital or in the voting rights of two or more companies acting as main operators in aforementioned sectors.

Regarding the “dominant operator”, the Law, to date, has not established limitations in connection with the petroleum industry. To be defined as a “dominant operator” only implies certain limitation or additional liabilities in the electricity sector.

Pursuant to Law 55/1999 (amended by Law 62/2003), the acquisition by public entities, or by entities of any kind controlled by public entities or in which public entities hold a major stake, of ownership stakes in energy companies of at least 3% of the capital stock, must be notified to the Government, to the effect that the Council of Ministers may, within two months, authorize, deny or set conditions on the exercise of political rights (the so-called energy “golden share”). The Decision of the Court of Justice of the European Communities of February 14, 2008 determined that Spain had not fulfilled the obligations incumbent upon it pursuant to article 56 CE, because it has retained measures such as the “golden energy share,” which limit the voting rights of shares held by public entities in Spanish companies operating in the energy industry.

Liquid Hydrocarbons, Oil and Petroleum Derivatives

In Spain, hydrocarbon deposits and underground storages existing on Spanish territory and in the territorial marine subsoil and ocean bottoms which are under Spanish sovereignty are considered public properties. Also some of the activities falling within the scope of Law 34/1998 may be subject to the required authorizations, permits and/or concessions. Other activities are liberalized.

Construction and operation of refining, transportation and fixed storage facilities are subject to prior authorization the granting of which is required to meet the relevant technical, safety, financial, environmental requirements.

Third parties may freely access transportation and fixed storage facilities of oil products, such as the facilities of Compañía Logística de Hidrocarburos S.A. (“CLH”), on conditions agreed on an objective, transparent and non-discriminatory basis. Notwithstanding, the Spanish government has the discretion to establish access tolls for mainland territories and for those areas of the Spanish territory where alternative transport or storage facilities do not exist or are insufficient. As of the date of this annual report, the Spanish government has not exercised this discretion.

Pursuant to Royal Decree Law 6/2000, no physical or legal person may hold, directly or indirectly, ownership of more than 25% of the capital stock of CLH. This same Royal Decree further provides that the aggregate direct or indirect ownership interest in CLH of entities with refining capacity in Spain may not exceed 45% of CLH's capital.

Petroleum derivative prices have been liberalized, with the exception of LPG, which is subject, in some cases, to maximum retail prices. Prices of bulk LPG and LPG sold in bottles that are less than eight kilograms or more than 20 kilograms have been liberalized.

The quarterly maximum sale pricing, before taxes, of bottled liquefied gas petrol, and affecting the cans with the same or higher weight than 8 kg and lower than 20 kg, with the exception of the mixture cans for the use of the liquefied gas petrol as fuel, is updated by the Ministerial Order ITC/1858/2008 on 26 June. The Spanish Government, by the Ministerial Order ITC/2707/2008, on 26 September, temporarily adjourned the implementation of the maximum pricing formula for the fourth quarter of 2008, keeping for fourth quarter the maximum pricing fixed from the previous quarter.

The retail marketing of bottled liquefied gas petrol may be carried out freely by any physical or legal person.

Natural Gas System

Law 12/2007 of July 2, 2007 amended Law 34/1998 on the hydrocarbon sector, incorporating into Spanish Law European Parliament Directive 2003/55, and incorporates measures for achieving a completely liberalized market which will be the basis for greater competition, price reduction and improvement in the quality of service to the end-user.

This regulation establishes the extinction of the tariff system. The same Directive includes the role of the supplier of last resort, who shall be liable to supply the consumers with deficient power of negotiation. Moreover, it shall be for a maximum price (“last resort tariff”) which shall be established by the Ministry of Industry, Tourism and Trade. The Ministerial Order ITC/2857/2008, on 10 October, regulates the supply tariff of last resort for the natural gas and sets its calculation.

The activities of different individuals involved in the gas system are redefined, establishing a legal and operational separation between the so-called “network activities” (transportation, distribution, regasification or storage), on the one hand, and production and supply activities, on the other. In addition, the Law eliminates possible competition between distributors and marketers in the supply sector by eliminating the tariff system and creating a last-resort tariff.

Regasification, basic storage, transportation and distribution activities are regulated activities. Companies that perform these activities may not perform commercialization activities. Royal Decree 949/2001 implemented criteria and principles related to compensation for regulated activities.

Commercialization activities are liberalized. Companies dedicated to natural gas commercialization may not have additional corporate objectives in the gas sector and may not perform regasification, basic storage, transport or distribution activities.

Since January 1, 2003, all consumers, regardless of their level of consumption, are qualified consumers and may choose between buying natural gas from distributors in the regulated market or from commercializers in the liberalized market.

The construction, operation, modification and closing of basic network and carrier network facilities require prior government authorizations.

The system's technical manager is responsible for the technical management of the basic network and the secondary carrier network and guarantees the continuity and safety of the supply and appropriate coordination among access points, storage facilities, transportation and distribution. Enagas, S.A. is the system's technical manager. Pursuant to Law 62/2003, no entity may own, directly or indirectly, more than 5% of the capital stock of Enagas, S.A.

As of January 1, 2003, no company or group of companies acting in the natural gas sector can collectively provide natural gas for consumption in Spain in an amount in excess of 70% of domestic consumption. The Spanish government is authorized to modify that percentage based on changes in the sector and the sector's business structure.

Minimum safety stock

Royal Decree 1766/2007, whereby the Royal Decree 1716/2004 is amended, regulates the minimum stock maintenance in the oil and natural gas sectors, the liability of diversification in the natural gas supply and the set up the Corporation of Strategic Reserves of Petroleum Products (CORES). The mentioned Royal Decree increases the number of minimum safety stock days from 90 to 92 compulsory days as of 1 January 2010.

The Competent Administrative Authority appointed for the inspection and control of the minimum safety stock and the diversification is the Corporation of Strategic Reserves of Petroleum Products (CORES).

Argentina

Exploration and Production

The Argentine oil and gas industry is regulated by Law No. 17,319 (the “Hydrocarbons Law”). The Argentine government, through the Secretariat of Energy, issues regulations to complement the Law. The regulatory framework of this Law was established on the assumption that the reservoirs of hydrocarbons would be national properties and Yacimientos Petrolíferos Fiscales Sociedad del Estado, YPF's predecessor, was responsible for their operation under a different framework than private companies.

In 1992, Law No. 24,145, (referred to as the “YPF Privatization Law”) regulated the privatization of YPF and initiated a process for the transfer of hydrocarbon reservoirs from the Argentine government to Provinces, in whose territories they were located. The YPF Privatization Law established that the exploration licenses and exploration concessions in force at the time this Law was passed would be transferred on expiration of the corresponding legal and/or contractual terms.

The YPF Privatisation Law awarded YPF 24 exploration licenses and 50 exploration concessions. The Hydrocarbons Law limits the number and total surface area of the exploration licenses or exploration concessions which an entity may hold.

In October 2004, the Argentine Congress enacted Law No. 25,943 creating a new state-owned energy company, Energía Argentina S.A., (“ENARSA”). The corporate purpose of ENARSA is the study, exploration and exploitation of hydrocarbons fields, the transport, storage, distribution and commercialization of these products and their derivatives products, as well as the transportation and distribution of natural gas, and the generation, transportation, distribution and sale of electricity. This Law granted to ENARSA all exploration concessions in respect of offshore areas that had not been awarded to other companies before the Law came into force.

In accordance with the current legal system (new Article 124 of the Argentine Constitution, Decree 546/2003, Law 26.197) oil and gas regulation (both legislative and regulatory) falls under the jurisdiction of the National Government, whereas the application of the Oil and Gas Law and its supplementary regulations will correspond to the provinces or to the State, depending on where the fields are located.

In October 2006, Law 26,154 created a special regime for oil and gas exploration and operation applicable to all the participating provinces in the Republic of Argentina and on the Argentine Continental Shelf. Interested parties must go into partnership with ENARSA in order to avail themselves of the numerous benefits of this regime.

In November 2008, by virtue of the Decree of the National Executive Power N. 2014/2008, the program “Petróleo Plus” was set up and aimed to increase the production and stocks through new prospecting and exploitation investments. To this goal, it establishes a system of tax incentives for those exploitation companies to increase their production and stocks within the provisions of the program.

Natural Gas

In June 1992, Law 24,076 was enacted, establishing the regulatory framework for the transport and distribution of natural gas. It also stipulated that natural gas transport and distribution activities constituted a national public service.

The regulatory framework applicable to the transport and distribution of natural gas establishes an open access system under which producers such as YPF have open access to the transport capacity available in the transport and distribution systems on non-discriminatory bases.

Natural gas exports require the prior approval of the Ministry of Energy.

Refining

Crude oil refining activities are subject to authorisation by the Argentine government, and to compliance of national, provincial and municipal safety and environmental regulations. Oil companies must be registered in the registry of oil companies held by the Ministry of Energy

Market Regulation

The Hydrocarbons Law authorizes the executive branch of the Argentine government to regulate the Argentine oil and gas markets and prohibits the export of crude oil during any period in which the executive branch finds domestic production to be insufficient to satisfy domestic demand.

Through the Resolution N. 265/2004 of the Secretariat of Energy, the Argentinean Government set up a program of useful cut downs on natural gas exports and related transportation. Said program was replaced by the Program of Rationalisation of Gas Exports and the Use of Transportation Capacity (the "Program") passed through Resolution N. 659/2004 of the Secretariat of Energy. Additionally, the Resolution SE N. 752/2005 made an arrangement for industrial users and thermal generators (who from that Resolution shall purchase directly the natural gas from the producer) who might also be supplied with natural gas from export cut downs, through the Constant Additional Injection set up by that Resolution. By means of the Program and/or the Constant Additional Injection, the Argentinean Government requires the natural gas export producers the delivery of additional amounts of the said product to the domestic market to meet the demand of some users in the Argentinean market ("Additional Injection Requirements"). Such additional volumes are not contracted by YPF and it is compelled to charge the natural gas exports, whose execution has been conditioned. Additionally, the Argentinean Government by the mediation of instructions taught by different paths has regulated some restrictions to the natural gas exports (together with the Program and the "Constant Additional Injection", called the "Restrictions").

By the enactment of several rules, the Fuels Undersecretariat restored a record system for the hydrocarbons and derivatives exports and some obligations for supply to the local market were enforced, including the obligation to import some products as allowances for export, whether necessary to meet internal demand. On 11 October 2006, the Secretariat of Internal Commerce demanded to the refining companies and/or the wholesalers and/or the retailers to cover the fuel-oil demand in the whole territory of Argentina meeting the market growth.

The Resolution N. 394/07 of 16 November has increased the taxes to the crude and derivative exports in Argentina. The new scheme sets up that in the cases in which the export price is fixed over the reference price (60.9 dollars/barrel), the producer shall have the right to charge 42 dollars per barrel and the rest up to the benchmark price shall be withheld by the Government of Argentina as taxes to import. In the event that the export price is under the international benchmark price fixed, but over 45 dollars per barrel, 45% retention shall apply. In the event that the export price was under 45 dollars per barrel, the withholding percentage shall be fixed within 90 days' term. This same method shall apply to the exports of other oil products and lubricants using different benchmark prices, withholding prices and prices allowed for producers wherever the cases.

On 14 June 2007 the Decision N. 599/07 of the Secretariat of Energy passed a proposal in agreement with the natural gas producers concerning the supply of natural gas to the domestic market for the period 2007 to 2011 ("Agreement 2007-2011"). YPF signed the agreement.

In October 2008 the Resolution 1070/08 of the Secretariat of Energy ratified the "Supplementary Agreement with Natural Gas Producers" whose effective term is extended to 31 December 2009. YPF signed the Agreement whose goal is: (I) the restructuring of natural gas prices at wellhead; (II) the segmentation of the residential demand and (III) the setting up of the contribution of the natural gas producers sector to the Trust Fund created by Act 26,020 for the promotion of a lower differential price offer for the LPG bottles of ten, twelve and fifteen kilograms for those residential LPG low-income consumers.

By virtue of the Resolution SE 24/2008, amended by the Decision SE 1031/2008, the incentives program for the production of natural gas called "Gas Plus" is set up. The natural gas produced under this Gas Plus program shall not be included as part of the Agreement Volume with the Natural Gas Producers 2007-2011 and whose marketing value shall not be

subject to the price conditions provided in the Agreement with the Natural Gas Producers 2007-2011.

Law N. 26,020 establishes the basic regulatory framework for the industry and marketing of the LPG (Liquefied Petroleum Gas). The authority established the volumes and sales prices of LPG through various resolutions.

Venezuela

The Basic Hydrocarbons Law (Ley Orgánica de Hidrocarburos, LOH) regulates migration from the former operating agreements to mixed-ownership enterprises. On 20 June 2006 the Energy and Petroleum Ministry approved the incorporation of the mixed oil company Petroquiriquire, S.A., in which Repsol YPF has a 40% interest and PDVSA a 60% stake. On the same date, the incorporation of the mixed company Quiriquire Gas, S.A. was also approved, in which Repsol YPF and PDVSA have an interest of 60% and 40%, respectively. The license was granted in March 2007.

Bolivia

On 1 May 2006 Supreme Decree 28,701 (the "Nationalization Decree") was published, which nationalised the country's oil and gas and transferred the ownership and control thereof to the Bolivian company Yacimientos Petrolíferos Fiscales Bolivianos (YPFB). Furthermore, the shares required to enable YPF to control at least 50% plus one vote in different companies, among them Empresa Petrolera Andina, S.A.

As a result of the aforementioned, Empresa Petrolera Andina, S.A. entered with YPF into a Purchase and Sales Agreement, and the corresponding Stockholders Agreement, by virtue thereof it was transferred to YPF the 1.08% of the Share Capital of Empresa Petrolera Andina, S.A., a company which has changed its corporate name to YPF Andina, S.A.

Operating Contracts

According to the Hydrocarbons Act 3,058 dated 19 May 2005 and the Nationalisation Decree, on 28 October 2006, Repsol YPF E&P Bolivia S.A. and its affiliate Empresa Petrolera Andina, S.A., now YPF Andina S.A., signed with YPF the Exploitation Contracts establishing the conditions for the prospecting and production of hydrocarbons in Bolivia, effective as of 2 May 2007.

Regarding these contracts, on 9 April 2008, by means of Supreme Decree 29,504, the conditions and parameters were set up for the recognition, approval and publication by YPF of the Recoverable Costs within the framework of the Exploitation Contracts entered into between the oil companies and YPF. This Decree was carried out in accordance with Act 3,740 of Sustainable Development in the Hydrocarbons Sector.

Furthermore, by the Supreme Decree 29,528 of April 23rd 2008, that amends the Supreme Decree 28,222 of 27 June 2005, that rules the Regulation for the Settlement of Royalties and the Participation to the National Treasury for the production of hydrocarbons, and the Supreme Decree 28,223 of June 27th 2005, that rules the Regulation for the Settlement of Direct Taxes to Hydrocarbons. Both regulations were amended for the purpose of being in line with the Exploitation Contracts executed between the oil companies and YPF.

As of the date of these consolidated financial statements there are some pending issues concerning the Exploitation Contracts and the compliance of previous liabilities, still not regulated. Among these pending aspects there is to be highlighted the process of settlement and reconciliation of accounts with YPF and the placement of the method of payment of the VAT regarding the Holders Compensation which, on December 2008, was acknowledged and paid by YPF with Tax Credit Notes (negotiable securities). Currently Repsol YPF, as other Holders, is in negotiations with YPF with respect to the Delivery Agreements, and Methods of Payment, included in the final draft and, which, shall complement the contractual framework of the Exploitation Contract regarding the payment of the Holders Compensation and the delivery of hydrocarbons to YPF.

Transition Period

The transition period, until the execution by YPF of new transport and marketing agreements, that started on 13 May 2007 and was extended for several opportunities until finally

the Supreme Decree 29,709 extended the transitional period until 30 November 2008. The Supreme Decree established that in the event that prior to the mentioned date the transport and marketing agreements of natural gas and liquid hydrocarbons had not been signed with YPFB, from 1 December 2008 onwards, YPFB shall apply the conditions agreed on contracts already executed with similar companies. It is worth to mention that YPFB has executed the natural gas and liquid hydrocarbons transport agreements with the carrier company Transredes S.A., and that Repsol YPF E&P Bolivia S.A. signed an agreement with Transredes S.A., now called YPFB Transporte S.A., the Termination Agreement of the corresponding natural gas transport agreement. To date the Termination Agreement of the Liquid Hydrocarbons transport agreement is still being negotiated.

Ecuador

On 29 March 2006, by the Law 2006-42, Ecuador demanded from the contractors of all the prospecting and exploitation joint contracts of hydrocarbons the payment of at least 50% of the so-called "surpluses of crude oil", that is, of the difference between the participation value of each contractor, according to the oil price at the date of the execution of the contract (calculated on the basis of the monthly average of the sale price expressed in fixed values) and its value in accordance to the oil price at the date of sale by the contractors. Later on, the Executive Decree N. 662, on 4 October 2007, which amends the Executive Decree 1,672, increases the mentioned stake of the State over the oil surpluses up to 99%.

On 9 June 2008, the companies constituting the consortium of contractors of the Block 16 (Repsol YPF Ecuador S.A., Murphy Ecuador Oil Co., CRS Resources (Ecuador) LDC, and Overseas Petroleum and Investment Corporation), in disagreement with the application of this new encumbrance, filed to the CIADI an application for international arbitration pursuant to the Equity Contract. The total amount paid by the consortium of contractors under protest, until March 2008, regarding the application of the Act 2006-42, was 591.5 million dollars (EUR 425 million), amount whereby Repsol and the other members of the consortium of contractors claim compensation to Petroecuador and the Government of Ecuador before the CIADI. Repsol YPF share in the consortium of the Block 16 is 35%.

The Decrees 1,402 and 1,448 of 5 November 2008 and 3 December 2008, respectively, and the Act 42 of 29 March 2006, published in the Official Registry on 25 April 2006, decrease the mentioned State equity claim on the referred "surpluses of crude oil price" down to 70 %, but only applied to these Equity Contracts with the Government for the prospecting and exploitation of Hydrocarbons –or its amendments- executed as of 1 August 2008. As of 31 December 2008 Repsol YPF Ecuador S.A. (Ecuador branch), as operator of the Block 16, has not executed or amended any Equity Contract after 1 August 2008. However, on 6 November 2008 Repsol and the majority of the partners in the Block 16 have signed a deed for the amendment of said Equity Contract with the Ecuadorian Government and Petroecuador. Petroecuador has claimed from the consortium of contractor the extraordinary earning not paid yet. Repsol has requested to the CIADI, as precautionary measure in the arbitration, to stop the above claim.

Other countries

Repsol YPF's operations are also subject to an extensive variety of legislation and regulatory frameworks in the other countries in which it operates. All the aspects of the activities performed, including, inter alia, issues such as land occupancy, production rates, royalties, price-setting, environmental protection, export rates, exchange rates, etc., are covered by such legislation and regulatory frameworks. The terms of the concessions, licenses, permits and agreements governing the Group's interests vary from one country to the next. These concessions, licenses, permits and agreements are generally awarded or jointly carried out with government bodies or state companies and occasionally with private sector organisations.

The directors consider that the accompanying consolidated financial statements reflect, at the date of their preparation, all the significant events and effects of the economic and regulatory situation prevailing in the countries in which the Group operates. Also, based on the progress that can reasonably be expected to be made in relation to the foregoing, the directors consider that the adoption of measures or the occurrence of events which might have a significant adverse impact on the Group's operations is unlikely.

3

Basis of consolidation

3.1

Repsol YPF's consolidated financial statements include the investments in all their subsidiaries, associates and joint ventures.

All the subsidiaries over which Repsol YPF exercises direct or indirect control were fully consolidated. Control is the power to govern the financial and operating policies of a company so as to obtain benefits from its activities. Control is, in general but not exclusively, presumed to exist when the Parent owns directly or indirectly more than half of the voting power of the investee.

The share of the minority interests in the equity and profit of the Repsol YPF Group's consolidated subsidiaries is detailed under the headings "Minority interests", in the consolidated balance sheet and "Net income Attributable to Minority Interests" in the consolidated income statements, respectively.

Joint ventures are proportionately consolidated and, accordingly, the consolidated financial statements include the assets, liabilities, expenses and income of these companies only in proportion to the Repsol YPF Group's ownership interest in their capital. Joint ventures are those over which there is shared control and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

The assets, liabilities, income and expenses corresponding to the joint ventures are presented in the consolidated balance sheet and consolidated income statement in accordance with their specific nature.

Associates are accounted for using the equity method. These are companies over which the investor has significant influence but does not exercise effective or joint control. Significant influence is the power to affect financial and operating decisions of a company and is presumed to exist when the investor holds an interest of 20% or more. The equity method involves consolidation based on the underlying carrying amount of the interest held in the company, as reflected in "Investments accounted for using the equity method". The net profit or loss obtained each year through these companies is reflected in the consolidated income statements as "Share of results of companies accounted for using the equity method".

Losses incurred by an associate attributable to the investor that exceed the latter's interest in the associate are not recognised, unless the Group is obliged to cover them.

Appendix I contains a list of the consolidated subsidiaries, associates and joint ventures in which Repsol YPF, S.A. has direct and indirect ownership interests, which were included in the scope of consolidation.

The balances, transactions and profits between the fully consolidated companies were eliminated on consolidation. All balances, transactions and profits derived from transactions between the proportionately consolidated companies and other Group companies were eliminated in proportion to Repsol YPF's ownership interest in the capital of these companies. The profit or loss on transactions between Group companies and associates was eliminated in proportion to the Group's percentage of ownership of these companies.

The accounting policies and procedures used by the Group companies were standardised with those of the Parent for the purpose of presenting the consolidated financial statements using uniform measurement bases.

The financial statements of the investees whose functional currency differs from the presentation currency (see note 4.3), are translated as follows:

- The assets and liabilities in each of the balance sheet presented are translated at the exchange rates prevailing on the balance sheet date.
- Income and expense items in each of the income statements are translated at the average exchange rates of the period.

• Any exchange differences arising as a result of the foregoing are recognised as a separate component of “Adjustments for changes in value” of equity called “Translation Differences”.

On disposal of a company whose functional currency is not the euro, the exchange differences deferred as a component of equity relating to that company are recognised in the income statement on the same date as that on which the gain or loss on disposal is recognised.

The exchange rates against the euro of the main currencies used by the Group companies at 31 December 2008 and 2007 were as follows:

| | December 31st, 2008 | | December 31st, 2007 | |
|------------------|---------------------|-------------------------|---------------------|-------------------------|
| | Year-End Rate | Cumulative Average Rate | Year-End Rate | Cumulative Average Rate |
| Dollar | 1.392 | 1.471 | 1.472 | 1.370 |
| Argentinian Peso | 4.778 | 4.615 | 4.606 | 4.244 |
| Brazilian Real | 3.252 | 2.675 | 2.608 | 2.664 |

3.2 Changes in the scope of consolidation

Appendix I includes the main changes in 2008 and 2007.

4

Accounting policies

The principal accounting policies used by Repsol YPF in preparing the consolidated financial statements, are as follows:

4.1

Current/Non-current classification

In the accompanying consolidated balance sheet, assets and liabilities maturing within 12 months are classified as current items and those maturing within more than 12 months as non-current items.

4.2

Offsetting

As a general rule, in the consolidated financial statements neither assets and liabilities nor income and expenses are offset, except when offsetting is required or permitted by a given Standard and this presentation reflects the substance of the transaction.

Income and expenses arising from transactions in which, contractually or by law, offsetting is permitted and the Group intends to settle them on a net basis, or to realise the asset and settle the liability simultaneously are presented at their net amount in the consolidated income statements.

4.3

Functional currency and foreign currency transactions

Functional currency

The items included in these consolidated financial statements relating to the Group companies are measured using their functional currency, which is the currency in the main economic environment in which they operate. The consolidated financial statements are presented in euros, which is the Repsol YPF Group's functional and presentation currency.

Foreign currency

Transactions in currencies other than the functional currency of an entity are deemed to be “foreign currency transactions” and are translated to the functional currency by applying the exchange rates prevailing at the date of the transaction. At each year end, the foreign currency monetary items on the balance sheet are measured at the exchange rate prevailing at that date and the exchange rate differences arising from such measurement, except for what is mentioned in the preceding paragraph, are recognised under financial result in the income statement during the period in which they occur.

4.4

Goodwill

Goodwill relates to the excess of the cost of acquisition of investees over the fair value of their identifiable assets, liabilities and contingent liabilities at the date of acquisition (see Note 8).

In the event of a deficiency, the value of the assets, liabilities and contingent liabilities acquired must be re-assessed. If after this re-assessment the deficiency continues to exist, it is recognised as income under “Other Operating Income” in the consolidated income statement.

Goodwill is not amortised and, in accordance with IFRS 3, is subsequently measured at cost less any accumulated impairment losses (see Note 4.9).

4.5

Other intangible assets

The Repsol YPF Group initially recognises intangible assets at acquisition or production cost, except in the case of the emission allowances described in section f). This cost is amortised on a straight-line basis over their useful lives. At each balance sheet date, these assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The main intangible assets of the Repsol YPF Group are as follows:

a. Trademarks and similar intangible assets

Trademarks and similar intangible assets generated internally by the Group are not recognised as assets and the expenses incurred are allocated to income as incurred.

b. Research and development expenditure

The Group records incurred research expenses as expenses in the current period. Development expenses are capitalised if all the conditions required by the applicable accounting standard are fulfilled.

c. Leasehold assignment, surface and usufruct rights

This account includes the following:

- I. Costs relating to contracts for the purchase of service station management rights and of the usufruct and surface rights related to these assets. These costs are amortised over the related contract terms, which range from 9 to 50 years.
- II. Exclusive rights to use gas transmission pipelines. These rights are amortised over the term of the related right (currently 25 years).

d. Reflagging rights and rights of publicity

This account relates to the cost of reflagging contracts for service stations owned by third parties, and the account balance is amortised on a straight-line basis over the related contract term.

e. Exclusive supply contracts

This account relates to the costs arising from exclusive supply contracts entered into with service station owners, distributors and direct consumers, which are amortised on a straight-line basis over the term of the contract (the average term is currently five years).

f. Emission allowances

Emission allowances are recognised as an intangible asset and are measured at acquisition cost.

Allowances received for no consideration under the National Emission Allowance Assignment Plan, are initially recognised at the market price prevailing at the beginning of the year in which they are issued, and a balancing item is recognised as a grant for the same amount under deferred income, which is charged against income as the corresponding tons of CO₂ are consumed.

These allowances are not depreciated as its book value equals the residual value and, therefore, its depreciable basis is zero, as these keep its value until delivery, meanwhile these may be sold anytime. The rights of emissions are subject to an annual analysis on impairment (see Note 4.9). The market value of the emissions allowances is measured according to the average price of the stock market of the European Union (European Union Allowances) provided by the ECX-European Climate Exchange.

As the emissions are released into the atmosphere, the Group records an expense on the heading "Other operating Expenses" in the consolidated income statement acknowledging a provision whose amount is based on the CO₂ tones emitted, measured, (I) at its book value, (II) or by the quotation price at the closing in the case Repsol YPF does not have enough emission allowances available for the period.

In 2008 the net effect in the income statement of the Group due to the transactions related with the emissions allowances amounted to EUR 16 million, 2007 amounted to less than EUR 1 million.

When the emissions allowances for the CO₂ tons emitted are delivered to the authorities, the intangible assets as well as their corresponding provision are derecognised from the balance sheet without any effect on the income statement.

g. Other intangible assets

This account includes administrative concessions and other costs, such as those relating to computer software and intellectual property. These items are amortised on a straight-line basis over the useful lives of the assets; in the case of the administrative concessions, over the term of the related concession, and in the case of other assets over a period ranging between 3 and 20 years.

4.6

Tangible assets

The Repsol YPF Group uses the cost model by which items of tangible assets are measured initially at their acquisition cost.

a. Cost

The cost of tangible assets items includes their acquisition cost, all the costs directly related to the location of assets, making them operational and the present value of the expected disbursements necessary for any costs of dismantling and removing the item or restoring the site on which it is located, when such obligations are incurred under certain conditions. Subsequent changes to the estimates of the liabilities due to dismantling costs and related liabilities arising out of changes in the estimated cash flows or in the discount rate are added or deducted from the cost of the corresponding asset during the period in which they occur.

Borrowing costs that are directly attributable to the acquisition or construction of assets that require more than one year to become available for use are capitalised as part of the cost of these assets.

Personnel expenses and other operating expenses incurred in the construction of the asset are also capitalised.

The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

Repair, upkeep and maintenance expenses are recognised in the income statement as incurred. Furthermore, certain of the Repsol YPF Group's facilities require periodic reviews. In this respect, a portion of the items requiring replacement are recognised specifically and are depreciated over the period until the next repairs are carried out.

This heading also includes investments relating to oil and gas exploration and production activities (see Note 4.6.c), and the cost of assets held under finance leases (see Note 4.19.a).

b. Depreciation

Tangible assets, other than those relating to oil and gas exploration and production activities (see Note 4.6.c), are depreciated, using the straight-line method, on the basis of the acquisition cost of the assets less their estimated residual value, over the years of estimated useful life of the assets, the detail being as follows:

| | Years of estimated useful life |
|--|--------------------------------|
| Buildings and other structures | 30–50 |
| Machinery and fixtures: | |
| Machinery, fixtures and tools | 8–15 |
| Furniture | 9–15 |
| Refineries in service: | |
| Units | 8–15 |
| Storage tanks | 20–30 |
| Pipelines and networks | 12–18 |
| Gas infrastructure and distribution facilities | 20–40 |
| Transport equipment | 5–25 |

The depreciation of these assets starts when the assets become available for use.

Land is classified separately from the buildings or facilities that might be located on it and is deemed to have an indefinite useful life. Therefore, it is not depreciated.

c. Recognition of oil and gas exploration and production transactions

Repsol YPF recognises oil and gas exploration and production transactions using the “successful-efforts” method, whereby the accounting treatment of the various costs incurred is as follows:

- I. The costs incurred in the acquisition of new interests in areas with proved and non-proved reserves (including bonds, legal costs, etc.) are capitalised as incurred to the account “Investments in Areas with Oil Reserves” associated with proved reserves or non-proved reserves, as appropriate.
- II. The costs of acquiring interests on exploration permits for a given period of time are capitalised at their purchase price and registered in the caption “Other Exploration Costs”. If reserves are not found, the amounts previously capitalised are recognised as an expense in the consolidated income statement. If the exploration work yields positive results, giving rise to commercially exploitable wells, the costs are reclassified to “Investments in areas with reserves” at their carrying amount when the wells are determined to be commercially exploitable. Wells are classified as “commercially exploitable” only if they are expected to generate a volume of reserves that justifies their commercial development on the basis of the conditions prevailing when the costs are recognised (e.g. prices, costs, production techniques, regulatory framework, etc.).
- III. Exploration costs (geological and geophysical expenditures, expenditures associated with the maintenance of non-proved reserves and other expenditures relating to the exploration activity), excluding exploratory drilling expenditures, are charged to income as incurred.
- IV. Exploratory drilling costs, including those relating to stratigraphic exploration wells, are recognised as assets under the heading “Other Exploration Costs” until it is determined whether proved reserves justifying their commercial development have been found. If no proved reserves are found, the capitalised drilling costs are charged to income. However, if as a result of exploratory drilling, including stratigraphic exploratory wells, reserves are found that cannot be classified as proved, their recognition depends on the following:
 - If the area requires additional investments before production can commence, the drilling costs remain capitalised only during the period in which the following conditions are met: (I) the amount of proved reserves found justifies the completion of a productive well if the required investment is made; and (II) the drilling of additional exploratory or stratigraphic wells is underway or planned for the near future. If either of the aforementioned conditions is not met, the drilling costs or the cost of the stratigraphic wells are charged to income.
 - In all other circumstances, the existence of reserves that can be classified as proved has to be determined within one year from the completion of the prospection work. Otherwise, the related drilling costs are charged to income.

Drilling costs that have given rise to a positive discovery of commercially exploitable reserves are reclassified to “Investments in Areas with Reserves”.

- V. Development expenditure incurred in lifting proved reserves and in processing and storing oil and gas (including costs incurred in drilling relating to productive wells and dry wells under development, oil rigs, recovery improvement systems, etc.) are recognised as assets under “Investments in Areas with Reserves”.
- VI. Future field abandonment and dismantling costs (environmental, safety, etc.) are estimated, on a field-by-field basis, and are capitalised at their present value when they are initially recognised under “Investments in Areas with Reserves” in the consolidated balance sheet, within “Non-Current Provisions”.

The investments capitalised as described above are depreciated as follows:

- I. Investments in the acquisition of proved reserves are depreciated over the estimated commercial life of the field on the basis of the production for the year as a proportion of the proved reserves of the field at the beginning of the depreciation period.
- II. Investments relating to non-proved reserves or fields under evaluation are not depreciated. These investments reserves are assessed at least once a year or more frequently if there is any indication that they might have become impaired and, in the event of an impairment, the related loss is recognised with a charge to the net income for the year.
- III. Cost incurred in drilling work and subsequent investments to develop and lift oil and gas reserves are depreciated over the estimated commercial life of the field on the basis of the production for the year as a proportion of the proved reserves of the field at the beginning of the depreciation period.

The changes in estimated reserves are considered on a prospective basis in calculating depreciation.

At each balance sheet date or whenever there are indications that the assets might have become impaired, their recoverable amount (see Note 4.9) is compared to their carrying amount. Any impairment loss or reversal arising as a result of this comparison is recognised under “Costs from impairment losses and losses on disposal of non-current assets” or “Income from reversal of impairment losses and gains on disposal of non-current assets” on the consolidated income statement (see notes 4.9, 10, 12 and 27).

d. Environmental tangible assets

Tangible assets of an environmental nature, the purpose of which is to minimise environmental impact and to protect and improve the environment, are identified on the basis of the nature of the business activities carried on by the Group, based on technical criteria in the guidelines relating to these matters issued by the American Petroleum Institute (API).

Environmental tangible assets and the related accumulated depreciation are recognised in the consolidated balance sheet together with other tangible assets, classified by their nature.

Their cost, depreciation methods and the valuation adjustments to be performed are determined in accordance with the rules relating to these non-current asset items, as explained in Notes 4.6.a to 4.6.c

4.7

Investment property

Investment property relates to assets (buildings, land) held either to earn rentals from their leasing, or for capital appreciation. These assets are not used in the Group’s business activities and are not for own use. Repsol YPF recognises investment property using the cost model, applying the same policies as those for items of tangible assets (see Note 4.6.a-b).

4.8

Non-current assets available for sale and linked liabilities

Non-current assets are classified as available for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. The sale should be expected to be completed within one year from the date of classification.

These assets are presented at the lower of carrying amount and fair value less costs to sell.

In the liabilities of the balance sheet, under the heading “Liabilities linked to non-current assets available for sale” include the liabilities related to assets which comply with the definition described in the previous paragraphs.

4.9

Impairment losses on tangible assets, intangible assets and goodwill

In order to ascertain whether its assets have become impaired, the Group compares their carrying amount with their recoverable amount at the balance sheet date, or more frequently if there are indications that the assets might have become impaired. For that purpose, assets are grouped into cash-generating units as they generate cash flows which are independent from other units.

To perform this test, goodwill acquired on a business combination is allocated among the cash-generating units or groups of cash-generating units (CGUs) that benefit from the synergies of the business combination and the recoverable amount thereof is estimated by discounting the estimated future cash flows of each unit.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a rate that reflects the weighted average cost of capital employed, which is different for each country and business.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced

to its recoverable amount, and an impairment loss is recognised as an expense under “Costs from impairment losses and losses on disposal of non-current assets” in the consolidated income statement.

The basis for future depreciation or amortisation will take into account the reduction in the value of the asset as a result of any accumulated impairment losses.

On the occurrence of new events, or changes in existing circumstances, which prove that an impairment loss recognised on a prior date could have disappeared or decreased, a new estimate of the recoverable value of the corresponding asset is developed, to determine whether it is applicable to reverse the impairment losses recognised in previous periods. In the event of a reversal, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined in case no impairment loss had been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised under “Income from reversal of impairment losses and gains on disposal of non-current assets” in the consolidated income statement. An impairment loss recognised for goodwill can not be reversed in a subsequent period.

4.10

Current and non-current financial assets

The Group classifies its investments when they are initially recognised and reviews their classification at each balance sheet date. The assets are classified on the basis of the purpose for which they were acquired.

This category has, in turn, the following sub-categories:

a. Financial assets at fair value with changes in results

a.1. Financial assets held for trading: this category comprises derivatives not designated as hedging instruments.

a.2. Other financial assets at fair value with changes in profit and loss: this category comprises those financial assets acquired for trading or sale in the short-term which are not derivatives.

b. Financial assets available for sale

Financial assets available for sale are financial assets that have either been classified in this category or have not been classified in any other financial asset category.

c. Loans and receivables

Accounts receivable are financial assets with fixed or determinable payments that are not quoted on an active market. They arise when the Group provides money, goods or services directly to a debtor without any intention of negotiating the account receivable.

d. Held to maturity investments

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold from the date of purchase to the date of maturity.

A financial asset is initially recognised at fair value (see Note 4.22) plus, in the case of a financial asset which is not recognised at fair value through profit and loss, the transaction costs which are directly attributable to its acquisition or issue.

Subsequent to initial recognition, all financial assets, except for “Loans and receivables”, the “Held to maturity investments” and certain investments in company shares will be measured at fair value. “Loans and receivables” and “Held to maturity investments” are measured at amortised cost, and the accrued interest income is recognised in profit or loss on the basis of the effective interest rate. Investments in shares of companies that are not listed on an active market and whose fair value cannot be measured reliably will be measured at cost.

In the case of “Other financial assets at fair value with changes in profit and loss”, gains and losses from changes in fair value are recognised in the net profit or loss for the year. In the case of “Investments available for sale”, the gains and losses from changes in fair value are recognised directly in equity until the asset is disposed of or it is determined that it has become impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the net profit or loss for the year.

An impairment loss on financial assets at amortised cost is recognised when there is objective evidence that the Group will not be capable of collecting all the related amounts under the original terms of the accounts receivable.

The amount of the impairment loss is the difference between the carrying amount and the present value of the future cash flows discounted at the effective interest rate, and is recognised as expense in the consolidated income statement. The carrying amount of the asset is reduced through a correction account.

If, in later periods, a recovery in the value of the financial asset valued at depreciated cost occurs, the impairment loss recognised will be reversed once this does not give rise to a carrying amount for the financial asset that exceeds the carrying amount on the books that existed before the impairment loss was registered. The reversals of the amount will be recognised against the profits for the period.

Finally, a receivable account is considered as non-collectable when situations similar to the following occur: the company has been wound-up, there are no assets to be used in settling the debts or when a legal decision has been issued.

4.11

Inventories

Inventories acquired for our own use are stated at the lower of cost and net realisable value. Cost (basically the average cost) includes acquisition costs (less trade discounts, rebates and other similar items), transformation and other costs which have been incurred in bringing the inventories to their present location and condition.

In the case of refinery products, the costs are allocated to income in proportion to the selling price of the related products (isomargin method) due to the existing difficulty to recognize the conversion costs of every product.

The Group assesses the net realisable value of the inventories at the end of each period and recognises in income the appropriate valuation adjustment if the inventories are overstated. When the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed.

Net realisable value is the estimated selling price at year-end less the estimated costs of completion and costs to be incurred in marketing, selling and distribution.

In the case of commodities and similar items, it shall not be necessary to decrease the book value under the cost provided the finished products to which these are hedged are expected to be sold above cost.

Commodities inventories acquired for trading are measured at fair value less costs to sell and changes in fair value are recognised in income. These inventories do not represent a significant volume of the Group's operations (see Note 16).

4.12

Cash and cash equivalents

Repsol YPF classifies under “Cash and cash equivalents” liquid financial assets, deposits or financial assets that can be converted into a known amount of cash within three months and that are subject to an insignificant risk of changes in value.

4.13

Net income per share

Basic net income per share is calculated by dividing the net income attributable to the Parent by the weighted average number of ordinary shares outstanding during the year taking into account, where appropriate, the treasury shares (see Notes 17.1 and 17.4).

4.14**Financial liabilities**

Financial liabilities are initially recognised at fair value less the transaction costs incurred. Since the Group does not have any held-for-trading financial liabilities, except for derivative financial instruments, after initial recognition, financial liabilities are measured at amortised cost. Any difference between the financing received (net of transaction costs) and repayment value is recognised in the consolidated income statement over the life of the debt instrument in question, using the effective interest rate method.

Preference shares, the terms and conditions of which are detailed in Note 19 correspond to this liability category. They are initially recognised at fair value net of issue costs and are subsequently measured at amortised cost, unless they form part of a hedging transaction.

Trade debts and accounts payable are financial liabilities which do not explicitly bear interest and which are recognised at their face value.

The Group removes financial liabilities from the balance sheet when the obligations are cancelled or expire.

4.15**Provisions**

In accordance with legislation, the Group makes a distinction between:

- a. **Provisions:** present obligations, either legal or assumed by the Group, arising from past events, the settlement of which is expected to give rise to an outflow of resources the amount and timing of which are uncertain; and
- b. **Contingent liabilities:** possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group, or present obligations arising from past events the amount of which cannot be estimated reliably or whose settlement is not likely to give rise to an outflow of resources.

These provisions are recognised when the liability or obligation giving rise to the indemnity or payment arises, to the extent that its amount can be reliably estimated and it is probable that the commitment will have to be settled.

When a contract qualifies as onerous, the related present liabilities are recognised in the consolidated financial statements as provisions.

Contingent liabilities are not recognised in the consolidated financial statements, but rather are disclosed, as required by IAS 37 (see Note 37).

4.16**Pensions and other similar obligations****a. Defined contribution plans**

Repsol YPF has defined contribution plans for certain employees in Spain, which conform to current legislation. The main features of these plans are as follows:

- I. They are mixed plans to cover retirement, disability and death of the participants.
- II. The sponsor (Repsol YPF) undertakes to make monthly contributions of certain percentages of serving employees' salaries to external pension funds.

YPF also has a defined contribution pension plan for the employees of its main companies, in which the company contributes basically the same amount as the participant up to a stipulated ceiling.

Also, the Gas Natural Group has defined contribution pension plans for certain employees.

The annual cost of these plans is recognised under "Personnel expenses" in the consolidated income statement.

b. Executives' welfare plan. Hybrid defined contribution plan with a specific guaranteed return.

As part of the strategy to transform the remuneration system of the executives of the Repsol YPF Group, with effect from 1 January 2006, a new social welfare system was implemented called the "Welfare Plan", which, in the case of participating executives, extinguishes, replaces and absorbs the former "Long-Service Bonus". This is a hybrid defined contribution

retirement plan, supplementary to the occupational pension plan, which includes a specific guaranteed return equal to 125% of the general consumer price index of the previous year and is instrumented through group insurance of pension obligations.

The purpose of this system is to reward Repsol YPF's executives' loyalty, commitment and non-competition with Repsol's activities in the two years following their retirement.

The directors (or their beneficiaries) will be entitled to receive the benefits of the plan in the following cases: (I) statutory retirement (65 years), (II) early retirement (from 60 years), (III) death, (iv) permanent total disability, absolute disability, or serious invalidity, or (v) serious illness or long-term unemployment on termination of the employment relationship while maintaining entitlement to the plan.

The participant will also be entitled to the balance of the plan at the date of termination of employment, if the employment relationship is terminated as a result of any of the cases in which indemnities are applicable. In order to qualify for entitlement to the plan, the participant must comply with the non-competition agreement regarding activities in the two years following termination of the employment relationship.

The annual cost of these plans is recognised under the heading "Personnel expenses" in the consolidated income statement.

c. Defined benefit plans

The benefits to which the employees are entitled at the date of their retirement are recognised in the income statement as follows:

- I. The current service cost (the increase in the present value of the defined benefit obligation resulting from employee service in the current period), under "Personnel expenses".
- II. The interest cost (the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement), under "Financial expenses".
- III. The return on plan assets and changes in the value thereof, less any costs of administering the plan and less any tax payable by the plan itself, under "Financial expenses".

4.17**Subsidies****a. Subsidies related to assets**

Subsidies related to assets relate mainly to nonrefundable subsidies measured at the amount granted or nominal value or at the fair value of the assets received, if they have been transferred for no consideration, and are classified as deferred income when it is certain that they will be received.

These subsidies are allocated to income on a straight-line basis over the useful life of the assets whose costs they are financing. In the financial statements of Repsol YPF the amounts of the assets and of the subsidies received are presented separately on the asset and liability sides, respectively, of the consolidated balance sheet.

b. Subsidies related to income

These are subsidies that become receivable by the Group as compensation for expenses or losses already incurred and are recognised as income for the period in which they become receivable.

4.18**Deferred income**

Deferred income relates mainly to income from the assignment of gas transmission pipeline usage rights, the income relating to the natural gas distribution network relocation to be borne by third parties and the net amounts received each year for new connections and branch lines. This income is credited to income on a straight-line basis over the depreciation period of the related non-current assets, which ranges from 20 to 50 years.

In addition, in this heading there are also included as deferred income the CO₂ emission rights received for no consideration (see Note 4.5.f).

4.19**Leases**

In this category, a distinction can be drawn between:

a. Finance leases

Leases are classified as finance leases whenever the lessor transfers substantially all the risks and rewards of ownership to the lessee. The ownership of the asset may or may not be transferred.

When the consolidated companies act as the lessee in finance leases, they present the cost of the leased assets in the consolidated balance sheet, based on the nature of the leased asset, and, simultaneously, recognise a liability for the same amount, which will be the lower of the fair value of the leased or the fair value of non-contingent amounts and not related to the provision of services payable to the lessor including, where appropriate, the price of exercising the purchase option, when the exercise thereof is expected with certainty at the beginning of the lease. These assets are depreciated using similar criteria to those applied to the items of tangible assets that are owned or are depreciated over the lease term, whichever is shorter, provided there is no reasonable certainty that the lessee shall be granted the ownership at the end of the term of the lease date.

The finance costs derived from discounting to present value of the liability recognised are charged to "Financial result" in the consolidated income statement.

b. Operating Leases

Leases in which the ownership of the leased asset and substantially all the risks and rewards incidental to ownership of the leased assets remain with the lessor are classified as operating leases.

Lease income and lease costs are recognised under "Other operating income" or "Other operating expense", respectively, in the consolidated income statement as incurred.

4.20**Income tax**

Repsol YPF recognises in the income statement for the year the accrued tax on the companies' income, which is calculated taking into account the differences between the timing of recognition for accounting purposes and tax purposes of the transactions and other events in the current year recognised in the financial statements, giving rise to temporary differences and, therefore, to the recognition of certain deferred tax assets and liabilities in the balance sheet. These amounts are recognised by applying to the temporary differences the tax rate that is expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, unless the temporary difference arises from the initial recognition of goodwill for which amortisation is not deductible for tax purposes or unless the exception to the deferred tax liabilities is applicable in cases of taxable temporary differences related to investments in subsidiaries, branches and associates.

Deferred tax assets recognised for temporary differences and other deferred tax assets (tax losses and tax deductions carry forwards) are recognized when it is considered probable that the consolidated companies will have sufficient taxable profits in the future against which the deferred tax asset can be utilised. Additionally, deferred tax assets recognized for temporary differences can only be registered to the extent that they will reverse in the near future.

The accrued income tax expense includes both the deferred income tax expense and the current income tax expense, which is taken to be the amount payable (or refundable) in relation to the taxable net income for the year (see Note 25).

"Income tax" in the accompanying consolidated income statement includes both the accrued income tax expense and the net provisions recognised in the year for income tax contingencies.

4.21**Revenue and expense recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

In order to minimise transport costs and optimise the Group's logistics chain, Repsol YPF carries out oil product swap transactions with other companies in different geographical locations. The related agreements include clauses to adjust through an amount of economic consideration the value of the products swapped on the basis of the technical specifications thereof and the delivery and receiving points for the goods. These transactions are not recognised in the income statement as separate purchases and sales. Similarly, the Group does not recognise as period sales transactions in which as a result of the clauses in the agreements signed the risks inherent to ownership are not transferred to the buyer.

Sales of goods are recognised when substantially all the risks and rewards have been transferred. Revenue associated with the rendering of services is also recognised by reference to the stage of completion of the transaction at the balance sheet date, provided the outcome of the transaction can be estimated reliably. Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

An expense is recognised when there is a reduction of an asset, or an increase in a liability, which can be measured reliably.

As a result of the legislation on oil and gas retailing in force in the countries in which the Group operates, Repsol YPF reflects as both expenses and income the excise and similar taxes on oil and gas production and/or sales. This fact has supposed in the 2008 and 2007 consolidated income statements to increases in expenses of EUR 6,881 million and EUR 6,969 million, respectively, which were recognised under "Materials used", and to increases in income of similar amounts, which were recognised under "Sales" in the accompanying consolidated income statements.

Transactions between companies of the Repsol YPF Group and between segments are carried out on an arm's length basis. These transactions give rise to income, expenses and profits which are eliminated on consolidation.

Work relating to water management, atmospheric protection, waste management, remediation of soil and subsoil water and the development of environmental management systems are deemed to be environmental expenses and they are recognised for accounting purposes in accordance with the criteria indicated above.

4.22**Financial derivatives**

The Group arranges derivatives to hedge financial and commercial risks due to interest rate and exchange rate fluctuations and to changes in the prices of certain commodities. All financial derivative instruments are initially recognised at fair value at the contract date and are subsequently measured at fair value. The derivatives are recognised as an asset when their fair value is positive and as a liability when it is negative. The differences in fair value are recognised in the income statement, except for specific hedge accounting treatment, where applicable.

For the assessment of financial derivative instruments, in case these are available, quotation market prices at the close of the balance sheet are used. This is the case of the futures contracts.

In the absence of quotation market prices for financial derivative instruments contracted, their fair value is estimated discounting the associated future cash flows according to the interest, exchange rates, credit differentials, volatility, and forward price trends in force on the close of the balance sheet. This assessment method has been applied to the following instruments:

- Mixed currency and interest swaps
- Interest rate swaps
- Forward exchange rate contracts
- Swaps on crude oil and products
- Interest rate options

Although the Group applies common assessment market techniques, some changes in the measurement models or in the hypotheses applied therein could lead to different assessments of said instruments than these recognised in the balance sheet, income statement and/or equity.

The fair values of the derivative instruments used as hedge instruments are included in Note 38.

The Group designates certain derivatives as:

a. Fair value hedges

These are hedges of the exposure to changes in the fair value of an asset or a liability recognised for accounting purposes, an unrecognised firm commitment or an identified portion of the aforementioned asset, liability or firm commitment that can be attributed to a particular risk and might affect the profit for the period.

The fair value of derivatives that are designated and effective as fair value hedges is recognised in the income statement, together with any change in fair value of the hedged items.

b. Cash flow hedges

These are hedges of the exposure to changes in cash flows that: (I) are attributed to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecasted transaction and that (II) could affect the result for the year.

The effective portion of changes in the fair value of hedging instruments is recognised in equity. The gain or loss relating to the ineffective portion is recognised in the income statement. The cumulative gains or losses recognised in equity are transferred to net profit or loss for the year, in the period in which the hedged items affect the income statement.

c. Hedges of net investments

These are hedges of the exposure to foreign exchange rate changes in relation to investments in the net assets of foreign operations.

Hedges of net investments in a foreign operation are accounted for in a similar way to cash flow hedges, although the exchange rate differences resulting from these transactions are recognised in "Translation differences" under equity in the accompanying consolidated balance sheet. Cumulative gains and losses recognised in equity are recognised in the consolidated income statement when the foreign operation is sold or disposed of in any other way.

The Group documents at the inception of the transaction the hedging relationship between the hedging instrument and the hedged items, and the risk management objective and strategy for undertaking the hedge. The Group also documents their assessment, both at the inception of the hedge and subsequently, in relation to whether the derivatives used in hedging transactions are highly effective.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net result for the year.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the consolidated income statement.

Long-term sale and purchase commitments of gas and crude oil are analysed with the aim to determine whether these are in line with the provisions or marketing needs of the normal activity of the Group or whether, on the contrary, these are derivatives and should be recognised in accordance with the criteria set forth in IAS 39.

4.23

Methodology for estimating recoverable amount

The recoverable amount of assets is generally estimated on the basis of their value in use, calculated on the basis of future expected cash flows derived from the use of the assets, discounted at a rate that reflects the weighted average cost of capital.

In the assessment of the value in use, cash flow forecasts based on the best income and expense estimates available of the CGUs using sector forecasts, past results and future expectations of business evolution and market development are utilized. Among the most sensitive aspects included in the forecasts used in all the CGUs, the purchase and sale prices of hydrocarbons, inflation, personnel expenses and investments are highlighted.

The cash flows from the exploration and production assets are generally projected for a period that covers the economically productive useful lives of the oil and gas fields and is limited, for the proved reserves, by the contractual expiration of the operating permits, commitments or contracts. The estimated cash flows are based on production levels, commodity prices and estimates of the future investments that will have in relation to undeveloped oil and gas reserves, production costs, field decline rates, market supply and demand, contractual conditions and other factors. The non-proved reserves are weighted with risk factors, on the basis of the type of each one of the exploration and production assets.

The benchmark prices considered are based on a combination of market prices available in the financial community.

The cash flows of the refining and marketing businesses are estimated on the basis of the projected sales trends, unit contribution margins, fixed costs and investment or divestment flows, in line with the expectations considered in the specific strategic plans of each business. The cash flow projection period used in the assessment is five years, and in the following years a cash inflow equal to the perpetual return on the result from operations obtained in the previous year is assumed.

These estimated net future cash flows are discounted to their present value using a specific cost of capital for each asset based on the currency in which its cash flows are denominated and the risks associated with the cash flows, including country risk. The rates used in the years 2008 and 2007 for the different businesses are in the following ranges:

| | 2008 | 2007 |
|-----|-------------|-------------|
| E&P | 7.8% –19.3% | 7.5% –14.2% |
| R&M | 5.8% –16.6% | 5.1% –14.9% |

4.24

New standards issued

At the time of the preparation of these consolidated financial statements, these are the standards and interpretations or amendments thereof, published by the IASB but not in force yet, either because their effective date is later than the date of these consolidated financial statements, or because they have not yet been enacted by the European Union:

| Standard | Description | Compulsory Application Annual Periods starting from |
|---------------------------------|---|---|
| Standards and Amendments | | |
| IFRS 8 | Operating Segments | 1 January 2009 |
| Review IAS 23 | Borrowing Costs | 1 January 2009 |
| Review IAS 1 | Presentation of Financial Statements | 1 January 2009 |
| Review IFRS 3 (1) | Business Combinations | 1 July 2009 |
| Amendment IAS 27 (1) | Consolidated and Separate Financial Statements | 1 July 2009 |
| Amendment IFRS 2 | Conditions for the irrevocability (or consolidation) of vesting conditions and cancellations | 1 January 2009 |
| Amendment IAS 32 and IAS 1 | Financial Instruments with fair value purchase option and liabilities arising out of settlement | 1 January 2009 |
| Amendment IFRS 1 and IAS 27 | Investment cost in a subsidiary, jointly controlled entity or associate | 1 January 2009 |
| Amendment IAS 39 (1) | Items capable of being hedged | 1 July 2009 |
| Improvements to IFRS | Improvements to IFRS | 1 January 2009 (2) |
| Review IFRS 1 (1) | First-time Adoption of IFRS | 1 July 2009 |
| Interpretations | | |
| IFRIC 12 (3) | Service concession Arrangements | 1 January 2008 |
| IFRIC 13 | Customer Loyalty Programs | 1 July 2008 |
| IFRIC 15 (1) | Sale of Real Estate Arrangements | 1 January 2009 |
| IFRIC 16 (1) | Net Investment Hedges of Foreign Transactions | 1 October 2008 |
| IFRIC 17 (1) | Allocation of Non-monetary Assets to Shareholders | 1 July 2009 |
| IFRIC 18 (1) | Transfer of Assets by Customers | 1 July 2009 (4) |

(1) Standards and Interpretations not yet adopted by the European Union as of the preparation date of these consolidated financial statements.

(2) The amendment to IFRS 5 applies on a prospective basis for annual periods starting from 1 July 2009.

(3) At the time of the preparation of the present consolidated financial statements this interpretation is in force, although it has not been adopted by the European Union. The Group expects that the future implementation of this interpretation shall not have a relevant impact on the consolidated financial statements of the Group.

(4) This interpretation refers to the transfers of assets received starting from 1 July 2009.

The Group has decided not to apply those Standards and Interpretations adopted by the European Union which are not yet in force. The impact that such Standards and Interpretations will have on the consolidated financial statements of the Group is currently being assessed.

In the present period, the Group has applied the amendment to IAS 39 “Financial Instruments: Recognition and Measurement” and the amendment to IFRS 7 “Financial Instruments: Information to be disclosed”. These amendments have been issued by the IASB and adopted by the European Union in 2008 and are effective from 1 July 2008. The adoption of these amendments to the Standards, has not had any impact on the consolidated financial statements of the Group.

Two interpretations have also been implemented in this period: IFRIC 11 “IFRS 2 – Group and Treasury Share Transactions” and IFRIC 14 “IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction”. The implementation of these interpretations has had no impact on the consolidated financial statements of the Group.

5

Financial risk management and definition of hedges

Repsol YPF has an organisation and systems that enable it to identify, measure and control the risks associated with the financial instruments to which the Group is exposed. Below is the breakdown of the information related to them and required by IFRS 7 “Financial Instruments: Information to be disclosed”.

The Group Managing Director of Finance is in charge of the liquidity risk management, control, coordination and tracking of the market and credit risk for the whole Group. The group operations comprise the following types of financial risks:

5.1 Market Risk

5.2 Liquidity Risk

5.3 Credit Risk

5.1

Market Risk

Market risk is the potential loss faced due to adverse movements in market variables. The Group is exposed to several types of market risks:

- **Exchange rate risk:** the results of the transactions are exposed to changes in the exchange rates, mainly the dollar against the euro and other currencies of the countries where we operate in. The Group raises its financing mainly in dollars, either directly or by the use of exchange rate derivatives.
- **Commodities price risk:** due to the development of commercial transactions and activities, the results of the group are exposed to the volatility of the price of crude oil, natural gas and their derivative products. The Group occasionally contracts financial derivatives with the aim to decrease the exposure to the price risk. These derivatives offer an economic hedge of the results, even though these are not always designated as hedging instruments for accounting purposes.
- **Interest rate risk:** the market value of the net financing and the net interests of the Group may be affected due to fluctuations in interest rates. The Group occasionally contracts interest rate derivatives to decrease the risk of fluctuations in finance costs or in its debt market value. These derivatives are in general designated for accounting purposes as hedging derivatives.

The hedging instruments held by Repsol YPF at 31 December 2008 and 2007 are described in Note 38.

Measurement

The Company monitors the exposure to market risk in terms of sensitivities. These are complemented with some other risk measures when the nature of the risk positions so require.

Quantification of the Market Risk and the Analysis of Sensitivity

At 31 December 2008 and 2007, the net financing received from financial assets, excluding the accounts receivable (see Notes 15 and 19) and including derivative assets on financial transactions, at a fixed rate amounted to EUR 4,902 million and EUR 5,487 million, respectively. These amounts correspond to 69% and 76%, respectively, from the total amount.

As of 31 December 2008 and 2007, net financing received from financial assets, excluding accounts receivables and including derivatives on financial transaction, in dollars, was EUR 4,972 million and EUR 4,800 million, respectively. These amounts are 70% and 67%, respectively, of the total amount. The amounts in other currencies other than euro and dollar were EUR 292 million at 31 December 2008 and EUR 172 million at 31 December 2007. The amounts are, approximately 4% and 2% of the total amount in 2008 and 2007, respectively.

The following describes the sensitivity to the result and the equity for their effect in the heading “Adjustments for changes in value” before changes in the main market risks caused by the financial instruments, pursuant to the requirements of the IFRS 7 “Financial instruments: information to be disclosed”. The estimates shown are representative both of favorable and unfavorable changes: the increases and decreases in risk factors in the same amount cause a similar and opposite impact. The analysis of sensitivity uses variations in risk factors representative of its historical behavior.

- a. **Exchange rate risk:** the funds obtained by Repsol YPF are mainly in dollars either directly or through exchange rate derivatives. Likewise, it keeps accounts receivable and payable in different currencies because of its business transactions. A 5% appraisal of the euro against the dollar would mean, for its effect in the financial instruments a decrease approximately from the net result of EUR 2 million in 2008 and an increase of EUR 57 million in 2007, respectively, and an increase of the “Adjustments for changes in value” of approximately EUR 299 million in 2008 and EUR 67 million in 2007, respectively. The exposures to risk of other currencies are not relevant for the Group.
- b. **Commodities risk price:** At 31 December 2008 and 2007, a 10% increase in the crude and oil products would imply, due to the impact on the financial instruments held by the Group at those dates, a decrease in the net profit of approximately EUR 27 million and EUR 24 million, respectively.
- c. **Interest rate risk:** At 31 December 2008 and 2007, an increase in 0.5% in the interest rates in all the terms of the financial instruments owned by the Group would near a decrease in the net profit by an amount of approximately EUR 4 million in 2008 and a increase in the net profit of EUR 22 million in 2007, as well as an increase in “Adjustments for changes in value” by an amount of approximately EUR 25 million and EUR 12 million in 2008 and 2007, respectively

5.2

Liquidity Risk

Liquidity risk is associated to the ability of the Group to finance its obligations at reasonable market prices, as well as to carry out its business plans with stable financing sources.

Repsol YPF keeps a prudent protection policy facing liquidity risk. Accordingly, it keeps enough cash resources and other liquid financial instruments and unused credit lines available to meet the loan maturities and finance debt foreseen in the next twelve months. In addition, the Group had available unused credit lines for an amount of EUR 3,916 million and EUR 4,132 million at 31 December 2008 and 2007, respectively.

The tables below present an analysis on the maturities of the financial liabilities existing at 31 December 2008 and 2007.

| 31 December 2008 | Maturity Date | | | | | | Total |
|-------------------------------------|---------------|-------|-------|-------|-------|------------------|-------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | Subsequent years | |
| Trade payables | 2,878 | – | – | – | – | – | 2,878 |
| Other payables | 5,027 | – | – | – | – | – | 5,027 |
| Loans and other financial debts (1) | 1,913 | 2,405 | 502 | 1,111 | 1,246 | 2,434 | 9,611 |
| Preference Shares (1) (2) | 132 | 129 | 3,114 | 39 | 39 | 521 | 3,974 |
| Derivatives (1) | (27) | (93) | (29) | (1) | 3 | (88) | (235) |

| 31 December 2007 | Maturity Date | | | | | | Total |
|-------------------------------------|---------------|------|-------|-------|-------|------------------|--------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | Subsequent years | |
| Trade payables | 4,491 | – | – | – | – | – | 4,491 |
| Other payables | 4,347 | – | – | – | – | – | 4,347 |
| Loans and other financial debts (1) | 1,714 | 782 | 2,224 | 407 | 1,113 | 3,785 | 10,025 |
| Preference Shares (1) (2) | 180 | 180 | 180 | 3,156 | 37 | 492 | 4,225 |
| Derivatives (1) | 58 | 20 | 23 | 19 | 18 | 178 | 316 |

Note: The amounts shown are the contractual undiscounted cash flows; therefore, they differ from the amounts included on the consolidated balance sheet.

(1) Corresponding to future maturities of the amounts recognised under the headings “Non-Current financial liabilities” and “Current financial liabilities”.

(2) The preference shares issued are perpetual, redeemable only at the choice of the issuer (see details in Note 19). Nevertheless, the preference shares issued in dollars (by a nominal amount of 725 million dollars) are redeemable since 2002; the figures shown in the tables assume that these are redeemed after 2013 thus in the period “Subsequent Years” the figures are equal to its face value. The assumptions made are conventional and must not be interpreted as forecasts of the decisions the Group shall take in the future.

5.3

Credit Risk

Credit risk is defined as the possibility of a third party not complying with his contractual obligations, thus creating losses for the Group.

Credit risk in the Group is measured and controlled in relation to the customer or individual third party. The Group has its own systems for the permanent credit evaluation of all its debtors and the determination of risk limits with respect to third parties.

Maximum exposure

The exposure of the Group to credit risk is mainly attributable to commercial debts from trading transactions, whose amounts are shown on the consolidated balance sheet net of allowances for doubtful accounts for an amount of EUR 5,758 million and EUR 7,103 million, respectively at 31 December 2008 and 2007. The allowances for doubtful accounts are measured by the following criteria:

- The seniority of the debt
- The existence of bankruptcy proceedings
- The analysis of the capacity of the customer to return the credit granted.

The allowances for doubtful accounts are shown at 31 December 2008 and 2007 in Note 15 about financial assets. These allowances represent the best estimates of the Group for the losses incurred in relation to the accounts receivable.

The maximum exposure to credit risk of the Group, according to the type of financial instruments and without excluding the amounts covered by guarantees and other arrangements mentioned below, is detailed below at 31 December 2008 and 2007:

| Maximum exposure | Millions of Euros | |
|---------------------------|-------------------|-------|
| | 2008 | 2007 |
| Commercial debts | 6,088 | 7,453 |
| Derivatives | 403 | 757 |
| Cash and cash-equivalents | 2,891 | 2,585 |

Credit risk of the liquid funds and derivative instruments is restricted because the counterparties are banking authorities to which the international rating agencies have assigned high qualifications. Likewise, the vast majority of the accounts receivable neither due nor provisioned have a high credit quality according to the valuations of the Group, based on the solvency analysis and the payment habits of each customer.

The Group does not have a significant concentration of credit risk. This exposure is distributed among a high number of customers and other counterparties. No customer represents more than 4% of the total amount of these accounts receivable.

Guarantee Policy

As a general rule, the Group establishes a bank guarantee issued by the Financial Entities as the most suitable instrument of protection from credit risk. In some cases, the Group has contracted insurance credit policies whereby this transfers to third parties the credit risk related to the business activity of some of their businesses.

At 31 December 2008, the Group has guarantees in force granted by third parties for an accumulated amount of EUR 2,460 million. At 31 December 2007, this figure was EUR 1,949 million. From this amount, the commercial debts at 31 December 2008 and 2007 that are covered by guarantees amount to EUR 701 million and EUR 792 million, respectively.

During 2008, the Group executed guarantees received for an amount of EUR 10 million. In 2007 this figure was EUR 19 million.

Non-impaired overdue financial assets

The following table discloses the aging of the non-provisioned due debt:

| Millions of Euros | | |
|-------------------------------------|--------------|--------------|
| Due date | 2008 | 2007 |
| Non due debt | 5,112 | 5,934 |
| Due debt 0-30 days | 408 | 538 |
| Due debt 31-180 days | 200 | 454 |
| Due debt for more than 180 days (1) | 38 | 177 |
| TOTAL | 5,758 | 7,103 |

(1) Mainly corresponds to guaranteed debt or debt with Official Organisms.

Impaired financial assets are disclosed in Note 15.

The net financial debt includes the following items of the consolidated balance sheet at 31 December 2008 and 2007:

| Millions of Euros | | |
|---|----------------|----------------|
| | 2008 | 2007 |
| Non-current financial liabilities | 10,315 | 10,065 |
| Less: Preference shares (see Note 19) | (3,524) | (3,418) |
| Current financial liabilities | 1,788 | 1,501 |
| Non-current financial assets | (2,466) | (1,650) |
| Less: financial assets available for sale (see Note 15) | 881 | 138 |
| Other current financial assets | (494) | (266) |
| Cash and cash equivalents | (2,891) | (2,585) |
| Hedging derivatives instruments on interest rate (see Note 38) | (275) | (292) |
| Net Financial Debt | 3,334 | 3,493 |
| Preference Shares (see Note 19) | 3,524 | 3,418 |
| Net financing (*) | 6,858 | 6,911 |

(*) In addition, at 31 December 2008 and 2007, the amounts of EUR 721 million and EUR 632 million are recognised under the heading "Other non-current liabilities" and EUR 31 million and EUR 61 million under the heading "Other Creditors" corresponding to financial leases measured at amortised cost (see Note 23).

The evolution and analysis of this ratio is made on a constant basis, also with future estimates as a key and restrictive factor in the strategy of investments and in the dividend policy of the group Repsol YPF. At 31 December 2008 and 2007, this ratio has been 24.4% and 26.5%, respectively.

6

Capital management

Repsol YPF, as an essential part of its strategy, has committed to keep a policy of financial prudence. The capital structure targeted is defined by this commitment of solvency and the aim to maximise the shareholders' profitability.

The quantification of the capital structure targeted is set as the relation between the net financing and the shareholders' equity, according to the ratio:

$$\frac{\text{Net financing}}{\text{Net financing} + \text{Shareholders' Equity}}$$

The criteria for the calculation of this ratio are the following:

- Net financing includes net financial debt and preference shares.
- Repsol YPF maintains a prudent protection policy facing liquidity risk. Thus, Repsol maintains enough cash resources and other liquid financial instruments to meet the loan maturities and finance debt foreseen in the next twelve months. Thus, this ratio shows more accurately the solvency of the Group, using the concept of net debt, instead of gross debt, where financial investments are deducted.
- Given the importance of preference shares in the financing of Repsol YPF, they are included in the net financing concept, even when its perpetuity nature bestow them with features close to Equity in a solvency and enforceability analysis of the debt.

7

Accounting estimates and judgments

The preparation of financial statements in accordance with generally accepted accounting principles makes it necessary to make assumptions and estimates that affect the amounts of the assets and liabilities recognised, the presentation of contingent assets and liabilities at year-end and the income and expenses recognised during the year. The actual results could differ depending on the estimates made.

The accounting policies and areas which require the highest degree of judgment and estimates in the preparation of the consolidated financial statements are: (I) crude oil and natural gas reserves; (II) provisions for litigation and other contingencies; (III) the calculation of income tax and deferred tax assets; (iv) impairment test of assets (see Note 4.9), and (v) derivative financial instruments (see Note 4.22).

Crude oil and gas reserves

Estimating crude oil and gas reserves form an integral part of the Company's decision making process. The volume of crude oil and gas reserves is used to calculate the depreciation using production unit ratios and to assess the recoverability of the investments in exploration and production assets (see Notes 10 and 12).

Repsol YPF prepares its estimates and assumptions in relation to crude oil and gas reserves taking into account the rules and regulations established for oil and gas industry by the U.S. Securities and Exchange Commission (SEC).

Provisions for litigation and other contingencies

The final cost of settling claims and lawsuits could vary due to estimates based on differing interpretations of the rules, opinions and final assessments of the amount of the damages. Therefore, any change in circumstances relating to contingencies of this nature could have a material effect on the amount of the provision for contingencies recognised.

Repsol YPF makes judgments and estimates in recording costs and establishing provisions for environmental clean-up and remediation costs which are based on current information regarding costs and expected plans for remediation. For environmental provisions, costs can differ from estimates because of changes in laws and regulations, discovery and analysis of

site conditions and changes in clean-up technology. Therefore, any change in the factors or circumstances related to provisions of this nature, as well as changes in laws and regulations could, as a consequence, have a significant effect on the provisions recognised for these costs (see Note 37).

Calculation of income tax and deferred tax assets

The appropriate assessment of the income tax expense is dependent on several factors, including estimates of the timing and realisation of deferred tax assets and the timing of income tax payments. Actual collections and payments may differ materially from these estimates as a result of changes in tax laws as well as unanticipated future transactions impacting the Company's tax balances.

8

Goodwill

The detail, by company, of the goodwill at 31 December 2008 and 2007, is as follows:

| | Millions of Euros | |
|-----------------------------------|-------------------|--------------|
| | 2008 | 2007 |
| YPF, S.A. | 1,730 | 1,927 |
| GAS NATURAL SDG, S.A. | 321 | 321 |
| REFAP, S.A. | – | 254 |
| REPSOL PORTUGUESA, S.A. | 154 | 154 |
| REPSOL GAS PORTUGAL, S.A. | 118 | 118 |
| EMPRESAS LIPIGAS, S.A. | 66 | 80 |
| EE.SS. DE REPSOL COMERCIAL P.P. | 96 | 93 |
| Buenergía Gas & Power, Ltd. | 38 | 36 |
| Grupo Dersa | 29 | 29 |
| Repsol Italia | 28 | 28 |
| Grupo Nettis | 24 | 24 |
| Grupo Generación México | 27 | 26 |
| Other companies | 220 | 218 |
| BALANCE AT END OF THE YEAR | 2,851 | 3,308 |

The changes in 2008 and 2007 in this line item in the accompanying consolidated balance sheet were as follows:

| | Millions of Euros | |
|--------------------------------------|-------------------|--------------|
| | 2008 | 2007 |
| BALANCE AT BEGINNING OF YEAR | 3,308 | 3,422 |
| Additions | – | 41 |
| Change in the scope of consolidation | (2) | – |
| Divestments | (292) | (1) |
| Translation differences | 73 | (229) |
| Write-downs | – | – |
| Reclasifications and others changes | (236) | 75 |
| BALANCE AT END OF YEAR | 2,851 | 3,308 |

The divestment registered in 2008 corresponds to the goodwill derecognised due to the sale of the 15% share in YPF (see Note 31).

In addition, in the year 2008 there is a decrease in this heading as a result of the classification of the participation of the Group in Alberto Pasqualini Refap, S.A. in this period as non-current assets available for sale (see Note 14).

The main acquisitions in 2007 were the Group Generación México (see Note 30), which resulted in the acquisition of goodwill amounting to EUR 26 million and the acquisition of additional shares in companies of the Group Gas Natural (mainly Gas Natural Argentina SDG, S.A., Invergas, S.A. Natural Energy, S.A. and Natural Servicios, S.A.) which generated goodwill of EUR 11 million.

The detail of the gross goodwill and accumulated impairment losses at 31 December 2008 and 2007 is as follows:

| | Millions of Euros | |
|-------------------------------|-------------------|--------------|
| | 2008 | 2007 |
| Gross goodwill | 2,863 | 3,320 |
| Accumulated impairment losses | (12) | (12) |
| Net goodwill | 2,851 | 3,308 |

In 2008 and 2007 there was no write-down registered in goodwill.

Testing goodwill for impairment

The detail, by company, of the goodwill at 31 December 2008 and 2007, is as follows:

| | Millions of Euros | |
|--------------|-------------------|--------------|
| | 2008 | 2007 |
| Upstream | 86 | 81 |
| Downstream | 550 | 816 |
| YPF | 1,730 | 1,927 |
| Upstream | 1,181 | 1,316 |
| Downstream | 549 | 611 |
| Gas Natural | 485 | 484 |
| TOTAL | 2,851 | 3,308 |

Repsol YPF considers that, based on current knowledge, the reasonably possible changes in key assumptions for determining fair value, on which the determination of the recoverable amounts was based, will not cause the carrying amounts of the cash-generating units to exceed the recoverable amounts at 31 December 2008 and 2007.

In Argentina, in order to determine the fair values of the downstream business, a scenario was considered including the gradual recovery, over the next few years, of a similar economic situation to that which existed prior to the change in peso-US dollar convertibility. In any case, YPF's downstream business in Argentina is integrated with the company's upstream business to a considerable extent.

9

Other intangible assets

The detail of the intangible assets and the related accumulated depreciation at 31 December 2008 and 2007, and of the changes therein is as follows

| Millions of Euros | | | | | | |
|---|---|------------------------|-------------------|----------------------------------|-------------------------------|--------------|
| COST | Leasehold Assignment, Surface and Usufruct Rights | Emission Allowances | Flagging Costs | Exclusive Supply Contracts | Other Intangible Assets | TOTAL |
| Balance at 1 January 2007 | 690 | 260 | 216 | 165 | 921 | 2,252 |
| Additions ⁽¹⁾ | 9 | 2 | 10 | 18 | 106 | 145 |
| Disposals and derecognitions | (15) | (5) | (13) | (2) | (18) | (53) |
| Translation differences | (28) | – | (5) | – | (16) | (49) |
| Change in the scope of consolidation | (27) | – | – | – | (12) | (39) |
| Reclassifications and other changes ⁽²⁾ | 42 | (190) | 23 | (16) | (53) | (194) |
| Balance at 31 December 2007 | 671 | 67 | 231 | 165 | 928 | 2,062 |
| Additions ⁽¹⁾ | 3 | 44 | 7 | 18 | 98 | 170 |
| Disposals and derecognitions | (12) | (18) | (18) | (1) | (28) | (77) |
| Translation differences | 14 | – | 2 | – | (22) | (6) |
| Change in the scope of consolidation | – | – | (11) | – | (12) | (23) |
| Reclassifications and other changes ⁽²⁾ | – | 222 | (1) | (4) | 24 | 241 |
| Balance at 31 December 2008 | 676 | 315 | 210 | 178 | 988 | 2,367 |
| ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES | | | | | | |
| Balance at 1 January 2007 | (254) | (181) | (165) | (134) | (363) | (1,096) |
| Depreciation charge for the year | (31) | – | (16) | (7) | (65) | (119) |
| Disposals and derecognitions | 9 | 3 | 12 | 2 | 6 | 32 |
| Impairment losses (recognised) / reversed | (10) | (67) | – | – | – | (77) |
| Translation differences | 12 | – | 3 | – | 8 | 23 |
| Change in the scope of consolidation | 8 | – | – | – | 9 | 17 |
| Reclassifications and other changes | 29 | 181 | (4) | 6 | (35) | 177 |
| Balance at 31 December 2007 | (237) | (64) | (170) | (133) | (440) | (1,043) |
| Depreciation charge for the year | (27) | – | (15) | (6) | (69) | (117) |
| Disposals and derecognitions | 8 | – | 16 | 1 | 28 | 53 |
| Impairment losses (recognised) / reversed | – | (86) | – | – | – | (86) |
| Translation differences | (6) | – | (1) | – | 3 | (4) |
| Change in the scope of consolidation | – | – | 7 | – | 11 | 18 |
| Reclassifications and other changes | 9 | 64 | 1 | – | (34) | 40 |
| Balance at 31 December 2008 | (253) | (86) | (162) | (138) | (501) | (1,139) |
| CARRYING AMOUNT AT 31 DECEMBER 2007 | 434 | 3 | 61 | 32 | 488 | 1,018 |
| CARRYING AMOUNT AT 31 DECEMBER 2008 | 423 | 229 | 48 | 40 | 487 | 1,228 |

(1) Investments in 2008 y 2007 are from the direct acquisition of assets totaling of EUR 170 million and EUR 145 million, respectively.

(2) In 2008, the heading "Emission allowances" includes EUR 278 million from the rights of emissions of CO₂ freely assigned for no consideration pursuant to the national assignment plan and the derecognition of the corresponding emission allowances for 2007 by EUR 67 million. In 2007 "Emission allowances" included EUR 67 million from the CO₂ emission allowances assigned for no consideration pursuant to the national assignment plan and the derecognition of the corresponding rights by EUR 257 million in relation to 2006.

Repsol YPF does not own intangible assets with indefinite useful lives at 31 December 2008 and 2007.

In 2008 and 2007 the companies integrated in the consolidated Group have received for no consideration emission allowances equal to 12.2 and 11.6 million tons of CO₂, respectively, in accordance with the national assignment plan, valued in EUR 278 million and EUR 67 million. This plan, also established the assignments of emission allowances for no consideration for 2009 which amount to 12.3 million tonnes of CO₂.

In 2008 and 2007 the value of the emission allowances was impaired, which gave rise to the recognition of a charge of EUR 86 million and EUR 67 million, respectively, that has been offset, by an equal amount, of deferred income recognised in the income statement for allowances received for no consideration.

The net expense in the consolidated income statement in 2008 for the emission of CO₂ has been approximately EUR 16 million, while in 2007 it was less than EUR 1 million.

The research and development expense recognized in the consolidated income statement has amounted in 2008 and 2007 to EUR 83 million and EUR 77 million, respectively.

The leasehold assignment surface and usufruct, the reflagging costs and image rights, the exclusive supply contracts and the administrative concessions are legal rights whose ownership is conditioned to the terms of the originating contract as described in paragraph 4.5 of Note 4.

10

Tangible assets

The detail of "Tangible assets" and of the related accumulated depreciation and accumulated impairment losses at 31 December 2008 and 2007, and of the changes therein is as follows:

| COST | | | | | | | | | Millions of Euros |
|--|--------------------------------------|---------------------|-----------------------------------|-------------------------|---------------------|-----------------------|-------------------------------|---------------|-------------------|
| | Land, Buildings and other structures | Machinery and Plant | Investment in Areas with Reserves | Other Exploration Costs | Transport Equipment | Other tangible assets | In the Course of Construction | Total | |
| Balance at 1 January 2007 | 2,259 | 18,057 | 26,343 | 959 | 1,339 | 1,606 | 1,542 | 52,105 | |
| Additions (1) | 173 | 364 | 2,008 | 422 | 13 | 58 | 1,390 | 4,428 | |
| Disposals or derecognitions (3) | (211) | (155) | (28) | (53) | (6) | (31) | (2) | (486) | |
| Translation differences | (61) | (432) | (2,928) | (56) | (66) | (62) | (69) | (3,674) | |
| Change in the scope of consolidation | (59) | 299 | 1 | 1 | (1) | (3) | – | 238 | |
| Reclassifications and other changes (2) | 8 | 566 | 1,735 | 45 | 105 | (57) | (866) | 1,536 | |
| Balance at 31 december 2007 | 2,109 | 18,699 | 27,131 | 1,318 | 1,384 | 1,511 | 1,995 | 54,147 | |
| Additions (1) | 18 | 297 | 1,757 | 565 | 7 | 105 | 1,995 | 4,744 | |
| Disposals or derecognitions | (12) | (120) | (4) | (88) | (5) | (18) | (10) | (257) | |
| Translation differences | 25 | 171 | 1,583 | 68 | 31 | 18 | 52 | 1,948 | |
| Change in the scope of consolidation | (38) | (43) | (290) | (8) | (2) | (18) | (8) | (407) | |
| Reclassifications and other changes (2) | 38 | 8 | (565) | (7) | 24 | 61 | (669) | (1,110) | |
| Balance at 31 december 2008 | 2,140 | 19,012 | 29,612 | 1,848 | 1,439 | 1,659 | 3,355 | 59,065 | |
| ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES | | | | | | | | | |
| Balance at 1 January 2007 | (678) | (10,692) | (15,170) | (589) | (549) | (938) | (14) | | |
| Depreciation charge for the year | (57) | (876) | (1,685) | (280) | (46) | (79) | – | (3,023) | |
| Disposals or derecognitions | 8 | 136 | 13 | 50 | 5 | 13 | – | 225 | |
| Impairment losses (recognised) /reversed (4) | 12 | 16 | (10) | (1) | – | (10) | – | 7 | |
| Translation differences | 24 | 270 | 1,753 | 32 | 47 | 29 | – | 2,155 | |
| Change in the scope of consolidation | 18 | 19 | – | – | – | 2 | – | 39 | |
| Reclassifications and other changes (2) | (4) | 140 | (1,271) | (7) | 1 | (117) | 14 | (1,244) | |
| Balance at 31 december 2007 | (677) | (10,987) | (16,370) | (795) | (542) | (1,100) | – | | |
| Depreciation charge for the year | (48) | (892) | (1,644) | (266) | (51) | (73) | – | (2,974) | |
| Disposals or derecognitions | 5 | 107 | 2 | 56 | 4 | 11 | – | 185 | |
| Impairment losses (recognised) /reversed (4) | 3 | (5) | 51 | – | – | – | – | 49 | |
| Translation differences | (10) | (120) | (965) | (30) | (23) | (8) | – | (1,156) | |
| Change in the scope of consolidation | 21 | 53 | 150 | 8 | 1 | 23 | – | 256 | |
| Reclassifications and other changes | 7 | 158 | 626 | (3) | (8) | 3 | – | 783 | |
| Balance at 31 december 2008 | (699) | (11,686) | (18,150) | (1,030) | (619) | (1,144) | – | | |
| CARRYING AMOUNT AT 31 DECEMBER 2007 (5) | 1,432 | 7,712 | 10,761 | 523 | 842 | 411 | 1,995 | 23,676 | |
| CARRYING AMOUNT AT 31 DECEMBER 2008 (5) | 1,441 | 7,326 | 11,462 | 818 | 820 | 515 | 3,355 | 25,737 | |

(1) In 2008 the main additions were in Argentina (EUR 1,480 million), in the U.S. (EUR 415 million), the rest of Latin America (EUR 383 million), in Libya (EUR 230 million) in Canada (EUR 155 million) and in Spain (EUR 1,779 million). In 2007 the main additions to this account related to Argentina (EUR 1,311 million), U.S. (EUR 616 million), rest of Latin America (EUR 566 million), Canada (EUR 194 million) and Spain (EUR 1,326 million).

(2) The year 2008 includes (I) EUR 612 million in cost and EUR 136 million in depreciation and accumulated impairment loss corresponding to tangible assets of Alberto Pascualini Refap,S.A., company classified as non-current assets available for sale, and (II) EUR 99 million concerning the acquisition of exploration rights in Libya pending payment. In 2007, these included (I) EUR 228 million net from a reclassification of assets available for sale and (II) EUR 106 million from a ship acquired by financial leasing for transportation of LNG.

(3) In 2007, from the sale of the lot described in the Note 27.

(4) (See Note 12).

(5) At 31 December 2008 and 2007, the amount of the provisions accumulated was EUR 492 million and EUR 651 million, respectively.

The amounts corresponding to non-depreciable assets, that is, land and assets in the course of construction, amount, respectively to EUR 719 million and EUR 3,355 million at 31 December 2008 and EUR 722 million and EUR 1,995 million at 31 December 2007, respectively. The amounts related to land are included within the heading "Land, buildings and other structures" on the previous table.

Tangible assets, included fully depreciated items for an amount of EUR 10,349 million and EUR 9,734 million at 31 December 2008 and 2007, respectively.

Repsol YPF capitalises financial expenses as part of the cost of the assets as described in Note 4. In 2008 and 2007, the average borrowing cost has been 5.69% y 6.44% and the amount of such financial expenses that have been capitalised amounted to EUR 67 million and EUR 95 million, respectively. Such amounts are recorded under the "Financial expenses" line item in the consolidated income statement.

Within the heading "Tangible assets" there are some investments carried out by the Repsol YPF Group in public concessions, by an amount of EUR 135 million and EUR 117 million at 31 December 2008 and 2007, respectively; these concessions shall revert to the State within a term ranging from 2009 and 2054.

In 2008 and 2007 there are included EUR 730 million and EUR 696 million, respectively, of assets acquired under finance leases. Among the assets purchased under finance leases at the end of these periods we highlight the methane ships purchased for the transport of the LNG by an amount of EUR 641 million and EUR 673 million in 2008 and 2007, respectively.

In accordance with industry practices, Repsol YPF insures its assets and operations worldwide. Among the risks insured are damages to tangible assets, together with the subsequent interruptions in its business that such damages may cause. The Group believes that the current coverage level is, in general, appropriate for the risks inherent to its business.

11

Investment property

The changes in "Investment property" in 2008 and 2007 were as follows:

| Millions of Euros | | | |
|--|------|--|-------|
| | Cost | Accumulated Depreciation and Impairment Losses | Total |
| Balance at 1 January 2007 | 38 | (4) | 34 |
| Disposals and derecognitions | – | – | – |
| Depreciation charge for the year and other changes | – | – | – |
| Balance at 31 December 2007 | 38 | (4) | 34 |
| Disposals and derecognitions | (4) | – | (4) |
| Depreciation charge for the year and other changes | 3 | (2) | 1 |
| Balance at 31 December 2008 | 37 | (6) | 31 |

The market value at 31 December 2008 and 2007 of the assets comprised in this line item amounts to EUR 112 million and EUR 101 million, respectively.

The income recognised in 2008 and 2007 from investment properties amounted to less than EUR 1 million in each period.

12

Asset impairment

At least once a year or whenever there is any indication that an impairment loss has been suffered, the Repsol YPF Group reviews the carrying amounts of intangible assets, tangible assets and other non-current assets, including goodwill, to determine whether those assets have suffered an impairment loss. These reviews are performed in accordance with the general principles established in Note 4.

In 2008 the net impairment losses recorded in relation to non-current assets were EUR 50 million, of which EUR 86 million were from the impairment of emission allowances (see Note 9) which was offset by the equivalent revenue from the deferred income recognised in the income statement in relation to emission allowances assigned for no consideration received under the National Assignment Plan for 2008.

The remaining registrations in 2008, a net reversal of EUR 36 million, correspond mainly to the recovery in the value of the exploration and production assets in Ecuador for an amount of EUR 42 million, due to the positive evolution of business benchmarks.

In 2007, losses in net value relating to non-current assets amounted to EUR 70 million, of which EUR 67 million correspond to the impairment of emission rights (see Note 9), the effect of which was offset by an equal amount of income arising from the transfer to profits from deferred income of emission rights received under the National Assignment Plan relating to 2007.

The remaining net impairment losses amounted to a net provision of EUR 3 million and related mainly to:

- Impairment losses of EUR 56 million and EUR 29 million recognised in Ecuador and Argentina, respectively, mainly due to the unfavourable development of business benchmarks.
- Revenues of EUR 49 million and EUR 33 million related to the reversal of provisions recognised in previous periods in Trinidad and Tobago and Portugal, respectively, due to the positive evolution of the business benchmarks.

13

Investments accounted for using the equity method

The most significant investments in associates, which were accounted for using the equity method, at 31 December 2008 and 2007, were as follows:

| | Millions of Euros | |
|--|-------------------|------|
| | 2008 | 2007 |
| Peru LNG Company LLC | 232 | 144 |
| Compañía Logística de Hidrocarburos CLH, S.A. | 37 | 56 |
| West Siberian Resources | – | 51 |
| Atlantic LNG Company of Trinidad & Tobago | 53 | 51 |
| Transportadora de Gas del Perú, S.A. | 38 | 35 |
| Transierra, S.A. | 19 | 35 |
| Dynasol Elastómeros, S.A. de CV | 25 | 27 |
| Atlantic LNG 4 | 26 | 21 |
| Oleoductos del Valle, S.A. | 14 | 16 |
| Oleoducto de Crudos Pesados (OCP), LTD | 23 | 22 |
| Terminales Marítimos Patagónicos, S.A. (Termap) | 10 | 10 |
| Enirepsa Gas Limited | 2 | 28 |
| Other entities accounted for using the equity method | 46 | 41 |
| | 525 | 537 |

Appendix I contains a list of the consolidated Group companies.

The changes in 2008 and 2007 in this heading in the accompanying consolidated balance sheet were as follows:

| | Millions of Euros | |
|---|-------------------|------------|
| | 2008 | 2007 |
| Balance at beginning of year | 537 | 521 |
| Additions (1) | 99 | 158 |
| Disposals (2) | (1) | (38) |
| Changes in the scope of consolidation | (18) | – |
| Result of companies accounted for using the equity method (3) | 66 | 109 |
| Dividends distributed | (110) | (179) |
| Translation differences | 22 | (48) |
| Reclassifications and other changes (4) | (70) | 14 |
| BALANCE AT END OF YEAR | 525 | 537 |

(1) In 2008 and 2007 additions were mainly due to the contributions or acquisitions of Perú LNG y ENIREPSA. Additions in 2007 also included the acquisition of West Siberian Resources.

(2) In 2007 included the sale of a 10% stake of CLH carried out by Repsol YPF, SA.

(3) In 2008 the most relevant results are the earnings from Atlantic LNG (EUR 62 million), CLH (EUR 23 million) partially compensated due to losses in Enirepsa (EUR 49 million). In 2007 the most relevant results corresponded to Atlantic LNG (EUR 63 million) and CLH (EUR 59 million).

(4) In 2008 the share in West Siberian was reclassified to financial assets available for sale due to the share dilution of the Group in this company.

The following companies over which the Group has significant management influence, given that the Group has sufficient representation on the Board of Directors, despite holding an interest of less than 20%, were accounted for using the equity method:

| Company | % of Ownership |
|---|----------------|
| Sistemas Energéticos Mas Garullo, S.A.(1) | 18.00% |
| Gasoducto Oriental, S.A. | 16.66% |
| Compañía Logística de Hidrocarburos (CLH), S.A. | 15.00% |
| Transportadora de Gas de Perú – TGP | 10.00% |
| Gasoducto del Pacífico (Argentina), S.A. | 10.00% |

(1) A company in the Gas Natural Group, which is proportionately consolidated in the consolidated financial statements of the Repsol YPF Group.

The following table shows the main aggregates of the Repsol YPF Group's associates measured according to the share percentage owned, at 31 December 2008 and 2007 (see Appendix I) is as follows:

| | Millions of Euros | |
|---------------------|-------------------|-------|
| | 2008 | 2007 |
| Total Assets | 1,627 | 1,730 |
| Total Equity | 525 | 537 |
| Revenue | 525 | 776 |
| Result for the year | 66 | 109 |

14

Non-current assets available for sale and linked liabilities

At 31 December 2008, Repsol YPF had non-current assets available for sale amounting to EUR 1,251 million and liabilities linked to these assets for an amount of EUR 601 million, which mainly correspond to assets and liabilities related to its participation in Alberto Pasqualini Refap S.A. for an amount of EUR 1,088 million and EUR 589 million, respectively.

At 31 December 2008 Repsol YPF owned non-current assets available for sale for an amount of EUR 80 million mainly corresponding to assets for electric energy production in Venezuela.

The main balance sheet items classified as assets available for sale and linked liabilities at 31 December 2008 and 2007 were as follows:

| | Millions of Euros | |
|---|-------------------|------|
| | 2008 | 2007 |
| Goodwill | 269 | – |
| Tangible assets and other intangible assets | 692 | 67 |
| Other non-current Assets | 15 | 2 |
| Current Assets | 275 | 11 |
| | 1,251 | 80 |
| | 174 | – |
| Non-Current Liabilities | 427 | – |
| Current Liabilities | 601 | – |
| | 650 | 80 |

15

Current and non-current financial assets

The detail of the different concepts that are included on the balance sheet, is as follows:

| | Millions of Euros | |
|---|-------------------|-------|
| | 2008 | 2007 |
| Non-current financial assets | 2,466 | 1,650 |
| Non-current derivatives on trading transactions (1) | 9 | 4 |
| Other current financial assets | 494 | 266 |
| Current derivatives on trading transactions (2) | 49 | 54 |
| Cash and cash equivalents | 2,891 | 2,585 |
| | 5,909 | 4,559 |

(1) Classified under the heading "Other non-current assets".

(2) Classified under the heading "Other receivables".

The detail, by type and maturity, of the Group's financial assets at 31 December 2008 and 2007, is as follows:

| FINANCIAL ASSETS: | | 31 DECEMBER 2008 | | | | | Millions of Euros | |
|----------------------------|-----------------------------------|---|-------------------------------------|---------------------------|------------------------------|---------------------|-------------------|--|
| Nature / category | Financial assets held for trading | Other financial assets at fair value through profit or loss | Financial assets available for sale | Loans and receivables (3) | Held to maturity investments | Hedging derivatives | TOTAL | |
| Equity instruments | – | – | 881 | – | – | – | 881 | |
| Derivatives | 15 | – | – | – | – | 131 | 146 | |
| Other financial assets | – | 81 | – | 1,295 | 72 | – | 1,448 | |
| Long term / Non-current | 15 | 81 | 881 | 1,295 | 72 | 131 | 2,475 | |
| Derivatives | 108 | – | – | – | – | 149 | 257 | |
| Other financial assets (1) | – | 203 | – | 125 | 2,849 | – | 3,177 | |
| Short term / Current | 108 | 203 | – | 125 | 2,849 | 149 | 3,434 | |
| TOTAL | 123 | 284 | 881 | 1,420 | 2,921 | 280 | 5,909 | |

| FINANCIAL ASSETS: | | 31 DECEMBER 2007 | | | | | Millions of Euros | |
|----------------------------|-----------------------------------|---|-------------------------------------|---------------------------|------------------------------|---------------------|-------------------|--|
| Nature / category | Financial assets held for trading | Other financial assets at fair value through profit or loss | Financial assets available for sale | Loans and receivables (3) | Held to maturity investments | Hedging derivatives | TOTAL | |
| Equity instruments | – | – | 138 | – | – | – | 138 | |
| Derivatives | – | – | – | – | – | 704 | 704 | |
| Other financial assets | – | 116 | – | 464 | 232 | – | 812 | |
| Long term / Non-current | – | 116 | 138 | 464 | 232 | 704 | 1,654 | |
| Derivatives | 5 | – | – | – | – | 52 | 57 | |
| Other financial assets (1) | – | 70 | – | 98 | 2,680 | – | 2,848 | |
| Short term / Current | 5 | 70 | – | 98 | 2,680 | 52 | 2,905 | |
| TOTAL | 5 | 186 | 138 | 562 | 2,912 | 756 | 4,559 | |

(1) Under the headings "Sales and Services customers" and "Other receivables" from the balance sheet there is an amount of EUR 6,340 million and EUR 7,707 million in 2008 y 2007, respectively, arising out of receivables not included in the breakdown of the financial assets in the previous table (these amounts include the assets for current derivatives on trading transactions described in the Note 2 above).

Following is a description of the current and non-current financial assets classified by nature:

15.1

Financial assets held for trading

Derivatives not designated as hedging instruments are included within this category.

15.2

Other financial assets at fair value through profit or loss

Financial assets measure at fair value through profit or loss in the years 2008 and 2007 mainly correspond to collective mutual funds.

15.3

Financial assets available for sale

Mainly correspond to minority interests in certain companies over whose management the Group does not hold any influence.

The movement of the assets available for sale at 31 December 2008 and 2007 is the following:

| | Millions of Euros | |
|---|-------------------|------------|
| | 2008 | 2007 |
| BALANCE AT BEGINNING OF YEAR | 138 | 160 |
| Additions ⁽¹⁾ | 531 | 1 |
| Disposals | (4) | (14) |
| Adjustments to fair value ⁽²⁾ | (72) | (10) |
| Ra classifications and other changes ⁽³⁾ | 288 | 1 |
| BALANCE AT END OF YEAR ⁽⁴⁾ | 881 | 138 |

(1) In 2008 it includes EUR 517 million corresponding to the purchase of the 9.99% of Unión Fenosa carried out by Gas Natural (company proportionately consolidated in the Group's financial statements).

(2) In 2008 corresponds mainly to the measurement at fair value of West Siberian Resources (EUR 36 million), Unión Fenosa (EUR 22 million) and Enagás (EUR 16 million). In 2007 corresponded mainly to the measurement at fair value of Enagás.

(3) In 2008 it includes the acquisition of an additional 4.72% of Unión Fenosa carried out by Gas Natural for an amount of EUR 239 million, by deferred payment.

(4) In 2008 it corresponds mainly to the stake in Unión Fenosa (EUR 736 million) and Enagás (EUR 58 million). In 2007 the most relevant stake was in Enagás, assessed for an amount of EUR 74 million.

In the year 2007 the stake in Naturgas Energía Grupo S.A., (through Gas Natural) was sold, creating a net profit of EUR 20 million in the income statement, and reducing the adjustments for change in value of net equity.

15.4

Loans and receivables

These include the following items:

| | Millions of Euros | |
|---|-------------------|--------------|
| | 2008 | 2007 |
| Loans and receivables ⁽¹⁾ | 1,420 | 562 |
| Sales and service customers | 4,209 | 5,767 |
| Other receivables | 2,180 | 1,993 |
| (Less: current derivatives on trading transactions) | (49) | (54) |
| TOTAL | 7,760 | 8,268 |

(1) In agreement with the schedule at the beginning of this Note.

The fair value of the loans and receivables of the Group is detailed in the following table:

| | Millions of Euros | | | |
|---|-------------------|--------------|--------------|--------------|
| | Carrying amount | | Fair value | |
| | 2008 | 2007 | 2008 | 2007 |
| A. FINANCIAL ASSETS ^{(1) (2)} | | | | |
| Other non-current financial assets | 1,295 | 464 | 1,254 | 525 |
| Other current financial assets | 125 | 98 | 125 | 98 |
| | 1,420 | 562 | 1,379 | 623 |
| B. CURRENT COMMERCIAL ACCOUNTS | | | | |
| Sales and services customers | 4,209 | 5,767 | 4,209 | 5,767 |
| Accounts receivable | 4,539 | 6,117 | 4,539 | 6,117 |
| (Less: allowance for doubtful accounts) | (330) | (350) | (330) | (350) |
| Other receivables | 2,131 | 1,939 | 2,131 | 1,939 |
| | 6,340 | 7,706 | 6,340 | 7,706 |
| TOTAL | 7,760 | 8,268 | 7,719 | 8,329 |

(1) Among the current and non-current financial investments there are loans to non-consolidated companies and the portion of loans to consolidated companies not eliminated in the process of consolidation for an amount of EUR 376 million and EUR 345 million in 2008 and 2007, respectively. In addition, in 2008 it includes the loan granted to Peteresen, due to the sale of a stake in YPF (see Note 31).

(2) The profitability accrued by the financial assets detailed in the above table corresponds to an average interest of 8.30% and 9.35% in 2008 and 2007.

The maturity of the investments included under the heading of non-current loans and receivables is the following:

| | Millions of Euros | |
|---------------------|-------------------|------|
| DUE DATE | 2008 | 2007 |
| 2009 | - | - |
| 2010 | 3 | - |
| 2011 | 1 | - |
| 2012 | - | - |
| 2013 ⁽¹⁾ | 117 | - |
| Subsequent years | 1,173 | 464 |
| | 1,295 | 464 |

The changes in 2008 and 2007 in the allowance for doubtful accounts were as follows:

| | Millions of Euros | |
|---|-------------------|------------|
| | 2008 | 2007 |
| BALANCE AT BEGINNING OF THE YEAR | 350 | 381 |
| Impairment losses recognised/(reversed) | 57 | 2 |
| Variations in the consolidation scope | (31) | (8) |
| Derecognitions | (50) | (7) |
| Traslation differences | 4 | (18) |
| BALANCE AT END OF THE YEAR | 330 | 350 |

15.5

Held to maturity investments

The detail of the held to maturity investments at 31 December 2008 and 2007 is as follows:

| | Millions of Euros | | | |
|------------------------------|-------------------|--------------|--------------|--------------|
| | Carrying Amount | | Fair Value | |
| | 2008 | 2007 | 2008 | 2007 |
| Non Current Financial assets | 72 | 232 | 72 | 232 |
| Current Financial Assets | 55 | 105 | 55 | 105 |
| Cash Equivalents | 1,492 | 1,891 | 1,492 | 1,891 |
| Cash on hand and at banks | 1,302 | 684 | 1,302 | 684 |
| | 2,921 | 2,912 | 2,921 | 2,912 |

Financial investments amount to EUR 2,921 million and EUR 2,912 million at 31 December 2008 and 2007, respectively, and are mainly from placements in banks and collateral deposits. These financial investments have accrued an average interest of 4.31% and 4.27% in 2008 and 2007, respectively.

The non-current financial assets held-to-maturity mature as follows:

| MATURITY | Millions of Euros | |
|---------------------------------|-------------------|------------|
| | 2008 | 2007 |
| 2009 | – | 11 |
| 2010 | 40 | 43 |
| 2011 | 9 | 4 |
| 2012 | 23 | 16 |
| 2013 ⁽¹⁾ | – | 25 |
| Subsequent years ⁽¹⁾ | – | 133 |
| | 72 | 232 |

⁽¹⁾ In 2008 collaterals associated to net investment hedge discontinued operations, described in the paragraph 38.4 of the Note 38, have been cancelled.

16

Inventories

The detail of "Inventories" at 31 December 2008 and 2007 is as follows:

| | Millions of Euros | | |
|----------------------------------|-------------------|------------------------|--------------|
| | Cost | Provision of Allowance | Net |
| AT 31 DECEMBER 2008 | | | |
| Crude oil and natural gas | 982 | – | 982 |
| Finished and semi-finished goods | 2,429 | (253) | 2,176 |
| Supplies and other inventories | 449 | (23) | 426 |
| | 3,860 | (276) | 3,584 |
| AT 31 DECEMBER 2007 | | | |
| Crude oil and natural gas | 1,543 | – | 1,543 |
| Finished and semi-finished goods | 2,302 | (2) | 2,300 |
| Supplies and other inventories | 863 | (31) | 832 |
| | 4,708 | (33) | 4,675 |

In 2008 a net expense of EUR 239 million has been recognised under the heading "Changes in inventory of finished goods and work-in-process inventories" due to the assessment of the stock of finished products at their productions cost.

At 31 December 2008 the amount of the stocked assets at fair value less the necessary costs for their sale amounted to EUR 93 million and the impact on the income statements by the market valuation thereof was a profit of EUR 2 million. At 31 December 2007 these stocked assets amounted to EUR 144 million and the impact in the consolidated income statement due to the market valuation thereof was a loss of EUR 3 million.

The Repsol YPF Group complies, both at 31 December 2008 and at 31 December 2007, with the requirements regarding minimum safety stocks established by the applicable laws (see Note 2), through the Spanish companies integrating the Group.

17

Equity

Changes in equity for the periods 2008 and 2007 are as follows:

| NET EQUITY ATTRIBUTABLE TO THE PARENT COMPANY | | | | | | | | | Millions of Euros |
|---|---------------|----------------------------|-----------------|--|----------------------------------|---|--------------------|------------------|-------------------|
| Equity | | | | | | | | | |
| | Share capital | Share premium and reserves | Treasury shares | Results attributable to the parent company | Adjustments for changes in value | Total net equity attributable to the parent company | Minority interests | Total net equity | |
| FINAL BALANCE AT 31/12/2006 | 1,221 | 13,457 | – | 3,124 | (369) | 17,433 | 609 | 18,042 | |
| Adjustments | – | – | – | – | – | – | – | – | |
| INITIAL ADJUSTED BALANCE | 1,221 | 13,457 | – | 3,124 | (369) | 17,433 | 609 | 18,042 | |
| Total recognised income / (expenses) | – | – | – | 3,188 | (1,057) | 2,131 | 123 | 2,254 | |
| TRANSACTIONS WITH PARTNERS AND OWNERS | | | | | | | | | |
| Distribution of dividends | – | (1,050) | – | – | – | (1,050) | (71) | (1,121) | |
| Transactions with treasury shares or interest in equity (net) | – | – | 4 | – | – | 4 | – | 4 | |
| Increases / (Reductions) for business combinations | – | – | – | – | – | – | (7) | (7) | |
| OTHER CHANGES IN NET EQUITY | | | | | | | | | |
| Payments based on equity instruments | – | – | – | – | – | – | – | – | |
| Transfers between items of net equity instruments | – | 3,124 | – | (3,124) | – | – | – | – | |
| Other changes | – | (7) | – | – | – | (7) | (3) | (10) | |
| FINAL BALANCE AT 31/12/2007 | 1,221 | 15,524 | 4 | 3,188 | (1,426) | 18,511 | 651 | 19,162 | |
| Adjustments | – | – | – | – | – | – | – | – | |
| INITIAL ADJUSTED BALANCE | 1,221 | 15,524 | 4 | 3,188 | (1,426) | 18,511 | 651 | 19,162 | |
| Total recognised income / (expenses) | – | – | – | 2,711 | 367 | 3,078 | 186 | 3,264 | |
| TRANSACTIONS WITH PARTNERS AND OWNERS | | | | | | | | | |
| Distribution of dividends | – | (1,242) | – | – | – | (1,242) | (391) | (1,633) | |
| Transactions with treasury shares or interest in equity (net) | – | – | (245) | – | – | (245) | – | (245) | |
| Increases / (Reductions) for business combinations | – | – | – | – | – | – | – | – | |
| OTHER CHANGES IN NET EQUITY | | | | | | | | | |
| Transfers between items of net equity instruments | – | 3,188 | – | (3,188) | – | – | – | – | |
| Other changes | – | (2) | – | – | – | (2) | 724 | 722 | |
| FINAL BALANCE AT 31/12/2008 | 1,221 | 17,468 | (241) | 2,711 | (1,059) | 20,100 | 1,170 | 21,270 | |

17.1

Share Capital

The share capital at 31 December 2008 and 2007 consisted of 1,220,863,463 fully subscribed and paid up shares of 1 euro par value each, all listed on the continuous Spanish, New York Stock Exchanges and Buenos Aires stock exchange.

Repsol YPF's bylaws limit the maximum number of votes that any single shareholder or companies belonging to the same group may cast at the General Meeting at 10% of the voting stock.

Per the most recent information available to Repsol YPF the company's most significant shareholders were the following:

| Shareholder | % total over share equity |
|------------------------------|---------------------------|
| Sacyr Vallehermoso, S.A. (1) | 20.01 |
| Criteria Caixa Corp. (2) | 14.31 |
| Petróleos Mexicanos (3) | 4.81 |

(1) Sacyr Vallehermoso, S.A. holds its stake through Sacyr Vallehermoso Participaciones Mobiliarias, S.L.
 (2) Criteria Caixa Corp. owns 9.28% directly and 5.02% indirectly through Repinves, S.A. (a company where Criteria Caixa Corp. holds a 67.60%)
 (3) Petróleos Mexicanos (Pemex) holds its stake through Pemex Internacional España, S.A. and through several swap instruments (equity swaps) with certain financial entities which established certain mechanisms that enable Pemex to exercise the economic and political rights of a percentage of up to 4.81% of the share capital of the Company.

Additionally, the companies Barclays Global Investors, NA, Barclays Global Investors, Ltd. Barclays Global Fund Advisors and Barclays Global Investors (Deutschland) AG notified the CNMV on 18 January 2008 of the existence of a shareholders' voting agreement with respect to shares representing a 3.22% stake in Repsol YPF. According to the information provided to the CNMV, the Barclays entities are fund management companies to which their parent company (Barclays Global Investors UK Holdings, Ltd.) does not give direct or indirect instructions in respect of the exercise of the voting rights by fund management companies.

At 31 December 2008, the following Group companies' shares were publicly listed:

| COMPANY | Number of listed shares | % of share capital listed | Stock exchanges | Year-end market price | Average last quarter | Currency |
|--|-------------------------|---------------------------|--|-----------------------|----------------------|----------|
| Repsol YPF, S.A. | 1,220,863,463 | 100% | Spanish stock exchange (Madrid, Barcelona, Bilbao, Valencia) Buenos Aires stock exchange New York stock exchange | 15.10 | 15.52 | Euros |
| | | | Buenos Aires stock exchange | 72.90 | 73.03 | Pesos |
| | | | New York stock exchange | 21.51 | 20.51 | Dollars |
| Gas Natural SDG, S.A. | 447,776,028 | 100% | Spanish stock exchange (Madrid, Barcelona, Bilbao, Valencia) | 19.29 | 22.28 | Euros |
| YPF | 393,312,793 | 100% | Buenos Aires stock exchange New York stock exchange | 160.00 | 156.96 | Pesos |
| | | | | 46.00 | 46.11 | Dollars |
| Refinería La Pampilla, S.A. | 36,063,999 | 100% | Lima stock exchange | 11.00 | 13.02 | Soles |
| YPFB Andina, S.A. (formerly, Empresa Petrolera Andina, S.A.) (1) | 13,439,520 | 100% | Bolivian stock exchange | | | |
| Compañía Logística de Hidrocarburos, CLH | 1,779,049 | 2.54% | | | | |
| Series A | 90,000 | 100.00% | Spanish stock exchange (Madrid, Barcelona, Bilbao, Valencia) | 49.00 | 41.46 | Euros |
| Series D | 1,689,049 | 100.00% | | | | |

(1) YPFB Andina, S.A. has not had any movement during 2008.

17.2

Share Premium

The share premium at 31 December 2008 and 2007 amounted to EUR 6,428 million. The Consolidated Companies Law expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use.

17.3

Reserves

• **Legal Reserve**

Under the Limited Company Law, 10% of net income for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

• **Revaluation Reserve**

The balance of "Revaluation Reserve" (Royal Decree-Law 7/1996) can be used, free of tax, to offset losses (both prior years' accumulated losses, current year losses or losses which might arise in the future), and to increase capital. From 1 January 2007, the balance of this account can be taken to unrestricted reserves, provided that the monetary surplus has been realised. The surplus will be deemed to have been realised in respect of the portion on which depreciation has been taken for accounting purposes or when the revalued assets have been transferred or derecognised. The distribution of these reserves would give rise to entitlement to a dividend double taxation tax credit. If this balance were used in a manner other than as provided for in Royal Decree-Law 7/1996, it would be subject to taxation.

• **Others reserves**

It includes (I) the transition to IFRS reserve, which comprises the adjustments related to the differences between the previous accounting principles and the IFRS, from events and transactions before the transition date to IFRS (1 January 2004) and (II) all the results created and not distributed as dividends, which had not been recognised in any of the different reserves previously mentioned.

17.4

Treasury shares

The Ordinary Shareholders Meeting, held on 14 May 2008, authorised the Board of Directors, for a period of eighteen months, to pursue the acquisition of Repsol YPF shares, directly or through controlled companies, up to a maximum of shares that, added to the ones already owned by Repsol YPF, S.A. and any of its subsidiaries, do not exceed 5% of the share capital and for a consideration price or value neither minor than the par value nor higher than its market quotation. This agreement rendered set aside the authorisation in the same terms and for the same period passed by in the previous Ordinary Shareholders Meeting held on 9 May 2007.

By virtue of the aforementioned authorisations Repsol YPF has acquired during 2008 12,924,428 Treasury shares, representing 1.06% of the share capital, for an amount of EUR 261.73 million, with a par value of EUR 12.92 million. Likewise, Repsol YPF has disposed of in the period 695,000 shares, for an amount of EUR 17.5 million whose par value amounted to EUR 0.69 million. The gains realized in these transactions were EUR 0.6 million recorded under the heading "Treasury shares" in Equity. At 31 December 2008 the Group held 12,229,428 shares of the parent company, whose acquisition cost amounted to EUR 244.79 million.

During the year 2007, and under the previous authorisations granted by the Ordinary Shareholders Meeting, 4,462,665 Treasury shares were purchased, which represented 0.366% of the share capital, for an amount of EUR 110.69 million, with a par value of EUR 4.46 million. Likewise, the same number of shares (4,462,665 shares) was disposed of for an amount of EUR 114.30 million. The resulting figure of these transactions was EUR 3.61 million recognised in the heading "Treasury shares" in Equity.

17.5

Adjustments for change in value

This heading includes:

• **Financial assets available for sale**

It comprises the profits and losses, net of the related tax effect, corresponding to changes in the fair value of non-monetary assets classified within the category of Financial assets available for sale.

• **Hedge transactions**

It comprises the effective part, net of the related tax effect, of changes in the fair value of derivative instruments defined as cash flow hedges (see heading 4.22 of the Note 4 and Note 38).

• **Translation differences**

These relate to exchange differences recognised in equity as a result of the consolidation process described in Note 3, and the measurement at fair value of the financial instruments assigned as net investment hedges in foreign transactions in accordance to the method described under the heading 4.22 of the Note 4 (see Note 38).

17.6

Minority interests

The equity attributable to minority interests at 31 December 2008 and 2007 relates to the following companies:

| | Millions of Euros | |
|--------------------------------|-------------------|------------|
| | 2008 | 2007 |
| Refinería La Pampilla, s.A. | 69 | 107 |
| Empresa Petrolera Andina | – | 228 |
| Petronor, s.A. | 85 | 97 |
| YPF, S.A. (1) | 879 | 61 |
| CEG Y CEG Río | 40 | 47 |
| Repsol Comercial de P.P., s.A. | 27 | 28 |
| Gas Natural ESP | 27 | 26 |
| Gas Natural México, s.A. de CV | 13 | 14 |
| EMPL | 11 | 9 |
| Others companies | 19 | 34 |
| TOTAL | 1,170 | 651 |

(1) The change is due to the sale of a stake in this company in the period (see Note 31).

18

Dividends

The details of the dividend payments in 2008 and 2007 are as follows:

| | 2008 | | | 2007 | | |
|---|-----------|-----------------|--------|-----------|-----------------|--------|
| | Nominal % | Euros per share | Amount | Nominal % | Euros per share | Amount |
| Ordinary shares | 100% | 1 | 1,220 | 72% | 0.72 | 880 |
| Remaining shares (without vote, recovery, etc.) | - | - | - | - | - | - |
| TOTAL DIVIDENDS PAID | | | | | | |
| a. Dividends charged to results ⁽¹⁾ | 100% | 1 | 1,220 | 72% | 0.72 | 880 |
| b. Dividends charges to reserves or share premium | - | - | - | - | - | - |
| c. Dividends in kind | - | - | - | - | - | - |

⁽¹⁾ This amount includes EUR 3 million in dividends corresponding to Treasury shares.

The interim dividend for 2008 and 2007 gather the gross dividend per share distributed by Repsol YPF, S.A. on account of the profits of each year. In 2008 the amount accrued by Repsol YPF, S.A. amounted to EUR 641 million, however the amount reflected in the present consolidated balance sheet is EUR 634 million (0.525 gross euros per share multiplied by the number of shares not held by Repsol YPF at 31 December 2008) and in 2007 to EUR 610 million (0.50 gross euros per share).

The final dividend subject to the period 2007, approved by the General Shareholders Meeting of Repsol YPF, S.A. held on 14 May 2008, amounted to EUR 610 million (0.50 gross euros per share). From this amount, EUR 3 million correspond to Treasury shares owned on the payment date thereof.

The proposal for distribution of results for the 2008, which will be subject to approval in the next General Meeting, proposes the distribution of a final dividend corresponding to 2008 payable as of 9 July 2009 and amounting to EUR 641 million (0.525 gross euros per share).

Based on the present balance sheet and the undrawn credit lines available, at the date of approval of the dividend, Repsol YPF, S.A. had sufficient liquidity for payment of the dividend pursuant to Articles 194.3 and 216 of the Joint Stock Companies Act.

19

Financial liabilities

Following is a breakdown of the items included in the consolidated balance sheet corresponding to financial liabilities:

| | Millions of Euros | |
|--|-------------------|---------------|
| | 2008 | 2007 |
| Non-current financial liabilities | 10,315 | 10,065 |
| Non-current derivatives on trading transactions ⁽¹⁾ | 5 | - |
| Current financial liabilities | 1,788 | 1,501 |
| Current derivatives on trading transactions ⁽²⁾ | 23 | 17 |
| | 12,131 | 11,583 |

⁽¹⁾ Recorded under the item "Other non-current liabilities" in the consolidated balance sheet.

⁽²⁾ Recorded under the item "Other creditors" in the consolidated balance sheet.

Following is a breakdown of the financial liabilities acquired, most with personal guarantee, at 31 December 2008 and 2007:

| | CARRYING VALUE | | | TOTAL | Fair value |
|--|--|-------------------------|------------------------|---------------|---------------|
| | Financial liabilities held for trading | Debts and payable items | Derivatives or hedging | | |
| 31 DECEMBER 2008 | | | | | |
| Debts with credit entities | - | 1,845 | - | 1,845 | 1,845 |
| Obligations and other negotiable securities ⁽¹⁾ | - | 8,156 | - | 8,156 | 7,914 |
| Derivatives | 34 | - | 285 | 319 | 319 |
| LONG-TERM DEBTS / NON-CURRENT FINANCIAL LIABILITIES | 34 | 10,001 | 285 | 10,320 | 10,078 |
| 31 DECEMBER 2007 | | | | | |
| Debts with credit entities | - | 1,491 | - | 1,491 | 1,492 |
| Obligations and other negotiable securities | - | 251 | - | 251 | 245 |
| Derivatives | 54 | - | 15 | 69 | 69 |
| SHORT-TERM DEBTS / CURRENT FINANCIAL LIABILITIES | 54 | 1,742 | 15 | 1,811 | 1,806 |
| TOTAL | 88 | 11,743 | 300 | 12,131 | 11,884 |

| | CARRYING VALUE | | | TOTAL | Fair value |
|--|--|-------------------------|------------------------|---------------|---------------|
| | Financial liabilities held for trading | Debts and payable items | Derivatives or hedging | | |
| 31 DECEMBER 2007 | | | | | |
| Debts with credit entities | - | 1,700 | - | 1,700 | 1,693 |
| Obligations and other negotiable securities ⁽¹⁾ | - | 8,183 | - | 8,183 | 8,184 |
| Derivatives | 170 | - | 12 | 182 | 182 |
| LONG-TERM DEBTS / NON-CURRENT FINANCIAL LIABILITIES | 170 | 9,883 | 12 | 10,065 | 10,059 |
| 31 DECEMBER 2008 | | | | | |
| Debts with credit entities | - | 1,284 | - | 1,284 | 1,284 |
| Obligations and other negotiable securities | - | 199 | - | 199 | 199 |
| Derivatives | 11 | - | 24 | 35 | 35 |
| SHORT-TERM DEBTS / CURRENT FINANCIAL LIABILITIES | 11 | 1,483 | 24 | 1,518 | 1,518 |
| TOTAL | 181 | 11,366 | 36 | 11,583 | 11,577 |

⁽¹⁾ Includes preference shares amounting to EUR 3,524 million and EUR 3,418 million at 31 December 2008 and 2007, respectively.

Note: At 31 December 2008 and 2007, the amounts of EUR 721 million and EUR 632 million were shown under the caption "Other non-current liabilities" and EUR 31 million and EUR 61 million under "Other creditors", corresponding to capital leasing recorded under the amortized cost method (see Note 23).

Disclosure of currency and maturities relevant to Repsol YPF's funding at 31 December 2008 and 2007 is provided in paragraph 5.2 of the Note 5, concerning liquidity risk.

Repsol YPF obtains financing mainly in dollars, either directly or by exchange rate derivatives (see Note 38.3 Net investment hedges).

The detail of the average financing and the cost thereof by instrument is as follows:

| | 2008 | | 2007 | |
|----------------------------|----------------|--------------|----------------|--------------|
| | Average volume | Average cost | Average volume | Average cost |
| Debts with credit entities | 3,363 | 5.61% | 2,950 | 6.62% |
| Preference shares | 3,423 | 6.02% | 3,433 | 5.48% |
| Obligations | 4,809 | 5.28% | 4,844 | 5.30% |
| TOTAL | 11,595 | 5.59% | 11,227 | 5.70% |

In general, the financial debt agreements include the early maturity clauses customary in agreements of this nature.

Bond issues, representing ordinary debt, of Repsol International Finance, BV and guaranteed by Repsol YPF, S.A., totaling EUR 4,416 million (relating to a face value of EUR 4,425 million), contain certain so-called “cross-default” clauses whereby in the event of default, the custodian-trustee bank, at its sole discretion or at the request of the holders of at least one-fifth of the debentures, or by means of an extraordinary resolution, can declare all the aforementioned debentures issues due and payable.

Additionally, in relation to certain negotiable debenture issues totaling EUR 118 million (relating to a face value of EUR 119 million), YPF, S.A. agreed to certain clauses, including among others, “cross-default” clauses, and not to create any liens or charges on its assets in excess of 15% of the total consolidated assets. In the event of default where to occur, the trustee or the holders of at least 25% of the total principal of the debentures may declare due and immediately payable the principal and accrued interest on all the debentures.

Following is a breakdown of issuances, repurchases and reimbursements of debt securities (recorded under the caption “Obligations and other negotiable securities”) taken place during 2008 and 2007:

| | Balance at 31/12/2007 | (+) Issuances | (-) Repurchases or reimbursements | (+/-) Exchange-rate and other adjustments | Balance at 31/12/2008 |
|--|-----------------------|---------------|-----------------------------------|---|-----------------------|
| Bonds and other debt securities issued by the European Union with prospectus | 7,682 | 186 | (186) | 74 | 7,756 |
| Bonds and other debt securities issued outside the European Union | 700 | – | (77) | 28 | 651 |
| TOTAL | 8,382 | 186 | (263) | 102 | 8,407 |

| | Balance at 31/12/2006 | (+) Issuances | (-) Repurchases or reimbursements | (+/-) Exchange-rate and other adjustments | Balance at 31/12/2007 |
|---|-----------------------|---------------|-----------------------------------|---|-----------------------|
| Bonds and other debt securities issued by the European Union with prospectus ⁽¹⁾ | 6,391 | 1,250 | 1 | 40 | 7,682 |
| Bonds and other debt instruments issued by the European Union without prospectus | 1 | – | (1) | – | – |
| Bonds and other debt securities issued outside the European Union | 1,140 | 40 | (381) | (99) | 700 |
| TOTAL | 7,532 | 1,290 | (381) | (59) | 8,382 |

(1) On 16 February 2007, Repsol YPF, through its subsidiary, Repsol International Finance, B.V. (The Netherlands) issued guaranteed bonds in the amount of EUR 750 million, maturing in 2012, at a variable interest rate of 3 months Euribor + 0.25% and EUR 500 million maturing in 2017 at a fixed rate of 4.75%. The outstanding balance at 31 December 2008 amounts to EUR 1,247 million and the credit rating of this issuance is Fitch BBB+, Moody's Baa1 and S&P BBB.

Issues guaranteed by Repsol YPF conducted by its Group affiliates during 2008 and 2007 are as follows:

| | Balance at 31/12/2007 | (+) Granted | (-) Cancelled | (+/-) Exchange-rate and other adjustments | Balance at 31/12/2008 |
|--|-----------------------|-------------|---------------|---|-----------------------|
| Issues of securities representing debt guaranteed by the Group (guaranteed amount) | 4,425 | – | – | – | 4,425 |
| | Balance at 31/12/2006 | (+) Granted | (-) Cancelled | (+/-) Exchange-rate and other adjustments | Balance at 31/12/2007 |
| Issues of securities representing debt guaranteed by the Group (guaranteed amount) | 3,175 | 1,250 | – | – | 4,425 |

Preference Shares

In October 1997 the Repsol YPF Group, through its subsidiary Repsol International Capital, issued preference shares of this company amounting to 725 million dollars under the following terms:

- Annual dividend: 7.45%, payable quarterly.
- Term: perpetual, with the option for the issuer of early redemption from the fifth year onwards at face value.
- Guarantee: subordinated Repsol YPF, S.A. guarantee.
- Remuneration: payment of preference dividends is conditional upon the obtainment of a consolidated profit or upon the payment of dividends on common shares. If no dividend accrues, there is no subsequent obligation to pay it.

In May and December 2001 Repsol International Capital launched two new issues of preference shares amounting to EUR 1,000 million and EUR 2,000 million, respectively, under the following terms:

- Dividend: variable at a rate of 3-month Euribor with a minimum of 4% APR and a maximum of 7% APR for the first 10 years, and Euribor plus 3.5% from the tenth year onwards. The dividend is payable quarterly.
- Term: perpetual, with the option for the issuer of early redemption from the tenth year onwards at face value.
- Guarantee: subordinated Repsol YPF, S.A. guarantee.
- Remuneration: preference, non-cumulative dividends, conditional upon the obtainment of a consolidated profit or upon the payment of dividends on common shares.

The carrying amount of these instruments at 31 December 2008 and 2007 amounted to EUR 3,524 million and EUR 3,418 million, respectively, recorded under the item “Debts with credit entities” and “Obligations and other negotiable securities” in the accompanying consolidated balance sheet in Preference shares.

20

Provisions for contingencies and expenses

The detail of provisions for contingencies and expenses at 31 December 2008 and 2007, and of the changes therein in 2008 and 2007 is as follows:

| Millions of Euros | | | | | | | |
|--|---------------------------------------|---------------------------------------|------------------|--------------|---------------------------------------|------------------|------------|
| | LONG-TERM PROVISIONS | | | | SHORT-TERM PROVISIONS | | |
| | Provision for Pensions ⁽¹⁾ | Provision for Field Dismantling Costs | Other Provisions | TOTAL | Provision for Pensions ⁽¹⁾ | Other Provisions | TOTAL |
| BALANCE AT 1 JANUARY 2007 | 75 | 855 | 1,730 | 2,660 | 11 | 286 | 297 |
| Period provisions charged to income ⁽²⁾ | 10 | 62 | 443 | 515 | 2 | 85 | 87 |
| Reversals of provisions with a credit to income ⁽³⁾ | (4) | (2) | (122) | (128) | (1) | (3) | (4) |
| Provisions released due to payment | (3) | (15) | (139) | (157) | (13) | (130) | (143) |
| Changes in the scope of consolidation | – | – | – | – | – | (2) | (2) |
| Translation differences | (7) | (84) | (102) | (193) | – | (15) | (15) |
| Reclassifications and other changes ⁽⁴⁾ | (5) | 115 | (242) | (132) | 4 | 62 | 66 |
| BALANCE AT 31 DECEMBER 2007 | 66 | 931 | 1,568 | 2,565 | 3 | 283 | 286 |
| Period provisions charged to income ⁽²⁾ | 2 | 82 | 627 | 711 | 2 | 39 | 41 |
| Reversals of provisions with a credit to income ⁽³⁾ | (2) | (1) | (160) | (163) | – | (7) | (7) |
| Provisions released due to payment | (9) | (19) | (98) | (126) | – | (233) | (233) |
| Changes in the scope of consolidation | (10) | (9) | (7) | (26) | (1) | (1) | (2) |
| Translation differences | – | 49 | 51 | 100 | – | 10 | 10 |
| Reclassifications and other changes ⁽⁴⁾ | 1 | 68 | (420) | (351) | 5 | 337 | 342 |
| BALANCE AT 31 DECEMBER 2008 | 48 | 1,101 | 1,561 | 2,710 | 9 | 428 | 437 |

(1) See Note 21.

(2) In 2007, "Other provisions" relates mainly to (I) personnel restructuring plans (EUR 22 million), (II) environmental contingencies (EUR 90 million) and (III) litigation (EUR 246 million). It also included EUR 144 million related to the discount to present value of the provisions. In 2008, "Other provisions" includes (I) a provision of EUR 208 million for the CO₂ emissions made during the year, (II) a provision of EUR 133 million for environmental contingencies, and (III) EUR 82 million for litigation. It also comprises EUR 151 million for financial updates in the provisions.

(3) Includes the write-off of provisions for certain items recognised by the Group companies in several countries, due to changes in the circumstances under which the provision had been previously recognised.

(4) "Provision for field dismantling costs" includes EUR 68 million and EUR 54 million in 2008 and 2007, respectively, corresponding to tangible assets additions and the provision made during these years due to the dismantling of fields.

21

Provision for pensions and similar obligations

a. Defined contribution plans

Repsol YPF has defined contribution plans for certain employees, the main features of which are described in Note 4.16.

The annual cost charged to "Personnel expenses" in the consolidated income statement in relation to these pension plans amounted to EUR 41 million and EUR 37 million in 2008 and 2007, respectively.

With respect to the defined contribution plans for management with guaranteed determined

profitability, the cost charged in 2008 and 2007 amounted to EUR 6 million and EUR 9 million, respectively, and is recorded in the income statement under "Personnel expenses".

b. Defined benefit plans

b.1. An YPF subsidiary grants pension plans, medical insurance plans, life insurance and other employee benefits and benefits for health and risk of death

At 31 December 2007, such company had non-contributory pension plans managed by third parties for its full-time employees. The benefits provided by these plans were based on years of service and the remuneration earned during years of employment.

The liability recognised for pension plans at 31 December 2007 amounted to EUR 11 million. These amounts arose mainly from employee benefit obligations (EUR 76 million) less the fair value of the plan assets and net of unrecognised actuarial losses, amounting to EUR 65 million.

During March 2008, this subsidiary entered into a number of agreements with Prudential Insurance Company to cancel the obligations assumed in connection with two of the non-contributory pension plans, paying a premium of 115 million dollars (EUR 83 million). Prudential assumed the obligations under these plans on 20 March 2008.

At 31 December 2008, the company maintains a non-contributory pension plan which has not been cancelled, for executives, key management personnel, as well as former employees, who worked at some of the Group companies of this subsidiary. The amount recorded in the 2008 consolidated income statements for this plan arises to EUR 1 million. The related liability recorded at 31 December 2008 amounts to EUR 3 million, corresponding to employee benefit obligations.

Also, this company provides medical insurance benefits, life insurance benefits and other employee benefits to certain of its employees who retire early; the company also pays benefits for health and risk of death to disabled employees and benefits for risk of death to retired executives. The benefit recorded in the 2008 consolidated income statement corresponding to these plans amounts to EUR 4 million (which includes a benefit in the amount of EUR 6 million corresponding to amounts recovered due to plan changes). The expense recorded in the 2007 consolidated income statement account amounted to EUR 2 million.

b.2. The Gas Natural Group also has pension plans for employees in Spain, Brazil and Italy. The amounts recognised under " Non-Current provisions" in the consolidated balance sheet to cover these obligations totalled EUR 21 million and EUR 20 million at 31 December 2008 and 2007, respectively.

b.3. Additionally, USA Holdings, Inc., an affiliate, grants medical service benefits, life insurance and other welfare benefits to some of its retired employees. The liability recorded to this effect in the consolidated financial statements amounts to EUR 1 million at 31 December 2008 and 2007. This plan does not have any related assets at 31 December 2008. Actuarial losses unrecognised at that date are less than EUR 1 million.

22

Subsidies and other non-current liabilities

The subsidies recorded in the consolidated balance sheet amount to EUR 108 million and EUR 109 million in 2008 and 2007, respectively, and correspond mainly to subsidies for the construction of gas infrastructure (EUR 87 million and EUR 73 million in 2008 and 2007, respectively).

The consolidated income statement includes income EUR 13 million and EUR 8 million in 2008 and 2007, respectively, relating to the subsidies recognised in profit. Also, subsidies related to income recognised in profit amounted to EUR 5 million in 2008 and 2007.

The caption "Other non-current liabilities" includes the items listed below:

| | Millions of Euros | |
|--|-------------------|--------------|
| | 2008 | 2007 |
| Obligations under finance leases (see Note 23) | 721 | 632 |
| Guarantees and deposits ⁽¹⁾ | 241 | 221 |
| Other deferred income | 140 | 169 |
| Other | 349 | 413 |
| | 1,451 | 1,435 |

(1) The heading "Guarantees and Deposits" mainly relates to the deposits collected by Repsol Butano, S.A. from the users of gas bottles in accordance with the applicable legal regulations. These amounts are refundable when the corresponding contracts are cancelled.

23

Obligations under finance leases

The detail of the amounts payable under finance leases at 31 December 2008 and 2007 is as follows:

| | Lease Payments | | Present Value of Minimum Lease Payments | |
|--|----------------|--------------|---|------------|
| | 2008 | 2007 | 2008 | 2007 |
| Within one year | 66 | 63 | 31 | 61 |
| Between two and five years | 292 | 248 | 145 | 205 |
| After five years | 1,003 | 902 | 576 | 427 |
| | 1,361 | 1,213 | 752 | 693 |
| LESS: | | | | |
| Future finance costs | (609) | (520) | | |
| | 752 | 693 | | |
| RECOGNISED AS: | | | | |
| Non-current obligations under finance leases | | | 721 | 632 |
| Current obligations under finance leases | | | 31 | 61 |
| | | | 752 | 693 |

The finance leases relate mainly to methane vessels for the transportation of LNG, maturing in the period from 2022 to 2032.

24

Trade debts and accounts payable

In 2008 and 2007 Repsol YPF had the following accounts payable classified under "Trade debts and accounts payable":

| | Millions of Euros | |
|--|-------------------|--------------|
| | 2008 | 2007 |
| Suppliers | 2,878 | 4,491 |
| Other creditors | | |
| Obligations under finance leases (Note 23) | 31 | 61 |
| Tax Payables | 840 | 934 |
| Hedged items and derivatives on trading transactions at fair value | 23 | 67 |
| Other | 4,133 | 3,285 |
| Pasivo por impuesto corriente | 290 | 730 |
| TOTAL | 8,195 | 9,568 |

The fair value of these current items does not differ significantly from their carrying amount.

25

Tax matters

Income tax

In view of the geographical dispersion and markedly international nature of the business activities carried on by the companies comprising the Repsol YPF Group, the Group is subject to various different tax and income tax jurisdictions.

a. In Spain

Most of the entities resident in Spain pay income tax under the special consolidation regime. Under this regime, the companies in the Consolidated Tax Group jointly determine the Group's taxable profit and tax charge, which is allocated among the companies in the Tax Group in accordance with the criteria established by the Spanish Accounting and Audit Institute (ICAC) for the recognition and determination of the individual tax charge.

Repsol YPF, S.A. is the Parent of Consolidated Tax Group 6/8o, which includes all the companies resident in Spain that are directly or indirectly at least 75% owned by the Parent and that meet certain requirements. This Group consisted of 48 companies in 2008, of which the main companies in terms of volume of business were as follows: Repsol YPF, S.A., Repsol Petróleo, S.A., Repsol YPF Trading y Transporte, S.A., Repsol Química, S.A., Repsol Butano, S.A., Repsol Exploración, S.A. and Repsol Comercial de Productos Petrolíferos, S.A.

Petróleos del Norte, S.A. is the Parent of Consolidated Tax Group 02/01/B, which includes another company that pays income tax under the Vizcaya Corporation Tax regulations.

Also, the consolidated financial statements include, through proportional consolidation, all the corporation tax items of the Gas Natural Group. This Group is also taxed for corporation tax purposes under the special consolidated tax regime in Consolidated Tax Group 59/93, of which Gas Natural SDG, S.A. is the Parent. The main companies of this Tax Group, in terms of volume of business, were as follows: Gas Natural SDG, S.A., Gas Natural Castilla León, S.A., Gas Natural Distribución SDG, S.A, Gas Comercial Comercializadora, S.A. and Gas Natural Aprovisionamientos, S.A.

Lastly, the other companies resident in Spain and not included in either of the aforementioned Tax Groups file individual corporation tax returns.

The Spanish companies, whether they pay tax on an individual or consolidated basis, apply the standard rate of 30%, with the exception of Repsol Investigaciones Petrolíferas, S.A., which is taxed individually at a rate of 35% under the Special Oil and Gas Regime, and Petróleos del Norte, S.A., which pays tax at 28% under the Vizcaya Corporation Tax regulations.

b. In Argentina

The Group companies resident in Argentina file individual tax returns at a rate of 35%.

Also, they calculate the Presumed minimum income tax by applying the current tax rate of 1% of the computable assets at the balance sheet date, which may supplement the regular income tax. The tax obligation for each year will coincide with the higher of the two taxes.

However, if the Presumed minimum income tax exceeds the regular income tax, this excess can be computed as a prepayment of the amount by which the regular income tax exceeds the Presumed minimum income tax in the following ten years.

c. In the other countries

The other Group companies are taxed in each of the countries in which they operate by applying the prevailing income tax rate to their profit or loss for the year. In addition, presumed minimum income taxes supplementing the regular income tax are recognised in certain countries.

Also, it should be noted that the Group companies resident in Spain and Argentina that carry on a portion of their business activities in other countries are subject to the income tax in force in those countries on the portion of their profit or loss obtained there. This is the case of the branches of the Spanish companies that carry on oil and gas exploration and production activities in other companies (such as Libya, Algeria, Peru or Ecuador).

The (nominal) income tax rates applicable in the main jurisdictions where the Group operates are as follows:

- Libya: 65%
- Algeria: 38% plus the Tax on Extraordinary Income (TPE)
- Trinidad and Tobago: 35%, 55% y 57.25%
- United States: 35%
- Brazil: 34%
- Ecuador: 25%
- Peru: 30%
- Bolivia: 25%
- Venezuela: 34% y 50%
- The Netherlands: 25.5%
- Portugal: 26.5%

Income tax expense for accounting purposes

The detail of the income tax expense for accounting purposes in 2008 and 2007, calculated on the basis of the criteria indicated in Note 3, is as follows:

| Millions of Euros | | | | |
|---|-------------------|---------------------|-----------------|--------------|
| 2008 | | | | |
| | Spanish Companies | Argentine Companies | Other Companies | TOTAL |
| ACCOUNTING PROFIT BEFORE TAX | 2,554 | 1,239 | 918 | 4,711 |
| Adjustment to accounting profit: | | | | |
| Non-temporary differences | 1,600 | 280 | (17) | 1,863 |
| Temporary differences | (829) | (45) | (53) | (927) |
| Taxable profit | 3,325 | 1,474 | 848 | 5,647 |
| Tax charge | 994 | 516 | 476 | 1,986 |
| Tax credits | (996) | – | – | (996) |
| Current tax payable | (2) | 516 | 476 | 990 |
| Ajustments to current tax and foreign taxes | 751 | 10 | 128 | 889 |
| TOTAL CURRENT INCOME TAX EXPENSE | 749 | 526 | 604 | 1,879 |
| Deferred tax for the year | (89) | 39 | 49 | (1) |
| Other adjustments to the income tax expense | 209 | (23) | (124) | 62 |
| TOTAL DEFERRED TAX EXPENSE | 120 | 16 | (75) | 61 |
| TOTAL INCOME TAX EXPENSE | 869 | 542 | 529 | 1,940 |

| Millions of Euros | | | | |
|---|-------------------|---------------------|-----------------|--------------|
| 2007 | | | | |
| | Spanish Companies | Argentine Companies | Other Companies | TOTAL |
| ACCOUNTING PROFIT BEFORE TAX | 3,118 | 1,289 | 1,177 | 5,584 |
| Adjustment to accounting profit: | | | | |
| Non-temporary differences | (1,050) | 99 | (68) | (1,019) |
| Temporary differences | 204 | 575 | (219) | 560 |
| Taxable profit | 2,272 | 1,963 | 890 | 5,125 |
| Tax charge | 714 | 687 | 476 | 1,877 |
| Tax credits | (299) | – | (1) | (300) |
| Current tax payable | 415 | 687 | 475 | 1,577 |
| Ajustments to current tax and foreign taxes | 1,001 | (18) | 29 | 1,012 |
| TOTAL CURRENT INCOME TAX EXPENSE | 1,416 | 669 | 504 | 2,589 |
| Deferred tax for the year | (67) | (201) | (5) | (273) |
| Other adjustments to the income tax expense | 66 | 19 | (63) | 22 |
| TOTAL DEFERRED TAX EXPENSE | (1) | (182) | (68) | (251) |
| TOTAL INCOME TAX EXPENSE | 1,415 | 487 | 436 | 2,338 |

The detail of the deferred tax assets and liabilities recognised in the consolidated balance sheet is as follows:

| Millions of Euros | | | |
|--|----------------|----------------|-------------|
| | 2008 | 2007 | Variation |
| DEFERRED TAX ASSETS: | | | |
| Provisions for doubtful accounts | 37 | 34 | 3 |
| Provisions for staff costs | 44 | 58 | (14) |
| Provision for contingencies | 167 | 146 | 21 |
| Other provisions | 326 | 254 | 72 |
| Tax assets | 486 | 194 | 292 |
| Other deferred tax assets | 403 | 334 | 69 |
| | 1,463 | 1,020 | 443 |
| DEFERRED TAX LIABILITIES: | | | |
| Tax incentives | (49) | (25) | (24) |
| Deferred gains | (61) | (139) | 78 |
| Difference in amortisation/depreciation | (679) | (620) | (59) |
| Functional currency | (704) | (548) | (156) |
| Goodwill acquired in business combinations allocated to assets | (788) | (890) | 102 |
| Other deferred tax liabilities | (273) | (251) | (22) |
| | (2,554) | (2,473) | (81) |

The Group did not recognise deferred tax assets in the amount of EUR 415 million and EUR 472 million in 2008 and 2007, respectively, corresponding mainly to tax losses carried forward and unused deductions, as these did not fulfill the criteria for registration in accordance with IFRS.

In 2008, the Group has not recorded deferred tax liabilities in the amount of EUR 91 million, as it corresponds to taxable temporary differences related to investments in subsidiaries, branches and associated companies that meet the requirements established in IFRS to apply the recognition exception.

Other tax-related disclosures

Deductions taken in 2008 amount to EUR 996 million, arising mainly from the mechanics to avoid double taxation, both domestically and internationally, and to a lesser degree, from investments made.

Judicial and administrative decisions have been taken both in this period and in previous periods, leading to tax consequences contrary to the Group's expectations.

Repsol YPF considers that it has acted lawfully in these matters at all times and that its actions are based on reasonable interpretations of the applicable legislation and, therefore, it has filed the appropriate appeals to defend its interests and those of its shareholders.

However, in view of the uncertainty concerning the materialisation of the existing tax contingencies, at year-end the Group had recognised provisions under "Other Provisions" (see Note 20) that were considered adequate to cover those tax contingencies. The amount recorded in the balance sheet at 31 December 2008 and 2007 for this item amounted to EUR 520 million and EUR 524 million respectively. Such provision relates to the vast number of actions, none of which, individually, represents a significant percentage of such provision.

26

Joint ventures

The main joint ventures owned by the Group at 31 December 2008 in the detailed Appendix I are the following:

| Company | % of Ownership |
|---|----------------|
| Atlantic LNG 2/3 Company of Trinidad & Tobago | 25.00% |
| Bahía de Bizkaia Electricidad, S.L. | 25.00% |
| Bahía de Bizkaia Gas, S.L. | 25.00% |
| BPRY Caribbean Ventures LLC | 30.00% |
| Compañía Mega | 38.00% |
| Empresas Lipigas, S.A. | 45.00% |
| YPFB Andina, S.A. (formerly Empresa Petrolera Andina) | 48.92% |
| Grupo Gas Natural SDG, S.A. | 30.85% |
| Petroquiriquire, S.A. | 40.00% |
| Pluspetrol Energy, S.A. | 45.00% |
| Profertil, S.A. | 50.00% |
| Quiriquire Gas, S.A. | 60.00% |
| Refinería del Norte, S.A. (Refinor) | 50.00% |
| Repsol Gas Natural LNG, S.L. | 50.00% |
| Repsol Occidental Corporation | 25.00% |

The detail of the amounts included under the main headings in the consolidated financial statements as a result of the proportionate consolidation of the joint ventures at 31 December 2008 and 2007, is as follows:

27

Income and expenses from continuing operations

The detail of income and expenses from operations in the periods 2008 and 2007 is as follows:

| | Millions of Euros | |
|--|-------------------|---------------|
| REVENUE | 2008 | 2007 |
| Sales | 57,740 | 52,098 |
| Services rendered and other income | 1,892 | 1,767 |
| Change in inventories of finished goods and work in progress inventories | (274) | 387 |
| Income from reversal of impairment losses (1) | 57 | 150 |
| Gains on disposal of non-current assets (2) | 126 | 694 |
| Allocation of subsidies on non-financial assets and other subsidies | 18 | 13 |
| Other operating income | 1,416 | 814 |
| | 60,975 | 55,923 |

| | Millions of Euros | |
|--|-------------------|-----------------|
| EXPENSES | 2008 | 2007 |
| Procurements | (40,101) | (36,699) |
| Changes in inventories | (760) | 405 |
| Personnel expenses | (2,016) | (1,855) |
| Taxes other than income tax | (2,501) | (1,915) |
| Outside services (3) | (5,204) | (4,932) |
| Transport and freight costs | (1,198) | (1,140) |
| Depreciation and amortisation charge (3) | (3,091) | (3,141) |
| Impairment losses recognised (1) | (107) | (220) |
| Losses on disposal of non-current assets | (28) | (25) |
| Other operating expense | (886) | (593) |
| | (55,892) | (50,115) |

(1) See Note 12.

(2) In 2007 relating mainly to the gains described in the following paragraph and to the profits of the sale of 10% stake of CLH (EUR 315 million).

(3) Exploration costs totaled EUR 571 million and EUR 592 million in 2008 and 2007, respectively, recorded as amortization and external services.

On 30 July 2007 Repsol YPF, S.A. entered into an agreement whereby it sold to Caja Madrid the lot where an office building is under construction in Madrid, as well as the finished works on it, for EUR 815 million. In the same agreement Repsol YPF, S.A. undertook to continue the promotion and development of the pending construction works, with the aim of completing the cited office building. Because of the sale of the lot there was a surplus of EUR 211 million recorded under the item "Gains on disposal of non-current assets".

28

Finance income and costs

The detail of the finance income and costs recognised in 2008 and 2007 is as follows:

| | Millions of Euros | |
|--|-------------------|--------------|
| | 2008 | 2007 |
| Interest income | 228 | 168 |
| Borrowing costs | (521) | (470) |
| Expenses relating to preference shares | (209) | (191) |
| Financing interest (Note 7) | 67 | 95 |
| Update of provisions | (144) | (144) |
| Net exchange differences | 212 | 266 |
| Dividend income | 17 | 5 |
| Revenues / (expenses) due to valuation of derivatives and other financial assets at fair value (see Note 38) | (19) | 68 |
| Other income/(expenses) | (3) | (21) |
| | (372) | (224) |

29

Segment reporting

In 2007, the Board of Directors approved a new structure intended to support the company's growth projects, as well as to establish the basis for future developments. The main lines of this structure are as follows:

Three integrated strategic businesses:

- Upstream, corresponding to the exploration and the development operations of crude oil and natural gas reserves, except in YPF;
- LNG corresponding to the Liquid Natural Gas business, except in YPF; and
- Downstream, corresponding to refining, sales activities for oil products, chemicals and LPG, except in YPF.

Two participations in strategic companies:

- YPF, which includes the operations of YPF, S.A. and its group companies in all the businesses mentioned above; and
- Gas Natural SDG, corresponding to the sales activities for natural gas and power generation.

As a result of this change, the segment information of the Repsol YPF Group starting on 1 January 2008, were published according to this new organization. To facilitate a comparison of change in such financial information with the data corresponding to 2007 these are presented using the same criteria as the data corresponding to 2008.

All financial and business-related information prior to 1 January 2008 was published according to the segment structure previously in effect, given the fact that the new organizational structure and related information systems were not completely developed at that time.

The detail of the main aggregates in Repsol YPF's income statement on the basis of this new classification is as follows:

| OPERATING REVENUE | | | | | Millions of Euros | |
|--|----------------------------|---------------|---------------------------------|------------|-------------------------|---------------|
| | Operating revenue external | | Operating revenue inter-segment | | Total operating revenue | |
| SEGMENTS | 31/12/2008 | 31/12/2007 | 31/12/2008 | 31/12/2007 | 31/12/2008 | 31/12/2007 |
| Upstream | 3,515 | 3,433 | 1,399 | 1,041 | 4,914 | 4,474 |
| LNG | 1,296 | 730 | 248 | 193 | 1,544 | 923 |
| Downstream | 42,169 | 40,420 | 278 | 378 | 42,447 | 40,798 |
| YPF | 9,609 | 8,037 | 473 | 599 | 10,082 | 8,636 |
| Gas Natural SDG | 4,070 | 3,057 | 140 | 97 | 4,210 | 3,154 |
| Corporation | 316 | 246 | 423 | 361 | 739 | 607 |
| (-) Inter-segment adjustments and eliminations of operating income | - | - | (2,961) | (2,669) | (2,961) | (2,669) |
| TOTAL | 60,975 | 55,923 | | | 60,975 | 55,923 |

| OPERATING RESULTS | | | Millions of Euros | |
|---|--------------|--------------|-------------------|--|
| SEGMENTS | 31/12/2008 | 31/12/2007 | | |
| Upstream | 2,258 | 1,882 | | |
| LNG | 125 | 107 | | |
| Downstream | 1,111 | 2,204 | | |
| YPF | 1,159 | 1,228 | | |
| Gas Natural SDG | 555 | 516 | | |
| Corporation | (125) | (129) | | |
| TOTAL OPERATING RESULTS PERTAINING TO THE REPORTED SEGMENTS | 5,083 | 5,808 | | |
| (+/-) Results not assigned (Financial result) | (372) | (224) | | |
| (+/-) Other results (Results of companies accounted for using the equity method) | 66 | 109 | | |
| Income tax and/or results of interrupted operations | (1,940) | (2,338) | | |
| CONSOLIDATED NET INCOME FOR THE YEAR | 2,837 | 3,355 | | |

The detail of other significant aggregates relating to each activity at 31 December 2008 and 2007 is as follows:

| 2008 | | | | | | | | Millions of Euros |
|--|----------|-------|------------|---------|-------------|---------------------------|----------------|-------------------|
| | Upstream | LNG | Downstream | YPF | Gas Natural | Corporate and Adjustments | TOTAL | |
| Total assets ⁽¹⁾ | 8,801 | 1,837 | 14,151 | 11,762 | 5,804 | 7,074 | 49,429 | |
| Investments accounted for using the equity method | 49 | 349 | 78 | 36 | 13 | – | 525 | |
| Operating liabilities ⁽²⁾ | 2,146 | 772 | 5,272 | 3,005 | 1,824 | 193 | 13,212 | |
| Depreciation and amortisation charge | (650) | (48) | (653) | (1,465) | (224) | (51) | (3,091) | |
| Net impairment losses recognised | 42 | – | (92) | – | – | – | (50) | |
| Other non-monetary income/(expense) ⁽³⁾ | (1) | – | 62 | (179) | (69) | 153 | (34) | |
| Investments | 1,184 | 242 | 1,534 | 1,508 | 894 | 224 | 5,586 | |
| Results of companies accounted for using the equity method | (31) | 62 | 27 | 6 | 2 | – | 66 | |

| 2007 | | | | | | | | Millions of Euros |
|--|----------|-------|------------|---------|-------------|---------------------------|----------------|-------------------|
| | Upstream | LNG | Downstream | YPF | Gas Natural | Corporate and Adjustments | TOTAL | |
| Total assets ⁽¹⁾ | 8,475 | 1,544 | 15,441 | 10,998 | 4,745 | 5,961 | 47,164 | |
| Investments accounted for using the equity method | 141 | 251 | 96 | 37 | 12 | – | 537 | |
| Operating liabilities ⁽²⁾ | 1,997 | 1,041 | 6,475 | 2,185 | 1,273 | 262 | 13,233 | |
| Depreciation and amortisation charge | (756) | (50) | (703) | (1,397) | (193) | (42) | (3,141) | |
| Net impairment losses recognised | (5) | – | (36) | (29) | – | – | (70) | |
| Other non-monetary income/(expense) ⁽³⁾ | 11 | 12 | 112 | (310) | (28) | (21) | (224) | |
| Investments | 1,439 | 387 | 936 | 1,374 | 651 | 586 | 5,373 | |
| Results of companies accounted for using the equity method | (13) | 58 | 63 | (1) | 2 | – | 109 | |

(1) Includes investments accounted for using the equity method.

(2) Includes "Subsidies", "Current and non-current provisions", "Other non-current liabilities", "Liabilities linked to non-current assets available for sale" and "Suppliers and other creditors" lines in the consolidated balance sheet.

(3) Includes those income/(expenses) that do not entail cash outflows other than changes in depreciation/amortisation or net impairment losses.

The detail of the main aggregates by geographical area is as follows:

| Millions of Euros | | | | | | |
|-----------------------------------|------------------|--------------|--------------|--------------|---------------|---------------|
| | Operating income | | Investments | | Assets | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Upstream | 2,258 | 1,882 | 1,184 | 1,439 | 8,801 | 8,475 |
| North America and Brazil | 40 | (25) | 478 | 610 | 3,067 | 2,642 |
| North Africa | 1,202 | 1,234 | 376 | 199 | 1,388 | 978 |
| Rest of the world | 1,016 | 673 | 330 | 630 | 4,345 | 4,855 |
| LNG | 125 | 107 | 242 | 387 | 1,837 | 1,544 |
| Downstream | 1,111 | 2,204 | 1,534 | 936 | 14,151 | 15,441 |
| Europe | 1,127 | 1,995 | 1,469 | 844 | 12,035 | 13,521 |
| Rest of the world | (16) | 209 | 65 | 92 | 2,116 | 1,920 |
| YPF | 1,159 | 1,228 | 1,508 | 1,374 | 11,762 | 10,998 |
| Gas Natural SDG | 555 | 516 | 894 | 651 | 5,804 | 4,745 |
| Corporate, others and adjustments | (125) | (129) | 224 | 586 | 7,074 | 5,961 |
| TOTAL | 5,083 | 5,808 | 5,586 | 5,373 | 49,429 | 47,164 |

In addition, the distribution of net amount of turnover (comprising "Sales" and "Service rendered and other income" line items in the attached consolidated income statements), by geographic area is as follows:

| Millions of Euros | | |
|-----------------------|---------------|---------------|
| Geographic Area | 31/12/2008 | 31/12/2007 |
| Internal Market | 28,594 | 25,856 |
| Exports | 31,038 | 28,009 |
| a. European Union | 6,170 | 6,172 |
| b. O.E.C.D. Countries | 4,654 | 3,493 |
| c. Other Countries | 20,214 | 18,344 |
| TOTAL | 59,632 | 53,865 |

30

Business combinations and changes in composition of the group

Repsol YPF prepared its consolidated financial statements to include its investments in all its subsidiaries, affiliated companies and joint ventures. Appendix I of the consolidated financial statements at 31 December 2008 details the subsidiaries, affiliated companies and joint ventures, held directly or indirectly by Repsol YPF, S.A., which were included in the scope of consolidation at that date.

The principal changes in the scope of consolidation that have taken place in 2008 are detailed below:

| 2008 | | | | | | |
|--|---|---------------------------------|---|--|------------------------------|---|
| NET COST OF THE COMBINATION | | | | | | |
| Thousands of Euros | | | | | | |
| Name of the entity (and line of business) acquired or merged | Category | Effective date of the operation | Amount (net) paid in the acquisition + other costs directly attributable to the combination | Fair value of the net equity instruments issued to acquired the entity | % of voicing rights acquired | % of voicing rights in the entity after the acquisition |
| Biogas Doña Juana, S.A. E.S.P. (1) | Inclusion in the scope of consolidation | 05/02/2008 | 176 | – | 15.36 | 15.36 |
| Administración y Servicios Ecap, S.A. de C.V. (1) | Inclusion in the scope of consolidation | 14/03/2008 | 1 | – | 30.85 | 30.85 |
| Dawn Energy, Produção de Energia Unipessoal LDA. (1) | Acquisition | 04/04/2008 | 2 | – | 30.85 | 30.85 |
| Cetraro Distribuzione Gas S.R.L. (1) | Inclusion in the scope of consolidation | 28/04/2008 | 19 | – | 18.51 | 18.51 |
| O Novo Aquilón, S.L. (1) | Acquisition | 06/06/2008 | 1 | – | 18.51 | 18.51 |
| Parques Eólicos 2008–2012, S.L. (1) | Acquisition | 17/06/2008 | 1 | – | 16.66 | 16.66 |
| Oficina de Cambios de Suministrador, S.A. (1) | Acquisition | 20/06/2008 | 4 | – | 6.17 | 6.17 |
| Sociedad de Tratamiento La Andaya, S.A. (1) | Increase in share capital | 09/07/2008 | 157 | – | 4.63 | 18.51 |
| Sociedad de Tratamiento Hornillos, S.L. (1) | Increase in share capital | 09/07/2008 | 136 | – | 4.32 | 29.00 |
| Portal del Instalador (1) | Increase in share capital | JULIO 2008 | 40 | – | 3.08 | 26.22 |
| Pitta Construzioni S.p.A. (1) | Acquisition | 03/07/2008 | 4,604 | – | 30.85 | 30.85 |
| Gas Natural Servicios, LTD. (1) | Inclusion in the scope of consolidation | 09/06/2008 | 99 | – | 30.85 | 30.85 |
| Repsol Biocarburantes Tarragona, S.A. | Inclusion in the scope of consolidation | 19/02/2008 | 500 | – | 99.97 | 99.97 |
| Repsol Biocarburantes Cartagena, S.A. | Inclusion in the scope of consolidation | 19/02/2008 | 500 | – | 99.97 | 99.97 |

(1) Companies acquired through Gas Natural Group, in which Repsol YPF holds 30.847%. The amounts and percentages correspond to 30.847% of those acquired by Gas Natural Group.

On 3 July 2008, the Group acquired through Gas Natural, a 100% of the equity capital of Pitta Construzioni, S.p.A., in Italy. If the Group had consolidated the acquired business in the financial statements of the Repsol YPF Group as of 1 January 2008, its contribution to the operating revenue would have been amounted to EUR 1 million, while its contribution to the operating income would have not been material. The cost of this acquisition amounted to EUR 8 million, and a goodwill of approximately EUR 1 million was recognised, attributable to the high profitability and synergies expected to arise from Gas Natural operations.

The main business combinations that took place in 2007 are as follows:

In December 2007 the Group had acquired the 100%, through Gas Natural, of the equity capital of the Group Generación México (mainly consisting in the following companies: Controladora del Golfo S.A. de C.V., Central Anahuac S.A. de C.V., Central Saltillo S.A. de C.V., Central Lomas del Real S.A. de C.V., Central Vallehermoso S.A. de C.V., Electricidad Águila de Altamira S.A. de C.V., Gasoducto del Río S.A. de C.V. and Compañía Mexicana de Gerencia y Operación S.A. de C.V.), engaged in the electric combined cycle-generation. The cost of these acquisitions had amounted to EUR 311 million, and goodwill relating to the business combination was EUR 26 million.

In 2007 there was no consolidated result due to this transaction as the acquisition took place in December. If the Group had consolidated the acquired business in the financial statements of the Repsol YPF Group as of 1 January 2007, its contribution to the operating revenues and net result would have amounted to EUR 193 million and EUR 9 million, respectively.

The detail of the assets, liabilities and contingent liabilities acquired, classified on the basis of the main consolidated balance sheet headings at the date of acquisition is as follows:

| Millions of Euros | | |
|--|-----------------|------------|
| | Carrying Amount | Fair Value |
| Tangible assets | 249 | 318 |
| Deferred tax assets | 6 | 7 |
| Other non-current assets | 13 | 13 |
| Trade and other receivables | 34 | 34 |
| Other current financial assets | 1 | 1 |
| Cash and cash equivalents | 21 | 21 |
| TOTAL ASSETS | 324 | 394 |
| Deferred tax liabilities | 18 | 37 |
| Non-current financial liabilities | 4 | 4 |
| Other non-current liabilities | 37 | 37 |
| Trade debts and other accounts payable | 30 | 31 |
| TOTAL LIABILITIES | 89 | 109 |
| TOTAL NET ASSETS | 235 | 285 |
| GOODWILL | | 26 |
| TOTAL INVESTMENT | | 311 |

In June 2007, Repsol acquired, through Gas Natural, a 28% participation in the share capital of Inversas, S.A., Gas Natural Argentina SDG, S.A., Natural Energy S.A. and Natural Servicios S.A., at a purchase price of EUR 13 million. The goodwill acquired amounted to EUR 9 million.

In December 2007, the Group fully incorporated, through Gas Natural, the 30.8% of the share capital of the Group ITAL.ME.CO, an Italian group dedicated principally to the distributions and commercialisation of gas, which operates in four regions in the centre and the south of Italy. The cost of this acquisition amounted to EUR 8 million and no goodwill was registered from the operation.

31

Divestments

The following table provides a breakdown of divestments recorded in 2008 and 2007:

| | Millions of Euros | |
|---|-------------------|--------------|
| | 2008 | 2007 |
| Group companies, associated companies and business units | 920 | 522 |
| Tangible and intangible assets, and investment properties | 102 | 548 |
| Other financial assets | 23 | 209 |
| TOTAL INVESTMENT DISPOSALS | 1,045 | 1,279 |

Group companies, associated companies and business units

Sales of equity in Group companies and associated companies in 2008 were as follows:

| Millions of Euros | | | | | |
|---|---------------|---------------------------------|---------------------------------------|--|---------------------------|
| Name of the entity (or line of business) sold, divested or eliminated | Category | Effective date of the operation | % of voting rights sold or eliminated | % of total voting rights in the entity after the transaction | Income / (Loss) generated |
| YPF, S.A. (1) | Subsidiary | 21/2/2008 1/11/2008 | 15.00% 0.10% | 84.14% 84.04% | 86 2 |
| Empresa Petrolera Andina, S.A. (1) | Joint venture | 5/5/2008 | 1.08% | 48.92% | (4) |
| Repsol Bronderslev (1) | Subsidiary | 29/2/2008 | 100% | - | 1 |
| Repsol Polivar SPA (1) (2) | Subsidiary | 29/2/2008 | 100% | - | - |
| Operadora de Postos de serviços, LTD (1) | Subsidiary | 2/5/2008 | 100% | - | 2 |
| West Siberian Resources (3) | Other | 1/4/2008 | 6% | 4% | - |
| Repsol YPF, Comercial del Ecuador (1) | Subsidiary | 1/9/2008 | 100% | - | - |
| Repsol YPF, Gas Bolivia (1) | Subsidiary | 28/11/2008 | 50.91% | - | - |
| Refineria de Petróleos Manguinhos S.A. (1) | Joint venture | 16/12/2008 | 31.13% | - | - |
| Repsol YPF, Distribuidora S.A. (1) | Subsidiary | 19/12/2008 | 100% | - | 14 |

(1) Sale of the percentages indicated

(2) Company 100% held by Repsol Bronderslev.

(3) Dilution of the percentage interest after the capital increase undertaken by the company. This company had been reclassified into financial investments.

On 21 February 2008, Repsol YPF sold a 14.9% of the capital stock of YPF, S.A. to Petersen Energía in the amount of US\$ 2,235 million, arranging a loan for the buyer in the amount of US\$ 1,015 million. Collections related to this transaction amounted to US\$ 1,220 million (EUR 827 million). In addition, in November 2008, Petersen Energía exercised an option to buy an additional 0.10%, in the amount of US\$ 13 million (EUR 10 million). These sales led to a consolidated profit before taxes of EUR 88 million, recorded under the line "Income from reversal of impairment losses and gain on disposal of non-current assets" of the attached consolidated income statement. The main effects of this transaction in the Group's consolidated balance sheet were a EUR 987 million increase in "Minority interest", and a EUR 292 million decrease in goodwill.

According to the terms of the sale agreement itself, Petersen Energía has an option to buy an additional 10% of YPF stock. At 31 December 2008, the Group holds 84.04% of YPF shares.

On 30 April 2008, Repsol YPF and YPFB entered into an agreement for the transfer of 1.08% of Empresa Petrolera Andina, S.A. shares in the amount of EUR 4 million. This agreement took full force on 5 May 2008 through the registry of the corresponding public document. The loss arising from this transaction, recorded under the "Impairment losses recognised and losses on disposal of non current assets" line in the attached consolidated income statements amounted to EUR 4 million. The percentage of the Group's interest in the company after the transfer of shares is 48.92%.

As of 1 May 2008, according to the new capital structure and the management agreements of Empresa Petrolera Andina S.A. (now YPFB Andina, S.A.), it is consolidated using the proportional integration method. The main effects on the Group's consolidated financial statements at that date, as a result of this change in the consolidation method used, have been a EUR 431 million, EUR 259 million and EUR 164 million reduction in assets, minority interest and liabilities, respectively.

In September 2008, Repsol YPF sold to Primax the service stations, and lubricant and aviation activities in Ecuador managed by Repsol YPF Comercial de Ecuador, S.A. and Combustibles Industriales Oiltrader, S.A. for an amount of EUR 32 million.

On 16 December 2008, the Group sold its interest in Refineria de Petroleos de Manguinhos. The result of the sale was below EUR 1 million.

On 19 December 2008, Repsol YPF sold to the Brazilian group, AleSat Combustíveis, its fuel commercialization activities in Brazil, managed through Repsol YPF Distribuidora, consisting of a network of 327 service stations, as well as the commercial and logistic infrastructure and other complementary businesses, in the amount of EUR 17 million. The result generated by this operation amounts to EUR 14 million, recorded under "Income from reversal of impairment losses and gain on disposal of non-current assets" in the accompanying consolidated income statement. Following is a breakdown of net assets disposed of as a result of this sale:

| ITEM | Millions of Euros |
|-------------------------|-------------------|
| Non-current assets | 22 |
| Current assets | 47 |
| Non-current liabilities | (9) |
| Current liabilities | (57) |
| TOTAL NET ASSETS | 3 |

In 2007, Repsol YPF sold a 10% stake in Companhia Logística de Hidrocarburos (CLH), for an amount of EUR 353 million, generating a surplus of EUR 315 million.

Also in 2007 Repsol YPF Chile S.A. (before Repsol YPF Chile LTDA) sold its stake in Petróleos Transandinos YPF S.A. and in Operaciones y Servicios YPF Ltda, by an amount of EUR 145 million, generating a surplus of EUR 49 million. Net assets as of the date of the sale of the companies sold in Chile were the following:

| ITEM | Millions of Euros |
|-------------------------|-------------------|
| Non-current assets | 84 |
| Current assets | 34 |
| Non-current liabilities | (22) |
| TOTAL NET ASSETS | 96 |

Other investment disposals

In 2008, there have been no other significant investment disposals.

In 2007, the main investment disposal corresponded to the sale of the lot where an office building is under construction in Madrid, generating a cash inflow of EUR 571 million (see Note 27).

32

Medium- and long-term incentive plans

The company has implemented a loyalty building programs aimed at senior executives and other persons occupying positions of responsibility in the Group, consisting of medium/ long-term incentives as part of their benefit package. The purpose of these programs are to strengthen the identification of executives and managers with shareholders' interests, while at the same time facilitating the retention by the Group of key personnel in an increasingly competitive labour market.

The President of the Company is not a recipient of the incentives available to date, although in his current compensation package, the level of success of each program at expiration serves as reference to determine the multi-annual compensation corresponding to each period, which is credited in the following period.

At the end of the period there are in force the incentive plans 2005-2008, 2006-2009, 2007-2010 and 2008-2011, although it is important to point out that the first of the plans shown (2005-2008) has been closed, in accordance to its provisions, at 31 December 2008 and its recipients shall receive any corresponding variable retribution in the first quarter of 2009.

The four plans of this type in force (2005-2008, 2006-2009, 2007-2010 and 2008-2011 incentive plans), are independent of each other but their main characteristics are the same. All four are specific multi-annual remuneration plans covering the stated years. Each plan is tied to the Group attaining a series of strategic objectives. Fulfillment of the respective objectives entitles the beneficiaries of each plan to receive an amount of variable remuneration at medium term in the first quarter of the year following the last year of the plan. However, in each case, receipt of this incentive payment is tied to the beneficiary remaining in the Group's employ until 31 December of the last year of the plan, except in the special cases envisaged in the terms and conditions of the related plan.

In all cases, the pluri-annual incentive payment, if received, will consist of an amount determined at the time the incentive is granted, to which a first variable coefficient will be applied on the basis of the extent to which the objectives set are achieved, which will be multiplied by a second variable coefficient tied to the beneficiary's performance over the period covered by the plan.

None of these plans involves the delivery of shares or options and the incentive payments are not tied to the value of Repsol YPF shares.

Provisions of EUR 11 million and EUR 11 million were charged to income in 2008 and 2007, respectively, to meet the obligations arising from these plans. At 31 December 2008 and 2007, the Group has recorded a provision of EUR 28 million and EUR 27 million, respectively, to meet the obligations of the aforementioned plans.

33

Information on related party transactions

Repsol YPF has undertakes transactions with related parties under general market conditions.

For the purposes of presenting this information, the following are considered to be related parties:

- a. Major Shareholders: according to the most recent information available, the major shareholders in the company that are considered related parties of Repsol YPF are:
 - Sacyr Vallehermoso, S.A. owns 20.01% of the share capital.
 - Criteria Caixa Corp. S.A. (member of Caixa Group) holds, directly and indirectly, 14.31% of the share capital of Repsol YPF, S.A.
 - Petróleos de México (Pemex) has an ownership interest of 4.806% through its subsidiaries Pemex International España, S.A. and various financial instruments (see Note 17.1).
- b. Managers and Directors: includes members of the Board of Directors and of the Executive Committee.

- c. Group companies for the part not owned by the Group: includes transactions with Group companies or entities for the part not eliminated in the consolidation process (corresponding to the non-owned portion in the proportionately consolidated companies and transactions undertaken with companies accounted for using the equity method).

Income and expenses recorded during the year for transactions with related parties were as follows:

| EXPENSE AND INCOME | | 31 DECEMBER 2008 | | | Millions of Euros |
|---|--------------------|------------------------|-----------------------------|--------------|-------------------|
| | Major shareholders | Managers and Directors | Group companies or entities | TOTAL | |
| Financial expenses | 6 | – | 1 | 7 | |
| Management or cooperation agreements | – | – | 1 | 1 | |
| Operating leases | 2 | – | 3 | 5 | |
| Receipts from services | 8 | – | 366 | 374 | |
| Purchase of goods (finished or in progress) | 2,109 | – | 5,056 | 7,165 | |
| Other expenses | 14 | – | 6 | 20 | |
| TOTAL EXPENSES | 2,139 | – | 5,433 | 7,572 | |
| Financial income (1) | 10 | – | 30 | 40 | |
| Management or cooperation agreements | – | – | 7 | 7 | |
| Provision of services | 32 | – | 20 | 52 | |
| Sale of goods (finished or in progress) | 466 | – | 1,650 | 2,116 | |
| Other income | 5 | – | 47 | 52 | |
| TOTAL INCOME | 513 | – | 1,754 | 2,267 | |

| OTHER TRANSACTIONS | | 31 DECEMBER 2008 | | | Millions of Euros |
|--|--------------------|------------------------|-----------------------------|--------|-------------------|
| | Major shareholders | Managers and Directors | Group companies or entities | TOTAL | |
| Purchase of tangible, intangible and other assets | 9 | – | – | 9 | |
| Finance agreements: credits and capital contributions (lender) (1) | 59 | – | 376 | 435 | |
| Finance agreements: credits and capital contributions (lessor) (2) | 521 | – | 2 | 523 | |
| Guarantees given | 12 | – | 74 | 86 | |
| Guarantees received | 91 | – | – | 91 | |
| Commitments acquired (3) | (95) | – | 40,493 | 40,398 | |
| Dividends and other profit distributed (4) | 503 | – | – | 503 | |
| Other transactions (5) | 1,686 | – | 2 | 1,688 | |

(1) See Note 34 Information on the members of the Board of Directors and Management personnel. Amount is below EUR 1 million.

(2) Includes credit lines of EUR 488 million contracted with La Caixa.

(3) Corresponds to purchase commitments presently outstanding, net of sales commitments.

(4) Dividends distributed to Management and Directors amount to less than EUR 1 million.

(5) Includes short-term investments of EUR 520 million, exchange rate hedging transactions of EUR 216 million and interest rate hedging transaction of EUR 557 million contracted with La Caixa.

The transactions performed by Repsol YPF, S.A. with its Group companies, and by the Group companies among themselves, form part of the Company's ordinary business activities in terms of their purpose and conditions. Sales to related parties are performed in accordance with the policies described in Note 4.21

34

Information on the members of the board of directors and executives

34.1

Remuneration of directors

The contributions received by the members of the Board of Directors, as detailed under the paragraphs a, b and c of this note, amount to EUR 6.165 million, which means 0.22% of the net income attributed to the parent company

a. Due to membership of the Board

In accordance with Article 45 of the bylaws, the Company may pay remuneration equal to 1.5% of its net income to its Board members each year, but this amount can only be paid once the appropriations to the legal reserve and other obligatory appropriations have been made and a dividend of at least 4% has been declared.

Under the system established and approved by the Nomination and Compensation Committee, the amounts of the annual remuneration earned in 2008 and 2007 by virtue of membership of each of the Group's managing bodies are as follows:

| Managing Body | Euros | |
|--|---------|---------|
| | 2008 | 2007 |
| Board of Directors | 172,287 | 165,661 |
| Delegate Committee | 172,287 | 165,661 |
| Audit and Control Committee | 86,144 | 82,830 |
| Strategy, Investment and Corporate Social Responsibility Committee | 43,072 | 41,415 |
| Nomination and Compensation Committee | 43,072 | 41,415 |

The remuneration earned in 2008 by the members of the Board of Directors in their capacity as Board members in connection with the above-mentioned bylaw-stipulated directors' emoluments amounted to EUR 4.824 million, the detail being as follows:

| REMNERATION FOR MEMBERSHIP OF MANAGING BODIES | Euros | | | | | |
|---|---------|----------|----------|-----------------|--------------|---------|
| | Board | Stand C. | Audit C. | Appointments C. | Strategy C.. | TOTAL |
| Antonio Brufau | 172,287 | 172,287 | – | – | – | 344,574 |
| Luis Suárez de Lezo | 172,287 | 172,287 | – | – | – | 344,574 |
| Antonio Hernández-Gil | 172,287 | 172,287 | – | 43,072 | – | 387,646 |
| Carmelo de las Morenas | 172,287 | – | 86,144 | – | – | 258,431 |
| Henri Philippe Reichstul | 172,287 | 172,287 | – | – | – | 344,574 |
| Paulina Beato | 172,287 | – | 86,144 | – | – | 258,431 |
| Javier Echenique | 172,287 | 172,287 | 86,144 | – | – | 430,718 |
| Artur Carulla | 172,287 | – | – | 43,072 | – | 215,359 |
| Luis del Rivero | 172,287 | 172,287 | – | – | – | 344,574 |
| Juan Abelló | 172,287 | – | – | – | 43,072 | 215,359 |
| Pemex Intern. España | 172,287 | 172,287 | – | – | 43,072 | 387,646 |
| José Manuel Loureda | 172,287 | – | – | – | 43,072 | 215,359 |
| Luis Carlos Croissier | 172,287 | – | – | – | 43,072 | 215,359 |
| Isidro Fainé | 172,287 | 172,287 | – | – | – | 344,574 |
| Juan María Nin | 172,287 | – | – | 43,072 | 43,072 | 258,431 |
| Ángel Durández | 172,287 | – | 86,144 | – | – | 258,431 |

Additionally, the following should be noted:

- The members of the Parent's Board of Directors have not been granted any loans or advances by any Group company, jointly controlled entity or associate.
- No Group company, jointly controlled entity or associate has pension or life insurance obligations to any former or current member of the Parent's Board of Directors, except in the case of the Executive Chairman, and of the General Counsel, who, as Executive Directors, are subject to the commitments set forth in their respective service agreements, which consider defined contribution systems.

b. Due to the holding of executive posts and the discharge of executive duties

The annual monetary fixed and variable remuneration and in kind (housing and miscellaneous) received in 2008 by the members of the Board of Directors who, during that period had employment relationships or had performed executive tasks at the Group, have amounted to a total EUR 4.013 million, of which EUR 2.691 was earned by Mr. Antonio Brufau and EUR 1.322 million by Mr. Luis Suárez de Lezo.

In addition, the multi-annual variable compensation paid to Mr. Antonio Brufau, determined on the basis of the level of success with respect to the objectives of the Medium-term Incentives Program for directors corresponding to the 2004-2007 period, totalled EUR 0.850 million. The multi-annual variable compensation paid to Mr. Luis Suárez de Lezo under the program totaled EUR 0.148 million.

These figures do not include the amounts reflected in the following paragraph e).

c. Due to membership to the Boards of Directors of subsidiaries

The remuneration earned in 2008 by the members of the Parent's Board of Directors in their capacity as directors of other Group companies, jointly controlled entities and associates amounted to EUR 0.464 million, the detail being as follows:

| | Euros | | | |
|---------------------|--------|-------------|--------|---------|
| | YPF | Gas Natural | CLH | TOTAL |
| Antonio Brufau | 94,833 | 265,650 | – | 360,483 |
| Luis Suárez de Lezo | 67,914 | – | 36,481 | 104,395 |

d. Due to third-party liability insurance premiums

The Board members are covered by the same third-party liability insurance policy as that covering all the directors and executives of the Repsol YPF Group.

e. Due to life insurance and retirement policies, contributions to pension plans and long-service bonuses

The cost of the retirement, disability and death insurance policies and the contributions to pension plans and long-service bonuses including, if applicable, the related payments on account, incurred by the Company on behalf of the members of the Board of Directors with executive functions at the Group amounted to EUR 2.680 million in 2008. Of this amount, EUR 2.423 million correspond to Mr. Antonio Brufau and EUR 0.257 million to Mr. Luis Suárez de Lezo.

f. Incentives

With respect to the multi-annual variable contribution of the Members of the Board of Directors conducting executive duties, in 2008, the company recorded a reserve of EUR 0.866 million corresponding to Mr. Antonio Brufau and EUR 0.309 million corresponding to D. Luis Suárez de Lezo.

Director not holding executive positions at the Company have not been paid multi-annual variable compensation.

34.2 Indemnity payments to members of the Board of Directors

No director received any indemnity payment from Repsol YPF in 2008.

34.3 Transactions with directors

Following is a disclosure of the transactions performed with directors, as required by Law 26/2003, of 17 July, which amended Securities Market Law 24/1988, of 28 July, and the Limited Company Law, in order to reinforce the transparency of listed corporations.

Except for the remuneration earned, the dividends received from the shares held by them and, in the case of institutional outside directors, the transactions described in Note 33 ("Information on Related Party Transactions – Significant Shareholders"), the directors of Repsol YPF did not perform any material related-party transactions with the Company or Repsol YPF Group companies outside of ordinary business or under conditions other than market conditions.

Except as detailed in Appendix III, none of the directors have ownership interests or hold positions in companies engaging in an activity that is identical, similar or complementary to the activity constituting the company object of Repsol YPF, and none of them have performed, as independent professionals or as employees, activities that are identical, similar or complementary to the activity that constitutes the corporate purpose of Repsol YPF.

34.4 Remuneration of executives

a. Scope

The information included in this Note relates to the nine persons who have been members of the Executive Committee of the Group in 2008, excluding, unless stated otherwise, those who are also members of the Parent's Board of Directors, since the information relating to them is disclosed in the paragraph 1).

b. Wages and salaries

Executives receive fixed and variable remuneration. The latter consists of an annual bonus calculated as a given percentage of the fixed remuneration earned on the basis of the degree to which certain targets are met and, where appropriate, the payment relating to the multi-annual incentive plan.

The total remuneration earned in 2008 by executives who form or formed part of the Executive Committee, during the period in which they belonged to the Committee, amounted to EUR 12.288 million, the detail being as follows:

| DESCRIPTION | Millions of Euros |
|-----------------------|-------------------|
| Salary | 7,012 |
| Attendance fees | 0,480 |
| Variable remuneration | 4,284 |
| Compensation in kind | 0,512 |

c. Incentive plans

Regarding executives, in 2008 Repsol YPF recorded provisions of EUR 2.170 million in connection with the four incentive plans in force.

d. Executive welfare plan and long service bonus

The contributions made by the Group to its management personnel in both instruments amounted to EUR 1.925 million.

e. Pension fund and insurance premiums

The contributions made by the Group in 2008 to the hybrid defined contribution plans for executives adapted to the Pension Plans and Funds Law (see Note 4.16) plus the life and accident insurance premiums paid totaled EUR 0.414 million (this amount is included in the disclosures reported in section b. above).

Executives are covered by the same civil liability insurance policy as that covering all the directors and executives of the Repsol YPF Group.

f. Advances and loans

At 31 December 2008, the Company had granted loans to its executives amounting to EUR 0.316 million, which earned average interest of 3.85%. All these loans were granted before 2003.

34.5 Indemnity payments to executives

In 2008, the Company's directors have received no such compensation.

34.6 Transactions with executives

Except for the information disclosed in sections 4 and 5 of this Note and the dividends pertaining to the shares of the Company held by them, the executives of Repsol YPF did not perform any material related-party transactions with the Company or Repsol YPF Group companies outside of ordinary business or under conditions other than market conditions.

In addition, the members of the Top Management have, in their respective contracts, the right to receive a compensation in the event of termination of relationship with the company, provided that the termination was not due to a breach of obligations of the Senior Management member, due to retirement, handicap or the employee's voluntary withdrawal not founded in some of the compensable assumptions gathered in the mentioned contracts.

Said remunerations shall be recognised as a provision for pensions and as a staff expense only when the termination of the relationship between the Senior Management member and the group is due to a qualifying ground. The Group has a collective insurance contracted which aims to guarantee the Remuneration of Top Management, including the General Counsel and Secretary of the Board of Directors.

35

Headcount

At 31 December 2008, the Group had 36,302 employees and the average headcount in 2008 was 37,371 employees. The total headcount at 2008 and 2007 year-end, by professional category, was as follows:

| | Number of employees | | | |
|---------------------------------|---------------------|--------------|---------------|--------------|
| | 2008 | | 2007 | |
| | Men | Women | Men | Women |
| Managers | 317 | 35 | 292 | 25 |
| Senior line personnel | 1,985 | 422 | 2,024 | 385 |
| Other line personnel | 11,966 | 3,754 | 11,563 | 3,350 |
| Clerical Staff | 863 | 1,349 | 884 | 1,426 |
| Manual workers, messengers, etc | 11,675 | 3,936 | 12,825 | 3,926 |
| | 26,806 | 9,496 | 27,588 | 9,112 |

36

Operating leases

36.1

The Group as lessee

The expenses recognised as period operating lease costs at 31 December 2008 and 2007, amounted to EUR 471 million and EUR 339 million, respectively.

At 31 December 2008, the Group had the following long-term payment commitments under non-cancelable operating leases in which the Group is the lessee:

| | Millions of Euros | | | | | | |
|---|-------------------|------------|------------|------------|------------|------------------|--------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | Subsequent years | TOTAL |
| Sea transport-time charter ⁽¹⁾ | 137 | 79 | 60 | 49 | 41 | 574 | 940 |
| Leases ⁽²⁾ | 155 | 138 | 128 | 89 | 83 | 214 | 807 |
| | 292 | 217 | 188 | 138 | 124 | 788 | 1,747 |

⁽¹⁾ Repsol YPF has chartered under "time charter" arrangements 22 ships (5 of them through the subsidiary Gas Natural SDG, S.A.) for the transportation of crude oil, oil products and liquefied natural gas, whose freights end along the period 2009 – 2012. The leasing amount to be paid by the petrol ships amounts to EUR 114 million in 2009. In addition, it includes the operational part of the freight policies in the financial leasing regime, by an amount of EUR 23 million.

⁽²⁾ Relating mainly to leasing of petrol service stations amounting to EUR 214 million.

36.2

The Group as lessor

At 31 December 2008, the Group was entitled to receive the long-term commitments detailed below with respect to the lease agreements in which the Group is the lessor:

| | Millions of Euros | | | | | | |
|-----------------------|-------------------|-----------|-----------|-----------|-----------|------------------|------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | Subsequent years | TOTAL |
| Leases ⁽¹⁾ | 53 | 18 | 18 | 16 | 16 | 17 | 138 |
| | 53 | 18 | 18 | 16 | 16 | 17 | 138 |

⁽¹⁾ Relating mainly to optic fiber assets, amounting to EUR 52 million and to gas storage facilities, amounting to EUR 33 million.

37

Contingent liabilities and obligations

Guarantees

At 31 December 2008 the companies of the Repsol YPF Group have granted the following guarantees to third parties or to companies of the Group whose assets, liabilities and results are not incorporated to the consolidated financial statements (companies consolidated in the proportion not owned by the Group and companies consolidated under the equity method):

- The Group provided guarantees for the financing activities of the Central Dock Sud, S.A. amounting to EUR 16 million.
- The Group provided guarantees for the financing activities of EniRepSa Gas Limited, in which the Group has 30% stake, amounting to EUR 4 million.
- The Group provided guarantees for the financing activities of Atlantic LNG Company of T&T, in which the Group has 20% stake, amounting to EUR 32 million.
- The Group provided guarantees for its stake in Oleoducto de Crudos Pesados de Ecuador, S.A. (OCP) which covers construction, abandonment of construction, and the environmental risks related to this operation, up to, approximately, EUR 11 million together with the operative risks of approximately, EUR 11 million. The Group has pledged all its shares in OCP.
- The Group has provided guarantees for the financing activities of Petersen Group related to the acquisition of a YPF interest in the amount of EUR 74 million.

Contractual commitments

At 31 December 2008, the main long-term purchase, sale or investment commitments of the Repsol YPF Group were as follows

| | Millions of Euros | | | | | | |
|------------------------------------|-------------------|--------------|--------------|--------------|--------------|------------------|-----------------------|
| BUY | 2009 | 2010 | 2011 | 2012 | 2013 | Subsequent years | Total |
| Purchase commitments | 4,653 | 4,057 | 5,288 | 5,545 | 5,437 | 67,358 | 92,338 |
| Crude oil and other | 898 | 541 | 309 | 263 | 163 | 487 | 2,661 |
| Natural Gas | 3,755 | 3,516 | 4,979 | 5,282 | 5,274 | 66,871 | 89,677 ⁽¹⁾ |
| Investment commitments | 811 | 216 | 60 | 33 | 13 | 2,962 | 4,095 |
| Transport/transmission commitments | 286 | 374 | 399 | 402 | 360 | 5,869 | 7,690 ⁽²⁾ |
| Services | 1,284 | 1,173 | 492 | 264 | 730 | 2,091 | 6,034 |
| TOTAL | 7,034 | 5,820 | 6,239 | 6,244 | 6,540 | 78,280 | 110,157 |

| | Millions of Euros | | | | | | |
|------------------------------------|-------------------|--------------|--------------|--------------|--------------|------------------|-----------------------|
| SELL | 2009 | 2010 | 2011 | 2012 | 2013 | Subsequent years | Total |
| Sale commitments | 7,534 | 4,445 | 4,389 | 4,730 | 5,043 | 47,500 | 73,641 |
| Crude oil and other | 4,399 | 1,620 | 1,599 | 1,456 | 1,326 | 7,856 | 18,256 |
| Natural Gas | 3,135 | 2,825 | 2,790 | 3,274 | 3,717 | 39,644 | 55,385 ⁽³⁾ |
| Transport/transmission commitments | 20 | 20 | 21 | 21 | 21 | 92 | 195 |
| Services | 362 | 336 | 427 | 373 | 479 | 2,939 | 4,916 |
| TOTAL | 7,916 | 4,801 | 4,837 | 5,124 | 5,543 | 50,531 | 78,752 |

Note: The commitments detailed in the foregoing table are commercial agreements in which fixed total amounts are not stipulated. These commitments were quantified using Repsol YPF's best estimates.

⁽¹⁾ Mainly includes the corresponding portion of the Repsol YPF Group of the Gas Natural Group's long-term natural gas purchase commitments by an amount of EUR 24,689 million, and commitments of the Repsol YPF Group to purchase gas from Trinidad and Tobago amounting to EUR 16,486 million and in Peru for EUR 39,214 million.

⁽²⁾ This amount includes commitments for long-term transportation acquired by the Repsol YPF Group mainly in the U.S.A. amounting to EUR 2,783 million, in Canada amounting to EUR 1,181 million and in Argentina amounting to EUR 572 million. Additionally, it comprises EUR 1,876 million for the future delivery of 4 ships for LNG transportation in Peru.

This amount also includes EUR 568 million relating to the agreement executed by Repsol YPF Ecuador, S.A. on 30 January 2001, with Oleoducto de Crudos Pesados (OCP) Ecuador, S.A., owner of a heavy crude oil pipeline in Ecuador, pursuant to which it undertook to transport the quantity of 100,000 barrels/day of crude oil (36.5 million of barrels/year) for a 15 years term, from the date of the setting up, in September 2003, at a floating rate agreed under the contract.

⁽³⁾ It includes mainly the gas natural sale commitments in Argentina by an amount of EUR 14,249 million, in Spain amounting to EUR 4,927 million, in México amounting to EUR 22,854 million, in Trinidad and Tobago for an amount of EUR 7,390 million and the corresponding portion to the Group Repsol YPF of the commitments of long-term natural gas sale of the Gas Natural Group amounting to EUR 3,693 million.

Contingencies

Company management considers that there are currently no lawsuits, disputes or criminal, civil or administrative proceedings involving the Company, the companies in its Group or anyone holding administrative or management posts (the latter, to the extent that they could involve the Company or its Group) which, given their amount, could have a material impact on the consolidated financial statements and/or the financial position or profitability of the Group.

The most relevant litigations (in addition to the matters mentioned in Note 25) affecting the Repsol YPF Group are as follows:

United States of America

In 1986, Occidental Petroleum Corporation (“Occidental”) acquired (Diamond Shamrock Chemical Company (“Chemicals”) from Diamond Shamrock Corporation (later called Maxus Energy Corporation), and the sale contemplated certain indemnity clauses that have affected Maxus Energy Corp. (a company later acquired by YPF, S.A. in 1995 before this was acquired by Repsol YPF). The company Tierra Solutions Inc. (Tierra), a subsidiary of the North American company YPF Holdings, has assumed the actions of Maxus in environmental matters.

The main litigation is as follows:

- *Río Passaic/Bay of Newark, New Jersey*: In December 2005, the Department of Environmental Protection and Energy (DEP) filed a lawsuit (New Jersey or The Passaic River Litigation) against YPF Holding Inc., Tierra, Maxus and other affiliates, as well as Occidental, for alleged pollution, with dioxides emitted by the old Chemicals plant in Newark, of the last seventeen-mile length of the Passaic River, Newark Bay, and other water and air currents nearby. The defendants have responded to said allegations; however, their defense arguing the lack of jurisprudence was disregarded in September 2008. During February 2009, a number of statements were filed in response to each party's allegations. Also in February 2009, Maxus and Tierra have called to the process more than two hundred and fifty new parties as being responsible for the pollution in question.
- *Hudson County, New Jersey*. Chemicals operated a chromium ore processing plant in Kearny, New Jersey, until 1972. According to the Department of Environmental Protection and Energy of New Jersey (“DEP”), waste from the processing of this mineral was used as fill material in various sites. In May 2005, the DEP filed a complaint against Occidental and two other companies, requesting, among other matters, remediation of a number of sites polluted with ferrous chromate, and the recovery of costs incurred by the State. In this regard, an agreement was reached in the amount of 7.1 million dollars (EUR 5 million).
- *Dallas Occidental vs. Maxus litigation*. In 2002, Occidental filed a lawsuit against Maxus and Tierra in the Dallas District Courts, in the State of Texas, seeking a declaration that Maxus and Tierra have the obligation under the agreement pursuant to which Maxus sold Chemicals to Occidental to defend and indemnify Occidental from and against certain historical obligations of chemicals, including claims related to Agent Orange and vinyl chloride monomer (VCM), notwithstanding the fact that the said agreement contains a 12-year cut-off defense and indemnity obligation with respect to most litigation. The court ruled against Maxus. Maxus filed an appeal at the Court of Appeals and the Supreme Court of Texas; however, both appeals were overruled. This judgment requires Maxus to accept responsibility for various matters, for which it previously refused indemnification since 1998 and accordingly it may result in additional cost in excess of the current provisions of YPF Holdings Inc. for matters of this nature. Notwithstanding the above, Maxus considers that its current provisions, as per the information available at the date of the consolidated financial statements are adequate to cover the costs in question.

In relation to the above, approximately 33 claims have been brought against Occidental by individuals who have allegedly suffered ill-effects from Agent Orange. In February 2008, the United States Second Circuit Court of Appeals dismissed these claims and although it is likely that these plaintiffs will appeal to the Supreme Court, YPF Holdings does not expect those appeals to be successful.

Claims have also been brought against Occidental claiming damages for exposure to vinyl chloride monomer (VCM), asbestos, and other chemical products, as well as alleged for environmental damage. Occidental has informed Maxus that in the aggregate, these claims should not exceed US\$ 7 million (EUR 5 million).

Argentina

- *Liabilities and contingencies assumed by the Argentine State*. By virtue of the YPF Privatisation Law, the Argentine State took on certain obligations of YPF's predecessor at 31 December 1990. In certain decisions relating to acts or events prior to 31 December 1990, YPF has been required to advance the payment of the amounts stipulated in certain court decisions. YPF is entitled to claim reimbursement of the amounts paid in accordance with the aforementioned indemnity payments. At 31 December 2008, the Argentine government had been or was being notified of all the claims received by YPF in connection with its predecessor.
- *Comisión Nacional de Defensa de la Competencia (CNDC)- Liquefied Petroleum Gas Market*. Resolution No. 189/99 from the former Department of Industry, Commerce and Mining of Argentina imposed on YPF a fine based on the interpretation that YPF had purportedly abused its dominant position in the bulk LPG market due to the existence of different prices between the exports of LPG and the sales to the domestic market from 1993 through 1997. The “Comisión Nacional de Defensa de la Competencia” has commenced an investigation in order to prove, among other things, whether the abuse of dominant position behavior already penalized for the period between 1993 and 1997, already settle, continued from October 1997 to March 1999. On 19 December 19 2003, the CNDC charged YPF with abuse of dominant market position during this period. In January 2004, YPF presented evidence for its defense, opposing, among other matters, the prescription defense, which was rejected by the CNDC and the object to the appeal filed by YPF. In August 2008, The Chamber of appeals rejected the argument presented by YPF. This decision was contested by YPF at the National Court of Cassation. Subsequently, YPF has filed appeals against said adverse resolutions.
- *Natural gas market*. Within the export area, as a result of the Restrictions (see Note 2 “Market Regulation - Argentina”) during the years 2004, 2005, 2006, 2007 and 2008, YPF was forced to suspend, partially or totally, its deliveries of natural gas to export customers with which it had assumed firm commitments to deliver certain volumes of natural gas. YPF has challenged the Gas Export Rationalisation Programme and Use of transport capacity, as well as the Additional Permanent Injection and the Additional Injection Requirements as being arbitrary and illegitimate and has alleged, with the respective customers affected by the cuts, that the Restrictions constitute a fortuitous case or force majeure which relieves the Company of any responsibility and/or punishment derived from the lack of delivery of the contractually stipulated volumes.

A number of customers of YPF, including Innergy Soluciones Energéticas S.A., Electroandina S.A. y Empresa Eléctrica del Norte Grande S.A. have rejected by letter the assertion of a force majeure event, claiming for the payment of compensations and/or penalties for a breach of firm delivery commitments, and/or making a reservation for future claims on the same matter. In 2007, Innergy Soluciones Energéticas S.A. made a claim of US\$ 88 million (EUR 63 million) against YPF, plus interest, reserving the right to increase this amount to accumulate additional penalties with respect to unmade deliveries. YPF has filed a counterclaim for expiration of the agreement. “Innergy” notified YPF of the onset of arbitration proceedings. YPF contested the arbitration proceedings and has filed a counterclaim, invoking the theory of unpredictability. In December 2008, Innergy filed a counterclaim pursuant to the resolution handed down by the Court (including those set out in the arbitration proceedings), which must be included in the final documents to be signed by the parties. On 9 February 2009, the parties deferred the arbitration to 13 March 2009.

In addition, Electroandina S.A. y Empresa Eléctrica del Norte Grande S.A. have proceeded to settle the penalty for non delivery up to September 2007 in the amount of US\$ 93 million (EUR 67 million). YPF has rejected the settlement. In addition, denying liability, Electroandina S.A. y Empresa Eléctrica del Norte Grande S.A. have notified the formal commencement of a period of negotiations prior to the start of arbitration proceedings. Although the term has expired, to date, YPF has not received any notification of arbitration proceeding commenced by said companies.

In addition, AES Uruguaiana de Emprendimientos S.A. has also filed claims on the basis of non delivery and, in June 2008, and invoiced an amount of US\$ 28 million (EUR 20 million) corresponding to penalties for non delivery of natural gas during the period from 16 September 2007 to 25 June 2008. YPF has rejected the invoiced amount and denied the liability claims. Subsequently, in June 2008, the amount of US\$ 3 million (EUR 2 million) corresponding to the penalty for non delivery of natural gas during the period from 18 January 2006 to 1 December 2006 was claimed. YPF has rejected both settlements. In addition, AES Uruguaiana Emprendimientos S.A. notified YPF its intention of retain compliance with its obligations, arguing late payment and noncompliance on the part of YPF. YPF rejected the arguments presented by AES, considering them void of legal support.

- *Local Argentine Market*, Central Puerto S.A. filed two claims against YPF with regard to the agreement for the supply of natural gas, with the parties having settled the claim in connection with the supply of natural to the plant of Central Puerto in Loma La Lata. Notwithstanding the above, Central Puerto S.A. has sent notice to YPF their decision to submit to arbitration in accordance with the rules set forth by the International Chamber of Commerce (ICC), the controversies arising out of the combined-cycle natural gas supply located in the Autonomous City of Buenos Aires. YPF has filed a counterclaim suit against the plaintiff in which it claims, among others, that the Court may terminate the contract or subsidiary that the Court proceeds to the contract restructuring. The counterclaim has been replied by Central Puerto in December 2007.

In February 2008 the Arbitration Tribunal held a hearing in which the "Acta de Misión" was subscribed and several questions have arisen about the amounts involved and being declared by Central Puerto, S.A. that it was unable to determine the amount of its claim until such time as the experts' studies were concluded. YPF estimated US\$ 11 million (EUR 8 million) to be the approximate sum payable in the counterclaim filed, plus interest and other costs, notwithstanding the results of the experts' studies.

Compañía Mega S.A. has also brought a claim against YPF due to gas supply cuts under the related natural gas purchase and sale contract. YPF stated that deliveries to Mega for natural gas volumes related to the contract, were affected by the obstacles by the National Government.

- *La Plata refinery environmental disputes*. Since 1999 and in connection with the refinery that YPF has in La Plata several claims have been brought requesting damages and losses for environmental pollution, damage compensation and damages both individual and collective (health, psychological damages, moral damages, property deterioration) all them arising from the alleged environmental pollution arising from the operation of the refinery, and requesting also the remediation of alleged environmental damage in the water channels to the west of the refinery, as well as demanding the specific performance by YPF of different works and installation of equipments, technology and execution of work necessary to stop any environmental damage. In 2006, the Company presented to the Department of Environmental Policy of Buenos Aires Province its plan to conduct a study of the nature of the risks associated with the aforementioned pollution. As indicated above, YPF is entitled to be held harmless by the Argentine State with respect to liabilities and contingencies existing prior to 1 January 1991.
- *Sales of Electricidad Argentina S.A. and Empresa Distribuidora y Comercializadora del Norte S.A. to EDF International S.A. ("EDF")*. In July 2002, EDF initiated international arbitration proceedings against YPF, among others, subject to the Arbitration Regulation of the International Chamber of Commerce (CCI), claiming that in accordance with the 30 March 2001 agreement, entitling EDF to a review of the price, as a result of variations in the exchange rates of the Argentinean peso, that took place, according to EDF, prior to 31 December 2001. The 22 October 2007 arbitration decision estimated the claim made by EDF; however, accepting the counterclaim filed by YPF. In the event that the finding stands, the amount payable by YPF would amount to US\$ 28 million dollars (EUR 21 million). Against this decision, YPF has filed an extraordinary appeal before the Federal Supreme Court and the Federal Court of Appeals in Commercial Matters, which, in April 2008, declared the appeal filed by YPF to have suspensive effect over the arbitration decision. However, EDF has filed action before the District Court of the State of Delaware, USA, with the intention to enforce the arbitration decision. In addition, YPF has received notification of the action filed by EDF in Paris.
- *Availability of foreign currency from exports*. A dispute has arisen in relation to the fee availability of currencies in connection with the proceeds of exports realized by YPF during 2002 as a consequence of the currency exchange regime established by Decree 1606/2001 which, according to certain interpretations, this Decree impliedly repealed the special regime of free availability of currencies deriving from the export of hydrocarbons and its derivatives set forth in article 5 of Decree 1589/89. This latter established the free availability of the percentage of foreign currency generated from exports of freely available crude petroleum, natural gas and/or liquefied gases, established in the tenders and /or renegotiations or agreed in the corresponding contracts. In all cases the maximum percentage of freely available currency could not exceed 70% of each operation.

On 31 December 2002, Decree 2703/2002 came into force which confirmed the position, stipulating that producers of crude oil, natural gas and liquefied gases must deposit a minimum of 30% of the currencies deriving from the exportation of crude oil (or its derivatives), with the remaining 70% being freely available. The question of which regime applied in rela-

tion to currencies deriving from exports realized by YPF in 2002 during the period between the coming into force of Decree 1.606/2001 and Decree N. 2703/2002 was left open, however.

In October 2007 the notice for the commencement of an administrative proceeding for an alleged delay in the repatriation of currencies and in the lack for the remaining 70% concerning certain hydrocarbon exports made in 2002 (for the period comprised in the publication of the mentioned Decrees).

- *CNDC investigation*. In November 2003, within the framework of an official investigation pursuant to Article 29 of the Antitrust Act, the CNDC issued a request for explanations from a group of approximately 30 natural gas production companies, including YPF, with respect to the inclusion of clauses purportedly restraining trade in natural gas purchase/sale contracts; and gas imports from Bolivia, in particular (a) the old and expired contract signed between the then state-owned YPF and YPFB (the Bolivian state-owned oil company), under which, according to CNDC, YPF allegedly sold Bolivian gas in Argentina at prices below the purchase price and (b) the unsuccessful attempts in 2001 by Duke and Distribuidora de Gas del Centro to import gas into Argentina from Bolivia. In January 2006, YPF received a notification of the CNDC ordering that preliminary proceedings be undertaken. In January 2007, the CNDC charged YPF together with eight other producers with violation of Law 25.156. YPF presented evidence for its defense. In June 2007 without acknowledging any conduct in violation of the Antitrust Act, YPF filed with the CNDC a commitment pursuant to Article 36 of the Antitrust Act in which YPF committed not to include the challenged clauses in future sales contracts of natural gas and requested that the CNDC approve the commitment, suspend the investigation and dismiss the proceedings. In December 2007, the CNDC decided to take the matter to the Court of Appeals, in light of the recourse filed by YPF against rejection of its allegation of expiry of the statute of limitations.
- *Bulk LPG contract clauses*. The CNDC has commenced proceedings to investigate YPF for the alleged use of a clause in LPG wholesale contracts that, according to CNDC, prevents buyers from reselling the product to third parties, thereby restricting competition. YPF has asserted that the contracts do not contain a prohibition against resale to third parties and has offered evidence in support of its position. In April 2007, YPF filed with the CNDC, without acknowledging any conduct in violation of the Antitrust Act, a commitment pursuant to Article 36 of the Antitrust Act not to include such clauses in future LPG wholesale contracts and requesting that the CNDC to approve the commitment, suspend the investigation and terminate the proceedings. In November 2008, the Interior Commerce Secretary notified YPF of acceptance of the commitment made by YPF and ordered the suspension of the proceedings for a period of three years.
- *Noroeste basin reserves review*. The effectiveness of natural gas export authorizations related to production in the Noroeste basin granted to YPF pursuant to Resolution SE Nos. 165/99, 576/99, 629/99 and 168/00, issued by the Secretariat of Energy, is subject to an analysis by the Secretariat of Energy to determine whether sufficient additional natural gas reserves have been discovered or developed by YPF in the Noroeste basin. The result of this ongoing review is uncertain and may have an adverse impact upon the execution of the export gas sales agreements related to such export authorizations, and may imply significant costs and liabilities for YPF. The Company has submitted to the Secretariat of Energy documentation in order to allow for the continuation of the authorized exports in accordance with Resolutions SE No. 629/1999, 565/1999, and 576/1999 from the Noroeste basin. These export permits relate to the long-term natural gas export contracts with Gas Atacama Generación, Edelnor and Electroandina, involving volumes of 900,000 m³/day, 600,000 m³/day and 1,750,000 m³/day, respectively.
- On August 11, 2006, YPF received Note SE No. 1009 (the "Note") from the Secretariat of Energy, which reviewed the progress of reserves in the Ramos Area in the Noroeste basin, in relation to the export authorization granted by Resolution SE No. 167/97 (the "Export Authorization"). The Export Authorization concerns the long-term natural gas export contract between YPF and Gas Atacama Generación for a maximum daily volume of 530,000 m³/day. The Note stated that as a result of the decrease in natural gas reserves supporting the Export Authorization, the domestic market supply was at risk. The Note preventively provided that the maximum natural gas daily volumes authorized to be exported under the Export Authorization were to be reduced by 20%, affecting the export contract.
- *Patagonian Association of Landowners (ASSUPA) claims*. In August 2003, ASSUPA filed suit against 18 concession holders of the operation and permit holders of the exploration of the Neuquén River Basin, including YPF, S.A. requesting that those companies be required to remedy the collective environmental damage allegedly done and to take the necessary mea-

tures to prevent future environmental damage. The amount claimed is US\$ 548 million (EUR 394 million). YPF is contesting the suit and intends to present a summons to the Argentine State due to its obligation to hold YPF harmless with respect to events and claims prior to 1 January 1991. YPF has replied to the suit and has set forth elements of proof.

- *Dock Sud Environmental claims* filled residence of the area against several respondents including YPF requesting individual damages to the health of the plaintiffs and environmental remediation in the area of Dock Sud as well as collective environmental damage to the Matanza and Riachuelo Rivers. This proceeding is being conducted at the Supreme Court. Another group of residents of the Dock Sud area has filed two other environmental claims, one of them already desisted with regard to YPF, requesting a number of companies based in that zone, including YPF, the Province of Buenos Aires and different municipalities, to provide remediation of and, subsidiary, compensation for the collective environmental damage done to Dock Sud and the particular patrimonial damage alleged to have been suffered. YPF is entitled to be held harmless by the Argentine State with respect to liabilities and contingencies caused prior to 1 January 1991.

By sentence dated 8 July 2008, the Supreme Court ruled that the Cuenca Authorities (Law 26.168) must oversee compliance with the program for environmental remediation in the basin, being the responsible entities for ensuring that said remediation is accomplished the Federal Government, the Province of Buenos Aires and the Autonomous City of Buenos Aires. Furthermore, it was decided that the Supreme Court would continue to determine the responsibilities for past conduct pertaining to the remediation of environmental damage.

In addition, citizens claiming to be residents living near Quilmes, in the province of Buenos Aires, have filed a lawsuit in which they have requested the remediation of environmental damages and the payment of 51 million of pesos as compensation for alleged personal damages, plus interest. The plaintiffs base their claim mainly on a fuel leak that occurred in 1988 in a polduct running from La Plata to Dock Sud that was operated by YPF. The leaked fuel became perceptible in November 2002, resulting in remediation that is now being performed by YPF in the affected area, supervised by the environmental authority of the province of Buenos Aires. YPF has also notified the Argentine government that it will implead the government when YPF answers the complaint in order to request that it indemnify YPF against any liability and hold YPF harmless in connection with this lawsuit, as provided by Law No. 24,145. The Argentine government has denied any responsibility for holding YPF harmless in this case, and a lawsuit has been filed requesting the annulment of that decision.

- *Requirement for information on the possible assumptions of underinvestment concerning specific concessions in the province of Neuquén* issued by Notes to the Secretary of Energy and Mining of said province, under summons to apply the caducity or prescription of the concessions. YPF believes that it has made the investments required by the investments and operation program for the areas in which it participates and operates. Subsequent to the YPF reply to the charge, by means of Resolution No. 178/08 issued by the Department of State for Natural Resources for the Province of Neuquén, the Province of Neuquén acknowledged that the investments reported for 2006 and 2007 correct the differences for the first period, and certify that YPF has complied with its obligations.
- *Note number 245/08 issued by the Under-Secretariat of Mining and Hydrocarbons for the Province of Río Negro.* On 15 May 2008, YPF was notified via note 245/08, of Resolution 433/08 with reference to control of compliance with YPF obligations as a concessionaire of a number of hydrocarbon fields located in the Province of Río Negro. The Resolution claims that those exploitation concessions would be unattended and disinvested, with drops in production or no production and a high level of environmental compromise. In view of the foregoing, YPF is urged to reply to those claims. Said resolution has been contested in view of the fact that said administrative act denies YPF the right granted in Article 80 of the 17.319 Law, i.e. the right to rectify or correct alleged cases of noncompliance. Furthermore, the respective reply has been issued. On November 12, 2008, Resolution 1143/08 ordered commencement of the time allowed for producing evidence, and established different types of expert testing.

Ecuador

Petroecuador, the national oil company in Ecuador, has refused to abide by a binding decision against it, issued by a technical consultant, in accordance with the dispute solving mechanism established in the Participation Agreement in respect of Block 16 oil reserve. The dispute was related with inapplicability of an adjustment to the participation calculation due to a reduction in the SOTE transport fees. In order to avoid such decision to apply, the Ecuadorian authorities, specifically, the State General Comptroller, intervened by undertaking a special examination of Petroecuador, which affected the same items of the technical arbitration, and which has

resulted in an administrative settlement or marginal note (Glosa No. 7279) by which Petroecuador claimed from Repsol YPF 2.5 million barrels. In February 2008, Petroecuador sent Repsol YPF an invoice for USD 191 million (EUR 130 million) in relation to this administrative settlement. Finally, on 20 August 2008, an agreement was reached and "Acta de Compensación de Cuentas" was signed by Petroecuador and Repsol YPF Ecuador S.A, whereby reciprocal outstanding credits and outstanding oil barrels debts of the Block 16 and of Campo Unificado Bogi-Capirón, were offset, including those pertaining to said Glosa No. 7279, thus putting an end to the controversy.

On 9 June 2008, the companies comprising the contracting consortium of the Block 16 (Repsol YPF Ecuador S.A., Murphy Ecuador Oil Co., CRS Resources (Ecuador) LDC, and Overseas Petroleum and Investment Corporation), in disagreement with application of the new tax on extraordinary profits, presented the CIADI with a request for international arbitration pursuant to the Participation Contract. The arbitration Board was established in early February 2009, and on 16 February, Repsol reiterated to that Board its request for precautionary measures. On 19 February 2009, Petroecuador filed a claim for the contracting consortium to cover the unpaid portion of the participation in extraordinary profits, prior to which, Repsol had requested CIADI to suspend the procedures as a preventive measure.

Algeria

Sonatrach has brought an international arbitration proceeding concerning the integrated Gassi Touil seeking validation for its decision to rescind the Gassi Touil project agreement entered into with Repsol YPF and Gas Natural and claiming damages. The arbitration Court has agreed on the terms of the provisional transfer of activities to Sonatrach, as requested by the three companies, attaching the respective economic consequences to the decision of the arbitration. Sonatrach, Repsol YPF and Gas Natural have filed their respective claims, with Sonatrach requesting compensation of approximately 800 million dollars, while Repsol YPF and Gas Natural claim approximately US\$ 2,400 million (EUR 1,724 million). The final result of the procedure is not expected to have a significant negative effect on these consolidated financial statements.

European Union

- *Rubber markets:* The European Commission launched an investigation into several markets related to tire manufacturing. Towards the end 2002, General Química S.A., Repsol YPF's subsidiary which produces rubber chemicals and rubber additives, together with other companies in Europe and the United States, were investigated in the context of an antitrust investigation. This investigation resulted in a decision pursuant to which a EUR 3 million fine was imposed on General Química, S.A, holding Repsol Química, S.A. and Repsol YPF jointly and severally liable. An appeal was filed against that decision at the First Instance Court of the European Union, which in its 18 December 2008 sentence, overruled the appeal. Repsol YPF and Repsol Química will file an appeal for annulment of that decision.
- *Asphalts markets:* Around the same date, Repsol YPF Lubricantes and Especialidades S.A. ("RYLESA"), Repsol YPF's subsidiary engaged in producing asphalt and other products, was together with other companies, investigated by the European Union as part of an antitrust investigation. As a result of that investigation, the European Commission imposed a fine of EUR 80.5 million on RYLESA, also holding Repsol Petróleo and Repsol YPF jointly liable. That decision is also being appealed at the First Instance Court of the European Union. No resolution has been issued yet.
- *Paraffins:* Likewise, the European Commission initiated administrative proceedings to penalize certain companies within the Repsol YPF group for certain alleged collusive practices in the paraffins market. On October 2008, a decision imposed a fine of EUR 19.8 million on such group companies. An appeal has been filed against that sanction at the First Instance Court of the European Union.

The Group Repsol YPF has other contingent liabilities related to the environmental obligations linked to its everyday activity (see Note 39).

The consolidated balance sheet at December 31, 2008 and 2007 shows EUR 468 million and EUR 586 million, respectively, under the non-current and current provision captions to cover risks in connection with those contingencies (this does not include the provisions for tax risks described in Note 25).

Concerning those contingencies, company management believes that the provisions recorded adequately cover the related risks.

38

Derivatives transactions

In 2008 the Repsol YPF Group arranged derivatives transactions to hedge the following situations:

1. Fair value hedges of assets and liabilities
2. Cash flow hedges
3. Hedges of net investments in foreign operations

In addition, the Repsol YPF Group performed other transactions with derivative instruments in 2008 and 2007 that do not qualify as accounting hedges.

The effect in the balance of derivative instruments is detailed at 31 December 2008 and 2007:

| 31 DECEMBER 2008 | | | | | | Millions of Euros |
|--|--------------------|----------------|-----------------------|-------------------|--------------|-------------------|
| Classification | Non-current Assets | Current Assets | Non-current Liability | Current Liability | Fair Value | |
| 1. Hedge derivative instruments | 131 | 149 | (285) | (15) | (20) | |
| 1.1 Fair Value: | 65 | 8 | – | (5) | 68 | |
| commodities prices | – | – | – | – | – | |
| exchange rate | – | 8 | – | (2) | 6 | |
| interest rate | 64 | – | – | – | 64 | |
| exchange and interest rate | 1 | – | – | (3) | (2) | |
| 1.2 Cash Flow | – | 14 | (155) | (6) | (147) | |
| commodities prices | – | 5 | – | (1) | 4 | |
| exchange rate | – | 5 | – | (5) | – | |
| interest rate | – | 4 | (155) | – | (151) | |
| 1.3 Net Investment | 66 | 127 | (130) | (4) | 59 | |
| 2. Other derivative instruments | 15 | 108 | (34) | (54) | 35 | |
| TOTAL (1) | 146 | 257 | (319) | (69) | 15 | |

(1) Includes derivative instruments whose valuation with respect to interest rate amounts to a negative value of EUR 275 million.

| 31 DECEMBER 2007 | | | | | | Millions of Euros |
|--|--------------------|----------------|-----------------------|-------------------|--------------|-------------------|
| Classification | Non-current Assets | Current Assets | Non-current Liability | Current Liability | Fair Value | |
| 1. Hedge derivative instruments | 700 | 52 | (11) | (24) | 717 | |
| 1.1 Fair Value: | 9 | 51 | – | – | 60 | |
| commodities prices | – | 49 | – | – | 49 | |
| exchange rate | – | – | – | – | – | |
| interest rate | 9 | – | – | – | 9 | |
| exchange and interest rate | – | 2 | – | – | 2 | |
| 1.2 Cash Flow | 14 | 1 | (11) | (10) | (6) | |
| commodities prices | 1 | 1 | – | (7) | (5) | |
| exchange rate | – | – | – | (3) | (3) | |
| interest rate | 13 | – | (11) | – | 2 | |
| 1.3 Net Investment (1) | 677 | – | – | (14) | 663 | |
| 2. Other derivative instruments | – | 5 | (170) | (12) | (177) | |
| TOTAL | 700 | 57 | (181) | (36) | 540 | |

(1) Includes derivative instruments whose valuation with respect to interest rate amounts to a negative value of EUR 292 million.

38.1

Fair value hedges of assets and liabilities

These are hedges of the exposure to changes in the fair value of an asset or a liability recognised for accounting purposes, an unrecognised firm commitment or an identified portion of the aforementioned asset, liability or firm commitment that can be attributed to a particular risk and might affect the net income for the period. The most significant transactions are detailed below:

Swaps on crude oil prices

Through its holding in YPF, S.A., Repsol YPF had arranged a swap contract on crude oil prices in order to hedge fluctuations in the current value of deliveries under a forward sale agreement. By virtue of this swap, the Company will receive floating market prices and pay fixed prices. At 31 December 2007, the contract hedged approximately 1 million barrels of crude oil. In May 2008 that “swap” has been covered as a result of the expiration of forward contract.

This swap was defined as a fair value hedge related to the price of a barrel of crude oil. At 31 December 2007, the fair value of this swap was EUR 49 million.

The change in the fair value of these hedge instruments net of the changes in the fair value of the hedged item has a null impact in the consolidated income statements in 2008 and 2007, due to the absence of ineffectiveness.

Interest rate options

In May 2001 Repsol YPF arranged a zero-cost interest rate swap option on a notional amount of EUR 1,000 million, tied to the preference shares issued on that date (see Note 19).

The characteristics of these options are as follows:

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

By virtue of these interest rate swap options, the final cost for Repsol YPF of this preference share issue in the first ten years was established at a floating interest rate of 3-month EURIBOR.

Also, in April 2002, effective 30 June 2002, Repsol YPF arranged a zero-cost interest rate swap option on a notional amount of EUR 1,000 million tied to the EUR 2,000 million preference share issue issued in December 2001 (see Note 19).

The characteristics of these options are as follows:

- Repsol YPF sold a right by virtue of which, if the counterparty exercised the right, Repsol YPF would pay 3-month EURIBOR and receive 7% APR on the aforementioned notional amount, with quarterly settlement periods beginning on 30 June 2002, the first maturity being on 30 September 2002, and the last on 31 December 2011.
- Repsol YPF purchased a right by virtue of which, if it exercised the right, Repsol YPF would pay 3-month EURIBOR and receive 4% APR on the aforementioned notional amount, with the same quarterly settlement periods and maturity dates as those mentioned in the previous paragraph.

By these purchase and sale transactions on interest options, of the total sum of the EUR 2,000 million corresponding to the issue of preference shares in December 2001, EUR 1,000 million have been at a floating rate of 3 months EURIBOR, for the period from 30 September 2002 and 31 December 2011.

At 31 December 2008 and 2007, the fair value of these purchase and sale transaction of interest rate options of EUR 64 million and EUR 9 million, respectively, have been recorded in the assets of the consolidated balance sheet attached.

The effect on the income statement concerning the hedging instrument, as well as the hedge item, has amounted to EUR 55 million and EUR 17 million in 2008 and 2007 respectively, recorded with a null impact under the heading “Financial result” due to the absence of ineffectiveness.

Cross-currency IRS

At 31 December 2008 and 2007 Repsol YPF through its stake in Gas Natural, has trading transactions of mixed currency and interest swaps to cover the fair value in the financial transactions traded. The detail of said transactions at 31 December 2008 and 2007 is the following:

| 31 DECEMBER 2008 | MATURITY | | | | | | | Millions of Euros | |
|--------------------------------|--|---|---|--------------------------|------|------------|-------|-------------------|--|
| | 2009 | 2010 | 2011 | 2012 | 2013 | Subsequent | Total | Fair Value | |
| FLOATING TO FIXED | | | | | | | | | |
| Contract amount/notional (BRL) | 1 | 1 | 1 | 1 | - | - | 4 | 1 | |
| Average rate payable (BRL) | CDI + 4.97% | 101.90% CDI 129%CDI | 101.90% CDI 129%CDI | 101.90% CDI | - | - | | | |
| Average rate receivable (USD) | USD + 8.30% | LIBOR A.T + 0.60% A.A US\$ + 10.59% A.A | LIBOR A.T + 0.60% A.A US\$ + 10.59% A.A | LIBOR A.T + 0.60% A.A | - | - | | | |
| FLOATING TO FIXED | | | | | | | | | |
| Contract amount/notional (BRL) | 5 | - | - | - | - | - | 5 | (3) | |
| Average rate payable (BRL) | 101.90% CDI 113.04%CDI | - | - | - | - | - | - | - | |
| Average rate receivable (USD) | LIBOR A.T + 0.60% A.A US\$ + 7.66% A.A | - | - | - | - | - | - | - | |

| 31 DECEMBER 2007 | MATURITY | | | | | | | Millions of Euros | |
|--------------------------------|-------------------|------|------|------|------|------------|-------|-------------------|--|
| | 2008 | 2009 | 2010 | 2011 | 2012 | Subsequent | Total | Fair Value | |
| FLOATING TO FIXED | | | | | | | | | |
| Contract amount/notional (MXN) | 308 | - | - | - | - | - | 308 | 2 | |
| Average rate payable (EUR) | 8% | - | - | - | - | - | - | - | |
| Average rate receivable (EUR) | Euribor + 20.5 pb | - | - | - | - | - | - | - | |

The effect recorded in the consolidated income statements concerning these cross currency interest rate swaps in the periods 2008 and 2007 has amounted to EUR 11 million and EUR 6 million, respectively, recorded with a null impact under the heading "Financial result" due to the absence of ineffectiveness.

Foreign exchange rate transactions

Forward Contracts

At 31 December 2008, Repsol YPF, through its stake in Gas Natural, had arranged forward cash flow hedging transactions to hedge its exposure to foreign exchange risk. The detail of these contracts is as follows:

| 31 DECEMBER 2008 | MATURITY | | | | | | | Millions of Euros | |
|--------------------------------|----------|------|------|------|------|------------|-------|-------------------|--|
| | 2009 | 2010 | 2011 | 2012 | 2013 | Subsequent | Total | Fair Value (1) | |
| USD/EUR (2) | | | | | | | | | |
| Contract amount (USD) | 136 | - | - | - | - | - | 136 | 6 | |
| Contract average exchange rate | 1.4359 | | | | | | | | |
| MAD/EUR (2) | | | | | | | | | |
| Contract amount (USD) | 2 | - | - | - | - | - | 2 | - | |
| Contract average exchange rate | 8.13 | | | | | | | | |

(1) In millions of equivalent euros.

(2) Repsol YPF buys the first currency mentioned and sells the second.

38.2

Cash flow hedges

The effect recorded in the consolidated income statement concerning these term currency purchase and sale contracts amounts to EUR 2 million in the 2008 period, with no effect on the consolidated income statement, since there is no type of ineffectiveness.

Raw material price hedging transactions

These are hedges of the exposure to variability in cash flows that: (I) is attributed to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecasted transaction; and (II) could affect profit or loss. The detail of the most significant transactions is as follows:

At 31 December 2008 Repsol YPF, through its stake in Gas Natural, had traded some hedging instruments on the prices of natural gas and electricity: (I) EUR-denominated swaps for a nominal amount of EUR 27 million, and at a positive net fair value of EUR 4 million.

At 31 December 2007 Repsol YPF, through its stake in Gas Natural, had traded some hedging instruments on the prices of natural gas and electricity: (I) USD-denominated swaps for a nominal amount of US\$ 27 million, and at a negative net fair value of EUR 2 million, and (II) EURO-denominated swaps for a net face value of EUR 45 million and with a negative net fair value of EUR 3 million.

Interest rate transactions

I. Interest rate swaps

At 31 December 2008 and 2007, the Repsol YPF Group held the following interest rate swaps as hedges:

| 31 DECEMBER 2008 | MATURITY | | | | | | | Millions of Euros | |
|--------------------------------|--------------|------------|------------|------------|------------|------------|-------|-------------------|--|
| | 2009 | 2010 | 2011 | 2012 | 2013 | Subsequent | Total | Fair Value | |
| 1. FLOATING TO FIXED | | | | | | | | | |
| Contract amount/notional (EUR) | - | - | - | 750 | - | - | 750 | (34) | |
| Average rate payable (EUR) | | | | 4.23% | | | | | |
| Average rate receivable (EUR) | | | | Euribor 3m | | | | | |
| Contract amount/notional (MXN) | 10 | - | - | - | - | - | 10 | - | |
| Average rate payable (MXN) | TIME 28 days | | | | | | | | |
| Average rate receivable (MXN) | TIME 28 days | | | | | | | | |
| Contract amount/notional (USD) | - | - | - | - | - | 397 | 397 | (85) | |
| Average rate payable (USD) | | | | | | 5.27% | | | |
| Average rate receivable (USD) | | | | | | Libor 3m | | | |
| Contract amount/notional (EUR) | 371 | 371 | 186 | 1 | 2 | 2 | 931 | (3) | |
| Average rate payable (EUR) | 3.15% | 3.15% | 3.15% | 3.30% | 3.07% | 3.74% | | | |
| Average rate receivable (EUR) | Euribor 6m | Euribor 6m | Euribor 6m | Euribor 6m | Euribor 6m | Euribor 6m | | | |
| Contract amount/notional (EUR) | 62 | - | - | - | - | - | 62 | - | |
| Average rate payable (EUR) | 3.67% | | | | | | | | |
| Average rate receivable (EUR) | Euribor 3m | | | | | | | | |
| Contract amount/notional (EUR) | - | 62 | 609 | 62 | - | - | 733 | (25) | |
| Average rate payable (EUR) | | 3.77% | 3.82% | 3.77% | | | | | |
| Average rate receivable (EUR) | | Euribor 1m | Euribor 1m | Euribor 1m | | | | | |
| Contract amount/notional (ARS) | - | 1.94 | - | - | - | - | 1.94 | - | |
| Average rate payable (ARS) | | 17.25% | | | | | | | |
| Average rate receivable (ARS) | | Badlar | | | | | | | |

| 31 DECEMBER 2007 | MATURITY | | | | | | | Millions of Euros | |
|--------------------------------|-------------|------------|------------|------------|------------|------------|-------|-------------------|--|
| | 2008 | 2009 | 2010 | 2011 | 2012 | Subsequent | Total | Fair Value | |
| I. FLOATING TO FIXED | | | | | | | | | |
| Contract amount/notional (EUR) | 0.3085 | – | 1 | 185 | 2 | 5 | 194 | 7 | |
| Average rate payable (EUR) | 3.32% | 3.32% | 3.32% | 3.40% | 3.07% | 3.25% | – | – | |
| Average rate receivable (EUR) | Euribor 6m | Euribor 6m | Euribor 6m | Euribor 6m | Euribor 6m | Euribor 6m | | | |
| Contract amount/notional (MXN) | 308.447 | – | – | – | – | – | 308 | – | |
| Average rate payable (MXN) | 9.99% | – | – | – | – | – | – | – | |
| Average rate receivable (MXN) | TIE 28 days | – | – | – | – | – | – | – | |
| Contract amount/notional (USD) | 4 | 4 | 16 | 4 | 4 | 23 | 55 | (4) | |
| Average rate payable (USD) | 6.38% | 6.38% | 6.38% | 6.38% | 6.38% | 6.38% | – | – | |
| Average rate receivable (USD) | Libor 3m | Libor 3m | Libor 3m | Libor 3m | Libor 3m | Libor 3m | – | – | |
| Contract amount/notional (USD) | – | – | – | – | – | 397 | 397 | (8) | |
| Average rate payable (USD) | – | – | – | – | – | 5.27% | – | – | |
| Average rate receivable (USD) | – | – | – | – | Libor 3m | Libor 3m | – | – | |
| Contract amount/notional (EUR) | – | – | – | – | 750 | – | 750 | 5 | |
| Average rate payable (EUR) | – | – | – | – | 4.23% | – | – | – | |
| Average rate receivable (EUR) | – | – | – | – | Euribor 3m | – | – | – | |
| Contract amount/notional (EUR) | – | 62 | – | – | – | – | 62 | 1 | |
| Average rate payable (EUR) | – | 3.67% | – | – | – | – | – | – | |
| Average rate receivable (EUR) | – | Euribor 3m | – | – | – | – | – | – | |
| Contract amount/notional (ARS) | 35 | – | – | – | – | – | 35 | – | |
| Average rate payable (ARS) | 11.40% | – | – | – | – | – | – | – | |
| Average rate receivable (ARS) | CER | – | – | – | – | – | – | – | |

II. Interest rate options

At 31 December 2008 and 2007, Repsol YPF, through its stake in Gas Natural, had arranged interest rate options. The detail of these hedging transactions is as follows:

| 31 DECEMBER 2008 | MATURITY | | | | | | | Millions of Euros | |
|-----------------------------------|----------|---------|---------|---------|---------|------------|-------|-------------------|--|
| | 2009 | 2010 | 2011 | 2012 | 2013 | Subsequent | Total | Fair Value | |
| I. COLLAR | | | | | | | | | |
| Contract amount/notional (EUR) | 5.17 | 1.93 | 1.19 | 3.97 | 0.77 | 1.60 | 14.63 | – | |
| Cap call option | – | – | – | – | – | – | – | – | |
| Average rate payable | 5.32% | 5.20% | 5.64% | 5.38% | 5.60% | 5.55% | | | |
| Average rate receivable | Euribor | Euribor | Euribor | Euribor | Euribor | Euribor | | | |
| Floor put option | | | | | | | | | |
| Average rate payable | 3.54% | 3.30% | 3.62% | 4.01% | 3.54% | 3.44% | | | |
| Average rate receivable | Euribor | Euribor | Euribor | Euribor | Euribor | Euribor | | | |
| 2. FORWARD OPTION STARTING | | | | | | | | | |
| Contract amount/notional (BRL) | 1.28 | – | – | – | – | – | 1.28 | – | |
| Option cap purchase | 14.30% | – | – | – | – | – | – | – | |
| Rate to pay | 100% CDI | – | – | – | – | – | – | – | |
| Rate to collect | | | | | | | | | |

| 31 DECEMBER 2007 | MATURITY | | | | | | | Millions of Euros | |
|--------------------------------|----------|---------|---------|---------|---------|------------|-------|-------------------|--|
| | 2008 | 2009 | 2010 | 2011 | 2012 | Subsequent | Total | Fair Value | |
| I. COLLAR | | | | | | | | | |
| Contract amount/notional (EUR) | 1.54 | 4.63 | 1.54 | 0.93 | 1.85 | 3.08 | 13.57 | – | |
| Cap call option | | | | | | | | | |
| Average rate payable | 5.01% | 5.18% | 4.72% | 4.93% | 4.68% | 5.01% | | | |
| Average rate receivable | Euribor | Euribor | Euribor | Euribor | Euribor | Euribor | | | |
| Floor put option | | | | | | | | | |
| Average rate payable | 3.11% | 3.41% | 2.81% | 2.85% | 2.63% | 2.91% | | | |
| Average rate receivable | Euribor | Euribor | Euribor | Euribor | Euribor | Euribor | | | |
| 2. BARRIER COLLAR | | | | | | | | | |
| Contract amount/notional (EUR) | 0.31 | – | – | – | 0.93 | – | 1.24 | – | |
| Cap call option | | | | | | | | | |
| Average rate payable | 4.74% | – | – | – | 4.74% | – | | | |
| Average rate receivable | Euribor | | | | Euribor | | | | |
| Floor put option | | | | | | | | | |
| Average rate payable | 4.74% | – | – | – | 4.74% | – | | | |
| Average rate receivable | Euribor | | | | Euribor | | | | |

III. Cross currency IRS

At 31 December 2008 and 2007, Repsol YPF, through its stake in Gas Natural, had arranged cross-currency IRS transactions. The detail of these hedging transactions is as follows:

| 31 DECEMBER 2008 | MATURITY | | | | | | | Millions of Euros | |
|-------------------------------|----------|------|------|------|------|------------|-------|-------------------|--|
| | 2009 | 2010 | 2011 | 2012 | 2013 | Subsequent | Total | Fair Value | |
| FLOATING TO FIXED | | | | | | | | | |
| Contract amount (USD) | 13 | | | | | | 13 | 2 | |
| Average rate payable (ARS) | 14.30% | | | | | | | | |
| Average rate receivable (USD) | Libor 6m | | | | | | | | |
| FLOATING TO FIXED | | | | | | | | | |
| Contract amount (USD) | 3 | 12 | 2 | 3 | 3 | 14 | 37 | (6) | |
| Average rate payable (USD) | 6.38% | | | | | | | | |
| Average rate receivable (USD) | Libor 3m | | | | | | | | |

| 31 DECEMBER 2007 | MATURITY | | | | | | | Millions of euros | |
|-------------------------------|----------|----------|------|------|------|------------|-------|-------------------|--|
| | 2008 | 2009 | 2010 | 2011 | 2012 | Subsequent | Total | Fair Value | |
| FLOATING TO FIXED | | | | | | | | | |
| Contract amount (USD) | – | 18 | – | – | – | – | 18 | – | |
| Average rate payable (ARS) | | 14.30% | | | | | | | |
| Average rate receivable (ARS) | | Libor 6m | | | | | | | |

Foreign exchange rate transactions

Forward contracts

At 31 December 2008 and 2007, Repsol YPF, through its investment in Bahía de Bizkaia Electricidad, S.L. and Gas Natural and other affiliates had arranged forward cash flow hedging transactions to hedge its exposure to foreign exchange risk. The detail of these contracts is as follows:

| 31 DECEMBER 2008 | | MATURITY | | | | | | | Millions of Euros |
|--------------------------------|--------|----------|------|------|------|------------|-------|----------------|-------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | Subsequent | Total | Fair Value (1) | |
| USD/EURO (2) | | | | | | | | | |
| Contract amount (USD) | 165 | 2 | 2 | 2 | 2 | 4 | 177 | (5) | |
| Contract average exchange rate | 1.3883 | | | | | | | | |
| USD/EURO (2) | | | | | | | | | |
| Contract amount (USD) | 37 | 3 | - | - | - | - | 40 | - | |
| Contract average exchange rate | 1.3823 | 1.3752 | | | | | | | |
| JPY/EURO (2) | | | | | | | | | |
| Contract amount (JPY) | 21 | - | - | - | - | - | 21 | 5 | |

| 31 DECEMBER 2007 | | MATURITY | | | | | | | Millions of Euros |
|--------------------------------|------|----------|------|------|------|------------|-------|----------------|-------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | Subsequent | Total | Fair Value (1) | |
| USD/EURO (2) | | | | | | | | | |
| Contract amount (USD) | 199 | 3 | 3 | 3 | 3 | 8 | 219 | (3) | |
| Contract average exchange rate | 1.48 | 1.27 | 1.28 | 1.29 | 1.30 | 1.32 | | | |

(1) In millions of equivalent euros.

(2) Repsol YPF buys the first currency mentioned and sells the second.

38.3

Hedges of net investment in foreign operation

These are hedges of the foreign currency exposure relating to the Group's interest in the net assets of the foreign operations.

Repsol YPF arranges forward foreign currency purchase and sale contracts as part of its overall strategy to manage its exposure to foreign exchange risk on investments.

The detail of the most significant transactions with financial derivatives in force at 31 December 2008 and 2007 is as follows:

I. Forward Contracts

The nominal value, maturity and fair value of these financial instruments, as of 31 December 2008 and 2007, were as follows:

| 31 DECEMBER 2008 | | MATURITY | | | | | | | Millions of Euros |
|--------------------------------|--------|----------|------|------|------|------------|-------|----------------|-------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | Subsequent | Total | Fair Value (1) | |
| EURO/USD (2) | | | | | | | | | |
| Contract amount (EUR) | 1,678 | - | - | - | - | - | 1,678 | 124 | |
| Contract average exchange rate | 1,2846 | | | | | | | | |

| 31 DECEMBER 2007 | | MATURITY | | | | | | | Millions of Euros |
|--------------------------------|------|----------|------|------|------|------------|-------|----------------|-------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | Subsequent | Total | Fair Value (1) | |
| EURO/USD (2) | | | | | | | | | |
| Contract amount (EUR) | 179 | - | - | - | - | - | 179 | (14) | |
| Contract average exchange rate | 1.59 | | | | | | | | |

(1) In millions of equivalent euros.

(2) Repsol YPF buys the first currency mentioned and sells the second

II. Cross-currency IRS

The nominal value, maturity and fair value of these financial instruments, at 31 December 2008, were as follows:

| 31 DECEMBER 2008 | | MATURITY | | | | | | | Millions of Euros |
|--------------------------------|------|----------|------|-------|-------|------------|-------|------------|-------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | Subsequent | Total | Fair Value | |
| FIXED TO FIXED | | | | | | | | | |
| Contract amount/notional (EUR) | - | 342 | - | 750 | 700 | 658 | 2,450 | (195) | |
| Average rate payable (USD) | - | 3.02% | - | 4.97% | 5.25% | 4.95% | | | |
| Average rate receivable (EUR) | - | 4.42% | - | 4.22% | 4.41% | 4.41% | | | |

In addition to the financial instruments detailed in the preceding graph, the Group has contracted CCIRS for a notional amount of EUR 300 million, maturing in 2010, which were discontinued as hedging instruments on 21 February 2008 and have since been considered speculative (see caption 38.4ii in this note). At the time they were discontinued, their fair values were EUR 130 million, and have been recorded as assets on the consolidated balance sheet as net investment coverage financial derivatives.

The nominal value, maturity and fair value of those financial instruments recorded in the consolidated balance sheet at 31 December 2007 was as follows:

| 31 DECEMBER 2007 | | MATURITY | | | | | | | Millions of Euros |
|--------------------------------|------|----------|-------|------|-------|------------|-------|------------|-------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | Subsequent | Total | Fair Value | |
| FIXED TO FIXED | | | | | | | | | |
| Contract amount/notional (EUR) | - | - | 1,175 | - | 750 | 2,200 | 4,125 | 677 | |
| Average rate payable (USD) | - | - | 7.16% | - | 4.97% | 5.26% | - | - | |
| Average rate receivable (EUR) | - | - | 6% | - | 4.22% | 4.52% | - | - | |

38.4

Other derivatives transactions

Repsol YPF has also arranged certain derivatives to manage its exposure to interest rate risk, foreign exchange risk and price risk that do not qualify for hedge accounting.

In 2008 and 2007, the effect recorded in the consolidated income statement, both for active instruments at year end and for instruments paid off during the period, is an income of EUR 86 million and EUR 63 million, respectively, recorded in "Financial result", and an income of EUR 36 million and expense of EUR 50 million, respectively, recorded in the "Operating cost" line of the consolidated income statement.

The detail of the most significant transactions is as follows:

I. Interest rate swap

- During 2007 hedging relation for two interest rate swaps for a notional amount of EUR 674 million designated as cash flows hedge for the issue of preference shares has been discontinued as these lack efficiency. The fair value of those instruments at 31 December 2007 was EUR 170 million, and was recorded as a liability. These financial swaps were paid in the 2008 period and the result of the payment was an expense of EUR 0.2 million.

The recorded accumulated loss under the heading "Adjustments for changes in value" at 31 December 2008 and 2007 amounts to EUR 43 million and EUR 47 million, respectively, and shall be depreciated along the life of the preference shares these were hedging. The related amount reflected in "Adjustments for changes in value" in 2008 and 2007 amounts to an expense of EUR 4 million.

- Additionally, the Group has contracted interest rate swaps to economically cover interest rate risk that do not qualify as accounting hedges at 31 December 2008 noted in the following table:

| 31 DECEMBER 2008 | MATURITY | | | | | | | Millions of Euros | |
|--------------------------------|--------------------|------|------|------|------|------------|-------|-------------------|--|
| | 2008 | 2009 | 2010 | 2011 | 2012 | Subsequent | Total | Fair Value | |
| 1. FLOATING TO FIXED | | | | | | | | | |
| Contract amount/notional (EUR) | – | 300 | – | – | – | – | 300 | (18) | |
| Average rate payable (EUR) | 6.00% | | | | | | | | |
| Average rate receivable (EUR) | Euribor 3m + 0.51% | | | | | | | | |

II. Cross currency IRS

In 2008, mixed swap operations totalling EUR 2,175 million used as net investment coverage have been discontinued, of which, operations amounting to EUR 1,875 million were cancelled throughout the year.

Following are currency and interest rate financial swaps corresponding to discontinued coverage not cancelled in 2008 and remaining in the Group's consolidated financial statements as speculative derivatives not considered to qualify as accounting hedges:

| 31 DECEMBER 2008 | MATURITY | | | | | | | Millions of Euros | |
|--------------------------------|----------|------|------|------|------|------------|-------|-------------------|--|
| | 2009 | 2010 | 2011 | 2012 | 2013 | Subsequent | Total | Fair Value | |
| FIXED TO FIXED | | | | | | | | | |
| Contract amount/notional (EUR) | – | 300 | – | – | – | – | 300 | 121 | |
| Average rate payable (USD) | 6.94% | | | | | | | | |
| Average rate receivable (EUR) | 6.00% | | | | | | | | |

Valuation to market of those financial instruments at the date the coverage was discontinued was EUR 130 million (see caption 38.3 ii of this note). The variation in the fair value of those instruments from the date on which coverage was discontinued to 31 December 2008 (EUR 9 million) has been recorded as a liability for derivative instruments not considered to qualify as an accounting hedge.

III. Other forward contracts

Repsol YPF has entered into other forward contracts as part of its overall strategy to manage its exposure to foreign exchange risk. The nominal value, maturity and fair value of these financial instruments recognised as an asset on the consolidated balance sheet at 31 December 2008 and 2007 were as follows:

| 31 DECEMBER 2008 | MATURITY | | | | | | | Millions of Euros | |
|--------------------------------|----------|------|------|------|------|------------|-------|-------------------|--|
| | 2009 | 2010 | 2011 | 2012 | 2013 | Subsequent | Total | Fair Value | |
| EURO/USD | | | | | | | | | |
| Contract amount (EUR) | 2,106 | – | – | – | – | – | 2,106 | 48 | |
| Contract average exchange rate | 1.3585 | | | | | | | | |
| USD/EURO | | | | | | | | | |
| Contract amount (USD) | 1,275 | – | – | – | – | – | 1,079 | (27) | |
| Contract average exchange rate | 1.3618 | | | | | | | | |
| CLP/USD | | | | | | | | | |
| Contract amount (CLP) | 47 | – | – | – | – | – | 47 | – | |
| Contract average exchange rate | 643.49 | | | | | | | | |
| USD/PEN | | | | | | | | | |
| Contract amount (USD) | 18 | – | – | – | – | – | 18 | – | |
| Contract average exchange rate | 3.12 | | | | | | | | |

| 31 DECEMBER 2007 | MATURITY | | | | | | | Millions of Euros | |
|--------------------------------|----------|------|------|------|------|------------|-------|-------------------|--|
| | 2008 | 2009 | 2010 | 2011 | 2012 | Subsequent | Total | Fair Value | |
| EURO/USD | | | | | | | | | |
| Contract amount (EUR) | 625 | – | – | – | – | – | 625 | 2 | |
| Contract average exchange rate | 1.47 | | | | | | | | |
| USD/EURO | | | | | | | | | |
| Contract amount (USD) | 213 | – | – | – | – | – | 213 | (3) | |
| Contract average exchange rate | 1.44 | | | | | | | | |
| EURO/BRL | | | | | | | | | |
| Contract amount (BRL) | 11 | – | – | – | – | – | 11 | – | |
| Contract average exchange rate | 3.00 | | | | | | | | |

(1) In millions of equivalent euros.

(2) Repsol YPF buys the first currency mentioned and sells the second

IV. Equity Swaps

Gas Natural has signed equity swap contracts with UBS Limited, ING Belgium and Société Générale representing 9.40% of the capital stock, on a total of 85,886,762 Unión Fenosa, S.A. shares as the underlying securities, which has allowed Gas Natural to finance its operations, either as a result of differences (cash payments) or by means of acquiring said shares (physical liquidation) as from the date on which the necessary permits are awarded. Each agreement establishes a price ceiling (from 17.13 to 17.57 euros per share, on the basis of the agreement). Fair value recorded in the consolidated balance sheet for those operations at 31 December 2008 was EUR 11 million.

V. Future contracts on commodities

The risk associated with future physical crude oil and other oil product purchase or sale transactions is hedged through the arrangement of derivative instruments, basically futures and swaps.

At 31 December 2008 and 2007, the open positions were as follows:

| 31 DECEMBER 2008 | MATURITY | | | | | | | Total | Fair Value |
|---------------------------|----------|--------|------|------|------|------------|--------|-------|------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | Subsequent | | | |
| Millions of Euros | | | | | | | | | |
| PURCHASE CONTRACTS | | | | | | | | | |
| WTI | 523 | 523 | - | - | - | - | 523 | (1) | |
| NYMEX HHO | 42 | 42 | - | - | - | - | 42 | - | |
| IPE GO (*) | 113 | 113 | - | - | - | - | 113 | (6) | |
| RBOB | 35 | 35 | - | - | - | - | 35 | - | |
| SALE CONTRACTS | | | | | | | | | |
| WTI | 1,707 | 1,707 | - | - | - | - | 1,707 | - | |
| IPE GO (*) | 138 | 138 | - | - | - | - | 138 | - | |
| IPE BRENT | 834 | 834 | - | - | - | - | 834 | (2) | |
| NYMEX HHO | 570 | 570 | - | - | - | - | 570 | 6 | |
| SWAPS | | | | | | | | | |
| WTI | 2,600 | 2,600 | - | - | - | - | 2,600 | 15 | |
| Brent | 11,211 | 11,211 | - | - | - | - | 11,211 | (4) | |
| JET | 63 | 63 | - | - | - | - | 63 | 12 | |
| HHO | 295 | 295 | - | - | - | - | 295 | - | |
| GO (*) | 49 | 49 | - | - | - | - | 49 | - | |
| Propano (*) | 50 | 50 | - | - | - | - | 50 | - | |
| Fuel Oil (*) | 50 | 50 | - | - | - | - | 50 | - | |
| Nafta (*) | 6 | 6 | - | - | - | - | 6 | - | |

(*) In thousands of tons

| 31 DECEMBER 2007 | MATURITY | | | | | | | Total | Fair Value |
|---------------------------|----------|-------|------|------|------|------------|-------|-------|------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | Subsequent | | | |
| Millions of Euros | | | | | | | | | |
| PURCHASE CONTRACTS | | | | | | | | | |
| WTI | 422 | 422 | - | - | - | - | 422 | 2 | |
| NYMEX HHO | 37 | 37 | - | - | - | - | 37 | - | |
| IPE GO (*) | 32 | 32 | - | - | - | - | 32 | - | |
| RBOB | 186 | 186 | - | - | - | - | 186 | 1 | |
| SALE CONTRACTS | | | | | | | | | |
| WTI | 441 | 441 | - | - | - | - | 441 | (2) | |
| IPE GO (*) | 47 | 47 | - | - | - | - | 47 | (1) | |
| RBOB | 258 | 258 | - | - | - | - | 258 | (1) | |
| SWAPS | | | | | | | | | |
| WTI | 3,605 | 3,605 | - | - | - | - | 3,605 | (10) | |
| Brent | 5,695 | 5,695 | - | - | - | - | 5,695 | 4 | |
| GO (*) | 6 | 6 | - | - | - | - | 6 | - | |
| Propano (*) | 8 | 8 | - | - | - | - | 8 | - | |
| Premium Unleaded (*) | 3 | 3 | - | - | - | - | 3 | - | |
| Fuel Oil (*) | 112 | - | 22 | 23 | 22 | 23 | 112 | - | |
| Nafta (*) | 79 | 79 | - | - | - | - | 79 | 2 | |

(*) In thousands of tons

Furthermore, the "Other receivables" caption includes EUR 7 million corresponding to the valuation to market of commodity purchase/sale contracts valued as per IAS 39, as described in section 4.22 of Note 4.

39

Environmental information

The Repsol YPF Environmental Management System includes a methodology for identifying relevant matters to enable the Company to prepare the annual environmental budget that forms part of the Group's general strategic planning. They include the measures required to respond to new legislative requirements, Repsol YPF's strategic focus, plans for corrective measures arising from environmental audits performed, etc., together with the investments and expenses required to implement all these measures, which will be addressed in the Company's general budget.

The criteria used to measure environmental costs are established in the "Repsol YPF Environmental Costs Guide", which adapts the American Petroleum Institute guidelines to the Group's operations and technical approach. It is important to note in this regard that the traditional "bottom-line" solutions for reducing environmental impact are gradually giving way to preventive measures built into processes right from the time the facilities are designed. This sometimes requires the identification of environmental assets through a system of coefficients applied to investment projects and the related tangible assets, per the guidelines expressed in the aforementioned Guide.

39.1

Environmental Assets

At 31 December 2008, the breakdown of the cost of the environmental assets identified and the related accumulated depreciation is as follows:

| | Millions of Euros | | |
|------------------------------|-------------------|--------------------------|--------------|
| | Cost | Accumulated Depreciation | Net |
| Atmospheric emissions | 403 | (205) | 198 |
| Water | 623 | (368) | 255 |
| Product quality | 1,348 | (614) | 734 |
| Soil | 238 | (69) | 169 |
| Energy saving and efficiency | 284 | (144) | 140 |
| Waste | 43 | (13) | 30 |
| Other | 451 | (287) | 164 |
| | 3,390 | (1,700) | 1,690 |

The cost includes EUR 310 million relating to tangible assets in the course of construction.

As in prior years, the main environmental investments made in 2008 include those required to reach the environmental quality of the oil products demanded in the new Spanish and Argentine regulations for a total amount of EUR 56 million. Outstanding projects in this area include the continuation of the project to improve the quality of gasoline and gas oils in the refinery of Cartagena (Spain), with an environmental investment of EUR 12 million.

Investments aimed at the control, reduction and/or avoidance of pollutant emissions have been also relevant, especially, those concerning the protection of the atmosphere, the water means, soil and the subterranean waters. Among them, we highlight the ongoing development of the plant OHP (oxidation per Hydro peroxide) for the treatment of effluents in the petrochemical plant, both in Tarragona (Spain) representing an investment of EUR 3 million in 2008.

39.2

Environmental Provisions

Repsol YPF recognises the provisions required to cover the measures aimed at preventing and repairing environmental impact. These provisions are estimated on the basis of technical and economic criteria and are classified under "Other Provisions".

The changes in the environmental provisions in 2008 were as follows:

| | Millions of Euros |
|---|-------------------|
| Balance at 1 January 2008 | 178 |
| Period provisions charged to income | 133 |
| Provisions released with a credit to income | (2) |
| Payment | (69) |
| Reversals and other | (3) |
| Balance at 31 December 2008 | 237 |

Additionally, Repsol YPF's Environmental Cost Guide classifies as environmental provisions 75% of the amounts recognised under the caption "Provision for Field Dismantling Costs", totaling EUR 826 million at 31 December 2008 (see Note 20).

The balance of the environmental provisions at 31 December 2008, included most notably approximately EUR 110 million to cover the environmental risks relating to the operations carried out in the past by the former chemicals subsidiary of Maxus Energy Corporation, Diamond Shamrock Chemicals Company, prior to its sale in 1986 to Occidental Petroleum Corporation (also included in the provisions detailed in Note 37).

The corporate insurance policies cover third-party liability for pollution caused by accidental and sudden events, in keeping with standard practice in the industry.

39-3

Environmental expenses

In 2008 environmental expenses amounted to EUR 363 million and were classified as "Materials used" and "Other operating expense".

This amount includes EUR 208 million of expense for the rights necessary to cover CO₂ emissions during 2008 (although according to Note 9, the net expense pertaining to CO₂ emissions amounted to approximately EUR 16 million in 2008; see Notes 9 and 20) and measures in connection with atmospheric protection, soil and underground water remediation, waste management and water management, amounting to EUR 31 million, EUR 29 million, EUR 41 million and EUR 22 million, respectively.

39-4

Future projects

Some of the most important issues that might affect Repsol YPF's operations and investments in the future are climate change and renewable energies, Law 26093 in Argentina, Resolution SE 785/2005 in Argentina, the change in Directive 96/61/EC on Integrated Pollution Prevention and Control (IPPC), together with the Law 26/2007 on environmental liability and the new regulations that will further develop such law.

In the area of climate change, on 12 December 2008, the European Parliament reached an agreement approving the Emissions Trading Directive as from 2013, the principal points of which are as follows:

- The number of rights to be assigned during the 2013-2020 periods will be reduced by 21% from 2005 emissions. Annual ceilings will be reduced gradually by 1.74%.
- Allowable levels will be based on benchmarking and will be gradually replaced by auctioned rights. The number of rights to be auctioned will increase linearly from 20% in 2013 to 70% in 2020. This will affect all industrial sectors, except from the electric one. The 50% of income arising from those auctions will be invested in financing mitigation and adaptation plans and measures.
- Up to 2015, more than 300 million rights pertaining to the reserve for new entrants will be used to finance projects for capturing and isolating carbon and for renewable energy projects.
- Industrial sectors determined by the European Commission to be susceptible to loss of competitiveness as a result of fuel consumption may opt to have 100% rights assigned to them. Those sectors must be identified prior to December 2009.

On the other hand, in 2006 was approved in Argentina the Law 26093, which contemplates incorporating biofuel into gasoline and fuel oil. These regulations are compulsory from the fourth year in which they go into effect and are directed basically to obtaining biofuel, incorporation of biofuel into petroleum derivatives, and logistical distribution. Since mid-2007, the Company has been marketing the so-called gasoilbio (a mixture of gasoil and bio-combustibles) at a growing number of service stations. The percentage of bio-combustibles, which is currently 1%, will gradually rise in order to meet the 5% established in that Law.

In addition, Resolution SE 785/2005 went into effect in Argentina in 2005, which deals with elevated hydrocarbon storage tanks. This Law requires a number of audits to ensure that the tanks are hermetically sealed and to determine possible contamination attributable to those tanks. It also establishes obligations concerning tank repair and reclaiming of contaminated sites.

In late 2007 the European Commission submitted a proposal for revision of Directive IPPC (Integrated Prevention Pollution Control), which continues to be discussed. It now includes other areas of contamination, such as the installation of medium-sized combustion devices (from 20 to 50 MW), establishes stricter emissions ceilings for a large combustion facilities not previously included in this Directive, and proposes annual inspections of industrial sectors to compare emission levels to those established in Best Available Technologies. On the other hand, BREF (Best Available Technologies Reference) for refining is being reviewed, which calls for renewal of the Integrated Environmental Authorisation every four years.

In Spain, in October 2007 Law 26/2007 was enacted, transposing the Directive 35/2004 relating to environmental responsibility. The corresponding regulation was published on 23 December 2008, and establishes methodologies for determining risk scenarios and calculating repair costs making it possible to determine coverage for financial environmental liability guarantees. The requirement to provide such financial guarantee will be established in an order issued by the Department of the Environment (Rural and Marine), after 30 April 2010.

40

Fees paid to the auditors

The fees earned by the auditors and their organisation for the audit services provided to Repsol YPF, S.A. and the Group companies in 2008 amounted to EUR 7.6 million. Also, the fees earned by the auditors and their organization for audit-related services and other services amounted to EUR 0.8 million and EUR 0.03 million, respectively.

The sum of these amounts does not represent more than 10% of the total volume of business of the auditors and their organisation.

41

Subsequent events

At the date of formulation of these consolidated financial statements, there are no subsequent events to be noted.

42

Explanation added for translation to english

These consolidated financial statements are prepared on the basis of IFRSs, as issued by the International Accounting Standard Board and as adopted by the European Union, and certain accounting practices applied by the Group that conform with IFRSs may not conform with other generally accepted accounting principles.

Appendix I

Principal companies of the Repsol YPF group at 31 december 2008

| Name | Country | Parent Company | Other 'Shareholders (1) | Line of Business | Method of consolidation (4) | % of Total Participation | | Amount in Millions of Euros | | | | |
|---|---------------------|--|---|--|-----------------------------|--------------------------|------------------|-----------------------------|---------------|--------------------|------------------|------------------|
| | | | | | | % of Direct Ownership | % of Control (5) | Share Capital | Reserves | 2008 Profit (Loss) | Interim Dividend | Assets Owned (5) |
| Repsol Petróleo, S.A. | Spain | Repsol YPF, S.A. | | Refining | I.G. | 99.97 | 99.97 | 217.6 | 764.3 | 496.5 | - | 1.478.0 |
| Repsol YPF Lubricantes y Especialidades, S.A. | Spain | Repsol Petróleo, S.A. | Repsol Comercial de Productos Petrolíferos, S.A. | Production and marketing of derivative products | I.G. | 100.00 | 100.00 | 5.4 | (0.6) | 62.0 | - | 66.8 |
| Repsol Eléctrica de Distribución, S.L. | Spain | Repsol Petróleo, S.A. | Repsol YPF, S.A. | Distribution and supply of electric power | I.G. | 100.00 | 100.00 | 0.1 | 1.9 | 1.3 | - | 3.2 |
| Asfaltos Españoles, S.A. | Spain | Repsol Petróleo, S.A. | | Asphalts | I.P. | 50.00 | 50.00 | 8.5 | 11.3 | 1.3 | - | 10.5 |
| Servicios de seguridad Mancomunados (SESEMA) | Spain | Repsol Petróleo, S.A. | Repsol Butano, S.A. y Repsol Química, S.A. | Security | I.G. | 100.00 | 100.00 | 0.4 | (0.1) | - | - | 0.3 |
| Compañía Auxiliar de Remolcadores y Buques Especiales, S.A. (CARSA) | Spain | Repsol Petróleo, S.A. | Repsol Comercial de Productos Petrolíferos, S.A./PETRONOR | Tug boats | I.G. | 99.23 | 100.00 | 0.1 | 2.0 | 3.6 | - | 5.7 |
| Repsol YPF Trading y Transportes, S.A. (RYTTSA) | Spain | Repsol YPF, S.A. | Repsol Petróleo, S.A. | Trading of oil products | I.G. | 100.00 | 100.00 | 0.1 | 39.0 | 89.3 | - | 128.4 |
| RYTTSA Singapur | Cayman Islands | Repsol YPF Trading y Transportes, S.A. | | Trading of oil products | I.G. | 100.00 | 100.00 | 0.1 | (2.0) | (0.8) | - | (2.7) |
| Repsol Overzee Finance, B.V. | Holland | Repsol YPF, S.A. | | Portfolio company | I.G. | 100.00 | 100.00 | 128.1 | 42.2 | 14.7 | - | 185.1 |
| Atlantic 2/3 Holdings, Llc. | United States | Repsol Overzee Finance, B.V. | | Portfolio company | I.P. | 25.00 | 25.00 | 100.1 | - | 57.5 | (57.5) | 25.0 |
| Atlantic LNG 2/3 Company of Trinidad & Tobago (2) | Trinidad and Tobago | Atlantic 2/3 Holdings, Llc. | | Supply and/or distribution of natural gas | I.P. | 25.00 | 100.00 | 100.1 | 19.2 | 46.5 | (57.5) | 27.1 |
| Atlantic 4 Holdings, Llc. | United States | Repsol Overzee Finance, B.V. | | Portfolio company | M.P. | 22.22 | 22.22 | 181.1 | - | - | - | 40.2 |
| Atlantic 4 LNG Company of Trinidad & Tobago (3) | Trinidad and Tobago | Atlantic 4 Holdings, Llc. | | Construction of liquefaction plant | M.P. | 22.22 | 100.00 | 181.1 | (81.2) | 17.0 | - | 26.0 |
| Repsol LNG T & T, Ltd. | Trinidad and Tobago | Repsol Overzee Finance, B.V. | | Marketing of natural gas | I.G. | 100.00 | 100.00 | 3.8 | 3.0 | 5.7 | - | 12.5 |
| Repsol E&P T&T Limited | Trinidad and Tobago | Repsol Overzee Finance, B.V. | | Exploration and production of oil and gas | I.G. | 100.00 | 100.00 | 54.5 | 4.1 | 21.3 | - | 79.9 |
| Repsol LNG, S.L. | Spain | Repsol YPF, S.A. | Repsol comercializadora de Gas, S.A. | Marketing of natural gas | I.G. | 100.00 | 100.00 | 0.1 | 0.5 | (0.5) | - | 0.1 |
| Gastream México S.A. de C.V. | México | Repsol YPF, S.A. | Repsol LNG, S.L. | Other activities | I.G. | 100.00 | 100.00 | 20.7 | (20.7) | (0.8) | - | (0.8) |
| Repsol Gas Natural LNG | Spain | Repsol YPF, SA | Gas Natural, SGA | Marketing of LNG | I.P. | 65.42 | 100.00 | 2.0 | 0.1 | 0.7 | - | 1.8 |
| Pacific LNG Bolivia S.R.L. | Bolivia | Repsol YPF, S.A. | | Exploration and production of oil and gas | M.P. | 37.50 | 37.50 | 1.0 | (0.9) | - | - | - |
| Repsol Comercializadora de Gas, S.A. | Spain | Repsol YPF, S.A. | Repsol Petróleo, S.A. | Marketing of natural gas | I.G. | 100.00 | 100.00 | - | 4.0 | 20.6 | - | 24.6 |
| Repsol Butano, S.A. | Spain | Repsol YPF, S.A. | Repsol Petróleo, S.A. | Marketing of LPG | I.G. | 100.00 | 100.00 | 58.7 | 380.8 | 175.4 | - | 615.0 |
| Repsol Maroc, S.A. | Morocco | Repsol Butano, S.A. | | Marketing of natural gas | M.P. | 100.00 | 100.00 | 1.3 | (1.9) | - | - | (0.5) |
| National Gaz | Morocco | Repsol Butano, S.A. | | Marketing of LPG | M.P. | 100.00 | 100.00 | 0.4 | 1.7 | 0.5 | - | 2.6 |
| Repsol YPF Gas, S.A. | Argentina | Repsol Butano, S.A. | | Marketing of LPG | I.G. | 85.00 | 85.00 | 16.8 | 6.6 | 9.4 | - | 27.8 |
| Comsergas, Compañía Servicios Industriales de Gas Licuado, S.A. | Argentina | Repsol YPF Gas, S.A. | | Gas installation work | I.G. | 52.70 | 62.00 | 0.4 | (0.1) | 0.1 | - | 0.3 |
| Gas Austral, S.A. | Argentina | Repsol YPF Gas, S.A. | | Marketing of LPG | M.P. | 42.50 | 50.00 | - | 0.8 | - | - | 0.3 |
| Mejorgas, S.A. | Argentina | Repsol YPF Gas, S.A. | Poligas Luján, S.A. | Marketing of LPG | M.P. | 75.73 | 100.00 | - | (0.5) | - | - | (0.3) |
| Duragas, S.A. | Ecuador | Repsol Butano, S.A. | | Marketing of LPG | I.G. | 100.00 | 100.00 | 6.8 | 2.4 | 7.5 | - | 16.8 |
| Servicio de Mantenimiento y Personal - SEMAPESA | Ecuador | Repsol Butano, S.A. | | Maintenance and personnel services | I.G. | 100.00 | 100.00 | - | - | - | - | - |
| Repsol Gas Portugal, S.A. | Portugal | Repsol Butano, S.A. | | Marketing of LPG | I.G. | 100.00 | 100.00 | 0.6 | 26.0 | 11.4 | - | 37.9 |
| Spelta Soc. Unipessoal Lda. | Portugal | Repsol Gas Portugal, S.A. | | Marketing of LPG | M.P. | 100.00 | 100.00 | - | 0.4 | 0.5 | - | 0.9 |
| Saaga, S.A. | Portugal | Repsol Gas Portugal, S.A. | | Marketing of LPG | M.P. | 25.07 | 25.07 | 1.0 | 5.0 | 0.1 | - | 1.5 |
| Repsol Butano Chile, S.A. | Chile | Repsol Butano, S.A. | Repsol YPF Chile, Limitada | Portfolio company | I.G. | 100.00 | 100.00 | 83.1 | 40.3 | 18.5 | - | 141.8 |
| Empresas Lipigas, S.A. | Chile | Repsol Butano Chile, S.A. | | Marketing of LPG | I.P. | 45.00 | 45.00 | 60.3 | 8.7 | 31.5 | (25.5) | 33.7 |
| Repsol YPF Comercial del Perú, S.A. | Peru | Repsol Butano, S.A. | | Marketing of LPG | I.G. | 99.78 | 99.78 | 41.0 | 4.3 | 8.7 | - | 53.8 |
| Repsol YPF Comercial de la Amazonia, SAC | Peru | Repsol YPF Comercial Perú, S.A. | Grupo Repsol YPF del Perú | Distribution of L.P.G. | I.G. | 99.62 | 99.84 | 0.4 | (0.3) | 0.2 | - | 0.3 |
| Repsol YPF GLP de Bolivia, S.A. | Bolivia | Repsol Butano, S.A. | R. YPF E&P de Bolivia, S.A./R. YPF Bolivia, S.A. | Marketing of LPG | I.G. | 100.00 | 100.00 | 1.8 | 1.1 | 2.8 | - | 5.7 |
| Repsol France | France | Repsol Butano, S.A. | Repsol Química, S.A./Repsol YPF, S.A./Repsol Petróleo, S.A. | Distribution and marketing of oil products | I.G. | 100.00 | 100.00 | 11.9 | (4.1) | (0.7) | - | 7.1 |
| Repsol Gas Brasil, S.A. | Brazil | Repsol Butano, S.A. | Repsol YPF Brasil, S.A. | Marketing of LPG | I.G. | 100.00 | 100.00 | 7.3 | (4.7) | (5.9) | - | (3.3) |
| Solgas Distribuidora de Gas, S.L. | Spain | Repsol Butano, S.A. | Repsol Comercial de Productos Petrolíferos, S.A. | Marketing of LPG | I.G. | 100.00 | 100.00 | 1.1 | (0.1) | (1.2) | - | (0.3) |
| Via Red Servicios Logísticos, S.A. | Spain | Repsol Butano, S.A. | | Supply and/or distribution of natural gas | M.P. | 99.49 | 99.49 | 0.8 | (0.3) | 0.1 | - | 0.6 |
| Repsol Comercial de Productos Petrolíferos, S.A. | Spain | Repsol Petróleo, S.A. | Repsol YPF, S.A./PETRONOR | Marketing of oil products | I.G. | 96.65 | 99.76 | 334.8 | 549.5 | 186.6 | (90.0) | 975.9 |
| Repsol Directo, S.A. | Spain | Repsol Comercial de Productos Petrolíferos, S.A. | Campa Estaciones de Servicio, S.A. - CAMPSARED | Distribution and marketing of oil products | I.G. | 96.65 | 100.00 | 0.1 | 2.6 | (0.1) | - | 2.5 |
| Campa Estaciones de Servicio, S.A. - CAMPSARED | Spain | Repsol Comercial de Productos Petrolíferos, S.A. | Repsol Petróleo, S.A. | Operation and management of service stations | I.G. | 96.65 | 100.00 | 8.4 | 18.0 | 21.8 | - | 46.6 |
| Societat Catalana de Petrolis, S.A. (PETROCAT) | Spain | Repsol Comercial de Productos Petrolíferos, S.A. | Repsol Petróleo, S.A. | Distribution and marketing of oil products | M.P. | 44.90 | 45.00 | 15.1 | (6.7) | 0.6 | - | 4.0 |
| Air Miles España, S.A. | Spain | Repsol Comercial de Productos Petrolíferos, S.A. | | Loyalty-building programs | M.P. | 22.45 | 22.50 | 0.1 | 3.0 | 0.4 | - | 0.8 |
| Carburants i Derivats, S.A. (CADESA) | Andorra | Repsol Comercial de Productos Petrolíferos, S.A. | | Distribution of oil derivative products | M.P. | 33.18 | 33.25 | 0.1 | 1.2 | 0.9 | - | 0.7 |
| Euro 24, S.L. | Spain | Autoclub Repsol, S.L. | | Automotive services | I.G. | 99.78 | 100.00 | - | 0.8 | (0.3) | - | 0.5 |
| Noroil, S.A. | Spain | Repsol Comercial de Productos Petrolíferos, S.A. | PETRONOR | Distribution and marketing of oil products | I.G. | 69.85 | 70.00 | 1.5 | 0.3 | 0.3 | - | 1.5 |
| Solred, S.A. | Spain | Repsol Comercial de Productos Petrolíferos, S.A. | Repsol YPF, S.A. | Management of means of payment at service stations | I.G. | 99.78 | 100.00 | 7.3 | 22.0 | 20.8 | - | 49.9 |
| Gestión de Puntos de Venta, Gespevesa, S.A. | Spain | Repsol Comercial de Productos Petrolíferos, S.A. | | Management of service stations | I.P. | 49.89 | 50.00 | 39.4 | 5.7 | 1.0 | - | 23.0 |
| Terminales Canarias, S.L. | Spain | Repsol Comercial de Productos Petrolíferos, S.A. | | Storage and distribution of oil products | I.P. | 49.89 | 50.00 | 19.8 | 2.2 | 0.9 | - | 11.4 |
| Compañía Logística de Hidrocarburos CLH, S.A. | Spain | Repsol YPF, S.A. | PETRONOR | Transport and storage of oil products | M.P. | 14.25 | 15.00 | 84.1 | 287.5 | 151.6 | (280.1) | 34.6 |
| CLH Aviación, S.A.(3) | Spain | CLH, S.A. | | Transport and storage of oil products | M.P. | 14.25 | 100.00 | 21.7 | 32.1 | - | - | 7.7 |
| Carbon Black Española, S.A. (CARBESA) | Spain | Repsol YPF, S.A. | Repsol Química, S.A. | No activity | I.G. | 100.00 | 100.00 | 0.2 | 15.0 | (1.9) | - | 13.3 |
| The Repsol Company of Portugal Ltd. | Portugal | Repsol YPF, S.A. | Carbon Black Española, S.A. (CARBESA) | Marketing of oil products | I.G. | 100.00 | 100.00 | 0.8 | 2.4 | - | - | 3.2 |
| Repsol Portuguesa, S.A. | Portugal | Repsol YPF, S.A. | Carbon Black Española, S.A. (CARBESA) | Distribution and marketing of oil products | I.G. | 100.00 | 100.00 | 59.0 | 341.8 | 18.1 | - | 418.9 |
| Repsol Directo LDA | Portugal | Repsol Portuguesa, S.A. | | Distribution and marketing of oil products | I.G. | 100.00 | 100.00 | 0.3 | (0.2) | 0.1 | - | 0.1 |
| Gespost | Portugal | Repsol Portuguesa, S.A. | | Marketing of oil products | I.G. | 100.00 | 100.00 | - | 1.2 | 1.2 | - | 2.4 |

| Name | Country | Parent Company | Other 'Shareholders (1) | Line of Business | Method of consolidation (4) | % of Total Participation | | Amount in Millions of Euros | | | | |
|---|-------------|---|--|---|-----------------------------|--------------------------|------------------|-----------------------------|----------|--------------------|------------------|------------------|
| | | | | | | % of Direct Ownership | % of Control (5) | Share Capital | Reserves | 2008 Profit (Loss) | Interim Dividend | Assets Owned (5) |
| GN Wind SL 2 (2) | Spain | Desarrollo de Energías Renovables, S.A. | | Production of wind power | I.P. | 30.85 | 100.00 | – | – | – | – | – |
| GN Wind SL 3 (2) | Spain | Desarrollo de Energías Renovables, S.A. | | Production of wind power | I.P. | 30.85 | 100.00 | – | – | – | – | – |
| GN Wind SL 4 (2) | Spain | Desarrollo de Energías Renovables, S.A. | | Production of wind power | I.P. | 30.85 | 100.00 | – | – | – | – | – |
| GN Wind SL 5 (2) | Spain | Desarrollo de Energías Renovables, S.A. | | Production of wind power | I.P. | 30.85 | 100.00 | – | – | – | – | – |
| GN Wind SL 6 (2) | Spain | Desarrollo de Energías Renovables, S.A. | | Production of wind power | I.P. | 30.85 | 100.00 | – | – | – | – | – |
| GN Wind Canarias SL (2) | Spain | Desarrollo de Energías Renovables, S.A. | | Production of wind power | I.P. | 30.85 | 100.00 | – | – | – | – | – |
| GN Energy Canarias SL(2) | Spain | Desarrollo de Energías Renovables, S.A. | | Production of wind power | I.P. | 30.85 | 100.00 | – | – | – | – | – |
| Energías Eólicas Fuerteventura, S.L. (3) | Spain | Desarrollo de Energías Renovables, S.A. | | Production of wind power | I.P. | 15.43 | 50.00 | – | – | – | – | – |
| Energías Eólicas de Lanzarote, S.L. (3) | Spain | Desarrollo de Energías Renovables, S.A. | | Production of wind power | I.P. | 15.43 | 50.00 | – | – | – | – | – |
| Alas Capital & GN, S.A. (3) | Spain | Desarrollo de Energías Renovables, S.A. | | Production of wind power | M.P. | 12.34 | 40.00 | 0.1 | – | – | – | – |
| O Novo Aquilón, S.L. | Spain | Desarrollo de Energías Renovables, S.A. | | Production of wind power | I.P. | 18.51 | 60.00 | – | – | – | – | – |
| Parques Eólicos 2008–2012, S.L | Spain | Desarrollo de Energías Renovables, S.A. | | Production of wind power | I.P. | 16.66 | 54.00 | – | – | – | – | – |
| Energy way Produção de energia, LDA (2) | Portugal | Gas Natural Electricidad SDG, S.A. | | Production of wind power | I.P. | 30.85 | 100.00 | – | – | – | – | – |
| Lantarón Energía S.L. (2) | Spain | Gas Natural Electricidad SDG, S.A. | La Propagadora del Gas, S.A. | Electricity cogeneration | I.P. | 30.85 | 100.00 | – | – | – | – | – |
| Dawn Energy | Portugal | Gas Natural Electricidad, SDG | | Production of wind power | I.P. | 30.85 | 100.00 | – | – | – | – | – |
| Desarrollo del Cable, S.A.(2) | Spain | Gas Natural SDG, S.A. | La Propagadora del Gas, S.A. | Telecommunications | I.P. | 30.85 | 100.00 | 21.1 | 20.6 | 11.9 | – | 16.5 |
| Gas Natural Cantabria SDG, S.A. (2) | Spain | Gas Natural SDG, S.A. | La Propagadora del Gas, S.A. | Distribution of gas | I.P. | 27.88 | 90.40 | 3.2 | 28.0 | 3.5 | – | 9.7 |
| Gas Natural Murcia SDG, S.A. (2) | Spain | Gas Natural SDG, S.A. | La Propagadora del Gas, S.A. | Distribution of gas | I.P. | 30.81 | 99.90 | 24.3 | (5.8) | (4.0) | – | 4.5 |
| Gas Natural Cegas S.A. (2) | Spain | Gas Natural SDG, S.A. | La Propagadora del Gas, S.A. | Distribution of gas | I.P. | 30.75 | 99.70 | 25.4 | 68.1 | 11.7 | – | 32.4 |
| Gas Natural Aprovisionamientos SDG, S.A. (2) | Spain | Gas Natural SDG, S.A. | Sagane, S.A. | Supply of natural gas | I.P. | 30.85 | 100.00 | 0.6 | 14.9 | 194.8 | – | 56.1 |
| Gas Natural Finance, BV (2) | Holland | Gas Natural SDG, S.A. | | Finance | I.P. | 30.85 | 100.00 | – | 2.0 | 0.5 | – | 0.8 |
| Holding Gas Natural, S.A. (2) | Spain | Gas Natural SDG, S.A. | La Propagadora del Gas, S.A. | Portfolio company | I.P. | 30.85 | 100.00 | 0.3 | 0.2 | – | – | 0.2 |
| Gas Natural Sao Paulo Sul, S.A. (2) | Brazil | Gas Natural, SDG, S.A. | Gas Natural Servicios SDG, S.A. | Distribution of gas | I.P. | 30.85 | 100.00 | 350.7 | (205.3) | 22.6 | (9.5) | 48.9 |
| Gas Natural International, Ltd. (2) | Irlanda | Gas Natural SDG, S.A. | La Propagadora del Gas, S.A. | Finance | I.P. | 30.85 | 100.00 | 25.4 | 11.7 | 0.6 | – | 11.6 |
| Natural RE, S.A.(2) | Luxemburg | Gas Natural International, Ltd. | Holding Gas Natural, S.A. | Insurance | I.P. | 30.85 | 100.00 | 3.2 | 9.1 | 5.1 | – | 5.4 |
| Administración y Servicios ECAP, S.A. de C.V. | Mexico | Gas Natural International, Ltd. | | Services | I.P. | 22.15 | 71.80 | – | (0.3) | – | – | (0.1) |
| Pitta Construzioni S.p.A. | Italy | Gas Natural Internacional SDG, S.A. | | Distribution of gas | I.P. | 30.85 | 100.00 | 6.0 | 1.3 | (0.3) | – | 2.2 |
| Gas Natural Internacional SDG, S.A. (2) | Spain | Gas Natural SDG, S.A. | La Propagadora del Gas, S.A. | Portfolio company | I.P. | 30.85 | 100.00 | 349.5 | 120.4 | 1.4 | – | 145.4 |
| Natural Energy, S.A. (2) | Argentina | Gas Natural Internacional SDG, S.A. | La Propagadora del Gas, S.A. | Marketing of natural gas | I.P. | 24.80 | 80.40 | 0.2 | (0.3) | 1.7 | – | 0.4 |
| CEG Rio, S.A. (2) | Brazil | Gas Natural Internacional SDG, S.A. | Gas Natural SDG, S.A. | Distribution of gas | I.P. | 18.38 | 59.60 | 27.5 | 19.6 | 23.5 | (12.4) | 10.7 |
| Companhia Distribuidora de Gás do Rio de Janeiro S.A. (2) | Brazil | Gas Natural Internacional SDG, S.A. | Gas Natural SDG, S.A. | Distribution of gas | I.P. | 16.72 | 54.20 | 164.9 | 53.4 | 44.7 | (33.3) | 38.4 |
| Gas Natural Commercialisation France, S.A.S. (2) | France | Gas Natural Internacional SDG | | Marketing of natural gas | I.P. | 30.85 | 100.00 | – | 1.4 | 15.3 | – | 5.2 |
| Gas Natural Puerto Rico, INC (2) | Puerto Rico | Gas Natural Internacional SDG, S.A. | | Portfolio company | I.P. | 30.85 | 100.00 | 0.8 | (0.1) | (0.4) | – | 0.1 |
| Invergas, S.A. (2) | Argentina | Gas Natural Internacional, SDG, S.A. | | Portfolio company | I.P. | 22.21 | 72.00 | 48.9 | 60.5 | – | – | 24.3 |
| Gas Natural Ban, S.A.(2) | Argentina | Invergas, S.A. | Gas Natural Argentina SDG, S.A. | Distribution of gas | I.P. | 15.55 | 50.40 | 214.7 | (138.5) | 11.1 | (13.4) | 11.5 |
| Gas Natural Argentina SDG, S.A. (2) | Argentina | Gas Natural Internacional, SDG, S.A. | | Portfolio company | I.P. | 22.21 | 72.00 | 105.0 | (23.5) | – | – | 18.1 |
| Gas Natural do Brasil S.A. (2) | Brazil | Gas Natural Internacional, SDG, S.A. | Gas Natural Servicios SDG, S.A. | Production and marketing of electricity | I.P. | 30.84 | 100.00 | 0.6 | (1.6) | (0.2) | – | (0.4) |
| Gas Natural Serviços, S.A. (2) | Brazil | Gas Natural Internacional, SDG, S.A. | Gas Natural do Brasil S.A. | Services | I.P. | 30.85 | 100.00 | 1.9 | 1.2 | 1.2 | (0.2) | 1.3 |
| Gas Natural México, S.A. de CV (2) | México | Gas Natural Internacional, SDG, S.A. | Gas Natural SDG, S.A. | Distribution of gas | I.P. | 22.15 | 71.80 | 470.7 | (204.6) | 16.9 | – | 62.7 |
| Comercializadora Metrogas S.A. de CV (2) | México | Gas Natural México, S.A. de C.V. | Sistemas de Administración y Servicios, S.A. de C.V. | Distribution of gas | I.P. | 22.15 | 71.80 | 128.1 | (77.9) | (0.1) | – | 11.1 |
| Adm. Servicios Energía México, S.A. de CV (2) | México | Comercializadora Metrogas S.A. de CV | | Services | I.P. | 22.15 | 71.80 | – | – | (0.3) | – | (0.1) |
| Energía y Confort Admón. de Personal, S.A. de CV (2) | México | Gas Natural México, S.A. de CV | Gas Natural Internacional SDG, S.A. | Services | I.P. | 22.30 | 72.30 | – | (0.2) | 0.6 | – | 0.1 |
| Gas Natural Servicios, S.A. de C.V. (2) | México | Gas Natural México, S.A. de CV | Gas Natural Internacional SDG, S.A. | Services | I.P. | 22.15 | 71.80 | 6.1 | (1.0) | 1.1 | – | 1.4 |
| Gas Natural Vehicular del Norte A en P (3) | México | Gas Natural Servicios, S.A. de C.V. | Gas Natural Internacional SDG, S.A. | Distribution of gas | I.P. | 11.29 | 36.60 | 0.7 | (0.1) | (0.1) | – | 0.1 |
| Transnatural, SRL de CV. | México | Gas Natural México, S.A. de CV | | Transmission and marketing of gas | I.P. | 11.07 | 35.90 | 10.4 | (14.9) | (8.6) | – | (1.5) |
| CH4 Energía, S.A de CV. | México | Gas Natural México, S.A. de CV | | Transmission and marketing of gas | I.P. | 11.07 | 35.90 | 0.6 | 1.1 | 1.4 | – | 0.3 |
| Gas Natural Vendita Italia, SPA (2) | Italy | Gas Natural Internacional SDG, S.A. | | Marketing of natural gas | I.P. | 30.85 | 100.00 | 2.1 | 5.3 | 0.6 | – | 2.5 |
| Gas Natural Distribuzione S.p.A. (2) | Italy | Gas Natural Internacional SDG, S.A. | | Portfolio company and distribution of gas | I.P. | 30.85 | 100.00 | 4.7 | 116.1 | (1.4) | – | 36.8 |
| Gasdotti Azienda Siciliana, S.P.A. (2) | Italy | Gas Natural Distribuzione S.p.A. | Autocartera | Distribution of gas | I.P. | 27.76 | 90.00 | 0.5 | 21.6 | (0.1) | – | 6.1 |
| Agragas, S.P.A.(2) | Italy | Gas Natural Distribuzione S.p.A. | Autocartera | Distribution of gas | I.P. | 27.76 | 90.00 | 0.1 | 35.0 | 0.9 | – | 10.0 |
| Normanna Gas, S.P.A.(2) | Italy | Gas Natural Distribuzione S.p.A. | Autocartera | Distribution of gas | I.P. | 27.76 | 90.00 | 0.1 | 29.2 | 0.6 | – | 8.3 |
| Congas Servizi Consorzio Gas Acqua Servizi, S.p.A. (2) | Italy | Normanna Gas, S.P.A. | Agragas, S.P.A./Gasdotti Azienda Siciliana, S.P.A. | Marketing of natural gas | I.P. | 27.77 | 90.00 | 0.1 | 1.0 | (0.1) | – | 0.3 |
| Gas Natural Italia SpA (2) | Italy | Gas Natural Distribuzione S.p.A. | | Portfolio company | I.P. | 30.85 | 100.00 | 0.1 | 0.4 | 0.1 | – | 0.2 |
| Smedigas, S.P.A. (2) | Italy | Gas Natural Internacional SDG, S.A. | | Distribution of gas | I.P. | 30.85 | 100.00 | 0.6 | 19.6 | (4.2) | – | 4.9 |
| Gas Natural Rigassificazione Italia, SPA (2) | Italy | Gas Natural Internacional SDG, S.A. | | Regasification of gas | I.P. | 30.85 | 100.00 | 7.4 | – | – | – | 2.3 |
| Sistemas Administración y Servicios, S.A. de CV (2) | México | Gas Natural Internacional, SDG, S.A. | Gas Natural SDG, S.A. | Services | I.P. | 26.84 | 87.00 | – | 0.2 | – | – | 0.1 |
| Natural Servicios, S.A. (2) | Argentina | Gas Natural Internacional, SDG, S.A. | | Gas installation work | I.P. | 24.80 | 80.40 | 2.1 | (0.9) | 0.4 | – | 0.4 |
| Serviconfort Colombia S.A. (2) | Colombia | Gas Natural Internacional, SDG, S.A. | La Propagadora del Gas, S.A. | Services | I.P. | 30.85 | 100.00 | 0.2 | – | 0.6 | – | 0.2 |
| Gas Natural, S.A. ESP (2) | Colombia | Gas Natural Internacional, SDG, S.A. | | Distribution of gas | I.P. | 18.23 | 59.10 | 10.9 | 130.2 | 84.0 | – | 41.0 |
| Gas Natural Cundiboyacense, S.A. ESP (2) | Colombia | Gas Natural, S.A. ESP | | Distribution of gas | I.P. | 14.13 | 45.80 | 1.1 | 9.5 | 4.1 | – | 2.1 |
| Gas Natural del Oriente, S.A. ESP (2) | Colombia | Gas Natural, S.A. ESP | | Distribution of gas | I.P. | 9.94 | 32.20 | 9.2 | 23.4 | 9.0 | (9.4) | 3.2 |
| Gas Natural Servicios, Ltd. | Colombia | Gas Natural, S.A. ESP | | Services | I.P. | 30.85 | 100.00 | 0.3 | (0.1) | 1.3 | – | 0.5 |
| Gases de Barrancabermeja, S.A. ESP (2) | Colombia | Gas Natural del Oriente, S.A. ESP | | Distribution of gas | I.P. | 9.93 | 32.20 | 1.3 | 1.3 | 0.8 | – | 0.3 |
| Portal del Instalador, S.A. (2) | Spain | Gas Natural Informática S.A. | Repsol YPF, S.A. | Services | I.P. | 26.22 | 85.00 | 1.3 | 0.1 | 0.2 | – | 0.4 |
| Central Anahuac, SA de CV (2) | México | Gas Natural Internacional, SDG, S.A. | Controladora del Golfo, S.A. de C.V. | Cogeneration of electricity | I.P. | 30.85 | 100.00 | 254.8 | (75.6) | 5.6 | – | 57.0 |
| Controladora del Golfo SA de CV (2) | México | Gas Natural Internacional, SDG, S.A. | | Cogeneration of electricity | I.P. | 30.85 | 100.00 | 122.7 | – | – | – | 37.9 |
| Central Lomas del Real, SA de CV (2) | México | Controladora del Golfo, S.A. de C.V. | Gas Natural Internacional, SDG, S.A. | Cogeneration of electricity | I.P. | 30.85 | 100.00 | 37.5 | 130.5 | (5.2) | – | 50.2 |
| Central Saltillo S.A. de C.V. (2) | México | Gas Natural Internacional, SDG, S.A. | Controladora del Golfo, S.A. de C.V. | Cogeneration of electricity | I.P. | 30.85 | 100.00 | 150.7 | (43.1) | 3.9 | – | 34.4 |
| Central Vallehermoso SA de CV (2) | México | Gas Natural Internacional, SDG, S.A. | Controladora del Golfo, S.A. de C.V. | Cogeneration of electricity | I.P. | 30.85 | 100.00 | 43.4 | 160.6 | (2.4) | – | 62.2 |
| Compañía Mexicana de Gerencia y Operación SA de CV (2) | México | Gas Natural Internacional, SDG, S.A. | Controladora del Golfo, S.A. de C.V. | Cogeneration of electricity | I.P. | 30.85 | 100.00 | – | 0.6 | (0.1) | – | 0.2 |
| Electricidad Aguila de Altamira SA de CV (2) | México | Gas Natural Internacional, SDG, S.A. | Controladora del Golfo, S.A. de C.V. | Cogeneration of electricity | I.P. | 30.85 | 100.00 | 159.8 | (41.6) | 2.7 | – | 37.3 |
| Gasoducto del Río SA de CV (2) | México | Gas Natural Internacional, SDG, S.A. | Controladora del Golfo, S.A. de C.V. | Cogeneration of electricity | I.P. | 30.85 | 100.00 | 2.7 | 6.5 | 2.4 | – | 3.6 |
| Italmeco S.R.L. (2) | Italy | Gas Natural Internacional, SDG, S.A. | | Distribution of gas | I.P. | 30.85 | 100.00 | 22.4 | (1.1) | (1.2) | – | 6.2 |

| Name | Country | Parent Company | Other 'Shareholders (1) | Line of Business | Method of consolidation (4) | % of Total Participation | | Amount in Millions of Euros | | | | |
|---|------------------|--|---|---|-----------------------------|--------------------------|------------------|-----------------------------|----------------|--------------------|------------------|------------------|
| | | | | | | % of Direct Ownership | % of Control (5) | Share Capital | Reserves | 2008 Profit (Loss) | Interim Dividend | Assets Owned (5) |
| | | | | | | | | | | | | |
| Calgas SCARL (2) | Italy | Italmeco S.R.L. | | Distribution of gas | I.P. | 30.85 | 100.00 | 1.7 | – | – | – | 0.5 |
| Mecogas SRL (2) | Italy | Italmeco S.R.L. | | Marketing of natural gas | I.P. | 30.85 | 100.00 | – | 0.1 | 0.1 | – | 0.1 |
| Cetraro Distribuzione Gas S.r.l. | Italy | Italmeco S.R.L. | | Marketing of natural gas | I.P. | 18.51 | 60.00 | 0.1 | – | – | – | – |
| Torre Marenostrum, S.A. (3) | Spain | Gas Natural SDG, S.A. | | Finances y other activities | M.P. | 13.88 | 45.00 | 5.3 | 14.4 | (0.2) | – | 2.7 |
| Central Térmica la Torrecilla, S.A. | Spain | Gas Natural SDG, S.A. | | Cogeneration of electricity | I.P. | 15.42 | 50.00 | 1.2 | (54.3) | – | – | (8.2) |
| Gas Natural Capital Markets, S.A. (2) | Spain | Gas Natural SDG, S.A. | La Propagadora del Gas, S.A. | Finance | I.P. | 30.85 | 100.00 | 0.1 | 0.1 | 0.1 | – | 0.1 |
| Gas Natural Comercial SDG, S.L. | Spain | Gas Natural SDG, S.A. | La Propagadora del Gas, S.A. | Marketing of domestic gas | I.P. | 30.85 | 100.00 | 4.5 | (0.6) | 1.5 | – | 1.7 |
| Petroleum Oil & Gas España, S.A. (2) | Spain | Gas Natural SDG, S.A. | La Propagadora del Gas, S.A. | Exploration of oil and gas | I.P. | 30.85 | 100.00 | 3.9 | 51.5 | (0.3) | – | 17.0 |
| Biogas Doña Juana S.A. E.S.P. | Colombia | Gas Natural SDG, S.A. | | Treatment and Advancement of biogas | I.P. | 15.36 | 49.80 | 1.1 | – | – | – | 0.2 |
| YPF, S.A. | Argentina | Repsol YPF, S.A. | Repsol YPF Capital/ CAVEANT/R.Exploración | Exploration and production of oil and gas | I.G. | 84.04 | 84.04 | 3,909.8 | 105.0 | 660.6 | – | 3,929.2 |
| YPF International, S.A. | Bolivia | YPF, S.A. | Repsol YPF Bolivia/Repsol YPF E&P Bolivia | Portfolio company | I.G. | 84.04 | 100.00 | 118.6 | (79.0) | (0.6) | – | 32.8 |
| YPF Ecuador Inc. | Cayman Islands | YPF International, S.A. | | Exploration and production of oil and gas | I.G. | 84.04 | 100.00 | 0.7 | (0.7) | – | – | – |
| YPF Guyana, Ltd. | Cayman Islands | YPF International, S.A. | | Exploration and production of oil and gas | I.G. | 84.04 | 100.00 | – | (3.4) | (3.1) | – | (5.5) |
| YPF Holdings Inc. | United States | YPF, S.A. | | Portfolio company | I.G. | 84.04 | 100.00 | 634.4 | (646.4) | (98.5) | – | (92.9) |
| CLH Holdings | United States | YPF Holdings Inc. | | Finance | I.G. | 84.04 | 100.00 | 187.0 | (230.9) | 38.9 | – | (4.2) |
| Tierra Solutions Inc. | United States | CLH Holdings | | Other activities | I.G. | 84.04 | 100.00 | 187.6 | (231.6) | 38.9 | – | (4.2) |
| Maxus Energy Corporation | United States | YPF Holdings Inc. | | Exploration and production of oil and gas | I.G. | 84.04 | 100.00 | 406.3 | (377.1) | (135.2) | – | (89.1) |
| Maxus US Exploration Co. | United States | Maxus Energy Corporation | | Exploration and production of oil and gas | I.G. | 84.04 | 100.00 | 1.3 | (120.7) | (5.3) | – | (104.8) |
| Maxus International Energy Co. | United States | Maxus Energy Corporation | | Other activities | I.G. | 84.04 | 100.00 | 23.3 | (28.2) | – | – | (4.1) |
| Gateway Coal Company | United States | Maxus Energy Corporation | | Other activities | I.G. | 84.04 | 100.00 | (8.2) | (0.3) | 0.1 | – | (7.0) |
| Compañía Mega | Argentina | YPF, S.A. | | Fractionation of gas | I.P. | 31.94 | 38.00 | 145.8 | 19.3 | 65.6 | – | 73.7 |
| Operadora de Estaciones de Servicio, S.A. OPESSA | Argentina | YPF, S.A. | Repsol YPF Gas, S.A. | Marketing of oil and gas | I.G. | 84.04 | 99.85 | 28.4 | (4.0) | 22.0 | – | 39.0 |
| YPF Inversora Energética, S.A. | Argentina | YPF, S.A. | Astra Evangelista, S.A. | Portfolio company | I.G. | 84.04 | 100.00 | – | – | – | – | – |
| Gas Argentino, S.A. (GASA) | Argentina | YPF Inversora Energética, S.A. | | Portfolio company | M.P. | 38.10 | 45.33 | 64.8 | (99.3) | (11.6) | – | – |
| Metrogas, S.A. | Argentina | Gas Argentino, S.A. (GASA) | | Distribution of gas | M.P. | 26.67 | 70.00 | 119.1 | (78.2) | 5.2 | – | – |
| Oiltanking Ebytem, S.A. | Argentina | YPF, S.A. | | Transmission and storage of oil and gas | M.P. | 25.21 | 30.00 | 8.4 | 0.3 | 1.3 | – | 2.5 |
| A&C Pipeline Holding | Cayman Islands | YPF, S.A. | | Finance | M.P. | 30.25 | 36.00 | – | – | – | – | – |
| Oleoducto Transandino Argentino, S.A. (3) | Argentina | A&C Pipeline Holding | | Construction and operation of oil pipelines | M.P. | 30.25 | 100.00 | – | – | – | – | – |
| Oleoducto Trasandino Chile, S.A. (3) | Chile | A&C Pipeline Holding | | Construction and operation of oil pipelines | M.P. | 30.25 | 100.00 | – | – | – | – | – |
| Oleoducto Transandino Argentina Accs preferidas | Argentina | YPF, S.A. | | Construction and operation of oil pipelines | M.P. | 30.25 | 36.00 | 32.3 | (25.6) | 3.1 | – | 2.9 |
| Oleoducto Transandino Chile Acciones preferidas | Chile | YPF, S.A. | Repsol YPF Chile | Construction and operation of oil pipelines | M.P. | 33.13 | 36.00 | 10.5 | 1.6 | – | – | 4.0 |
| Gasoducto del Pacífico Caiman | Cayman Islands | YPF, S.A. | | Finance | M.P. | 8.40 | 10.00 | – | – | – | – | – |
| Gasoducto del Pacífico Chile (Ordinarias) | Chile | Gasoducto del Pacífico Caiman | | Construction and operation of oil pipelines | M.P. | 7.35 | 87.50 | – | – | – | – | – |
| Gasoducto del Pacífico Argentina, S.A. (Ordinarias) | Argentina | Gasoducto del Pacífico Caiman | | Construction and operation of oil pipelines | M.P. | 7.35 | 87.50 | – | – | – | – | – |
| Gasoducto del Pacífico Argentina, S.A. (Preferidas) | Argentina | Gasoducto del Pacífico (Cayman) S.A. | YPF, S.A. | Construction and operation of oil pipelines | M.P. | 8.40 | 10.00 | 32.4 | (18.9) | 6.1 | – | 1.7 |
| Profertil, S.A. | Argentina | YPF, S.A. | | Production and sale of gas products | I.P. | 42.02 | 50.00 | 255.8 | (39.8) | 47.3 | – | 110.6 |
| Refinerías del Norte, S.A. (REFINOR) | Argentina | YPF, S.A. | | Refining and marketing of oil products | I.P. | 42.02 | 50.00 | 72.5 | 59.0 | (8.7) | – | 51.6 |
| Terminales Marítimas Patagónicas, S.A. | Argentina | YPF, S.A. | | Logistics of oil derivative products | M.P. | 27.86 | 33.15 | 10.3 | 16.1 | 3.1 | – | 8.2 |
| Oleoductos del Valle, S.A. (OLDELVAL) | Argentina | YPF, S.A. | | Logistics of oil derivative products | M.P. | 31.09 | 37.00 | 79.1 | (35.6) | (6.8) | – | 11.4 |
| Poligas Luján, S.A. | Argentina | YPF, S.A. | | Bottling, transport and marketing of L.P.G. | I.G. | 42.43 | 50.49 | – | – | – | – | – |
| Astra Evangelista, S.A. | Argentina | YPF, S.A. | OPESSA | Engineering and construction | I.G. | 84.04 | 100.00 | 1.8 | 21.7 | 8.7 | – | 27.0 |
| AESA Construcciones y Servicios | Brazil | Astra Evangelista, S.A. | YPF, S.A. | Engineering and construction | I.G. | 84.04 | 100.00 | 0.8 | (0.7) | (0.1) | – | – |
| Adicor, S.A. | Uruguay | Astra Evangelista, S.A. | | Other activities | I.G. | 84.04 | 100.00 | – | – | – | – | – |
| Gasoducto Oriental, S.A. | Argentina | Astra Evangelista, S.A. | | Distribution of gas | M.P. | 14.00 | 16.66 | – | – | – | – | – |
| Inversora Dock Sud, S.A. | Argentina | YPF, S.A. | | Portfolio company | M.P. | 36.02 | 42.86 | 67.6 | (106.5) | 10.0 | – | (10.4) |
| Central Dock Sud, S.A. | Argentina | Inversora Dock Sud, S.A. | YPF, S.A. | Construction and operation of a power station | M.P. | 33.55 | 79.83 | 113.0 | (177.1) | 11.7 | – | (17.6) |
| Pluspetrol Energy, S.A. | Argentina | YPF, S.A. | | Exploration and production of oil and gas | I.P. | 37.82 | 45.00 | 20.1 | 45.2 | 22.0 | – | 33.0 |
| Repsol YPF Chile, S.A. | Chile | Repsol YPF, S.A. | OPESSA | Administration of investments of YPF in Chile | I.G. | 100.00 | 100.00 | – | 18.0 | (2.5) | – | 15.5 |
| Repsol YPF Bolivia, S.A. | Bolivia | Repsol YPF, S.A. | R. Ex.plorac./Rex. Perú/Rex. Colombia/ R.YPF E&P Bolivia | Portfolio company | I.G. | 100.00 | 100.00 | 722.0 | (222.1) | 104.9 | – | 604.7 |
| YPFB Andina, S.A. (Empresa Petrolera Andina, S.A.) | Bolivia | Repsol YPF Bolivia, S.A. | | Exploration and production of oil and gas | I.P. | 48.92 | 48.92 | 194.7 | 234.0 | 168.6 | – | 292.2 |
| Transierra S.A. | Bolivia | YPFB Andina, S.A. (Empresa Petrolera Andina, S.A.) | | Transporte de hidrocarburos | M.P. | 21.77 | 44.50 | 57.5 | 25.4 | 5.4 | – | 19.2 |
| Maxus Bolivia Inc. | Bolivia | Repsol YPF Bolivia, S.A. | | Exploration and production of oil and gas | I.G. | 100.00 | 100.00 | 95.5 | 94.2 | 36.2 | – | 225.9 |
| Repsol YPF E&P de Bolivia, S.A. | Bolivia | Maxus Bolivia Inc. | R. YPF Bolivia, S.A. / Rex. Perú, S.A. / Rex. Colombia, S.A. | Exploration and production of oil and gas | I.G. | 100.00 | 100.00 | 109.1 | 79.6 | 38.1 | – | 226.8 |
| AESA Construcciones y Servicios Bolivia | Bolivia | Repsol YPF Bolivia, S.A. | R. YPF E&P de Bolivia, S.A. / Astra Evangelista | Transmission of oil and gas | I.G. | 100.00 | 100.00 | – | 1.7 | – | – | 1.6 |
| Repsol YPF Brasil, S.A. | Brazil | Repsol YPF, S.A. | OPESSA | Operation and marketing of oil and gas | I.G. | 100.00 | 100.00 | 1,363.7 | (394.8) | 24.4 | – | 993.4 |
| Transportadora Sul Brasileira do Gas, S.A. | Brazil | Repsol YPF Brasil, S.A. | | Construction and operation of gas pipelines | I.P. | 25.00 | 25.00 | 24.8 | (24.8) | – | – | – |
| Repsol YPF Importadora de Productos, Ltda. | Brazil | Repsol YPF Brasil, S.A. | Repsol Gas Brasil, S.A. | Marketing of oil products | I.G. | 100.00 | 100.00 | 0.3 | 0.1 | 0.1 | – | 0.4 |
| Servicios Logísticos Combustibles de Aviación | Spain | Repsol YPF Lubricantes y Especialidades, S.A. | Repsol Comercial de Productos Petrolíferos | Distribution of gas | I.P. | 49.96 | 50.00 | 3.5 | 8.3 | 0.7 | – | 6.3 |
| Biocarburos Tarragona | Spain | Repsol Petróleo, S.A. | | Manufacturing, distribution and sale of all types of biocombustibles and other related activities | I.G. | 99.97 | 100.00 | 0.5 | – | – | – | 0.5 |
| Biocarburos Cartagena | Spain | Repsol Petróleo, S.A. | | Manufacturing, distribution and sale of all types of biocombustibles and other related activities | I.G. | 100.00 | 100.00 | 0.5 | – | – | – | 0.5 |

(1) Other companies of the Group have ownership in the share capital of the company, but inferior to the ownership of the parent company.

(2) The data corresponding to this company are incorporated by full consolidation in the parent. The parent consolidates proportionally in the Repsol YPF Group.

(3) The data corresponding to this company are incorporated by full consolidation in the parent. The parent integrates by the equity method in the Repsol YPF Group.

(4) Consolidation Method:

F.C.: Full consolidation

P.C.: Proportionate consolidation

E.M.: Equity Method

(5) Percentage of the Parent shareholding over the Shareholder

Nota: The equity of the companies whose functional currency is not the Euro has been converted to the Euro at the closing date.

Appendix I

Changes in the scope of consolidation for the year ended 31 december 2008

| Name | Country | Parent Company | Transaction | Date | 31.12.08 | | | 01.01.08 | | |
|---|----------------|---|---|--------|-----------------------------|-----------------------|------------------|-----------------------------|-----------------------|------------------|
| | | | | | Method of Consolidation (4) | % of Total Ownership | | Method of Consolidation (4) | % of Total Ownership | |
| | | | | | | % of Direct Ownership | % of Control (5) | | % of Direct Ownership | % of Control (5) |
| YPF, S.A. | Argentina | Repsol YPF, S.A. | Decrease in share capital | Feb-08 | I.G. | 84,04 | 84,04 | I.G. | 99,04 | 99,04 |
| Empresa Petrolera Andina, S.A. | Bolivia | Repsol YPF Bolivia, S.A. | Decrease in share capital | May-08 | I.P. | 48,92 | 48,92 | I.G. | 50,00 | 50,00 |
| Oil Enterprise, Ltd. (SPE) | Cayman Islands | YPF, S.A. | Exclusion from the scope of consolidation | May-08 | - | - | - | I.G. | 99,04 | 100,00 |
| Repsol YPF Distribuidora, S.A. | Brazil | Repsol YPF Brasil, S.A. | Exclusion from the scope of consolidation | Oct-08 | - | - | - | I.G. | 100,00 | 100,00 |
| Refinaria de Petróleos Manguinhos, S.A. | Brazil | Repsol YPF Brasil, S.A. | Exclusion from the scope of consolidation | Oct-08 | - | - | - | I.P. | 31,13 | 31,13 |
| Manguinhos Distribuidora, S.A. | Brazil | Refinaria Petróleos Manguinhos, S.A. | Exclusion from the scope of consolidation | Oct-08 | - | - | - | I.P. | 31,13 | 100,00 |
| Manguinhos Química, S.A. | Brazil | Refinaria Petróleos Manguinhos, S.A. | Exclusion from the scope of consolidation | Oct-08 | - | - | - | I.P. | 31,13 | 100,00 |
| Operadora de Postos de Servicios Ltda. | Brazil | Repsol YPF Brasil, S.A. | Exclusion from the scope of consolidation | May-08 | - | - | - | I.G. | 100,00 | 100,00 |
| YPF Malaysia, Ltd. | Cayman Islands | YPF International, S.A. | Exclusion from the scope of consolidation | Sep-08 | - | - | - | I.G. | 99,04 | 100,00 |
| Repsol Bronderslev A/S | Denmark | Repsol Química, S.A. | Exclusion from the scope of consolidation | Feb-08 | - | - | - | I.G. | 100,00 | 100,00 |
| Repsol Polivar, SPA | Italy | Repsol Bronderslev, A/S | Exclusion from the scope of consolidation | Feb-08 | - | - | - | I.G. | 100,00 | 100,00 |
| Repsol Inco AG | Switzerland | Repsol Exploración Murzuq, S.A. | Exclusion from the scope of consolidation | May-08 | - | - | - | P.E. | 40,00 | 40,00 |
| Repsol YPF Comercial del Ecuador, S.A. | Ecuador | Repsol YPF, S.A. | Exclusion from the scope of consolidation | Sep-08 | - | - | - | I.G. | 100,00 | 100,00 |
| Combustibles Industriales Oil Trader, S.A. | Ecuador | Repsol YPF Comercial Ecuador, S.A. | Exclusion from the scope of consolidation | Sep-08 | - | - | - | I.G. | 100,00 | 100,00 |
| Repsol YPF Gas de Bolivia, S.A. | Bolivia | Repsol YPF GLP de Bolivia S.A. | Exclusion from the scope of consolidation | Nov-08 | - | - | - | I.G. | 51,00 | 51,00 |
| Servicios Logísticos de Combustibles de Aviación, SLU | Spain | Terminales Canarios, S.L. | Exclusion from the scope of consolidation | Nov-08 | - | - | - | I.P. | 48,33 | 100,00 |
| Repsol YPF Productos y Servicios Petrolíferos, S.A | Spain | Repsol YPF Lubricantes y Especialidades, S.A. | Exclusion from the scope of consolidation | Nov-08 | - | - | - | I.G. | 100,00 | 100,00 |
| Euroboxes, S.A. | Spain | Repsol YPF Lubricantes y Especialidades, S.A. | Exclusion from the scope of consolidation | Dic-08 | - | - | - | P.E. | 100,00 | 100,00 |
| Repsol Advanced Services LTD | Switzerland | Repsol Exploración, S.A. | Inclusion in the scope of consolidation | Jul-08 | I.G. | 100,00 | 100,00 | - | - | - |
| Servicios Logísticos Combustibles de Aviación | Spain | Repsol YPF Lubricantes y Especialidades, S.A. | Inclusion in the scope of consolidation | Nov-08 | I.P. | 50,00 | 50,00 | - | - | - |
| Biocarburantes Tarragona | Spain | Repsol Petróleo, S.A. | Inclusion in the scope of consolidation | Dic-08 | I.G. | 100,00 | 100,00 | - | - | - |
| Biocarburantes Cartagena | Spain | Repsol Petróleo, S.A. | Inclusion in the scope of consolidation | Dic-08 | I.G. | 100,00 | 100,00 | - | - | - |
| Biogas Doña Juana S.A. E.S.P. | Colombia | Gas Natural SDG, S.A. | Inclusion in the scope of consolidation | Feb-08 | I.P. | 15,36 | 49,80 | - | - | - |
| Administración y Servicios ECAP, S.A. de C.V. | Mexico | Gas Natural International, Ltd. | Inclusion in the scope of consolidation | Mar-08 | I.P. | 30,85 | 100,00 | - | - | - |
| Cetraro Distribuzione Gas S.r.l. | Italy | Italmeco S.R.L. | Inclusion in the scope of consolidation | Abr-08 | I.P. | 18,51 | 60,00 | - | - | - |
| O Novo Aquilón, S.L. | Spain | Desarrollo de Energías Renovables, S.A. | Inclusion in the scope of consolidation | Jun-08 | I.P. | 18,51 | 60,00 | - | - | - |
| Parques Eólicos 2008-2012, S.L | Spain | Desarrollo de Energías Renovables, S.A. | Inclusion in the scope of consolidation | Jun-08 | I.P. | 16,66 | 54,00 | - | - | - |
| Oficina de cambios de suministrador S.A. | Spain | Gas Natural Comercializadora, S.A. (2) | Inclusion in the scope of consolidation | Jun-08 | P.E. | 6,17 | 20,00 | - | - | - |
| Dawn Energy | Portugal | Gas Natural Electricidad, SDG | Inclusion in the scope of consolidation | Jun-08 | I.P. | 30,85 | 100,00 | - | - | - |
| Pitta Construzioni S.p.A. | Italy | Gas Natural Internacional SDG, S.A. | Inclusion in the scope of consolidation | Jul-08 | I.P. | 30,85 | 100,00 | - | - | - |
| Gas Natural Servicios, Ltd. | Colombia | Gas Natural, S.A. ESP | Inclusion in the scope of consolidation | Jun-08 | I.P. | 30,85 | 100,00 | - | - | - |
| Gas Natural West Africa, S.L. (2) | Spain | Gas Natural Exploración, S. L. | Increase in share capital | Feb-08 | I.P. | 72,34 | 100,00 | I.P. | 30,85 | 100,00 |
| Sociedad de Tratamiento La Andaya, S.L. | Spain | La Energía, S.A. | Increase in share capital | Jul-08 | I.P. | 18,50 | 60,00 | I.P. | 13,88 | 45,00 |
| Sociedad de Tratamiento Hornillos, S.L.(2) | Spain | La Energía, S.A. | Increase in share capital | Jul-08 | I.P. | 29,00 | 94,00 | I.P. | 24,68 | 80,00 |
| Portal del Instalador, S.A. (2) | Spain | Gas Natural Informática S.A. | Increase in share capital | Jul-08 | I.P. | 26,22 | 85,00 | I.P. | 33,14 | 75,00 |
| Alberto Pasqualini REFAP, S.A.(6) | Brazil | Repsol YPF Brasil, S.A. | Reclassification to non-current assets available for sale | Jun-08 | - | - | - | I.P. | 30,00 | 30,00 |
| West Siberian Resources LTD (6) | Russia | Repsol Exploración, S.A. | Reclassification to non-current assets available for sale | Abr-08 | - | - | - | P.E. | 10,00 | 10,00 |

(1) Other companies of the Group have ownership in the share capital of the company, but inferior to the ownership of the parent company.

(2) The data corresponding to this company are incorporated by full consolidation in the parent. The parent consolidates proportionally in the Repsol YPF Group.

(3) The data corresponding to this company are incorporated by full consolidation in the parent. The parent integrates by the equity method in the Repsol YPF Group.

(4) Consolidation Method:

F.C.: Full consolidation

P.C.: Proportionate consolidation

E.M.: Equity Method

(5) Percentage of the Parent shareholding over the Shareholder

(6) The variations in the line items of the consolidated balance sheet generated by this variation is recorded in the line "Reclassification and others" of the movements presented in the different notes.

Appendix I

Changes in the scope of consolidation for the year ended 31 december 2007

| Name | Country | Parent Company | Transaction | Date | 31.12.07 | | | 01.01.07 | | |
|--|----------------|---|--|--------|-----------------------------|-----------------------|------------------|-----------------------------|-----------------------|------------------|
| | | | | | Method of Consolidation (4) | % of Total Ownership | | Method of Consolidation (4) | % of Total Ownership | |
| | | | | | | % of Direct Ownership | % of Control (5) | | % of Direct Ownership | % of Control (5) |
| A.I.E. Ciudad Sanitaria Vall d' Hebrón | Spain | La Energía, S.A. | Exclusion from the scope of consolidation | Dic-07 | - | - | - | I.P. | 25.06 | 81.25 |
| AECS Hospital Bellvitge AIE | Spain | La Energía, S.A. | Exclusion from the scope of consolidation by liquidation | Dic-07 | - | - | - | I.P. | 15.42 | 50.00 |
| Alas Capital & GN, S.A. (3) | Spain | Desarrollo de Energías Renovables, S.A. | Inclusion in the scope of consolidation | Dic-07 | P.E. | 12.34 | 40.00 | - | - | - |
| Argentine Private Development Company (APDC) | Cayman Islands | YPF, S.A. | Exclusion from the scope of consolidation | Sep-07 | - | - | - | I.G. | 99.04 | 100.00 |
| A&C Pipeline Holding | Cayman Islands | YPF, S.A. | Increase in share capital | Dic-07 | P.E. | 35.65 | 35.65 | P.E. | 17.83 | 18.00 |
| Burgalesa de Generación Eólica, S.A. | Spain | Sinia XXI, S.A. | Exclusion from the scope of consolidation by sale | Feb-07 | - | - | - | P.E. | 7.48 | 24.24 |
| Calgas SCARL (2) | Italy | Italmeco S.R.L. | Inclusion in the scope of consolidation | Dic-07 | I.P. | 30.85 | 100.00 | - | - | - |
| Central Anahuac, S.A. de CV (2) | México | Gas Natural Internacional, SDG, S.A. | Inclusion in the scope of consolidation | Dic-07 | I.P. | 30.85 | 100.00 | - | - | - |
| Central Lomas del Real, S.A. de CV (2) | México | Controladora del Golfo, S.A. de C.V. | Inclusion in the scope of consolidation | Dic-07 | I.P. | 30.85 | 100.00 | - | - | - |
| Central Saltillo S.A. de C.V. (2) | México | Gas Natural Internacional, SDG, S.A. | Inclusion in the scope of consolidation | Dic-07 | I.P. | 30.85 | 100.00 | - | - | - |
| Central Vallehermoso SA de CV (2) | México | Gas Natural Internacional, SDG, S.A. | Inclusion in the scope of consolidation | Dic-07 | I.P. | 30.85 | 100.00 | - | - | - |
| Compañía Logística de Hidrocarburos CLH, S.A. | Spain | Repsol YPF, S.A. | Decrease in share capital | Dic-07 | P.E. | 15.00 | 15.00 | P.E. | 25.00 | 25.00 |
| Compañía Mexicana de Gerencia y Operación S.A. de CV (2) | México | Gas Natural Internacional, SDG, S.A. | Inclusion in the scope of consolidation | Dic-07 | I.P. | 30.85 | 100.00 | - | - | - |
| Controladora del Golfo S.A. de CV (2) | México | Gas Natural Internacional, SDG, S.A. | Inclusion in the scope of consolidation | Dic-07 | I.P. | 30.85 | 100.00 | - | - | - |
| El Andalus LNG Spa. | Spain | Repsol Exploración Argelia, S.A. | Decrease in share capital | Dic-07 | P.E. | 9.87 | 32.00 | I.P. | 57.87 | 80.00 |
| Electricidad Aguila de Altamira S.A. de CV (2) | México | Gas Natural Internacional, SDG, S.A. | Inclusion in the scope of consolidation | Dic-07 | I.P. | 30.85 | 100.00 | - | - | - |
| Energías Eólicas de Lanzarote, S.L. (3) | Spain | Desarrollo de Energías Renovables, S.A. | Inclusion in the scope of consolidation | Dic-07 | I.P. | 15.43 | 50.00 | - | - | - |
| Energías Eólicas Fuerteventura, S.L. (3) | Spain | Desarrollo de Energías Renovables, S.A. | Inclusion in the scope of consolidation | Dic-07 | I.P. | 15.43 | 50.00 | - | - | - |
| Euro 24, S.L. | Spain | Autoclub Repsol, S.L. | Increase in share capital | Abr-07 | I.G. | 100.00 | 100.00 | I.G. | 48.33 | 100.00 |
| Gas Natural SDG Argentina, S.A. (2) | Argentina | Gas Natural Internacional, SDG, S.A. | Increase in share capital | Jun-07 | I.P. | 30.85 | 100.00 | I.P. | 22.21 | 72.00 |
| Gas Natural Vehicular del Norte A en P (3) | México | Gas Natural Servicios, S.A. de C.V. | Inclusion in the scope of consolidation | Oct-07 | I.P. | 13.67 | 44.30 | - | - | - |
| Gas Natural West Africa, S.L. (2) | Spain | Gas Natural Exploración, S. L. | Inclusion in the scope of consolidation | Nov-07 | I.P. | 30.85 | 100.00 | - | - | - |
| Gasoducto del Río S.A. de CV (2) | México | Gas Natural Internacional, SDG, S.A. | Inclusion in the scope of consolidation | Dic-07 | I.P. | 30.85 | 100.00 | - | - | - |
| GN Energy Canarias S.L. (2) | Spain | Desarrollo de Energías Renovables, S.A. | Inclusion in the scope of consolidation | Dic-07 | I.P. | 30.85 | 100.00 | - | - | - |
| GN Wind Canarias S.L. (2) | Spain | Desarrollo de Energías Renovables, S.A. | Inclusion in the scope of consolidation | Dic-07 | I.P. | 30.85 | 100.00 | - | - | - |
| GN Wind S.L. (2) | Spain | Desarrollo de Energías Renovables, S.A. | Inclusion in the scope of consolidation | Dic-07 | I.P. | 30.85 | 100.00 | - | - | - |
| GN Wind S.L. 2 (2) | Spain | Desarrollo de Energías Renovables, S.A. | Inclusion in the scope of consolidation | Dic-07 | I.P. | 30.85 | 100.00 | - | - | - |
| GN Wind S.L. 3 (2) | Spain | Desarrollo de Energías Renovables, S.A. | Inclusion in the scope of consolidation | Dic-07 | I.P. | 30.85 | 100.00 | - | - | - |
| GN Wind S.L. 4 (2) | Spain | Desarrollo de Energías Renovables, S.A. | Inclusion in the scope of consolidation | Dic-07 | I.P. | 30.85 | 100.00 | - | - | - |
| GN Wind S.L. 5 (2) | Spain | Desarrollo de Energías Renovables, S.A. | Inclusion in the scope of consolidation | Dic-07 | I.P. | 30.85 | 100.00 | - | - | - |
| GN Wind S.L. 6 (2) | Spain | Desarrollo de Energías Renovables, S.A. | Inclusion in the scope of consolidation | Dic-07 | I.P. | 30.85 | 100.00 | - | - | - |
| Invergas, S.A (2) | Argentina | Gas Natural SDG, S.A. | Increase in share capital | Jun-07 | I.P. | 30.85 | 100.00 | I.P. | 22.21 | 72.00 |
| Iradia Climatización AIE | Spain | Gas Natural Soluciones, S.L. | Exclusion from the scope of consolidation by liquidation | Nov-07 | - | - | - | I.P. | 30.85 | 100.00 |
| Italmeco S.R.L. (2) | Italy | Gas Natural Internacional, SDG, S.A. | Inclusion in the scope of consolidation | Dic-07 | I.P. | 30.85 | 100.00 | - | - | - |
| Limagás, S.A. | Peru | Repsol YPF Comercial Perú, S.A. | Exclusion from the scope of consolidation | Dic-07 | - | - | - | P.E. | 29.85 | 29.97 |
| Mecogas SRL (2) | Italy | Italmeco S.R.L. | Inclusion in the scope of consolidation | Dic-07 | I.P. | 30.85 | 100.00 | - | - | - |
| Natural Energy, S.A. (2) | Argentina | Gas Natural Internacional SDG, S.A. | Increase in share capital | Jun-07 | I.P. | 30.85 | 100.00 | I.P. | 22.21 | 72.00 |
| Natural Servicios, S.A. (2) | Argentina | Gas Natural Internacional, SDG, S.A. | Increase in share capital | Jun-07 | I.P. | 30.85 | 100.00 | I.P. | 22.21 | 72.00 |
| Oleoducto Trasandino Argentino, S.A. | Argentina | YPF, S.A. | Increase in share capital | Dic-07 | P.E. | 35.65 | 35.65 | P.E. | 17.83 | 18.00 |
| Oleoducto Trasandino Chile, S.A. | Chile | YPF, S.A. | Increase in share capital | Dic-07 | P.E. | 35.65 | 35.65 | P.E. | 17.83 | 18.00 |
| Operaciones y Servicios YPF, Ltda. | Chile | Repsol YPF Chile, Limitada | Exclusion from the scope of consolidation by sale | Dic-07 | - | - | - | I.G. | 100.00 | 100.00 |
| Petróleos Transandinos YPF, S.A. | Chile | Repsol YPF Chile, Limitada | Exclusion from the scope of consolidation by sale | Dic-07 | - | - | - | I.G. | 99.99 | 100.00 |
| Polymed | Argelia | Repsol Química, S.A. | Exclusion from the scope of consolidation | Jun-07 | - | - | - | P.E. | 26.95 | 26.95 |
| Polymer Technology Inc. | United States | Repsol Química, S.A. | Exclusion from the scope of consolidation | Nov-07 | - | - | - | P.E. | 70.00 | 70.00 |
| Repsol (UK) Ltd. | United Kingdom | Repsol International Finance, B.V. | Exclusion from the scope of consolidation by liquidation | Jul-07 | - | - | - | P.E. | 100.00 | 100.00 |
| Repsol YPF Tesorería y Gestión Financiera, S.A | Spain | Repsol YPF, S.A. | Inclusion in the scope of consolidation | Ene-07 | I.G. | 100.00 | 100.00 | - | - | - |
| Servicios y Operaciones Perú S.A.C. | Peru | Repsol YPF Perú, B.V. | Inclusion in the scope of consolidation | Sep-07 | I.G. | 100.00 | 100.00 | - | - | - |
| Termobarrancas | Venezuela | Repsol Exploración S.A. | Exclusion from the scope of consolidation by sale | Dic-07 | - | - | - | I.G. | 100.00 | 100.00 |
| Termogaucha - Usina Termeléctrica, S.A. | Brazil | Repsol YPF Brasil, S.A. | Exclusion from the scope of consolidation by liquidation | Dic-07 | - | - | - | I.P. | 26.00 | 26.00 |
| Transportadora Sulbrasileira de Gas (TSB) | Brazil | Repsol YPF Brasil, S.A. | Increase in share capital | Abr-07 | I.P. | 25.00 | 25.00 | I.P. | 15.00 | 15.00 |
| Tratamientos Cinca Medio, S.L. (2) | Spain | La Energía, S.A. | Inclusion in the scope of consolidation | Sep-07 | I.P. | 24.68 | 80.00 | - | - | - |
| YPF Jambi Merang, B.V. | Holland | YPF International, S.A. | Exclusion from the scope of consolidation | Abr-07 | - | - | - | I.G. | 99.04 | 100.00 |
| Zhambai LLP | Kazakhstan | Repsol Exploración Kazakhstan, S.A. | Inclusion in the scope of consolidation | Dic-07 | P.E. | 25.00 | 25.00 | - | - | - |

(1) Other companies of the Group have ownership in the share capital of the company, but inferior to the ownership of the parent company.
 (2) The data corresponding to this company are incorporated by full consolidation in the parent. The parent consolidates proportionally in the Repsol YPF Group.
 (3) The data corresponding to this company are incorporated by full consolidation in the parent. The parent integrates by the equity method in the Repsol YPF Group.
 (4) Consolidation Method:
 F.C.: Full consolidation
 P.C.: Proportionate consolidation
 E.M.: Equity Method
 (5) Percentage of the Parent shareholding over the Shareholder

Appendix II Jointly controlled assets and operations in 2008

| Name | Participation (%) | Operator | Line of Business |
|---|-------------------|----------------------------------|----------------------------|
| Argelia | | | |
| Gassi Chergui | 60.00% | Repsol Exploración Argelia, S.A. | Exploration |
| M'sari Akabli | 45.00% | Repsol Exploración Argelia | Exploration and production |
| Reggane | 45.00% | Repsol Exploración Argelia | Exploration and production |
| TFR | 60.00% | Repsol Exploración Argelia | Exploration and production |
| TFT | 30.00% | GIFT | Exploration and production |
| Argentina | | | |
| Acambuco UTE | 22.50% | Pan American Energy LLC | Exploration and production |
| Agua Pichana UTE | 27.27% | Total Austral S.A. | Exploration and production |
| Aguaragüe UTE | 30.00% | Tecpetrol S.A. | Exploration and production |
| CAM-2/A SUR UTE | 50.00% | Sipetrol Argentina S.A. | Exploration and production |
| Campamento Central / Cañadón Perdido UTE | 50.00% | YPF | Exploration and production |
| El Tordillo UTE | 12.20% | Tecpetrol S.A. | Exploration and production |
| La Tapera y Puesto Quiroga UTE | 12.20% | Tecpetrol S.A. | Exploration and production |
| Llancanelo UTE | 51.00% | YPF | Exploration and production |
| Magallanes UTE | 50.00% | Sipetrol Argentina S.A. | Exploration and production |
| Palmar Largo UTE | 30.00% | Pluspetrol S.A. | Exploration and production |
| Puesto Hernández UTE | 61.55% | Petrobras Argentina S.A. | Exploration and production |
| Consortio Ramos | 15.00% | Pluspetrol S.A. | Exploration and production |
| San Roque UTE | 34.11% | Total Austral S.A. | Exploration and production |
| Tierra del Fuego UTE | 30.00% | Petrolera L.F. Company S.R.L. | Exploration and production |
| Zampal Oeste UTE | 70.00% | YPF | Exploration and production |
| Consortio Yac La Ventana – Río Tunuyan | 60.00% | YPF | Exploration and production |
| Consortio CNQ 7/A | 50.00% | Petro Andina Resources Ltd. | Exploration and production |
| Bolivia | | | |
| Asociación Accidental Tecna y Asociados | 10.00% | Tecna Bolivia SA | Engineering plant of LNG |
| Bloque Monteagudo | 39.78% | Repsol E&P Bolivia S.A. | Exploration |
| Bloque Caipipendi | 38.00% | Repsol E&P Bolivia S.A. | Exploration |
| Bloque Charagua | 30.00% | Repsol E&P Bolivia S.A. | Exploration |
| Bloque San Alberto | 50.00% | Petrobras S.A. | Exploration |
| Bloque San Antonio | 50.00% | Petrobras S.A. | Exploration |
| Planta de Servicios de Compresión de Gas Río Grande | 24.46% | Andina S.A. | Compression of gas |
| Brazil | | | |
| BM-C-33 | 50.00% | Repsol YPF Brasil | Exploration |
| BM-ES-29 | 100.00% | Repsol YPF Brasil | Exploration |
| BM-ES-30 | 40.00% | Amerada Hess | Exploration |
| BM-S-55 | 75.00% | Repsol YPF Brasil | Exploration |
| BM-S-47 | 50.00% | BGE&P Brasil | Exploration |
| BM-S-48 | 75.00% | Repsol YPF Brasil | Exploration |
| BM-S-51 | 40.00% | Petrobras S.A. | Exploration |
| BM-S-50 | 20.00% | Petrobras S.A. | Exploration |
| BM-S-43 | 25.00% | Shell | Exploration |
| BM-S-44 | 25.00% | Petrobras S.A. | Exploration |
| BM-S-13 | 40.00% | BGE&P Brasil | Exploration |
| BM-S-9 | 25.00% | Petrobras S.A. | Exploration |
| BM-S-7 | 37.00% | Petrobras S.A. | Exploration |
| BM-C-3 | 20.00% | Petrobras S.A. | Exploration |
| BM-C-4 | 30.00% | Petrobras S.A. | Exploration |
| BM-ES-21 | 20.00% | Petrobras S.A. | Exploration |
| ALBACORA LESTE | 10.00% | Petrobras S.A. | Desarrollo |
| Canada | | | |
| Canaport LNG Limited Partnership | 75.00% | Repsol Canadá LTD | Regasification of LNG |
| Colombia | | | |
| Capachos | 50.00% | Repsol Exploración Colombia | Exploration and production |
| El Queso | 25.00% | Repsol Exploración Colombia | Exploration |
| Catleya | 50.00% | Ecopetrol | Exploration |
| Orquidea | 40.00% | Hocol | Exploration |

| Name | Participation (%) | Operator | Line of Business |
|-----------------------------------|-------------------|---|----------------------------|
| Ecuador | | | |
| Bloque 16 | 35.00% | Repsol YPF Ecuador S.A. | Exploration and production |
| Spain | | | |
| Albatros | 82.00% | Repsol Investigaciones Petrolíferas S.A. | Exploration and production |
| Boquerón | 63.39% | Repsol Investigaciones Petrolíferas S.A. | Exploration and production |
| Angula | 54.00% | Repsol Investigaciones Petrolíferas S.A. | Exploration and production |
| Casablanca | 71.92% | Repsol Investigaciones Petrolíferas S.A. | Exploration and production |
| Gaviota | 82.00% | Repsol Investigaciones Petrolíferas S.A. | Exploration and production |
| Barracuda | 60.00% | Repsol Investigaciones Petrolíferas S.A. | Exploration and production |
| Rodaballo | 70.23% | Repsol Investigaciones Petrolíferas S.A. | Exploration and production |
| Chipirón | 98.00% | Repsol Investigaciones Petrolíferas S.A. | Exploration and production |
| Montanazo | 5.26% | Repsol Investigaciones Petrolíferas S.A. | Exploration and production |
| Murcia-Siroco | 12.34% | Repsol Investigaciones Petrolíferas S.A. | Exploration |
| Sestao Knutser | 15.43% | Repsol Gas Natural LNG, S.L. | Exploration and production |
| Guinea | | | |
| Bloque C | 35.00% | Mobil Ecuatorial Guinea. INC | Exploration |
| Irán | | | |
| BKH-II | 33.00% | OMV Onshore Exploration GMBH | Exploration |
| MQE-1 | 33.00% | OMV Onshore Exploration GMBH | Exploration |
| BKH-3A | 33.00% | OMV Onshore Exploration GMBH | Exploration |
| BKH-4N | 33.00% | OMV Onshore Exploration GMBH | Exploration |
| Kenia | | | |
| L5 | 20.00% | Woodside energy | Exploration |
| L7 | 20.00% | Woodside energy | Exploration |
| Libia | | | |
| NC115 | 5.20% | Akakus Oil Operations | Producción |
| NC186/187/190 | 3.84% | Akakus Oil Operations | Producción |
| BLOQUES 199-204 | 60.00% | Repsol Exploration Murzuq | Exploration |
| EPSA3 | 35.00% | Woodside Energy N.A. | Exploration |
| BLOQUE 137 | 50.00% | Petrocanada Ventures (North Africa) Ltd. | Exploration |
| Morocco | | | |
| Tanger Larache | 48.00% | Repsol Exploración Marruecos | Exploration |
| Mauritius | | | |
| TA09 | 70.00% | Repsol Exploración | Exploration |
| TAT0 | 70.00% | Repsol Exploración | Exploration |
| Peru | | | |
| Lote 57 | 53.84% | Repsol Exploración Perú S.A. | Exploration |
| Lote 39 | 55.00% | Repsol Exploración Perú S.A. | Exploration |
| Lote 90 | 50.50% | Repsol Exploración Perú S.A. | Exploration |
| Lote 56 | 10.00% | Pluspetrol Perú Corporation SA | Exploration and production |
| Lote 88 | 10.00% | Pluspetrol Perú Corporation SA | Exploration and production |
| Lote 76 | 50.00% | Hunt Oil Company of Perú L.L.C. Sucursal del Perú | Exploration |
| Lote 103 | 30.00% | Talisman Petrolera del Perú LLC Sucursal del Perú | Exploración |
| Sierra Leona | | | |
| SL6 | 25.00% | Anadarko, S.L. | Exploration |
| SL7 | 25.00% | Anadarko, S.L. | Exploration |
| Trinidad & Tobago | | | |
| Bloque 5B/BPTT Offshores Trinidad | 30.00% | Amoco Trinidad Gas BV | Exploration |
| Venezuela | | | |
| Yucal Placer | 15.00% | Repsol YPF Venezuela | Exploration and production |

Appendix II Jointly controlled assets and operations in 2007

| Name | Participation (%) | Operator | Line of Business |
|---|-------------------|--|----------------------------|
| Argelia | | | |
| Gassi chergui | 60% | Repsol Exploración Argelia | Exploration and production |
| M'sari Akabli | 45% | Repsol Exploración Argelia | Exploration and production |
| Reggane | 45% | Repsol Exploración Argelia | Exploration and production |
| TFR | 60% | Repsol Exploración Argelia | Exploration and production |
| TFT | 30% | GIFT | Exploration and production |
| Argentina | | | |
| Acambuco | 22.50% | Pan American Energy LLC | Exploration and production |
| Agua Pichana | 27.27% | Total Austral, S.A. | Exploration and production |
| Aguaragüe | 30.00% | Tecpetrol, S.A. | Exploration and production |
| CAM-2/A SUR | 50.00% | Sipetrol S.A. | Exploration and production |
| Campamento Central / Cañadón Perdido | 50.00% | YPF, S.A. | Exploration and production |
| CNQ 7/A | 50.00% | Petro Andina Resources Ltd. Sucursal Argentina | Exploration and production |
| El Tordillo | 12.20% | Tecpetrol, S.A. | Exploration and production |
| La Tapera y Puesto Quiroga | 12.20% | Tecpetrol, S.A. | Exploration and production |
| Llancanelo | 51.00% | YPF, S.A. | Exploration and production |
| Magallanes | 50.00% | Sipetrol S.A. | Exploration and production |
| Palmar Largo | 30.00% | Pluspetrol, S.A. | Exploration and production |
| Puesto Hernández | 61.55% | Petrobras Energía, S.A. | Exploration and production |
| Ramos | 15.00% | Pluspetrol, S.A. | Exploration and production |
| San Roque | 34.11% | Total Austral, S.A. | Exploration and production |
| Tierra del Fuego | 30.00% | Petrolera L.F. Company S.R.L. | Exploration and production |
| Yac La ventana-Rio Tunuyan | 60.00% | YPF, S.A. | Exploration and production |
| Zampal Oeste | 70.00% | YPF, S.A. | Exploration and production |
| Brazil | | | |
| BM-C-33 | 50% | Repsol YPF Brasil | Exploration |
| BM-ES-29 | 100% | Repsol YPF Brasil | Exploration |
| BM-ES-30 | 40% | Amerada Hess | Exploration |
| BM-S-55 | 75% | Repsol YPF Brasil | Exploration |
| BM-S-47 | 50% | BGE&P Brasil | Exploration |
| BM-S-48 | 75% | Repsol YPF Brasil | Exploration |
| BM-S-51 | 40% | Petrobras S.A. | Exploration |
| BM-S-50 | 20% | Petrobras S.A. | Exploration |
| BM-S-43 | 25% | Shell | Exploration |
| BM-S-44 | 25% | Petrobras S.A. | Exploration |
| BM-S-13 | 40% | BGE&P Brasil | Exploration |
| BM-S-9 | 25% | Petrobras S.A. | Exploration |
| BM-S-7 | 37% | Petrobras S.A. | Exploration |
| BM-C-3 | 20% | Petrobras S.A. | Exploration |
| BM-C-4 | 30% | Petrobras S.A. | Exploration |
| BM-ES-21 | 20% | Petrobras S.A. | Exploration |
| ALBACORA LESTE | 10% | Petrobras S.A. | Discovery |
| Bolivia | | | |
| Bloque Monteagudo | 50% | Repsol E&P Bolivia S.A. | Exploration |
| Bloque Caipipendi | 38% | Repsol E&P Bolivia S.A. | Exploration |
| Bloque Charagua | 30% | Repsol E&P Bolivia S.A. | Exploration |
| Bloque San Alberto | 50% | Petrobras S.A. | Exploration |
| Bloque San Antonio | 50% | Petrobras S.A. | Exploration |
| Planta de Servicios de Compresión de Gas Río Grande | 50% | Andina S.A. | Compression of gas |

| Name | Participation (%) | Operator | Line of Business |
|------------------------------|-------------------|--|----------------------------|
| Canada | | | |
| Canaport Ltd. Partnership | 75% | Canaport Ltd. | Regasification of LNG |
| Colombia | | | |
| Capachos | 50% | Repsol Exploración Colombia | Exploration and production |
| Ecuador | | | |
| Bloque 14 | 25% | Petroriente S.A. | Exploration and production |
| Bloque 16 | 35% | Repsol YPF Ecuador S.A. | Exploration and production |
| Spain | | | |
| Albatros | 82% | Repsol Investigaciones Petrolíferas, S.A. | Exploration and production |
| Boqueron | 62% | Repsol Investigaciones Petrolíferas, S.A. | Exploration and production |
| Angula | 54% | Repsol Investigaciones Petrolíferas, S.A. | Exploration and production |
| Casablanca | 69% | Repsol Investigaciones Petrolíferas, S.A. | Exploration and production |
| Gaviota | 82% | Repsol Investigaciones Petrolíferas, S.A. | Exploration and production |
| Barracuda | 60% | Repsol Investigaciones Petrolíferas, S.A. | Exploration and production |
| Rodaballo | 69% | Repsol Investigaciones Petrolíferas, S.A. | Exploration and production |
| Chipiron | 98% | Repsol Investigaciones Petrolíferas, S.A. | Exploration and production |
| Libya | | | |
| NC115 | 10% | Akaku Oil Operations | Production |
| NC186/187/190 | 8% | Akaku Oil Operations | Production |
| BLOQUES 199-204 | 60% | Repsol Exploración Murzuq | Exploration |
| EPSA3 | 35% | Woodside Energy N.A. | Exploration |
| BLOQUE 137 | 50% | Petro - Canda Ventures (North Africa) Ltd. | Exploration |
| Peru | | | |
| Lotes 56 & 88 | 10% | Pluspetrol Perú Corporation | Exploration and production |
| Trinidad & Tobago | | | |
| BPTT Offshores Trinidad | 30% | BP | Exploration and production |
| Venezuela | | | |
| Yucal Placer | 15% | Repsol YPF Venezuela | Exploration and production |

Appendix III

Investments and/or positions held by the members of the board of directors in companies with the same, similar or complementary activity than Repsol YPF, S.A.

D. Antonio Brufau Niubó

Positions:
Vice President of Gas Natural SDG, S.A. Board of Directors

Investments:
Gas Natural SDG, S.A.: 32,306 shares

D. Juan María Nin Génova

Positions:
Board Member of Gas Natural SDG, S.A.

Investments:
Gas Natural SDG, S.A.: 144 shares

D. Henri Philippe Reichstul

Position:
Board Member of Ashmore Energy International – Houston
President of Brenco – Companhia Brasileira de Energia Renovável.

D. Luis Suárez de Lezo Mantilla

Position:
Board Member of Compañía Logística de Hidrocarburos, S.A. (CLH)
Board Member of Repsol – Gas Natural LNG, S.L.

Investments:
Gas Natural SDG, S.A.: 8,765 shares

Supplementary information on oil and gas exploration and production activities

(unaudited information)

Information shown in the following tables is prepared based on our primary financial statements in accordance with IFRS as described in Notes 2 and 3 to the Consolidated Financial Statements.

Capitalised costs

Capitalised costs represent the historical costs capitalised to assets with proved and non-proved oil and gas reserves, including auxiliary equipment and facilities, and the related accumulated depreciation and accumulated impairment losses.

| | Total | Spain | Africa and Middle East | Argentina | Central and South America | Rest of the World |
|---|---------------|------------|---------------------------|---------------|------------------------------|----------------------|
| AT 31 DECEMBER 2006 Millions of Euros | | | | | | |
| Costs capitalised to assets with proved reserves | 25,002 | 303 | 1,152 | 19,291 | 3,514 | 742 |
| Costs capitalised to assets with non proved reserves | 2,043 | – | 109 | 290 | 617 | 1,027 |
| | 27,045 | 303 | 1,261 | 19,581 | 4,132 | 1,769 |
| Auxiliary equipment and facilities | 1,934 | 428 | 322 | 358 | 801 | 26 |
| Total capitalised costs | 28,979 | 730 | 1,583 | 19,939 | 4,933 | 1,795 |
| Accumulated depreciation and impairment losses | (16,880) | (649) | (1,049) | (13,580) | (1,597) | (5) |
| Net amounts | 12,099 | 82 | 533 | 6,359 | 3,336 | 1,789 |
| AT 31 DECEMBER 2007 Millions of Euros | | | | | | |
| Costs capitalised to assets with proved reserves | 24,002 | 359 | 1,108 | 18,241 | 3,320 | 974 |
| Costs capitalised to assets with non proved reserves | 1,999 | – | 173 | 169 | 535 | 1,122 |
| | 26,001 | 359 | 1,281 | 18,410 | 3,855 | 2,096 |
| Auxiliary equipment and facilities | 2,047 | 425 | 254 | 356 | 933 | 79 |
| Total capitalised costs | 28,048 | 784 | 1,535 | 18,766 | 4,788 | 2,175 |
| Accumulated depreciation and impairment losses | (16,699) | (665) | (1,013) | (13,272) | (1,745) | (4) |
| Net amounts | 11,349 | 119 | 522 | 5,494 | 3,043 | 2,171 |
| AT 31 DECEMBER 2008 Millions of Euros | | | | | | |
| Costs capitalised to assets with proved reserves | 26,553 | 383 | 752 | 20,638 | 3,498 | 1,282 |
| Costs capitalised to assets with non proved reserves | 2,357 | 10 | 417 | 99 | 465 | 1,366 |
| | 28,910 | 393 | 1,169 | 20,737 | 3,963 | 2,648 |
| Auxiliary equipment and facilities | 1,941 | 426 | 218 | 397 | 817 | 83 |
| Total capitalised costs | 30,851 | 819 | 1,387 | 21,134 | 4,780 | 2,731 |
| Accumulated depreciation and impairment losses | (18,509) | (688) | (510) | (15,294) | (1,972) | (45) |
| Net amounts | 12,342 | 131 | 877 | 5,840 | 2,808 | 2,686 |

As of 31 December 2008, Repsol YPF Group's share in equity method investees' amounted to EUR 7 million corresponding to oil and gas exploration and production activities.

Costs incurred

The costs incurred represent amounts capitalised or charged to profit during the year relating to acquisitions of assets with oil and gas reserves and exploration and development activities.

| | Total | Spain | Africa and Middle East | Argentina | Central and South America | Rest of the World |
|---|--------------|-----------|---------------------------|--------------|------------------------------|----------------------|
| AT 31 DECEMBER 2006 Millions of Euros | | | | | | |
| Acquisitions of assets with proved reserves | 663 | – | – | – | – | 663 |
| Acquisitions of assets with non proved reserves | 1,064 | – | – | – | – | 1,064 |
| Exploration costs | 519 | 3 | 192 | 100 | 132 | 91 |
| Development costs | 1,712 | 6 | 106 | 1,139 | 396 | 66 |
| TOTAL | 3,959 | 9 | 298 | 1,239 | 528 | 1,885 |
| AT 31 DECEMBER 2007 Millions of Euros | | | | | | |
| Acquisitions of assets with proved reserves | 119 | – | – | – | – | 119 |
| Acquisitions of assets with non proved reserves | 175 | – | – | – | – | 175 |
| Exploration costs | 750 | 10 | 275 | 114 | 209 | 142 |
| Development costs | 1,834 | 43 | 142 | 1,012 | 357 | 280 |
| TOTAL | 2,878 | 53 | 417 | 1,126 | 566 | 716 |
| AT 31 DECEMBER 2008 Millions of Euros | | | | | | |
| Acquisitions of assets with proved reserves | 103 | – | 102 | – | 1 | – |
| Acquisitions of assets with non proved reserves | 110 | – | 110 | – | – | – |
| Exploration costs | 871 | 37 | 325 | 128 | 154 | 227 |
| Development costs | 1,782 | 17 | 58 | 1,266 | 168 | 273 |
| TOTAL | 2,866 | 54 | 595 | 1,394 | 323 | 500 |

As of 31 December 2008, Repsol YPF Group's share in equity method investees' amounted to EUR 23 million corresponding to oil and gas exploration and production activities.

Results of oil and gas production activities

The following table shows the income and expenses associated directly with the Group's oil and gas production activities. It does not include any allocation of the finance costs or general expenses and, therefore, is not necessarily indicative of the contribution to consolidated net profit of the oil and gas activities.

| | Total | Spain | Africa and Middle East | Argentina | Central and South America | Rest of the World |
|--|--------------|------------|------------------------|--------------|---------------------------|-------------------|
| 2006 | | | | | | |
| INCOME Millions of Euros | | | | | | |
| Sales to non-Group companies | 3,127 | – | 364 | 876 | 1,883 | 3 |
| Sales between business segments and to Group companies | 5,034 | 51 | 689 | 3,656 | 639 | – |
| Other income | 1,004 | 30 | 879 | – | 95 | – |
| TOTAL INCOME | 9,164 | 81 | 1,932 | 4,532 | 2,616 | 3 |
| Production costs ⁽¹⁾ | (3,130) | (19) | (352) | (1,534) | (1,224) | (1) |
| Exploration expenses | (436) | (4) | (125) | (102) | (121) | (84) |
| Other operating expenses | (375) | (26) | – | (306) | (43) | – |
| Depreciation and amortisation charge | (1,758) | (8) | (82) | (1,260) | (406) | (1) |
| Profit (Loss) before taxes and charges | 3,466 | 25 | 1,373 | 1,330 | 822 | (83) |
| Taxes and charges | (1,639) | (9) | (903) | (451) | (277) | – |
| Results of oil and gas production activities ⁽²⁾ | 1,827 | 16 | 471 | 879 | 544 | (83) |
| 2007 | | | | | | |
| INCOME Millions of Euros | | | | | | |
| Sales to non-Group companies | 2,702 | – | 84 | 835 | 1,779 | 4 |
| Sales between business segments and to Group companies | 4,431 | 39 | 577 | 3,278 | 537 | – |
| Other income | 1,091 | – | 1,046 | – | 45 | – |
| TOTAL INCOME | 8,224 | 39 | 1,707 | 4,113 | 2,361 | 4 |
| Production costs ⁽¹⁾ | (2,680) | (16) | (185) | (1,513) | (965) | (1) |
| Exploration expenses | (592) | (6) | (181) | (109) | (145) | (151) |
| Other operating expenses | (357) | (7) | – | (292) | (56) | (2) |
| Depreciation and amortisation charge | (1,682) | (11) | (77) | (1,191) | (401) | (2) |
| Profit (Loss) before taxes and charges | 2,913 | (1) | 1,264 | 1,008 | 794 | (152) |
| Taxes and charges | (1,792) | 1 | (1,002) | (469) | (362) | 40 |
| Results of oil and gas production activities ⁽²⁾ | 1,121 | – | 262 | 539 | 432 | (112) |
| 2008 | | | | | | |
| INCOME Millions of Euros | | | | | | |
| Sales to non-Group companies | 2,648 | – | 34 | 871 | 1,701 | 42 |
| Sales between business segments and to Group companies | 4,378 | 47 | 674 | 2,745 | 875 | 37 |
| Other income | 1,225 | – | 1,170 | – | 55 | – |
| TOTAL INCOME | 8,251 | 47 | 1,878 | 3,616 | 2,631 | 79 |
| Production costs ⁽¹⁾ | (2,941) | (18) | (170) | (1,771) | (969) | (13) |
| Exploration expenses | (571) | (23) | (220) | (132) | (119) | (77) |
| Other operating expenses | (539) | (6) | (283) | (199) | (51) | – |
| Depreciation and amortisation charge | (1,657) | (7) | (72) | (1,181) | (357) | (40) |
| Profit (Loss) before taxes and charges | 2,543 | (7) | 1,133 | 333 | 1,135 | (51) |
| Taxes and charges | (1,623) | 2 | (1,002) | (153) | (491) | 21 |
| Results of oil and gas production activities ⁽²⁾ | 920 | (5) | 131 | 180 | 644 | (30) |

(1) Production costs include royalties, local taxes and withholdings on exports of crude oil from Argentina amounting € 1,919, € 1,365 and € 1,477 million and transport and other costs totalling € 242, € 184 and € 223 million in 2006, 2007 and 2008, respectively.

(2) The results do not include a net expense of € 223 and € 16 million in 2006 and 2007, respectively, and a net income of € 51 million in 2008, relating to the impairment provisions accounted as a result of the comparison between market value (discounted cash flows) from proved and non-proved reserves (the latter subject to a risk factor) of oil and gas from each field owned by the Company at year-end and the carrying amount of the assets associated therewith.

Estimated proved net developed and undeveloped oil and gas reserves:

The tables below reflect the net developed and undeveloped proved reserves of crude oil, condensed oil and LPG and natural gas as of December 31, 2006, 2007 and 2008, and the variations therein. Proved reserves shown includes the reserves equivalent to the economic income obtained under certain production sharing contracts entered into as of December 31, 2006, 2007 and 2008.

In 2007 a new external auditing cycle began. Independent auditing firms and DeGolyer and Mac Naughton (D&M), Gaffney, Cline and Associates (GCA) and Ryder Scott Co. (RSC) audited up to a 44.5% of the total Groups's consolidated proved reserves. During 2008, the firms DeGolyer and MacNaughton (D&M), Netherland, Sewell & Associates, Inc. (NSAI) and Ryder Scott Co. (RSC) audited approximately the 15% of the total proved reserves of the Group. During 2009, the remaining 40.5% will be audited to cover all the producing areas.

All the proved reserves in each year were estimated by the Company and independent engineers in accordance with the rules and regulations established for the oil and gas industry and with the Rule 4-10(a) (1) through (13) of Regulation S-X issued by the U.S. Securities and Exchange Commission and the accounting principles laid down by the Financial Accounting Standards Board of the U.S. which govern accounting and financial reporting practices in the U.S.A. In accordance with these rules, proved oil and gas reserves are the estimated quantities of crude oil, condensed oil, LPG and natural gas that geological and engineering information indicate with reasonable certainty can be extracted from known fields in future years under existing economic and operating conditions, such as prices and costs as of the date of the estimates.

PROVED DEVELOPED AND UNDEVELOPED RESERVES OF CRUDE OIL, CONDENSATE AND NATURAL GAS LIQUIDS

Thousands of barrels

| | Total | Spain | Africa and Middle East | Argentina | Central and South America | Rest of the World |
|--|------------------|--------------|------------------------|----------------|---------------------------|-------------------|
| Reserves at 31 december 2005 ^{(1) (2)} | 1,166,660 | 3,223 | 117,166 | 774,282 | 265,666 | 6,323 |
| Revisions of previous estimates | 52,422 | 623 | 70,137 | 8,696 | (27,033) | – |
| Increase due to improvement in recovery techniques | 9,002 | – | – | 8,708 | 294 | – |
| Extensions and discoveries | 13,128 | – | 899 | 11,610 | 620 | – |
| Purchase of reserves | 40,155 | – | – | – | – | 40,155 |
| Sales of reserves | (30,313) | – | (26,722) | – | (3,590) | – |
| Production | (191,698) | (729) | (27,834) | (126,940) | (36,189) | (5) |
| Reserves at 31 december 2006 ^{(1) (3)} | 1,059,356 | 3,117 | 133,644 | 676,356 | 199,767 | 46,473 |
| Revisions of previous estimates | 28,860 | 486 | 785 | 45,667 | (19,523) | 1,445 |
| Increase due to improvement in recovery techniques | 7,557 | – | – | 7,551 | 6 | – |
| Extensions and discoveries | 26,695 | – | 14,078 | 9,550 | 3,068 | – |
| Purchase of reserves | 5,283 | – | – | – | – | 5,283 |
| Sales of reserves | – | – | – | – | – | – |
| Production | (176,175) | (731) | (22,875) | (120,286) | (32,254) | (28) |
| Reserves at 31 december 2008 ^{(1) (3)} | 951,578 | 2,871 | 125,631 | 618,838 | 151,064 | 53,173 |
| Revisions of previous estimates | 63,424 | (701) | 15,912 | 35,395 | 16,812 | (3,993) |
| Increase due to improvement in recovery techniques | 21,398 | – | – | 21,398 | – | – |
| Extensions and discoveries | 29,152 | – | 7,374 | 19,772 | 2,007 | – |
| Purchase of reserves | – | – | – | – | – | – |
| Sales of reserves | (1,125) | – | – | – | (1,125) | – |
| Production | (162,092) | (653) | (20,130) | (114,577) | (25,622) | (1,109) |
| Reserves at 31 december 2009 ^{(1) (3)} | 902,335 | 1,516 | 128,786 | 580,825 | 143,136 | 48,072 |

PROVED DEVELOPED RESERVES OF CRUDE OIL, CONDENSATE AND GAS NATURAL LIQUIDS

Thousands of barrels

| | | | | | | |
|---------------------|---------|-------|---------|---------|---------|-------|
| At 31 december 2005 | 875,237 | 3,223 | 96,644 | 606,596 | 168,747 | 27 |
| At 31 december 2006 | 777,746 | 3,117 | 105,067 | 522,899 | 146,642 | 22 |
| At 31 december 2007 | 667,592 | 2,663 | 90,597 | 460,929 | 113,212 | 192 |
| At 31 december 2008 | 651,906 | 1,308 | 83,937 | 451,586 | 112,290 | 2,785 |

Note: The aggregated changes in reserves and total reserves at 31 December may differ from the individual values shown because the calculations use more precise figures than those shown in the table.

(1) Includes 28,266 thousands of barrels relating to the minority interest of Empresa Petrolera Andina, S.A at 31 December 2005. In 2006 and 2007, data relating to Empresa Petrolera Andina, S.A. are shown net of minority interest (8,998 and 4,730 thousands of barrels). In 2008, Andina was registered in the Financial Statements by the Proportional Consolidation Method and net of the minority interest's participation in these tables.

(2) Reserves in Venezuela are calculated taking into account the Group's best estimate on the basis of the transformation of operating contracts into joint control entities ("Empresas Mixtas").

(3) Proved reserves are shown net of any quantities of crude oil or natural gas that are expected to be taken by third parties as royalties in kind but do not exclude quantities related to royalties expected to be paid in cash (except in North America and in other situations in which the royalty quantities produced are property of third parties). Net proved reserves at December 31, 2006, 2007 and 2008 include an estimated approximately 117,075, 94,753 and 94,432 thousands of barrels, respectively, in respect of such royalties payable in cash. Net production in 2006, 2007 and 2008 includes an estimated approximately 19,956, 18,056 and 16,995 thousands of barrels, respectively, in respect of such royalties payable in cash.

PROVED DEVELOPED AND UNDEVELOPED RESERVES OF NATURAL GAS:

Millions of Standard Cubic Feet

| | Total | Spain | Africa and Middle East | Argentina | Central and South America | Rest of the World |
|--|------------------|--------------|------------------------|------------------|---------------------------|-------------------|
| Reserves at 31 december 2005 ^{(1) (2)} | 12,136,644 | 974 | 153,669 | 4,771,697 | 7,202,500 | 7,803 |
| Revisions of previous estimates | (2,253,553) | 682 | 30,864 | (62,965) | (2,222,134) | – |
| Increase due to improvement in recovery techniques | 2 | – | – | 2 | – | – |
| Extensions and discoveries | 55,467 | – | 7,135 | 46,285 | 2,047 | – |
| Purchase of reserves | 16,850 | – | – | – | – | 16,850 |
| Sales of reserves | (939) | – | – | – | (939) | – |
| Production | (1,236,143) | (1,656) | (24,707) | (673,817) | (535,402) | (561) |
| Reserves at 31 december 2006 ^{(1) (3)} | 8,718,327 | – | 166,961 | 4,081,202 | 4,446,072 | 24,092 |
| Revisions of previous estimates | 566,784 | – | (37,168) | 318,273 | 295,364 | (9,685) |
| Increase due to improvement in recovery techniques | 47 | – | – | 47 | – | – |
| Extensions and discoveries | 9,897 | – | – | 9,266 | 631 | – |
| Purchase of reserves | 1,706 | – | – | – | – | 1,706 |
| Sales of reserves | – | – | – | – | – | – |
| Production | (1,140,605) | – | (21,309) | (655,050) | (463,723) | (523) |
| Reserves at 31 december 2007 ^{(1) (3)} | 8,156,157 | – | 108,484 | 3,753,737 | 4,278,346 | 15,590 |
| Revisions of previous estimates | 98,944 | 5,506 | 77,358 | (116,363) | 134,655 | (2,214) |
| Increase due to improvement in recovery techniques | 2,852 | – | – | 2,852 | – | – |
| Extensions and discoveries | 129,219 | – | 473 | 128,746 | – | – |
| Purchase of reserves | – | – | – | – | – | – |
| Sales of reserves | – | – | – | – | – | – |
| Production | (1,046,081) | (374) | (21,237) | (624,264) | (399,105) | (1,100) |
| Reserves at 31 december 2008 ^{(1) (3)} | 7,341,091 | 5,132 | 165,078 | 3,144,708 | 4,013,896 | 12,277 |

PROVED DEVELOPED RESERVES OF NATURAL GAS

Millions of Standard Cubic Feet

| | | | | | | |
|---------------------|-----------|-------|--------|-----------|-----------|-------|
| At 31 december 2005 | 7,159,849 | 974 | 99,203 | 3,273,111 | 3,782,928 | 3,633 |
| At 31 december 2006 | 4,463,159 | – | 94,672 | 2,620,643 | 1,744,772 | 3,073 |
| At 31 december 2007 | 4,112,159 | – | 67,754 | 2,468,611 | 1,573,175 | 2,620 |
| At 31 december 2008 | 3,741,553 | 5,132 | 86,067 | 2,264,946 | 1,382,138 | 3,269 |

Note: The aggregated changes in reserves and total reserves at 31 December may differ from the individual values shown because the calculations use more precise figures than those shown in the table.

(1) Includes 1,349,622 millions of standard cubic feet relating to the minority interest of Empresa Petrolera Andina, S.A at 31 December 2005. In 2006 and 2007, data relating to Empresa Petrolera Andina, S.A. are shown net of minority interest (331,136 and 297,644 million of standard cubic feet). In 2008, Andina was registered in the Financial Statements by the Proportional Consolidation Method and net of the minority interest's participation in these tables.

(2) The reserves in Venezuela are calculated taking into account the Group's best estimate on the basis of the transformation of operating contracts into joint control entities ("Empresas Mixtas").

(3) Proved reserves are shown net of any quantities of crude oil or natural gas that are expected to be taken by third parties as royalties in kind but do not exclude quantities related to royalties expected to be paid in cash (except in North America and in other situations in which the royalty quantities produced are property of third parties). Net proved reserves at December 31, 2006, 2007 and 2008 include an estimated approximately 767,903, 731,916 and 699,671 thousand of gas cubic feet, respectively, in respect of such royalties payable in cash. Net production in 2006, 2007 and 2008 includes an estimated approximately 86,967, 88,521 and 85,152 thousand of gas cubic feet, respectively, in respect of such royalties payable in cash.

PROVED DEVELOPED AND UNDEVELOPED RESERVES OF CRUDE OIL, CONDENSATE, NATURAL GAS LIQUIDS AND NATURAL GAS:

Thousands of Barrels of Oil Equivalent

| | Total | Spain | Africa and Middle East | Argentina | Central and South America | Rest of the World |
|--|------------------|--------------|------------------------|------------------|---------------------------|-------------------|
| Reserves at 31 december 2005 ^{(1) (2)} | 3,328,128 | 3,397 | 144,533 | 1,624,095 | 1,548,391 | 7,712 |
| Revisions of previous estimates | (348,923) | 744 | 75,633 | (2,518) | (422,783) | – |
| Increase due to improvement in recovery techniques | 9,002 | – | – | 8,709 | 294 | – |
| Extensions and discoveries | 23,007 | – | 2,169 | 19,853 | 984 | – |
| Purchase of reserves | 43,156 | – | – | – | – | 43,156 |
| Sales of reserves | (30,480) | – | (26,722) | – | (3,758) | – |
| Production | (411,848) | (1,024) | (32,235) | (246,943) | (131,541) | (105) |
| Reserves at 31 december 2006 ^{(1) (3)} | 2,612,042 | 3,117 | 163,378 | 1,403,195 | 991,588 | 50,764 |
| Revisions of previous estimates | 129,801 | 486 | (5,835) | 102,350 | 33,080 | (280) |
| Increase due to improvement in recovery techniques | 7,566 | – | – | 7,560 | 6 | – |
| Extensions and discoveries | 28,458 | – | 14,078 | 11,200 | 3,180 | – |
| Purchase of reserves | 5,587 | – | – | – | – | 5,587 |
| Sales of reserves | – | – | – | – | – | – |
| Production | (379,310) | (731) | (26,670) | (236,947) | (114,840) | (121) |
| Reserves at 31 december 2007 ^{(1) (3)} | 2,404,144 | 2,871 | 144,951 | 1,287,358 | 913,014 | 55,950 |
| Revisions of previous estimates | 81,045 | 279 | 29,689 | 14,671 | 40,793 | (4,387) |
| Increase due to improvement in recovery techniques | 21,906 | – | – | 21,906 | – | – |
| Extensions and discoveries | 52,165 | – | 7,458 | 42,701 | 2,007 | – |
| Purchase of reserves | – | – | – | – | – | – |
| Sales of reserves | (1,125) | – | – | – | (1,125) | – |
| Production | (348,393) | (720) | (23,912) | (225,755) | (96,701) | (1,305) |
| Reserves at 31 december 2008 ^{(1) (3)} | 2,209,742 | 2,430 | 158,186 | 1,140,880 | 857,988 | 50,258 |

PROVED DEVELOPED RESERVES OF CRUDE OIL, CONDENSATE, NATURAL GAS LIQUIDS AND NATURAL GAS:

Thousands of Barrels of Oil Equivalent

| | | | | | | |
|---------------------|-----------|-------|---------|-----------|---------|-------|
| At 31 december 2005 | 2,150,366 | 3,397 | 114,311 | 1,189,519 | 842,465 | 674 |
| At 31 december 2006 | 1,572,610 | 3,117 | 121,928 | 989,620 | 457,376 | 569 |
| At 31 december 2007 | 1,399,945 | 2,663 | 102,663 | 900,575 | 393,386 | 658 |
| At 31 december 2008 | 1,318,255 | 2,222 | 99,265 | 854,960 | 358,441 | 3,367 |

Note 1: The aggregated changes in reserves and total reserves at 31 December may differ from the individual values shown because the calculations use more precise figures than those shown in the table.

Note 2: See Section 2.2 Oil and Gas Reserves for a detailed discussion of the movements in reserves for the years ended 2007 and 2008.

(1) Includes 268,626 thousand of barrels of oil equivalent relating to the minority interest of Empresa Petrolera Andina, S.A at 31 December 2005. In 2006 and 2007, data relating to Empresa Petrolera Andina, S.A. are shown net of minority interest (67,971 and 57,739 thousand of barrels of oil equivalent). In 2008, Andina was registered in the Financial Statements by the Proportional Consolidation Method and net of the minority interest's participation in these tables.

(2) The reserves in Venezuela are calculated taking into account the Group's best estimate on the basis of the transformation of operating contracts into joint control entities ("Empresas Mixtas").

(3) Proved reserves are shown net of any quantities of crude oil or natural gas that are expected to be taken by third parties as royalties in kind but do not exclude quantities related to royalties expected to be paid in cash (except in North America and in other situations in which the royalty quantities produced are property of third parties). Net proved reserves at December 31, 2006, 2007 and 2008 include an estimated approximately 253.834, 225.103 and 219.039 thousand of barrels of oil equivalent, respectively, in respect of such royalties payable in cash. Net production in 2006, 2007 and 2008 includes an estimated approximately 35.445, 33.821 and 32.160 thousand of barrels of oil equivalent, respectively, in respect of such royalties payable in cash.

Standardized measure of discounted future net cash flows and changes therein relating to proved oil and gas reserves

The estimate of future net cash flows was performed in accordance with the rules and regulations established for the oil and gas industry by the U.S. Securities and Exchange Commission and the accounting principles laid down by the Financial Accounting Standards Board of the U.S. which govern stock market information practices in the U.S.A. The method applied is the impartiality or fairness method and is the result of applying current oil and gas prices (considering price changes only by contractual agreement) to estimated future production of proved reserves of oil and gas as of the date of the last balance sheet filed, less the estimated future costs (based on current costs) to be incurred in the development and production of proved reserves, assuming the continuation of current economic conditions.

Future production costs were estimated on the basis of actual costs borne in 2006, 2007 and 2008. Future development costs were calculated on the basis of technical studies conducted by Repsol YPF and by the operators holding joint title with Repsol YPF. The taxes projected for each of the future years were determined by applying the applicable nominal tax rate, reduced by the tax benefits available to the Company in each of the years. The interest rate used to discount the future net revenues was 10%.

The present value of the future net cash flows estimated on the basis of the aforementioned assumptions, applying the principle of impartiality, is not intended to be interpreted, and should not be interpreted, as the fair value of the Group's oil and gas reserves. An estimation of the fair value of these reserves should also include the future exploitation of reserves not yet classified as proved reserves, possible changes in future prices and costs and a discount rate which represents the time value of money at the calculation date and the uncertainties inherent to estimating the reserves.

The following table shows the present value of the future net revenues relating to proved oil and gas reserves, calculated on the basis of the aforementioned assumptions:

| VALUE OF THE FUTURE NET REVENUES RELATING TO PROVED OIL AND GAS RESERVES | | | | | | Millions of Euros |
|--|---------------|-------------|------------------------|--------------|---------------------------|-------------------|
| | Total | Spain | Africa and Middle East | Argentina | Central and South America | Rest of the World |
| At 31 December 2006 | | | | | | |
| Future cash inflows | 54,861 | 418 | 9,147 | 26,370 | 16,797 | 2,129 |
| Future production and abandonment costs | (17,796) | (295) | (1,740) | (8,256) | (7,203) | (300) |
| Future development costs | (4,027) | – | (144) | (2,450) | (1,079) | (355) |
| Future income tax expenses | (11,868) | 6 | (4,203) | (4,340) | (3,292) | (38) |
| Future net cash flows after taxes | 21,171 | 128 | 3,060 | 11,324 | 5,222 | 1,437 |
| 10% annual discount for estimated timing of cash flows | (7,630) | (28) | (964) | (3,853) | (2,160) | (625) |
| Standardized measure of discounted future net cash flows | 13,541 | 101 | 2,096 | 7,471 | 3,062 | 812 |
| At 31 December 2007 | | | | | | |
| Future cash inflows | 61,575 | 1,795 | 12,768 | 26,582 | 17,023 | 3,407 |
| Future production and abandonment costs | (18,940) | (857) | (2,008) | (8,889) | (6,660) | (526) |
| Future development costs | (3,808) | (256) | (165) | (1,021) | (1,997) | (369) |
| Future income tax expenses | (15,359) | (260) | (6,706) | (4,849) | (3,335) | (209) |
| Future net cash flows after taxes | 23,467 | 422 | 3,888 | 11,823 | 5,031 | 2,303 |
| 10% annual discount for estimated timing of cash flows | (8,277) | (315) | (1,164) | (4,008) | (1,770) | (1,020) |
| Standardized measure of discounted future net cash flows | 15,190 | 107 | 2,724 | 7,815 | 3,261 | 1,283 |
| At 31 December 2008 | | | | | | |
| Future cash inflows | 39,382 | 2,921 | 4,891 | 18,902 | 11,170 | 1,498 |
| Future production and abandonment costs | (17,748) | (844) | (1,086) | (10,030) | (5,405) | (383) |
| Future development costs | (4,152) | (971) | (223) | (931) | (1,820) | (207) |
| Future income tax expenses | (5,208) | (342) | (2,140) | (1,652) | (1,064) | (10) |
| Future net cash flows after taxes | 12,274 | 764 | 1,442 | 6,289 | 2,881 | 898 |
| 10% annual discount for estimated timing of cash flows | (4,528) | (778) | (558) | (1,657) | (1,193) | (342) |
| Standardized measure of discounted future net cash flows | 7,746 | (14) | 884 | 4,632 | 1,688 | 556 |

Changes in Standardized measure of discounted future net cash flows relating to proved oil and gas reserves

The detail of the changes in the standardized measure of discounted future net cash flows for 2006, 2007 and 2008 is as follows:

| | | | | | | Millions of Euros |
|--|---------------|-------------|------------------------|---------------|---------------------------|-------------------|
| | Total | Spain | Africa and Middle East | Argentina | Central and South America | Rest of the World |
| Balance at 31 December 2005 ⁽¹⁾ | 19,056 | 123 | 2,536 | 11,024 | 5,363 | 10 |
| Changes due to sale or transfer prices or future production costs | (2,297) | (10) | 669 | (3,398) | 449 | (7) |
| Changes in future development costs | (795) | 14 | (3) | (385) | (422) | 1 |
| Oil and gas sales and transfers in the period | (4,985) | (35) | (687) | (2,795) | (1,466) | (2) |
| Net changes due to extensions, discoveries, and improvements in the recovery of reserves | 142 | – | 23 | 117 | 2 | – |
| Net changes due to purchases/sales of assets | 636 | – | (31) | – | (49) | 716 |
| Net changes due to revisions of reserves | 97 | 5 | 2,323 | 539 | (2,879) | 110 |
| Previously estimated development costs incurred in the year | 862 | 1 | 55 | 480 | 326 | – |
| Effect of discounting to a different date and exchange rate effect | (472) | (4) | (75) | (270) | (123) | – |
| Other non-specific changes | – | – | – | – | – | – |
| Changes in income tax | 1,294 | 6 | (2,715) | 2,160 | 1,859 | (16) |
| Net change | (5,516) | (23) | (441) | (3,554) | (2,301) | 802 |
| Balance at 31 December 2006 | 13,541 | 101 | 2,096 | 7,471 | 3,062 | 812 |
| Changes due to sale or transfer prices or future production costs | 7,301 | 212 | 2,873 | 1,635 | 1,900 | 681 |
| Changes in future development costs | (1,477) | (155) | (75) | (176) | (910) | (161) |
| Oil and gas sales and transfers in the period | (3,965) | (26) | (999) | (2,201) | (745) | 6 |
| Net changes due to extensions, discoveries, and improvements in the recovery of reserves | 987 | – | 761 | 171 | 55 | – |
| Net changes due to purchases/sales of assets | 138 | – | – | – | – | 138 |
| Net changes due to revisions of reserves | 1,159 | 46 | 30 | 1,165 | 175 | (257) |
| Previously estimated development costs incurred in the year | 826 | – | 63 | 381 | 222 | 160 |
| Effect of discounting to a different date and exchange rate effect | (412) | (4) | (68) | (244) | (100) | 4 |
| Other non-specific changes | – | – | – | – | – | – |
| Changes in income tax | (2,907) | (67) | (1,956) | (387) | (398) | (100) |
| Net change | 1,650 | 6 | 629 | 344 | 199 | 471 |
| Balance at 31 December 2007 | 15,191 | 107 | 2,725 | 7,815 | 3,261 | 1,283 |
| Changes due to sale or transfer prices or future production costs | (13,108) | 288 | (4,586) | (5,159) | (2,507) | (1,144) |
| Changes in future development costs | (1,515) | (434) | (96) | (522) | (324) | (139) |
| Oil and gas sales and transfers in the period | (5,592) | (40) | (1,815) | (2,340) | (1,318) | (79) |
| Net changes due to extensions, discoveries, and improvements in the recovery of reserves | 650 | – | 120 | 468 | 62 | – |
| Net changes due to purchases/sales of assets | 3 | – | – | – | 3 | – |
| Net changes due to revisions of reserves | 264 | 81 | 7 | 340 | (122) | (42) |
| Previously estimated development costs incurred in the year | 1,159 | – | 70 | 508 | 264 | 317 |
| Effect of discounting to a different date and exchange rate effect | 2,262 | 14 | 386 | 1,156 | 472 | 234 |
| Other non-specific changes | – | – | – | – | – | – |
| Changes in income tax | 8,433 | (30) | 4,073 | 2,366 | 1,898 | 126 |
| Net change | (7,444) | (121) | (1,841) | (3,183) | (1,572) | (727) |
| Balance at 31 December 2008 | 7,746 | (14) | 884 | 4,632 | 1,688 | 556 |

(1) Including € 253 million relating to minority interests of Empresa Petrolera Andina, S.A. at 31 December 2005.

2008

Consolidated Management Report 2008 Repsol YPF

| | |
|---|------------|
| Economic-Financial Information | 145 |
| Business Areas | 150 |
| Upstream (Exploration and Production) | 150 |
| Liquefied Natural Gas (LNG) | 153 |
| Downstream (Refining, Marketing, LPG & Chemicals) | 156 |
| YPF | 159 |
| Gas Natural SDG | 162 |
| Corporate Areas | 164 |
| Human Resources | 164 |
| Innovation and Technology | 167 |
| Safety and the Environment | 168 |
| Knowledge and Management | 170 |
| Quality | 171 |
| Corporate Responsibility | 172 |
| Communications | 174 |
| Branding Policy | 175 |
| Sports Sponsorship | 176 |
| Supplementary content of Management Report | 177 |
| New Repsol Headquarters | 181 |

2008

1

Economic-Financial Information

1.1

Macroeconomic environment

The year ended 31 December 2008 was marked by the global economic crisis and uncertainties. Economic growth had started to slow down in the first quarter of 2007 due to turbulence in the financial system, which, at first, affected structured credit markets and their funding requirements, intensifying subsequently and generating tensions in the credit market beyond the issue of subprime mortgages. The financial crisis became more toxic in 2008 and markets entered a vicious cycle of deleveraging and declining asset values, affecting the real economy because of the significant loss of confidence, leading to a recession in major advanced economies.

In its January 2009 report, the International Monetary Fund (IMF) estimated that global growth in 2008 had declined to 3.4% in comparison with the 5% growth recorded in recent years. Growth in advanced economies was weaker in 2008, approximately 1% (2.7% in 2007), and emerging and developing economies grew 6.3%, showing strong performance albeit lower than the 8.3% growth recorded in 2007. These figures show that the impact of the financial crisis on mature markets was more intense than on emerging ones which demonstrated great resistance until the last quarter of the year when financial tensions peaked as Lehman Brothers, the U.S. investment bank, declared bankruptcy.

Another important factor in the context of the 2008 macroeconomic scenario was the sharp rise in inflation up until the third quarter, whereafter it fell sharply, principally as a consequence of the evolution of raw materials, oil, and cereals prices. Oil prices in 2008 continued the upward trend that began in 2002. The average price of Brent was US\$ 97 vs. 72 recorded in 2007; although it was highly volatile reaching a maximum of US\$ 133 in July 2008 and then plunging to a monthly average US\$ 40 in December because of the slump in global economic activity.

The oil market in 2008 was extremely volatile. Prices in the first part of the year followed the upward trend in place since the start of 2007, continuing to climb from the average US\$ 92/barrel in January reaching a record high, in nominal and actual terms, in early July when, in the specific case of West Texas Intermediate (WTI) prices peaked at more than US\$ 145/barrel. Various factors were responsible for this rise, such as: inelastic demand, particularly in countries not members of the Organization for Economic Co-operation and Development (OECD); the uncertainty on whether supply would be able to meet demand in the short, medium, and long term; and the development of a financial market that was significantly commodity-leveraged. The turning point came in August when the financial crisis spread to oil markets through: reduced demand in view of the macroeconomic outlook; and deleveraging in the financial market. Oil prices fell to levels not seen since 2004, averaging US\$ 99.45/barrel at the end of 2008.

The moderation in inflation, registered as of August 2008, because of weak demand and lower commodity prices, enabled central banks to take coordinated action, drastically reducing interest rates and injecting liquidity. Governments intervened providing public funds to recapitalise banking entities and to purchase so-called toxic assets, also coordinating major tax stimulus measures to mitigate the adverse impact of the financial crisis and its effects on the real economy.

In the United States, GDP in 2008 grew 1.1%, down from the 2% recorded in 2007. The crisis, which was initially concentrated in the housing sector, spread to the manufacturing industry and is intensely affecting private spending.

The Euro zone, which showed positive performance in the first half of 2008, was also severely affected by the financial crisis in the second part of the year, and average growth fell from 2.6% in 2007 to 1%.

In Spain, the international financial crisis aggravated the real estate market correction that started in 2007. This scenario adversely affected domestic demand and, as a consequence, GDP at year-end 2008 stood at 1.2% compared to 3.7% in the last decade, following two quarters of an economic downturn, something which had not happened in 15 years.

Latin America in 2008 benefitted from high raw materials prices in the first half of the year and greater macroeconomic stability, recording nearly 4.6% economic growth, one percentage point less than in 2007. Nevertheless, the financial crisis also affected the last part of 2008 because of the deleveraging process, against a backdrop of growing uncertainties.

1.2

Results

At €2,711 million, Repsol YPF's net income in 2008 was 15% below the record figure posted in 2007. Operating income was €5,083 million in comparison with the €5,808 million posted a year earlier. Earnings per share were €2.23.

The year 2008 was marked by high oil price volatility and the average depreciation of the dollar during the year. The price of Brent oil peaked at US\$ 145 per barrel in July and then started to decline until reaching US\$ 41 by the end of the year.

Operating income in the Upstream business (Exploration and Production) was up 20% to €2,258 million reflecting higher oil benchmark prices.

Liquefied Natural Gas (LNG) revenues rose 17% to €125 million driven by increased activity and higher prices of the main commodities and in the Spanish electricity pool.

Income in the Downstream area (Refining, Marketing, Liquefied Petroleum Gas, and Chemicals) once again showed Repsol YPF's leadership in this business. Operating income in the year reflected the year-on-year improvement in refining margins although this business was negatively affected by the sharp contraction of the Chemical business in 2008 because of the global economic slump.

Operating income in Repsol YPF associates was €1,159 million, 5.6% less than in 2007. Higher prices in the Argentinean market offset the rise in costs, the drop in exports and in the chemical business, and the depreciation of the peso. At €555 million, operating income in Gas Natural SDG increased 7.6%. This growth is attributable to higher year-on-year average electricity prices in Spain, the increase in electricity generation, the incorporation of the power business in Mexico, and enhanced performance in the gas business, particularly in regulated distribution in Brazil and in gas procurement and marketing in deregulated markets.

Repsol YPF Group's financial result in 2008 amounted to €372 million and income tax accrued in 2008 totalled €1,940 million, with the effective tax rate at 41.2%.

| REPSOL YPF INCOME STATEMENT | Millions of Euros | |
|--|-------------------|--------------|
| | 2007 | 2008 |
| OPERATING INCOME | 5,808 | 5,083 |
| Upstream | 1,882 | 2,258 |
| LNG | 107 | 125 |
| Downstream | 2,204 | 1,111 |
| YPF | 1,228 | 1,159 |
| Gas Natural SDG | 516 | 555 |
| Corporate and other | (129) | (125) |
| FINANCIAL RESULT | (224) | (372) |
| PROFIT BEFORE TAX AND SHARE IN RESULTS OF COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD | 5,584 | 4,711 |
| Income tax | (2,338) | (1,940) |
| Share of results in companies accounted for using the equity method | 109 | 66 |
| NET INCOME FOR THE YEAR | 3,355 | 2,837 |
| Net income attributable to minority interests | (167) | (126) |
| NET INCOME ATTRIBUTABLE TO THE PARENT | 3,188 | 2,711 |

1.3

Financial overview

Despite the difficult macroeconomic scenario, Repsol YPF'S financial position remained strong at the end of 2008. Financial debt stood at €3,334 million, €159 million less than at the end of 2007. This debt reduction was achieved notwithstanding the proportionate consolidation of Gas Natural SDG's net debt which increased during the year mainly because of the partial acquisition of the electric utility Unión Fenosa.

Excluding Gas Natural, net debt fell by €488 million thanks to the volume of generated EBITDA, which exceeded the amount of net investments, dividend payments, and tax liabilities.

The year-on-year appreciation of the dollar in 2008 increased the nominal amount of net debt, most of which is denominated in this currency, by €179 million.

The Strategic Plan 2008-2012, approved by Repsol at the beginning of the year, served as the guideline for the investments made in the year. The company invested €5,586 million in 2008, most of which amount was spent in developing the Shenzi exploration well in the United States, the construction of the Canaport (Canada) regasification plant, the Peru LNG project, and exploration activity. Expenditures include €517 million for the partial acquisition of Unión Fenosa by Gas Natural in July 2008. Other expenditures were earmarked for ongoing refining projects, for upgrading operations and installations, safety and the environment, fuel quality, and conversion. The Final Investment Decision (FID) for the Cartagena (Spain) refinery enlargement project was made in 2008.

Divestments in the year totalled €1,721 million. On 21 February 2008, Repsol sold a 14.9% stake in YPF to the Petersen Group for US\$ 2,235 M, providing the purchaser with a vendor loan in the amount of US\$ 1,015 M. The Petersen Group will be able to increase its stake in YPF by an additional 10.1% through a call option within a maximum period of four years. This Group already exercised an option for an additional 0.1% stake.

In 2008 and as part of its non-core asset divestment strategy, the Company sold its service station network in Ecuador and Brazil and its interest in the Manguinhos refinery, also in Brazil.

In 2008, Repsol paid its shareholders €1,608 million in dividends, of which amount €1,221 million were charged to 2007 results (39% higher than the previous year's remuneration). The remaining sum relates to dividends paid to minority shareholders of subsidiary companies, principally to the Petersen Group.

With regards to transactions involving own shares, the Annual General Meeting, on 14 May 2008, resolved to grant authorization to the Board of Directors "for the derivative acquisition of shares of Repsol YPF, S.A. by purchase, exchange, or any other onerous legal business modality, directly or through controlled companies, up to a maximum number of shares that, added to those already held by Repsol YPF, S.A. and its subsidiaries, do not exceed 5% of share capital and for a price or equivalent value that may not be lower than the nominal value of shares nor exceed the quoted price on the stock market."

This authorization is valid for 18 months reckoned from the date of the Annual General Meeting, rendering null and void the authorization granted by the previous Ordinary Annual General Meeting held on 9 May 2007.

Accordingly, in 2008, Repsol acquired 12,924,428 own shares representing 1.06% of the Company's share capital for a total sum of €261.73 million and a nominal value of €12.92 million. In addition, Repsol sold 695,000 own shares with a nominal value of €0.69 million and an effective sum of €17.50 million. At 31 December 2008, Repsol held 12,229,428 own shares.

Financial prudence

In keeping with its prudent financial policy, Repsol YPF holds a significant volume of financial investments included in the captions listed under Note 15 of the Annual Report as "Other financial assets at fair value through profits or loss", "Loans and accounts receivables" and "Held to maturity investments" for an amount of €4,625 million of which, €4,452 million correspond to Repsol, excluding Gas Natural. The Group also has undrawn credit facilities amounting to €3,916 million, of which €3,496 million correspond to Repsol, excluding Gas Natural.

Consequently, net debt and the net debt/capital employed ratio, in which capital employed refers to net debt plus net equity, provides a true and fair view of the volume of necessary borrowings and their relative weighting in the funding of capital employed in operations.

At 31 December 2007, the net debt to capital employed ratio stood at 11.9%, 2.9 points lower than at year-end 2007. Taking preferred shares into account, the variation in this ratio was from 26.4% at 31 December 2007 to 24.4% at the close of 2008.

| BREAKDOWN OF NET DEBT | | Millions of Euros |
|--|--|-------------------|
| NET DEBT AT THE START OF THE PERIOD | | 3,493 |
| Ebitda | | (8,160) |
| Variation in working capital | | (1,187) |
| Investments | | 5,586 |
| Divestments ⁽¹⁾ | | (1,721) |
| Dividends (including affiliates) | | 1,608 |
| Translation differences | | 179 |
| Taxes paid | | 2,399 |
| Other movements | | 1,137 |
| NET DEBT AT THE CLOSE OF THE PERIOD | | 3,334 |

(1) The divestment figure includes €690 million in connection with the loan granted to the Petersen Group as part of the sale of a 14.9% stake in YPF on 21 February 2008. Moreover, it does not reflect divestments of long-term financial investments (€14 million) since this does not affect the variation in net debt.

The following table describes the calculation of reported net debt on the basis of balance sheet information contained in the consolidated financial statements.

| | | | Millions of Euros | |
|---|--------------|--------------|-------------------|--|
| | 2007 | 2008 | | |
| Non-current financial liabilities | 10,065 | 10,315 | | |
| Less: preference shares (See Note 19) | (3,418) | (3,524) | | |
| Current financial liabilities | 1,501 | 1,788 | | |
| Non-current financial assets | (1,650) | (2,466) | | |
| Less: financial assets available for sale (See Note 15) | 138 | 881 | | |
| Other current financial assets | (266) | (494) | | |
| Cash and cash equivalents | (2,585) | (2,891) | | |
| Hedging derivative instruments on interest rate (See Note 38) | (292) | (275) | | |
| Net financial debt | 3,493 | 3,334 | | |
| Preference Shares (See Note 19) | 3,418 | 3,524 | | |
| Net financing ^(*) | 6,911 | 6,858 | | |

(*) In addition, €721 million and €632 million are recorded at 31 December 2008 and 2007 under the heading "Other non-current liabilities" and €31 million and €61 million under the heading "Other creditors" relating to financial leases measured at amortized cost (See Note 23).

Notes to the 2008 consolidated financial statements.

Management of financial risks and definition of hedging

The organization and systems at Repsol YPF enable the Company to identify, measure, and control the risks associated with the financial instruments to which the Group is exposed. The Group's activities involve several types of financial risks:

Liquidity Risk

The liquidity risk is associated with the Group's ability to finance its commitments at reasonable market prices and to execute its business plans with stable funding sources.

Repsol YPF applies a prudent policy with respect to liquidity risk, keeping sufficient resources available in cash and other liquid financial instruments and undrawn credit facilities to meet the maturities of debt falling due within a twelve-month horizon. The Group had undrawn credit facilities totalling €3,916 million and €4,132 million at 31 December 2008 and 2007, respectively.

Credit Risk

The Group's credit risk exposure mainly relates to commercial debts from trading transactions. These amounts, which totalled 5,758 million and 7,103 million at 31 December 2008 and 2007, respectively, are recorded in the balance sheet net of allowances for doubtful accounts and are measured and controlled per client or per individual third party. To this purpose, the Group has its own systems, aligned to best practices, for constantly monitoring the creditworthiness of all its debtors and for determining the risk limits per third parties. None of the clients account for more than 4% of the total of these accounts payable and as such, exposure is spread over a large number of clients and other counterparties.

On a general basis, the Group considers bank guarantees issued by financial entities as the most suitable instrument for credit risk protection. In certain cases, the Group has taken out credit insurance policies through which it transfers to third parties the risks associated with the trade activities conducted by some of its business units.

At 31 December 2008, the Group's guarantees in force granted by third parties totalled €2,460 million, having executed €10 million of such guarantees. At 31 December 2007, this figure stood at €1,949 million, with €19 million worth of guarantees having been executed.

Note 5 of the consolidated financial statements provides additional details on the risks associated with the financial instruments used by the Group and Note 38 describes hedging financial instruments.

1.4

Business Risk factors

Risks related to factors that affect the Group exclusively or external factors affecting all companies in the industry are part of the environment in which the Repsol YPF Group conducts its activities. These risks could have an impact on the Company's business, operations, results and financial situation. Future risks, unknown at present or not considered relevant, could also affect the Company's business.

Currency risk

Income from operations is exposed to currency exchange fluctuations, mainly the dollar against the euro, since most of the Group's revenues and part of its expenses are denominated in dollars or are dollar-indexed. In order to mitigate the risk of the dollar component, Repsol YPF hedges this risk by taking out currency options.

The company is also exposed to currency risk affecting the value of its assets or financial investments in dollars. Most of Repsol YPF'S financing is in dollars, either directly or synthetically through currency derivatives.

Commodity price risk

In the normal course of operations and trading activities, Repsol YPF Group earnings are exposed to volatility in the price of oil, natural gas, and related derivative products.

Interest rate risk

The market value of the Group's net financing and net interest expenses could be affected by interest rate fluctuations.

Regulatory risks

The oil and gas industry is subject to widespread government regulation and intervention such as those related to exploration and production permits, specific contractual obligations for drilling and exploration activities, production restrictions, price controls, asset divestments, currency controls, and nationalization, expropriation, or the cancellation of contractual rights. These regulations and laws apply virtually to all Repsol YPF operations in the countries where it conducts its activities. Furthermore, these laws and regulations could change in the future.

Furthermore, the Repsol YPF Group is subject to increasingly stringent environmental requisites in practically all the countries where it operates. These affect the company's operations in relation to issues such as the environmental quality of its products, emissions to air, climate change, discharges into water, and management of underground water resources, as well as in relation to the generation, storage, transport, treatment, and final destination of waste. These requisites have and will continue to have a substantial impact on Repsol YPF's business, its financials, and income from operations. Consequently, the company has made and will continue to make the necessary investments to comply with these requisites.