

Repsol, S.A. and Subsidiaries

Auditors' Report Consolidated
Financial Statements for the year
ended 31 December 2014 and
Consolidated Management Report

Translation of a report originally issued in
Spanish based on our work performed in
accordance with the audit regulations in
force in Spain. In the event of a
discrepancy, the Spanish-language version
prevails.

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INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Repsol, S.A.:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Repsol, S.A. (the Parent) and Subsidiaries (the Repsol Group), which comprise the consolidated balance sheet as at 31 December 2014, and the consolidated income statement, the consolidated statement of recognised income and expenses, consolidated statement of changes in equity, consolidated cash flow statement and notes to the consolidated financial statements for the year then ended.

Directors' Responsibility for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the consolidated equity, consolidated financial position and consolidated results of the Repsol Group in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain (identified in Note 2 to the accompanying consolidated financial statements) and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation by the Parent's directors of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of Repsol, S.A. and Subsidiaries as at 31 December 2014, and their consolidated results and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated management report for 2014 contains the explanations which the Parent's directors consider appropriate about the situation of Repsol Group, the evolution of their 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 management report is consistent with that contained in the consolidated financial statements for 2014. Our work as auditors was confined to checking the consolidated management report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Repsol, S.A. and Subsidiaries.

DELOITTE, S.L.

Registered in ROAC under no. S0692



Javier Ares San Miguel

25 February 2015

CONSOLIDATED FINANCIAL STATEMENTS

For the financial year 2014



REPSOL, S.A. and Investees comprising the Repsol Group

*Translation of a report originally issued in Spanish.
In the event of a discrepancy, the Spanish language version prevails.*

REPSOL, S.A. AND INVESTEEES COMPRISING THE REPSOL GROUP

Consolidated balance sheet at December 31, 2014 and at December 31, 2013 and January 1, 2013

ASSETS	Note	Millions of euros		
		31/12/2014	12/31/2013 ⁽¹⁾	01/01/2013 ⁽¹⁾
Intangible Assets:		1,859	1,729	1,759
a) Goodwill	6	498	490	490
b) Other intangible assets	7	1,361	1,239	1,269
Property, plant and equipment	8	17,141	16,026	17,832
Investment property		23	24	25
Investment accounted for using the equity method	9	11,110	10,340	11,230
Non-current assets held for sale subject to expropriation	4	-	3,625	5,392
Non-current financial assets	11	593	1,888	1,505
Deferred tax assets	21	3,967	4,079	2,506
Other non-current assets	11	155	60	50
NON-CURRENT ASSETS		34,848	37,771	40,299
Non current assets held for sale	10	98	1,692	288
Inventories	12	3,931	4,938	5,175
Trade and other receivables	13	5,685	4,935	4,932
a) Trade receivables		3,083	3,219	3,556
b) Other receivables		1,970	1,330	1,043
c) Income tax assets		632	386	333
Other current assets		176	141	222
Other current financial assets	11	2,513	354	200
Cash and cash equivalents	11	4,638	5,716	4,108
CURRENT ASSETS		17,041	17,776	14,925
TOTAL ASSETS		51,889	55,547	55,224

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

Notes 1 to 34 are an integral part of this consolidated balance sheet.

REPSOL, S.A. AND INVESTEEES COMPRISING THE REPSOL GROUP
Consolidated balance sheet at December 31, 2014, 2013 and January 1, 2013

LIABILITIES AND EQUITY	Note	Millions of euros		
		31/12/2014	12/31/2013 ⁽¹⁾	01/01/2013 ⁽¹⁾
NET EQUITY				
Issued share capital		1,375	1,324	1,282
Share premium		6,428	6,428	6,428
Reserves		259	259	247
Treasury shares and own equity instruments		(127)	(26)	(1,245)
Retained earnings and other reserves		19,524	19,785	20,526
Profit attributable to the equity holders of the parent		1,612	195	-
Dividends and remunerations		(1,569)	(232)	(184)
EQUITY	14	27,502	27,733	27,054
Financial assets available for sale		(5)	488	57
Hedge transactions		(163)	(60)	(210)
Translation differences		603	(954)	(199)
ADJUSTMENTS FOR CHANGES IN VALUE	14	435	(526)	(352)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	14	27,937	27,207	26,702
MINORITY INTERESTS	14	217	243	285
TOTAL EQUITY		28,154	27,450	26,987
Grants		9	10	10
Non-current provisions	15	2,386	2,700	1,367
Non-current financial liabilities:	16	7,612	8,469	9,877
a) Bank borrowings, bonds and other securities		7,524	8,413	9,675
b) Other financial liabilities		88	56	202
Deferred tax liabilities	21	1,684	1,866	1,509
Other non-current liabilities	19	1,801	1,676	2,981
NON-CURRENT LIABILITIES		13,492	14,721	15,744
Liabilities related to non-current assets held for sale	10	-	1,457	20
Current provisions	15	240	249	212
Current financial liabilities:	16	4,086	5,833	5,688
a) Bank borrowings, bonds and other securities		3,952	5,780	5,620
b) Other financial liabilities		134	53	68
Trade payables and other payables:	20	5,917	5,837	6,573
a) Trade payables		2,350	2,588	2,702
b) Other payables		3,402	3,114	3,724
c) Current income tax liabilities		165	135	147
CURRENT LIABILITIES		10,243	13,376	12,493
TOTAL EQUITY AND LIABILITIES		51,889	55,547	55,224

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”)

Notes 1 to 34 are an integral part of this consolidated balance sheet.

REPSOL, S.A. AND INVESTEEES COMPRISING THE REPSOL GROUP
Consolidated income statement for December 31, 2014 and 2013

		Millions of euros	
	Note	12/31/2014	12/31/2013 ⁽¹⁾
Sales		45,433	46,089
Services rendered and other income		409	765
Changes in inventories of finished goods and work in progress inventories		(224)	(241)
Income from reversals of impairment losses and gains on disposal of non-current assets		290	19
Allocation of grants on non-financial assets and other grants		1	1
Other operating income		1,383	697
OPERATING REVENUE	22	47,292	47,330
Supplies		(38,254)	(38,439)
Personnel expenses		(1,729)	(1,671)
Other operating expenses		(4,847)	(4,610)
Depreciation and amortization of non-current assets		(1,796)	(1,520)
Impairment losses recognised and losses on disposal of non-current assets		(588)	(131)
OPERATING EXPENSES	22	(47,214)	(46,371)
OPERATING INCOME		78	959
Finance income		134	94
Finance expenses		(576)	(651)
Changes in the fair value of financial instruments		529	(129)
Net exchange gains/ (losses)		(304)	125
Impairment and gains/ (losses) on disposal of financial instruments		369	79
FINANCIAL RESULT	24	152	(482)
Share of results of companies accounted for using the equity method after taxes	9	892	805
NET INCOME BEFORE TAX		1,122	1,282
Income tax	21	(146)	(431)
Net income for the period from continuing operations		976	851
Net income for the period from continuing operations attributable to minority interests		39	28
NET INCOME FOR THE PERIOD FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE PARENT		1,015	879
NET INCOME FOR THE PERIOD FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO THE PARENT	25	597	(684)
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT		1,612	195

EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		Euros/share	Euros/share ⁽²⁾
Basic	14	1.17	0.14
Diluted	14	1.17	0.14

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 "*Basis of presentation*").

⁽²⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in connection with the paid-up capital increase carried out as part of the shareholder compensation scheme known as the "Repsol Flexible Dividend", detailed in Note 14 "*Equity*" and in accordance with Note 2 "*Basis of preparation*".

Notes 1 to 34 are an integral part of this consolidated income statement.

REPSOL, S.A. AND INVESTEEES COMPRISING THE REPSOL GROUP

Consolidated statement of recognized income and expenses for the years ended December 31, 2014 and 2013

		Millions of euros	
		31/12/2014	12/31/2013 ⁽²⁾
CONSOLIDATED NET INCOME FOR THE YEAR ⁽¹⁾			
(from the Consolidated Income Statement)	Note	1,573	167
INCOME AND EXPENSES RECOGNIZED DIRECTLY IN EQUITY:			
From actuarial gains and losses and other adjustments		(5)	1
Total items not reclassified to the income statement		(5)	1
From measurement of financial assets available for sale		(223)	610
From measurement of other financial instruments		(42)	(240)
From cash flow hedges		(142)	40
Translation differences		1,486	(646)
Entities accounted for using the equity method		44	(91)
Tax effect ⁽³⁾	14	118	(128)
Total items reclassified to the income statement		1,241	(455)
TOTAL		1,236	(454)
AMOUNTS TRANSFERRED TO THE CONSOLIDATED INCOME STATEMENT:			
From measurement of financial assets available for sale		(452)	(2)
From measurement of other financial instruments		42	220
From cash flow hedges		18	102
Translation differences		(4)	(2)
Entities accounted for using the equity method		8	13
Tax effect ⁽⁴⁾	14	112	(63)
TOTAL		(276)	268
TOTAL RECOGNIZED INCOME/ (EXPENSE)		2,533	(19)
a) Attributable to the parent company		2,558	14
b) Attributable to minority interests		(25)	(33)

⁽¹⁾ Corresponds to the addition of the following consolidated income statement headings: “Net income for the period from continuing operations” and “Net income for the period from discontinuing operations after taxes”.

⁽²⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

⁽³⁾ In 2014 this heading includes the tax effect of the valuation gains or losses on the Group's available-for-sale financial assets in the amount of €60 million (-€162 million in 2013), other financial instruments in the amount of €13 million (€64 million in 2013), cash-flow hedges in the amount of €30 million (-€23 million in 2013) and the tax effect of translation differences in the amount of €16 million (-€7 million in 2013).

⁽⁴⁾ In 2014 this heading includes the tax effect of the valuation gains or losses on the Group's available-for-sale financial assets in the amount of €122 million (€1 million in 2013), other financial instruments in the amount of -€13 million (-€62 million in 2013), cash-flow hedges in the amount of less than €1 million (-€4 million in 2013) and the tax effect of translation differences in the amount of €1 million (€2 million in 2013).

Notes 1 to 34 are an integral part of this consolidated statement of recognized income and expense.

REPSOL, S.A. AND INVESTEEES COMPRISING THE REPSOL GROUP

Consolidated statement of changes in equity for the years ended December 31, 2014 and 2013

Millions of euros	Equity attributable to equity holders of the parent							
	Capital and reserves							
	Issued share capital	Share premium and reserves	Treasury shares and own equity instruments	Net income for the year attributable to equity holders of the parent	Adjustment s for changes in value	Total equity attributable to equity holders of the parent	Minority interests ⁽¹⁾	Total Equity
Closing balance at 12/31/2012	1,282	24,956	(1,245)	2,060	(351)	26,702	770	27,472
Adjustments	-	-	-	-	-	-	(485)	(485)
Initial adjusted balance	1,282	24,956	(1,245)	2,060	(351)	26,702	285	26,987
Total recognized income/ (expense)	-	(1)	-	195	(180)	14	(33)	(19)
Transactions with shareholders or owners								
Increase/ (decrease) of share capital	42	(42)	-	-	-	-	-	-
Dividend payments	-	(51)	-	-	-	(51)	(3)	(54)
Transactions with treasury shares or own equity instruments (net)	-	(206)	1,219	-	-	1,013	-	1,013
Changes in the scope of consolidation	-	-	-	-	-	-	-	-
Other transactions with partners and owners	-	(464)	-	-	-	(464)	-	(464)
Other changes in equity								
Transfers between equity accounts	-	2,060	-	(2,060)	-	-	-	-
Other changes	-	(12)	-	-	5	(7)	(6)	(13)
Closing balance at 12/31/2013	1,324	26,240	(26)	195	(526)	27,207	243	27,450
Adjustments	-	-	-	-	-	-	-	-
Initial adjusted balance	1,324	26,240	(26)	195	(526)	27,207	243	27,450
Total recognised income/ (expense)	-	(5)	-	1,612	951	2,558	(25)	2,533
Transactions with shareholders or owners								
Increase / (Decrease) of share capital	51	(51)	-	-	-	-	-	-
Dividend payments	-	(1,324)	-	-	-	(1,324)	(1)	(1,325)
Transactions with treasury shares or own equity instruments (net)	-	2	(101)	-	-	(99)	-	(99)
Changes in the scope of consolidation	-	-	-	-	-	-	-	-
Other transactions with partners and owners	-	(400)	-	-	-	(400)	-	(400)
Other changes in equity								
Transfers between equity accounts	-	195	-	(195)	-	-	-	-
Other changes	-	(15)	-	-	10	(5)	-	(5)
Closing balance at 12/31/2014	1,375	24,642	(127)	1,612	435	27,937	217	28,154

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

Notes 1 to 34 are an integral part of this consolidated statement of changes in equity.

REPSOL, S.A. AND INVESTEEES COMPRISING THE REPSOL GROUP
Consolidated cash flow statement for the years ended December 31, 2014 and 2013

	Notes	Millions of euros	
		31/12/2014	12/31/2013 ⁽¹⁾
Net income before tax		1,122	1,282
Adjustments to net income:		1,410	1,467
Depreciation and amortization of non-current assets	7 y 8	1,796	1,520
Other adjustments to results (net)		(386)	(53)
Changes in working capital		966	(275)
Other cash flows from operating activities:		(315)	92
Dividends received	9	530	628
Income tax received / (paid)		(611)	(425)
Other proceeds from / (payments for) operating activities		(234)	(111)
Cash flows from operating activities ⁽²⁾	26	3,183	2,566
Payments for investing activities:	4, 7 y 8	(4,200)	(2,335)
Group companies, associates and business units		(18)	(143)
Property, plant and equipment, intangible assets and investment properties		(2,606)	(1,992)
Other financial assets		(1,576)	(200)
Proceeds from divestments:	4	4,792	268
Group companies, associates and business units		116	144
Property, plant and equipment, intangible assets and investment properties		84	82
Other financial assets		4,592	42
Other cash flows		4	-
Cash flows used in investing activities ⁽²⁾		596	(2,067)
Proceeds from/ (payments for) equity instruments:	14	(82)	1,014
Acquisition		(171)	(106)
Disposal		89	1,120
Proceeds from / (payments for) financial liabilities:	16	(3,184)	(1,126)
Issues		4,488	7,141
Return and depreciation		(7,672)	(8,267)
Payments for dividends and payments on other equity instruments	14	(1,712)	(470)
Other cash flows from financing activities:		(474)	(1,026)
Interest payments		(610)	(591)
Other proceeds from/ (payments for) financing activities		136	(435)
Cash flows used in financing activities ⁽²⁾		(5,452)	(1,608)
Effect of changes in exchange rates		147	(18)
Net increase / (decrease) in cash and cash equivalents		(1,526)	(1,127)
Cash Flows from operating activities from discontinued operations		(86)	110
Cash Flows from investment activities from discontinued operations		535	2,378
Cash Flows from financing activities from discontinued operations		(1)	249
Effect of changes in exchange rates from discontinued operations		-	(2)
Net increase / (decrease) in cash and discontinued operations		448	2,735
Cash and cash equivalents at the beginning of the year	11	5,716	4,108
Cash and cash equivalents at the end of the year	11	4,638	5,716
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		31/12/2014	12/31/2013 ⁽¹⁾
Cash and banks		2,210	3,911
Other financial assets		2,428	1,805
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		4,638	5,716

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

⁽²⁾ Includes cash flows from continuing operations.

Notes 1 to 34 are an integral part of this consolidated cash flow statement.

NOTES TO THE 2014 CONSOLIDATED FINANCIAL STATEMENTS
Repsol, S.A. and Investees comprising the Repsol Group

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APPENDIX

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(1) GENERAL INFORMATION

Repsol, S.A. and the companies comprising the Repsol Group (hereinafter “Repsol” the “Repsol Group” or the “Group”) constitute an integrated group of oil and gas companies which commenced operations in 1987.

The Repsol Group is engaged in all the activities relating to the oil and gas industry, including exploration, development and production of crude oil and natural gas, transportation of oil products, liquified 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, as well as the generation, transportation, distribution and supply of electricity.

The Group operates in more than 35 countries and its Headquarter is in Spain.

The corporate name of the parent of the Group of companies that prepares and files these financial statements is Repsol, S.A., which is registered at the Madrid Commercial Registry in sheet no. M-65289. Its Tax Identification Number (C.I.F) is A-78/374725 and its National Classification of Economic Activities Number (C.N.A.E.) is 70.10.

Its registered office is in Madrid, calle Méndez Álvaro, 44, where the Shareholder Service Office is also located, the telephone number of which is 900.100.100.

Repsol S.A. is a private-law entity incorporated in accordance with Spanish legislation, which is subject to the Companies Act (*Ley de Sociedades de Capital*) approved by Legislative Royal Decree 1/2010 of July 2nd, and all other legislation related to listed companies.

Repsol, S.A.’s shares are represented by book entries and are all admitted to trading on the Spanish Stock Exchanges (Madrid, Barcelona, Bilbao, and Valencia) and the Buenos Aires Stock Exchange (Bolsa de Comercio de Buenos Aires). On March 9, 2011, the ADS Program began to trade on the OTCQX market, a platform within the OTC market (over-the-counter) in the United States which distinguishes issuers with improved market information and solid business activities.

These consolidated financial statements for 2014, which have been approved by the Board of Directors of Repsol S.A. at a meeting held on February 25, 2015, and the financial statements of the investees will be submitted for approval by the respective Annual Shareholders’ Meetings, with no modifications expected.

The consolidated financial statements for 2013 were approved at the Annual Shareholders’ Meeting of Repsol, S.A. held on March 28, 2014.

(2) BASIS OF PRESENTATION

The accompanying consolidated financial statements are presented in millions of euros and were prepared based on the accounting records of Repsol, S.A. and its investees. They are presented in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) as well as the IFRS endorsed by the European Union (EU) as of December 31, 2014. The IFRSs endorsed by and in effect in the EU differ in certain respects from the IFRSs issued by the IASB, however these differences do not have a material impact on the Group’s consolidated financial statements for the years presented. In this regard, the financial statements present fairly the Group’s consolidated equity and financial position at December 31, 2014, as well as the consolidated results of its operations, the changes in consolidated equity and the consolidated cash flow in the year then ended.

The preparation of the consolidated financial statements in accordance with IFRS, which is the responsibility of the Board of Directors of the Group’s parent company, makes it necessary to use

accounting estimates and judgments when applying the Standards. The areas, in which most significant judgments, assumptions and estimates have to be made, are detailed in Note 3 “*Accounting Estimates and Judgments.*”

2.1) New standards issued

Below is a list of the standards and amendments to standards issued by the IASB and endorsed by the European Union, which have been mandatorily applicable in 2014:

- IFRS 10 *Consolidated Financial Statements* ⁽¹⁾.
- IFRS 11 *Joint Arrangements* ⁽¹⁾.
- IFRS 12 *Disclosure of Interests in Other Entities* ⁽¹⁾.
- IAS 27 *Separate Financial Statements* ⁽¹⁾.
- IAS 28 *Investments in Associates and Joint Ventures* ⁽¹⁾.
- Amendments to IFRS 10, IFRS 11 and IFRS 12 - *Transition Guidance* ⁽¹⁾.
- Amendments to IFRS 10, IFRS 12 and IAS 27 - *Investment Entities*.
- Amendments to IAS 32 - *Offsetting Financial Assets and Financial Liabilities*.
- Amendments to IAS 39 - *Novation of Derivatives and Continuation of Hedge Accounting*.

⁽¹⁾ These standards were issued by the IASB with effect to annual periods starting on or after January 1, 2013. These standards were endorsed by the European Union in effect to annual periods starting on or after January 1, 2014, with the possibility of early application. The Group has applied these standards from January 1, 2014.

The application by the Group as of January 1, 2014 of IFRS 11 *Joint Arrangements* has not had a significant impact on equity in the consolidated financial statements. However, the mentioned application has implied important changes in how the Group presents its consolidated financial statements since as of December 31, 2013, the Group applied the proportionate method of accounting to consolidate its interests in joint ventures. This accounting treatment is no longer applicable as of January 1, 2014.

An analysis has been performed to identify the joint arrangements and to classify them either as joint operation or joint venture and determine the necessary balance sheet, income statement and cash flow statement line item reclassifications.

The Group has classified joint arrangements in which it has rights to the assets and obligations with respect to the liabilities relating to the arrangement as joint operations. Generally, the arrangements classified by the Group as joint operations are either not structured through a vehicle or a separately identifiable financial structure or, being so structured, the vehicle does not limit its rights to the assets and obligations for the liabilities relating to the arrangement.

Joint arrangements structured through a vehicle or a separately identifiable financial structure that limits its rights to the assets and obligations for the liabilities relating to the arrangement have been classified as joint ventures.

In this respect, below is a table outlining the impact of first-time application of IFRS 11 *Joint arrangements* on the consolidated balance sheet at December 31, 2013 and on the consolidated income statement and consolidated statement of cash flows for the year then ended:

	Millions of euros		
	Stated (IAS 31) 31/12/2013	Restated (IFRS 11) 31/12/2013	Variation
Balance sheet			
Non-current assets	42,582	37,771	(4,811)
Current assets	22,504	17,776	(4,728)
TOTAL ASSETS	65,086	55,547	(9,539)
Total equity attributable to equity holders of the parent	27,207	27,207	-
Minority interests	713	243	(470)
Non-current liabilities	22,347	14,721	(7,626)
Current liabilities	14,819	13,376	(1,443)
TOTAL EQUITY AND LIABILITIES	65,086	55,547	(9,539)

	Millions of euros		
	Stated (IAS 31) 31/12/2013	Restated (IFRS 11) 31/12/2013	Variation
Income statement			
Operating revenue	56,298	47,330	(8,968)
Operating expenses	(53,727)	(46,371)	7,356
Financial result	(755)	(482)	273
Share of results of companies accounted for using the equity method - after taxes	48	805	757
Income tax	(947)	(431)	516
Minority interests	(38)	28	66
Net income for the period from continuing operations attributable to the parent	879	879	-

	Millions of euros		
	Stated (IAS 31) 31/12/2013	Restated (IFRS 11) 31/12/2013	Variation
Cash flow statement			
Cash flows from operating activities ⁽¹⁾	3,996	2,676	1,320
Cash flows from investment activities ⁽¹⁾	(3,288)	311	(3,599)
Cash flows from financing activities ⁽¹⁾	(1,813)	(1,361)	(452)
TOTAL CASH AND CASH EQUIVALENTS	7,434	5,716	1,718

⁽¹⁾ Includes cash flows from discontinued operations.

Appendix V provides a detailed consolidated balance sheet at December 31, 2013, consolidated income statement and consolidated statement of cash flows for the year then ended restated in relation to the application of IFRS 11.

With regard to the other standards and amended standards outlined in the current section A), their application did not have a significant impact on the Group's consolidated financial statements, with the exception of certain additional disclosure requirements.

For details on the standards, interpretations and amendments that must be applied in future reporting periods, see section 1 of Appendix IV.

2.2) Comparison of information

As a result of application of IFRS 11 from January 1, 2014 (see above) the comparative information for 2013 has been restated for comparative purposes.

The profit per share at December 31, 2013 has been restated with respect to that recognized in the 2013 consolidated financial statements in accordance with accounting standards, as the average number of outstanding shares considered in the calculation should be based on the new number of shares issued after the capital increase carried out as part of the compensation scheme to shareholders known as "Repsol Flexible dividend" described in Note 14 "*Equity*."

(3) ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in accordance with generally accepted accounting principles makes it necessary to make assumptions and estimates that affect the valuation of the amounts of the assets and liabilities recognized, the presentation of contingent assets and liabilities at year end and the income and expenses recognized 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 testing and the calculation of the recoverable value of the Group's assets (see Notes 6, 7, 8 and 15), and (v) the value of derivative financial instruments (see Appendix IV section 24, and Note 18).

Crude oil and gas reserves

The estimation of crude oil and gas reserves is an integral part of the Company's decision-making process. The volume of crude oil and gas reserves is used to calculate depreciation charges applying unit production ratios and to assess the recoverability of the investments in Exploration and Production assets (see "*Testing assets for impairment and calculating the recoverable amounts of tangible assets, intangibles and goodwill and the methodology to estimate the recoverable amount*" further on in this Note). Any change in reserve volumes could have a significant impact on the Group's results.

In order to estimate proved oil and gas reserves, Repsol uses the guidelines and the conceptual framework of the definition of proven reserves established by the Securities Exchange Commission (SEC) and the criteria established by the Society of Petroleum Engineers' Petroleum Resource Management System (PRMS-SPE). Repsol uses the PRMS-SPE guidelines and criteria to estimate non-proven oil and gas resources.

Provisions for litigation and other contingencies

The final cost of settling claims, grievances 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 recognized.

Repsol 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 recognized for these costs (see Notes 29 and 30).

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 realization 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 (see Note 21).

Testing assets for impairment and calculating their recoverable amounts

In order to ascertain whether its assets have become impaired, the Group compares their carrying amount with their recoverable amount at least annually and whenever there are indications that an asset might have become impaired.

For that purpose, assets are grouped into cash-generating units (CGUs), to the extent that such assets, when individually considered, do not generate cash inflows that are independent of the cash inflows from other assets or CGUs. The grouping of assets into the various CGUs implies the use of professional judgments and the determination, among other criteria, of the business and geographic segments in which the Group operates. Against this backdrop, in the *Upstream* segment, each CGU corresponds to one of the various contractual exploration areas widely known as 'blocks'; exceptionally, if the cash flows generated by more than one block are mutually interdependent, these blocks will be grouped into a single CGU. In the *Downstream* segment, the CGUs are defined as a function of business activities (mainly Refining, Chemicals, Service Stations and LPG) and geographic areas. With respect to the LNG business, the Group includes a single CGU that essentially encompasses the North American assets.

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

The recoverable amount is the higher of fair value less costs of sale and value in use. If the recoverable amount of an asset (or a CGU) is estimated to be less than its net book value, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount, and an impairment loss is recognized in the consolidated income statement.

After an impairment loss has been recognized, amortization charges are calculated prospectively on the basis of the reduced carrying amount of the impaired asset.

On the occurrence of new events, or changes in existing circumstances, which prove that an impairment loss recognized 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 recognized in previous periods.

In the event of a reversal of an impairment previously recorded, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable value, so that the increased carrying amount does not exceed the carrying amount that would have been determined in case no impairment loss had been recognized for the asset (or the CGU) in prior years. An impairment loss recognized for goodwill cannot be reversed in subsequent periods.

The methodology used by the Group to estimate the recoverable amount of assets is, in general, the value in use calculated by discounting to present value the future cash flows expected to derive from the operation of these assets.

The cash flow projections are based on the best available estimates of the CGUs' income and expenses using sector forecasts, prior results and the outlook for the business's performance and market's

development. The Group's annual budget and the business plan set macroeconomic forecasts for each of the countries where it has business operations, which include variables such as inflation, GDP growth, exchange rates, etc. that are used to quantify the abovementioned income and expense estimates. The aforementioned macroeconomic forecasts are prepared on the basis of the content of internal reports that use in-house estimates, based on updated external information of relevance (forecasts prepared by consultants and specialized entities).

Valuations of Exploration & Production assets (*Upstream*) use cash flow projections for a period that covers the economically productive useful lives of the oil and gas fields, limited by the contractual expiration of the operating permits, agreements or contracts. The key valuation assumptions used, which are in turn the most sensitive variables in this business, and the general principles followed to generate them are summarized below:

- a) Oil and gas sale prices. The international price benchmarks used by the Group include Brent, WTI and HH (Henry Hub). In countries where international list prices do not mirror local market circumstances, the prices modeled factor in local market prices. Year one of the projections is based on the annual budgets approved by Repsol's Executive Committee. After year one, prices are projected on the basis of price trends gleaned from internal reports on the global energy environment that not only factor in in-house forecasts but also consider so-called consensus estimates built from a mixture of consultancy opinions, investment banking estimates and futures prices. The resulting prices are consistent with those used by the Group to make investing decisions. Lastly, if the productive lives of the respective fields are longer than the period covered by the corporate price projections, prices are extrapolated in line with operating expenses and capital expenditure.
- b) Reserves and production schedules. Production schedules are estimated on the basis of output levels at existing wells and the development plans in place for each productive field. These schedules are then used to estimate proven and non-proven resources. Proved oil and gas reserves are estimated on the basis of the oil and gas reserves reporting and disclosure requirements and framework established by the Securities Exchange Commission (SEC) and the criteria established by the Society of Petroleum Engineers' Petroleum Resource Management System (PRMS-SPE). Non-proven reserves are similarly estimated using PRMS-SPE criteria and guidelines and are weighted for the risk factors associated with each class of exploration and production assets.
- c) Operating expenses and capital expenditure. These are calculated in year one on the basis of the Group's annual budget and thereafter in keeping with the asset development programs. These costs were extrapolated at a growth rate of 2% for impairment testing purposes in 2014 and subsequent years.

In the *Downstream* segment, the various businesses' cash flows are estimated on the basis of the outlook for sales, unit contribution margins, fixed costs and required maintenance capital expenditure, in keeping with the expectations reflected in the annual budget and the individual business-specific business plans. Cash inflows and outflows corresponding to future restructuring exercises or initiatives to enhance the assets' performance are not considered. The cash flow projection period considered to this end is generally five years; cash flows after year five are extrapolated without factoring in any further growth. Specifically:

- a) In the Refining CGU, the projections span a period of 25 years because of the impact of the refinery expansion work and upgrades. For the purpose of calculating residual values, the only investment considered is maintenance capital expenditure and any investment needed for renovation purposes in order to maintain the CGUs' productive capacity.

- b) The cash flows generated by the LNG businesses that were not sold as part of the transaction detailed in Note 4 were estimated on the basis of the following key assumptions:
- i. Gas and LNG prices: the international benchmark prices used by the Group include Brent, HH (Henry Hub) and NBP (National Balancing Point), adjusted as required for local market considerations in the event that these international benchmarks do not fully reflect local market circumstances. As in the Exploration and Production segment, these prices are taken from the assumptions underpinning the annual budget in year one and, from year two on, using the price trends forecasted in internal reports of the global energy environment.
 - ii. Gas and LNG volumes and sales margins: the volumes used for cash flow forecasting purposes are estimated on the basis of the contracts in force at year-end and estimates for the trading activity, all of which in keeping with the business plan. Margins factor in historical data, the price forecasts detailed in i. above and the outlook for margins going forward.

These estimated future net cash flows are discounted to present value using CGU-specific discount rates determined as a function of the currency in which their respective cash flows are denominated and the risks associated with these cash flows, including country risk. Repsol discounts projected cash flows using individual post-tax weighted average costs of capital for each country and business. These rates are reviewed at least once a year. The discount rates are intended to reflect current market assessments of the time value of money and the risks specific to the asset. Accordingly, the various discount rates used take into consideration country risk, the currency in which the cash flows are generated and business risk factors. To ensure that the calculations are consistent and avoid double counting, the cash flow projections do not factor in risks that have already been built into the discount rates used. The discount rates used factor in average sector leverage as a reasonable proxy for the optimal capital structure, to which end management monitors leverage rates at comparable oil and gas companies during the last five years.

The discount rates used in 2014 and 2013 by business segment and geographical area are shown below:

	2014	2013
UPSTREAM ⁽¹⁾		
America	7.2% - 11.1%	8.1% - 11.9%
Europe, North Africa and Asia	7.5% - 10.3%	8.1% - 10.4%
DOWNSTREAM	3.4% - 9.6%	4.6% - 10.2%

⁽¹⁾ US dollar-denominated discount rates.

For CGUs carrying goodwill and/or other intangible assets with indefinite useful lives, Repsol analyzes whether reasonably possible changes in the key assumptions used to determine their recoverable amounts would have a material impact on the financial statements. For CGUs for which the recoverable amount exceeds the unit's carrying amount by a significant margin, it is assumed that these 'reasonably possible changes' would not have a material impact. For CGUs for which the margin is within the defined threshold, the Group performs sensitivity analysis in order to quantify changes in the recoverable amounts of these CGUs as a result of changes in key assumptions deemed reasonably possible. Specifically, in performing the related sensitivity analysis, the following scenarios were considered:

Sensitivity analysis

Decrease in oil and gas prices (Brent, WTI and HH)	10%
Decrease in sale volumes	5%
Increase in operating expenses and capital investment	5%
Decrease in unit contribution margins	5%
Increase in discount rates	50p.b

Repsol considers, based on its current knowledge, that the ‘reasonably possible changes’ in the inputs to which estimated fair value is most sensitive, and on which the recoverable amount calculations are based, would not have a material impact on the Group’s 2014 or 2013 financial statements.

(4) CHANGES IN THE GROUP’S COMPOSITION

Repsol prepares its consolidated financial statements including the investments in all of its subsidiaries, associates and joint arrangements. Appendix I of these consolidated financial statements contains a list of the main subsidiaries, associates and joint arrangements in which Repsol, S.A. has direct and indirect interests that were included into the scope of consolidation in 2014.

The main changes in the Group's consolidation scope in 2014 and 2013 are listed in Appendix Ib – “*Main changes in the consolidation scope*”. The next section describes the main changes in the consolidation scope and their impact on the consolidated financial statements.

4.1) Disposal of YPF S.A. and YPF GAS S.A shares

4.1.1) Expropriated shares

On April 16, 2012, the Argentine government announced draft legislation, among other measures, which declared 51% of the equity of YPF S.A. (together with its subsidiaries, “YPF”) belonging to Repsol of public interest and subject to expropriation and ordering the temporary takeover of the expropriated shares. The interest held by the Repsol Group in YPF S.A. on that date was 57.43%. The Necessity and Emergency Decree No. 530 (the “*Intervention Decree*”) took effect on that same date, ordering the transitory intervention of YPF S.A. and appointing a government minister as administrator of YPF S.A.

On April 18, 2012, the Argentine government approved by means of Decree No. 557, a wider scope of the Intervention Decree to include Repsol YPF Gas S.A. (together with its subsidiaries, “YPF Gas”) in which Repsol Butano, S.A. held an equity interest of 84.997% at the time.

After an accelerated parliamentary process, Law 26,741 (the “*Expropriation Act*”) took effect on May 7, 2012, declaring 51% of the equity of YPF S.A., represented by 51% of this company’s “Class D” shares, belonging directly and indirectly to Repsol and its controlling and/or controlled entities, and 51% of the equity of YPF Gas, S.A., represented by 60% of this company’s “Class A” shares, belonging to Repsol Butano, S.A. and its controlling and/or controlled entities, of public utility and subject to expropriation (the “*Expropriated Shares*”).

On February 27, 2014, Repsol, S.A., Repsol Capital S.L. and Repsol Butano, S.A., on the one hand, and the Republic of Argentina, on the other, signed the agreement known as Agreement for the Amicable

Settlement and Expropriation Compromise Agreement (hereinafter, the “Agreement”), designed to put an end to the controversy originated by the expropriation. Simultaneously to the execution of this Agreement, Repsol, on the one hand, and YPF S.A. and YPF Gas S.A., on the other, signed an agreement (the “Settlement Agreement”), under which the parties principally agreed to withdraw all ongoing legal proceedings and/or claims, providing each other with a series of mutual waivers and indemnities.

Under the terms of the Agreement, the Republic of Argentina recognized an irrevocable debt in favour of Repsol of \$5,000 million as compensation for the expropriation of the Expropriated Shares and any other items contemplated under the Agreement (the “Compensation”). This agreement includes the pertinent indemnity clauses and other legal guarantees to ensure the effective settlement of the Compensation. To settle the Compensation, the Republic of Argentina will give Repsol US dollar-denominated sovereign bonds issued by it (the “Government Bonds”). However, the Republic of Argentina’s payment obligation would not be extinguished by the mere delivery of the Government Bonds to Repsol but rather when the latter collects the amount of Compensation in full.

The Agreement took effect on May 8, 2014 and a portfolio of Government Bonds with a total face value of \$5,317 million was given to Repsol to settle the Compensation.

Between May 9 and May 22, 2014, Repsol agreed with JP Morgan Securities several transactions relating to the sale of the whole portfolio of Government Bonds for a total amount of \$4,997 million. These sales implied the extinguishment of the debt payable by the Argentine Republic.

Accounting treatment

As a consequence of the above-mentioned expropriation measures, in 2012 Repsol lost control of YPF and YPF Gas and the rights attached to the Expropriated Shares were recognized under “*Non-current assets held for sale subject to expropriation*” at their fair value, according to the estimated recoverable amount (\$5,000 million).

As of December 31, 2013, the balance recognized in “Non-current assets held for sale subject to expropriation” in respect of the Repsol Group’s shares in YPF S.A. and YPF Gas S.A. amounted to €3,625 million euros.

On May 8, 2014, following full effectiveness of the Amicable Settlement and Expropriation Compromise Agreement, the rights attached to the Expropriated Shares (\$5,000 million) were derecognized and the receivable corresponding to the Compensation stipulated in the Agreement was recognized, in the same amount of \$5,000 million, under “*Non-current financial assets*”. In addition, a negative amount of €28 million, corresponding to the impact of the \$/€ exchange rate on the value of the Expropriated Shares, previously recognized under “*Adjustments for changes in value*” in equity, was transferred to profit and loss (“*Net income for the period from discontinued operations*”).

This receivable was cancelled as a result of the sale of the portfolio of bonds with a total price of \$4,997 million delivered to Repsol by the Argentine Republic to settle the Compensation. The interest, expenses and exchange differences associated with the acquisition, holding and sale of these bonds implied a net pre-tax finance gain of €59 million.

4.1.2) *Unexpropriated shares*

Upon the loss of control event in 2012, the Repsol Group’s unexpropriated shares in YPF S.A. and YPF Gas S.A. were recognized as “*Non-current financial assets*” at their market value, obtained from their quoted price.

Between April 2012 and May 2014, Repsol increased its portfolio of YPF S.A. shares not subject to expropriation, mainly as a result of calling in loan guarantees taking the form of pledged YPF S.A. shares.

In 2014 Repsol sold shares representing 12.38% of the share capital of YPF S.A. at a price of \$1,316 million. These transactions generated a pre-tax gain of €453 million, which was recognized under *“Impairment and gains/(losses) on disposal of financial instruments”* within the financial result.

4.2) Sale of part of the LNG businesses and assets

In 2014 and 2013, as part of the disposal commitments undertaken in the 2012-2016 Business Plan, the Group sold some of its LNG assets and businesses; this process started with the execution of an agreement with Shell dated February 26, 2013 and concluded with three different transactions which closed in October and December 2013 and January 2014.

Prior to this sale-purchase agreement, Repsol's LNG business comprised: (i) minority shareholdings in the liquefaction plants in Trinidad and Tobago and Peru; (ii) a minority investment in a combined cycle plant in Spain; (iii) the marketing, transport and trading activities; (iv) the regasification, marketing and trading activities in North America; and (v) the integrated LNG project in Angola.

The scope of the transaction with Shell included the businesses enumerated under items (i), (ii) and (iii) above, corresponding to the following Group companies: Repsol LNG Port of Spain B.V, Atlantic LNG Company of Trinidad & Tobago, Atlantic LNG 2/3 Company of Trinidad & Tobago, Atlantic 4 LNG Company of Trinidad & Tobago and Repsol LNG Trinidad y Tobago, Ltd. (hereinafter jointly referred to as *“Atlantic LNG”*), Peru LNG Company, Llc. (*“Peru LNG”*) and Bahía Bizkaia Electricidad, S.L (*“BBE”*). In addition, Repsol Comercializadora de Gas, S.A. (*“Repsol Comercializadora”*) fell under the scope of the sale and at December 31, 2013 - and until its definitive sale in January 2014 - this investment was classified under *“Non-current assets held for sale”* and *“Liabilities related to non-current assets held for sale”*.

On October 11, 2013, Repsol sold its 25% interest in the BBE combined cycle power plant to BP for €135 million. This asset, initially included in the scope of the sale of LNG assets to Shell, was sold in the end to BP, upon exercise by the latter of its right of first refusal. This transaction generated a pre-tax gain of €89 million in 2013, which was recognized within *“Net income from discontinued operations”* (see Note 25).

The net carrying amounts of the net assets derecognized as a result of this disposal are broken down below:

	<u>Millions of euros</u>
Cash and cash equivalents	15
Other current assets	4
Non-current assets	48
TOTAL ASSETS	67
Current liabilities	12
Non-current liabilities	9
TOTAL LIABILITIES	21
NET ASSETS	46

The sale to Shell of the main long-term LNG supply agreements and the LNG assets and businesses in Trinidad and Tobago and Peru, corresponding to the Group's interests in Atlantic LNG and Peru LNG, closed on December 31, 2013 for €2,446 million, generating a pre-tax gain of €1,451 million, which is recognized in *“Net income from discontinued operations”* (see Note 25).

The net carrying amounts of the net assets and liabilities derecognized as a result of this disposal are broken down below:

	<u>Millions of euros</u>
Cash and cash equivalents	24
Other current assets	211
Non-current assets	919
TOTAL ASSETS	1,154
Current liabilities	103
Non-current liabilities	56
TOTAL LIABILITIES	159
NET ASSETS	995

The sale transaction had the effect of disarticulating the integrated management of the LNG assets businesses in North America, which made up a single CGU (mainly the Canaport regasification plant and the gas transportation pipelines owned by Repsol Energy Canada, Group subsidiaries) (see Notes 7 and 8), recognizing at December 31, 2013, an impairment provision and a provision for the onerous process-or-pay contract associated with the Canaport plant (see Note 15) for a total of €1,410 million pre-tax, a sum that is recognized within “*Net income from discontinued operations*” (see Note 25).

The last transaction relating to the sale of part of the LNG assets and businesses to Shell was completed on January 1, 2014 with the sale of Repsol Comercializadora de Gas, S.A., whose main activity was the commercialization, transport and trading of Liquid Natural Gas (LNG), for \$730 million. At December 31, 2013 this company's assets and liabilities were classified as assets held for sale.

The net carrying amounts of the net assets and liabilities derecognized as a result of this disposal are as follows:

	<u>Millions of euros</u>
Cash and cash equivalents	236
Other current assets	210
Non-current assets	1,110
TOTAL ASSETS	1,556
Current liabilities	1,172
Non-current liabilities	284
TOTAL LIABILITIES AND MINORITY INTERESTS	1,456
NET ASSETS	100

This transaction generated in 2014 a pre-tax gain of €433 million (amount which includes the exchange historic differences recorded under “*Adjustments for changes in value*” in equity for €3 million) and has been recognized in “*Net income from discontinued operations*” (see Note 25).

4.3) Other divestments

In March 2014, Repsol sold its 10% interest in the Transportadora de Gas del Perú (TGP) pipeline to Enagás for €109 million net of purchase price adjustments. As of December 31, 2013 this investment was classified as an asset held for sale.

This transaction generated an after-tax gain of €57 million, which is recognized within “*Share of results of companies accounted for using the equity method – after taxes*”.

On January 24, 2013, upon delivery of the last milestone established in the agreement signed on December 22, 2011 by Repsol and Alliance Oil, Repsol Exploración Karabashky B.V. contributed 100% of Eurotek to AR Oil&Gas B.V. ("AROG", a company in which the Group has a 49% interest), for \$315 million without having any impact on the consolidated income statement.

(5) SEGMENT REPORTING

The segment reporting disclosed by the Group in this section is presented in accordance with the disclosure requirements of IFRS 8 *Operating segments*.

The organizational structure of the Group and its various operating segments is based on the activities from which the Group may earn revenue or incur in expenses. On the basis of this Board-approved structure, the Group's management team (Repsol Executive Committee) analyzes the main operating and financial indicators in order to make decisions about segment resource allocation and to assess how the Company is performing.

In this respect, and as a result of the culmination in January 2014 of the sale of the vast majority of LNG assets and businesses (see Note 4), the LNG segment is no longer considered an operating segment. As from that date, the LNG assets and businesses retained by the Group are analyzed together with the rest of *Downstream* activities.

At December 31, 2014, the operating segments of the Group are:

- *Upstream*, corresponding to exploration and development of crude oil and natural gas reserves;
- *Downstream*, corresponding to (i) refining, trading and transportation of crude oil and oil products, as well as the commercialization of oil products, petrochemical products and liquefied petroleum gases, (ii) the commercialization, transport and regasification of natural gas and liquefied natural gas (LNG), and (iii) renewable energy power projects; and
- *Gas Natural Fenosa*, through its shareholding in Gas Natural SDG, S.A., whose main activities are the distribution and commercialization of natural gas, and the generation, distribution and commercialization of electricity.

The Company carries out a significant portion of its activities through investments in joint ventures. Accordingly, for the purpose of management decision-making with respect to resource allocation and performance assessment, the operating and financial metrics of joint ventures are considered from the same perspective and in the same level of detail as in fully consolidated entities. To this end, all the operating segment disclosures include, in proportion to the Group's ownership interest, the figures corresponding to its joint ventures or other companies managed as such.

In this way, prompted by the business reality and in order to make its disclosures more comparable with those in the sector, the Group decided to disclose the recurring net operating profit of continuing operations at current cost of supply (CCS) after taxes as a measure of the result of each segment ("*Adjusted Net Income*").

The Adjusted Net Income is prepared by using the inventory measurement method widely used in the industry, current cost of supply (CCS), which differs from that accepted under prevailing European accounting standards (MIFO). The use of CCS methodology facilitates users of financial information comparisons with other companies in the sector. Under CCS methodology, the purchase price of volumes of inventories sold during the period is based on current prices of purchases during the period. The inventory effect is the difference between the net income using CCS and the net income using MIFO. In this note, the inventory effect is presented net of the tax effect and excluding non-controlling interests.

The Adjusted Net Income excludes non-recurring items, referring to items originating from events or transactions falling outside the company's ordinary or usual activities, which are exceptional in nature and result from isolated events.

Additionally, the financial performance of the Gas Natural Fenosa segment is evaluated on the basis of its net income contribution and the cash flow obtained through the dividends received. Accordingly, the net income of this segment is presented as the company's net income in accordance with the equity method and the other metrics only include the cash flows generated by the Repsol Group as shareholder of Gas Natural SDG, S.A.

For each of the metrics identified as "adjusted" the corresponding income statement headings and figures are indicated to facilitate reconciliation with the corresponding income statement amounts.

The table below details the Repsol Group's main income statement headings broken down into the operating segments defined above:

Segments	Millions of euros					
	Operating revenue from customers		Operating revenue inter segments		Total operating revenue	
	2014	2013	2014	2013	2014	2013
Upstream	2,950	3,277	1,332	1,519	4,282	4,796
Downstream	44,685	45,458	36	6	44,721	45,464
Corporation	25	11	6	2	31	13
(-) Inter-segment adjustments and eliminations of operating income ⁽¹⁾	-	-	(1,374)	(1,527)	(1,374)	(1,527)
TOTAL ⁽²⁾	47,660	48,746	-	-	47,660	48,746

NOTE: The adjusted operating revenue has been prepared on the basis of the above-mentioned criteria. The figures corresponding to the year ended December 31, 2013 have been modified with respect to the consolidated financial statements for that period to enable a comparable analysis.

⁽¹⁾ These correspond primarily to the elimination of commercial transactions between segments.

⁽²⁾ The adjusted net revenue for year ended December 31, 2014 and 2013 includes metrics corresponding to joint ventures and other managed companies operated as such in the amount of €1,818 million (*Upstream*, *Downstream* and *Corporation*, €1,748, €68 and €2 million, respectively) and €1,892 million (€1,812, €78 and €2 million, respectively).

Segments	Millions of euros	
	2014	2013
Upstream	589	980
Downstream	1,012	479
Gas Natural Fenosa	441	458
Corporation	(335)	(574)
Ajusted net income pertaining to the reported segment	1,707	1,343
Other results		
Equity effects	(606)	(187)
Non-recurring items	(86)	(277)
Net income attributable to minority interests	(39)	(28)
Income Tax		
Income Tax	146	431
NET INCOME BEFORE TAX	1,122	1,282

NOTE: The adjusted net income has been calculated on the basis of the above-mentioned criteria. The figures corresponding to the year ended December 31, 2013 have been modified with respect to the consolidated financial statements for that period to enable a comparable analysis.

Other relevant segment metrics for the years ended December 31, 2014 and 2013:

	Millions of euros									
	Upstream		Downstream		Gas Natural Fenosa		Corporation and Adjustments		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Investments accounted for using the equity method participation ⁽¹⁾	206	289	100	94	4,567	4,358	-	-	4,873	4,741
Share of results of companies accounted for using the equity method ⁽¹⁾	63	26	14	20	439	433	-	-	516	479
Depreciation and amortization ⁽²⁾	(1,563)	(1,231)	(704)	(725)	-	-	(59)	(52)	(2,326)	(2,008)
Profit (loss) from impairment of assets ⁽³⁾	(506)	(14)	152	(102)	-	-	(1)	-	(355)	(116)
Operating investments ⁽⁴⁾	2,843	2,317	702	672	-	-	88	53	3,633	3,042
Income Tax ⁽⁵⁾	(446)	(970)	(204)	(48)	-	-	97	211	(553)	(807)
Capital employed ⁽⁶⁾	11,167	9,526	11,492	12,020	4,567	4,357	2,863	1,711	30,089	27,614

NOTE: The figures disclosed have been prepared on the basis of the above-mentioned criteria. The corresponding figures for the year ended December 31, 2013 have been modified with respect to the consolidated financial statements for that period to enable a comparable analysis.

- (1) Investments in equity-accounted investees and the Group's share of these companies' results do not include the figures corresponding to joint ventures and other managed entities operated as such in the amount of €6,237 million (*Upstream*, *Downstream* and Corporation: €6,150, €80 and €7 million, respectively) and €5,599 million (*Upstream*, *Downstream* and Corporation: €5,435, €153 and €11 million, respectively) and €376 million (€377, €2 and -€3 million, respectively) and €326 million (€327, €1 and -€2 million, respectively) in 2014 and 2013, respectively.
- (2) The adjusted amortization as of December 31, 2014 and 2013 includes charges corresponding to joint ventures and other managed entities operated as such in the amount of €530 million (*Upstream*, *Downstream* and Corporation: €522, €7 and €1 million, respectively) (€488 million; *Upstream* and *Downstream*: €481 and €7 million, respectively in 2013).
- (3) The adjusted net impairment gain/(loss) at December 31, 2013 includes an impairment loss corresponding to joint ventures and other managed entities operated as such of -€7 million, all of which corresponding to in the *Upstream* segment (no adjustment was required under this sub-heading in 2014). In addition, in relation to asset impairment testing, the Group recorded provisions for onerous contracts, as detailed in Notes 8 and 15.
- (4) Includes investments accrued during the period but does not include investments in "Other financial assets". Adjusted operating investments include investments corresponding to joint ventures and other managed entities operated as such in the amount of €1,113 million in 2014 (*Upstream* and *Downstream*: €1,087 and €26 million, respectively) and €1,015 million in 2013 (€1,003 and €12 million, respectively).
- (5) Adjusted income tax includes tax income corresponding to joint ventures and other managed entities operated as such in the negative amount of -€407 million in 2014 (*Upstream* and *Downstream*: €406 and €1 million, respectively) and €376 million in 2013 (all of which corresponding to the *Upstream* segment).
- (6) Includes capital employed corresponding to joint ventures, the non-current, non-financial assets, working capital and other non-financial liability headings. Capital employed does not include discontinued operations in 2013.

The breakdown of the main key figures by geographical area, in the activity segments in which this disclosure results significant, is as follows:

	Millions of euros							
	Operating revenue		Total operating income		Operating investments		Non-current assets ⁽¹⁾	
	2014	2013	2014	2013	2014	2013	2014	2013
Upstream	4,282	4,796	589	980	2,843	2,317	12,294	10,433
North America and Brazil	1,146	1,000	145	90	1,298	1,191	5,699	4,821
North Africa	456	939	25	227	79	78	794	772
Rest of the world	2,680	2,857	419	663	1,466	1,048	5,801	4,840
Adjustments	-	-	-	-	-	-	-	-
Downstream	44,721	45,464	1,012	479	702	672	11,307	10,946
Europe	41,527	43,121	784	363	576	585	9,447	9,520
Rest of the world	5,935	5,220	228	116	126	87	1,861	1,426
Adjustments	(2,741)	(2,877)	-	-	-	-	-	-
Gas Natural Fenosa	-	-	441	458	-	-	4,567	4,358
Corporation and other adjustments	(1,343)	(1,514)	(335)	(574)	88	53	815	734
Assets of discontinued operations	-	-	-	-	-	-	-	3,625
TOTAL	47,660	48,746	1,707	1,343	3,633	3,042	28,983	30,096

NOTE: The figures recognized have been prepared on the basis of the above-mentioned criteria. The figures corresponding to the

year ended December 31, 2013 have been modified with respect to the consolidated financial statements for that period to enable a comparable analysis.

- (1) Excludes “Non-current financial investments”, “Deferred tax assets” and “Other non-current assets”. Non-current assets at year-end 2014 and 2013 include amounts corresponding to joint ventures and other managed entities operated as such in the amount of €5,293 million (*Upstream*, *Downstream* and Corporation: €5,128, €156 and €9 million, respectively) (2013: €4,066 million; *Upstream* and *Downstream*: €3,945 and €121 million, respectively).

(6) GOODWILL

The breakdown of goodwill, by company, at year end 2014 and 2013 is as follows:

	Millions of euros	
	2014	2013 ⁽¹⁾
Repsol Portuguesa, S.A.	154	154
Repsol Gas Portugal, S.A.	118	118
Repsol Comercial de Productos Petrolíferos, S.A.	89	95
Repsol Gas del Perú, S.A.	42	37
Repsol Italia, SpA	28	28
Refinería la Pampilla, S.A.	28	25
Other companies	39	33
GOODWILL ⁽²⁾	498	490

- (1) Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (See Note 2 “Basis of presentation”).
- (2) Includes goodwill impairment losses of €11 million in 2014 (2013: €4 million). See Note 3 for details about the goodwill amount impairment evaluation.

The changes in 2014 and 2013 in this line item in the accompanying consolidated balance sheet were as follows:

	Millions of euros	
	2014	2013 ⁽¹⁾
Balance at beginning of the period	490	490
Additions	-	-
Changes in the scope of consolidation	11	5
Disposals	(2)	(1)
Translation differences	10	(4)
Write-offs	(7)	-
Reclassifications and other changes	(4)	-
Discontinued operations movements	-	-
Balance at end of the period	498	490

- (1) Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

The breakdown of goodwill at December 31, 2014 and 2013 by operating segment and geographical area is as follows:

	Millions of euros	
	2014	2013 ⁽¹⁾
Upstream	-	1
Rest of the World	-	1
Downstream ⁽²⁾	498	489
Europe	420	421
Rest of the World	78	68
TOTAL	498	490

- (1) Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).
- (2) Corresponds to a total of 12 CGUs; the most significant individual CGU accounts for 24% of the segment.

(7) OTHER INTANGIBLE ASSETS

The breakdown of the intangible assets and the related accumulated amortization at December 31, 2014 and 2013, and of the changes therein is as follows:

	Millions of euros					
	Service/Gas stations association rights and other rights	Exploration permits	Software	Carbon Emission Allowances ⁽⁴⁾	Other intangible assets	Total
COST						
Balance at January 1, 2013⁽¹⁾	758	807	395	79	272	2,311
Additions ⁽²⁾	14	55	46	1	1	117
Disposals and derecognitions	(54)	(45)	(2)	-	(3)	(104)
Translation differences	(5)	(32)	(2)	-	(1)	(40)
Reclassifications and other changes ⁽⁴⁾	16	(15)	(4)	(7)	-	(10)
Balance at December 31, 2013	729	770	433	73	269	2,274
Additions ⁽²⁾	31	38	59	-	3	131
Disposals and derecognitions	(16)	-	(2)	-	(3)	(21)
Translation differences	14	97	6	-	2	119
Changes in the scope of the consolidation ⁽³⁾	-	-	3	-	1	4
Reclassifications and other changes ⁽⁴⁾	13	12	4	(16)	6	19
Balance at December 31, 2014	771	917	503	57	278	2,526
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES						
Balance at January 1, 2013⁽¹⁾	(455)	(148)	(291)	(7)	(141)	(1,042)
Depreciation charge for the year	(45)	(7)	(20)	-	(2)	(74)
Disposals and derecognitions	53	-	2	-	3	58
Impairment losses (recognized) / reversed	1	-	-	(17)	(2)	(18)
Translation differences	3	5	1	-	-	9
Reclassifications and other changes ⁽⁴⁾	(3)	37	-	7	2	43
Discontinued operations movements ⁽⁵⁾	-	-	-	-	(11)	(11)
Balance at December 31, 2013	(446)	(113)	(308)	(17)	(151)	(1,035)
Depreciation charge for the year	(42)	(54)	(27)	-	(2)	(125)
Disposals and derecognitions	14	-	1	-	2	17
Impairment losses (recognized) / reversed	-	(20)	-	(1)	1	(20)
Translation differences	(7)	(16)	(3)	-	(2)	(28)
Changes in the scope of the consolidation ⁽³⁾	-	-	-	-	(2)	(2)
Reclassifications and other changes ⁽⁴⁾	4	-	-	18	6	28
Balance at December 31, 2014	(477)	(203)	(337)	-	(148)	(1,165)
Carrying amount at December 31, 2013	283	657	125	56	118	1,239
Carrying amount at December 31, 2014	294	714	166	57	130	1,361

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

⁽²⁾ Additions in 2014 and 2013 relate to direct acquisition of assets. Additions to exploration permits correspond mainly to exploratory bonuses acquired in Gabon and Romania in 2014 and in Bulgaria and the Middle East in 2013.

⁽³⁾ See Note 4 “Changes in the Group’s composition”.

⁽⁴⁾ In 2014, the column headed “Carbon Emission Allowances” includes mainly €43 million corresponding to CO₂ allowances allocated for no consideration in 2014 under Spain’s National Allocation Plan and the derecognition corresponding to allowances consumed as a result of emissions made during 2013 in the amount of €54 million. In 2013, the same column “Carbon Emission Allowances” included mainly €60 million corresponding to CO₂ allowances allocated for no consideration for 2013 under Spain’s National Allocation Plan and the derecognition of allowances used, associated with the emissions incurred in 2012, in the amount of €69 million.

⁽⁵⁾ Includes the impairment charge recognized on the North American LNG assets as detailed in “Impairment of Other intangible assets” further on in this Note.

Service/gas stations association rights and other rights, service concession arrangements and the cost of investments in exploration permits are legal rights, title to which is conditional upon the terms of the underlying contracts, as outlined in section 7 of Appendix IV “*Accounting policies*”.

Intangible assets include €7 million of assets with indefinite useful lives at December 31, 2014 and €2 million in 2013. These assets are not amortized but they are tested at least annually for impairment (see Note 3).

In 2014 and 2013, intangible assets included €140 million and €117 million, respectively, of asset acquired under finance leases corresponding to service station association rights.

Impairment of “*Other intangible assets*”

In 2014 this heading includes impairment charges recognized against exploratory bonuses in Namibia and the US, allocated to the *Upstream* segment, in the amount of €20 million. In 2013 the Group recognized an impairment loss of €11 million on the assets associated with the North American LNG business under “*Discontinued operations movements*” (see Note 4).

In 2013, the impairment loss recognized on carbon emission allowances in the amount of €16 million as a result of the decline in their value (see Note 30) was offset by the gain recognized as a result of the transfer to profit of deferred income associated with the emission allowances received for no consideration under Spain’s National Allocation Plan.

(8) PROPERTY, PLANT AND EQUIPMENT

The breakdown of “*Property, plant and equipment*” and of the related accumulated depreciation and accumulated impairment losses at December 31, 2014 and 2013, and of the changes therein is as follows:

	Millions of euros							
	Land, buildings and other structures	Machinery and plant	Investments in areas with reserves	Other exploration costs	Transport equipment	Other items of PP&E	Assets under construction	Total
COST								
Balance at January 1, 2013⁽¹⁾	2,399	17,838	7,933	1,383	1,612	1,316	857	33,338
Additions	3	17	803	395	1	43	641	1,903
Disposals and derecognitions	(19)	(274)	(14)	(10)	(2)	(31)	(6)	(356)
Translation differences	(18)	(93)	(353)	(59)	(1)	(14)	(6)	(544)
Changes in the scope of the consolidation ⁽²⁾	-	-	-	(19)	-	-	-	(19)
Reclassifications and other changes ⁽³⁾	30	391	194	34	(1,490)	24	(509)	(1,326)
Discontinued operations movements ⁽⁵⁾	-	-	-	-	(67)	-	-	(67)
Balance at December 31, 2013	2,395	17,879	8,563	1,724	53	1,338	977	32,929
Additions	57	12	691	901	1	79	642	2,383
Disposals and derecognitions	(19)	(194)	-	(38)	(3)	(20)	(124)	(398)
Translation differences	58	284	1,134	177	3	50	24	1,730
Changes in the scope of the consolidation ⁽²⁾	11	28	-	(1)	-	-	-	38
Reclassifications and other changes ⁽³⁾	29	564	(43)	(48)	3	65	(745)	(175)
Balance at December 31, 2014	2,531	18,573	10,345	2,715	57	1,512	774	36,507
ACUMULATED DEPRECIATION AND IMPAIRMENT LOSSES								
Balance at January 1, 2013⁽¹⁾	(625)	(9,256)	(3,288)	(1,026)	(370)	(941)	-	(15,506)
Depreciation charge for the year	(56)	(593)	(570)	(161)	(3)	(63)	-	(1,446)
Disposals and derecognitions	17	272	-	(1)	2	29	-	319
Impairment losses (recognised) / reversed	(1)	(18)	(1)	-	-	(70)	-	(90)
Translation differences	3	24	143	37	1	6	-	214
Changes in the scope of the consolidation ⁽²⁾	-	-	-	19	-	-	-	19
Reclassifications and other changes ⁽³⁾	(2)	6	(5)	(29)	379	(2)	-	347
Discontinued operations movements ⁽⁵⁾	(251)	(428)	-	-	(52)	(29)	-	(760)
Balance at December 31, 2013	(915)	(9,993)	(3,721)	(1,161)	(43)	(1,070)	-	(16,903)
Depreciation charge for the year	(45)	(588)	(627)	(343)	(3)	(65)	-	(1,671)
Disposals and derecognitions	13	184	-	16	3	121	-	337
Impairment losses (recognised) / reversed	21	121	(383)	(103)	-	18	-	(326)
Translation differences	(42)	(126)	(526)	(98)	(2)	(23)	-	(817)
Changes in the scope of the consolidation ⁽²⁾	-	(18)	-	-	-	-	-	(18)
Reclassifications and other changes ⁽³⁾	5	9	1	14	-	3	-	32
Balance at December 31, 2014	(963)	(10,411)	(5,256)	(1,675)	(45)	(1,016)	-	(19,366)
Net carrying amount at December 31, 2013	1,480	7,886	4,842	563	10	268	977	16,026
Net carrying amount at December 31, 2014 ⁽⁴⁾	1,568	8,162	5,089	1,040	12	496	774	17,141

(1) Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “*Basis of presentation*”).

(2) See Note 4 “*Changes in the Group’s composition*”. In 2013, this heading includes the derecognition of some of the LNG assets in the net amount of €221 million.

(3) In 2014 and 2013, this heading includes reclassifications from “*Assets under construction*”, mainly to “*Machinery and plant*”, as a result of several upgrade, repair and remodelling projects at the Group’s refineries. In 2013, this heading also includes reclassifications in the amount of €1,111 million to “*Non-current assets held for sale*” in connection with the LNG assets corresponding to Repsol Comercializadora de Gas, S.A. (see Note 4) whose sale was pending at year-end 2013.

(4) At December 31, 2014 accumulated impairment charges totaled €1,267 million (€985 million at year-end 2013).

(5) In 2013 this item includes €837 million corresponding to movements in respect of the LNG business operations being sold, mainly the recognition of an impairment loss on the LNG assets in North America (see “*Impairment of Property, plant and equipment*” below).

In 2014, investments were earmarked to the US (€854 million), Spain (€604 million), South America (€416 million), Angola (€181 million) and Russia (€44 million). In 2013, investments were earmarked to the US (€708 million), Spain (€525 million), Central and South America (€326 million), Canada (€62 million) and Norway (€49 million).

At year-end 2014, “*Property, plant and equipment*” includes €1,477 million of assets acquired under finance leases and €1,321 million at year-end 2013. Among the assets acquired under finance leases, the gas pipelines and other assets for the transportation of gas in the US and Canada, in the amount of €1,410 million at year-end 2014 (€1,257 million at year-end 2013), stand out (see Note 19). At December 31, 2013, the methane tankers acquired to transport LNG, in the amount of €1,111 million, were transferred to “*Non-current assets held for sale*” (see Note 10) as a result of the LNG disposal process (see Note 4).

This heading also includes investments made by the Group in service concession arrangements in the amount of €245 million at year-end 2014 (€228 million at year-end 2013). These concessions revert to the state over a period of time ranging from 2015 to 2054.

As detailed in Appendix IV, the Repsol Group capitalizes qualifying borrowing costs. In 2014 it capitalized €57 million of borrowing costs at an average capitalization rate of 3.33% (€97 million and 3.70% average capitalized rate in 2013). Capitalized borrowing costs are part of “*Finance expense*” in the accompanying income statement.

The figures corresponding to non-depreciable assets, that is, land and assets under construction, amount, respectively to €626 million and €774 million at December 31, 2014 and €579 million and €977 million at December 31, 2013, respectively.

“*Property, plant and equipment*” includes fully depreciated items with an original carrying amount of €8,412 million and €7,728 million at December 31, 2014 and 2013, respectively.

In accordance with industry practices, Repsol insures its assets and operations worldwide. Among the risks insured are damages to property, plant and equipment, 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.

Impairment of “*Property, plant and equipment*”

In 2014, the Group recognized asset impairment losses, net of impairment charges reversed, of €326 million (before tax). In addition, as part of the cash-generating unit impairment testing process, the Group recognized several impairment losses for onerous contracts totalling €282 million (see Note 15).

In the *Upstream* segment, the following impairment charges stand out:

- On non-conventional assets at the Mississippian Lime (Mid-Continent) field, located in the states of Kansas and Oklahoma in the US, as a result of the decrease in oil prices and the change in development plans: €319 million (before tax). The discount rate used to calculate the recoverable amount of this asset in 2014 was 7.5%.
- At the Reganne field in Algeria, as a result of the decrease in oil prices: €64 million (before tax). The discount rate used to calculate the recoverable amount of this asset in 2014 was 8.6%.
- In relation to the ongoing Sandía exploratory drill, performed in the Atlantic Ocean off the coasts of Fuerteventura and Lanzarote, where the readings obtained from the prospecting work have revealed an insufficient volume of gas in the area and of insufficient quality for commercially-viable operations: impairment charge against capitalized investments at year-end 2014 of €89 million (before tax).

- At Block 39, located in the Marañón basin in Peru: €28 million impairment generated by the difference between the expected sale value and the asset's recognized carrying amount. Block 39 was transmitted in 2014.

In the *Downstream* segment, the following charges stand out in this respect:

- The partial reversal of impairment losses recognized against the value of the North American LNG business as a result of favorable trends in business metrics (volumes and margins): €179 million (before tax). The discount rate used in 2014 to obtain the recoverable amount of this asset was of 5.5%.
- As a result of the new electricity sector regulations determining the remuneration regime applicable to power generated from renewable sources and using co-generation (Spanish Royal Decree 413/2014 of June 6, and Ministerial Order IET/1045/2014): a €21 million impairment loss against the value of co-generation assets (before tax).

In 2013, the Group recognized asset impairment losses in the *Downstream* segment, net of impairment charges reversed, of €90 million (before tax). The provisions mainly affected the chemicals business and were recognized as a result of efforts to optimize productive capacity at certain production lines and the Sines expansion project. Specifically, the Group recognized €17 million under “*Machinery and plant*” and €64 million under “*Assets under construction*”.

In addition and as a result of the transfer of some of the LNG assets and businesses (see Note 4) there was a breaking up of the Cash-Generating Unit that included the North American assets as well as several assets that form part of the transaction scope (mainly the Trinidad and Tobago assets and the associated LNG contracts). In 2013 and against this backdrop, Repsol adjusted the value of the assets corresponding to the North American LNG businesses within the *Downstream* segment (principally the Canaport regasification plant and the gas pipelines) to reflect their new value in use, recognizing an impairment provision to this end of €708 million between “*Land, buildings and other structures*,” “*Machinery and plant*” and “*Other items of PP&E*”. Meanwhile in 2013, the Group also recognized a €691 million impairment provision on the onerous “*Process-or-pay*” contract associated with the Canaport facility.

(9) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Movement in this consolidated balance sheet heading during 2014 and 2013 is as follows:

	Millions of euros	
	2014	2013 ⁽¹⁾
Balance at beginning of year	10,340	11,230
Additions	18	34
Disposals	(7)	(21)
Changes in the scope of the consolidation ⁽²⁾	(3)	(427)
Share of results of companies accounted for using the equity method after taxes	892	805
Dividends distributed	(635)	(924)
Translation differences	660	(412)
Discontinued operations movements ⁽³⁾	-	9
Reclassifications and other changes ⁽⁴⁾	(155)	46
Balance at end of year	11,110	10,340

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “*Basis of presentation*”).

⁽²⁾ In 2013 this heading mainly includes the derecognition of the LNG businesses sold (see Note 4).

⁽³⁾ In 2013 this heading includes movements corresponding to the LNG businesses being sold (see Note 4).

⁽⁴⁾ In 2014 this heading includes the repayment of a part of the equity of Repsol Sinopec Brasil, S.A. amounting €64 million.

The breakdown of the main investments accounted for using the equity method and the Group's share of their results using this method in each corresponding period is provided in the table below:

	Millions of euros			
	Carrying amount of investment		Share of their results ⁽²⁾	
	2014	2013 ⁽¹⁾	2014	2013 ⁽¹⁾
Joint ventures	10,857	10,072	816	766
Associates	253	268	76	39
TOTAL	11,110	10,340	892	805

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

⁽²⁾ Corresponds to the net income for the period from continued operations. Does not include "Other comprehensive income" of €660 million (€636 million corresponding to joint ventures and €25 million to associates) and -€405 million (-€16 million corresponding to joint ventures; -€389 million corresponding to associates) in 2014 and 2013, respectively.

Gas Natural Fenosa (GNF) Group

Repsol has an interest in the GNF Group by means of a 30% equity interest in Gas Natural SDG, S.A. The shares of Gas Natural SDG, S.A. are admitted to trading on Spain's four stock exchanges are traded on the continuous market, and are also part of the Ibex-35 (see Note 14 “Equity”).

GNF's main businesses are the exploration and production, liquefaction, regasification, transport, storage, distribution and commercialization of gas as well as the generation, distribution and commercialization of electricity. It mainly operates in Spain and abroad, primarily in Latin America, Europe (France, Italy, Moldavia and Portugal) and Africa.

Repsol and La Caixa exercise joint control over GNF under the terms of a shareholder agreement dated January 11, 2000 (as amended on May 16, 2002, December 16, 2002 and June 20, 2003). Under the shareholder agreement disclosure provisions provided in article 531 of Spain's Companies Act, these agreements have been notified to GNF and the CNMV, Spain's securities market regulator, and deposited with the Barcelona Companies Register (which is where GNF is on file) and notified as a Relevant Fact.

In 2014 the Gas Natural Fenosa Group acquired Chile's Compañía General de Electricidad S.A. (“CGE”); its takeover bid was accepted on November 14, 2014 by shareholders representing 96.72% of the target's share capital. The GNF Group acquired 402,122,728 shares for approximately €2,519 million (amounts corresponding to the GNF Group).

Repsol Sinopec Brasil (RSB)

Repsol holds a 60% interest in the Repsol Sinopec Brasil (RSB) group, which comprises Repsol Sinopec Brasil, S.A. and its subsidiaries (see Appendix I). Repsol's owns shares representing 60% of the share capital of Repsol Sinopec Brasil, S.A. and it has shared control by means of agreements in place with the Sinopec Group since they were signed in December 2010.

This investee's main businesses are oil and gas exploration and production, the import and export of crude oil and gas and derivative products, the storage, distribution and sale of crude oil, oil derivatives and natural gas, as well as the provision of services related to these activities. It operates mainly in Brazil.

Regarding the loans granted to the Repsol Group by RSB, see section 3 of Note 16.

YPFB Andina, S.A.

Repsol holds a 48.33% equity interest in YPFB Andina, S.A. This investee's main activities are crude oil

and gas exploration, exploitation and commercialization. It operates mainly in Bolivia.

YPFB Andina has classified as a joint venture since 2008 under the terms of the agreement in place with Yacimientos Petrolíferos Fiscales Bolivianos (YPFB).

BPRY Caribbean Ventures, LLC (BPRY)

Repsol holds a 30% equity interest in BPRY Caribbean Ventures LLC. The main businesses of this investee and its subsidiaries are the exploration, exploitation and commercialization of crude oil and gas and any other related activities, including the construction and operation of oil platforms, pipelines and other facilities, all of which in Trinidad and Tobago.

Repsol classifies its investment in BPRY as an interest in a joint venture based on the terms of its shareholder agreement with British Petroleum (BP).

The tables below provide summarised financial information for the joint ventures identified as material, prepared in accordance with IFRS-EU accounting policies, as detailed in Appendix IV “Accounting policies” and reconciles with the amounts at which these investments are carried in the consolidated financial statements:

	Millions of euros							
	GNF		RSB		YPFB Andina		BPRY	
	2014	2013 ⁽¹⁾	2014	2013 ⁽¹⁾	2014	2013 ⁽¹⁾	2014	2013 ⁽¹⁾
Operating revenue	25,318	25,235	698	463	433	437	2,792	2,882
Depreciation and amortization and impairment provisions	(1,619)	(1,910)	(307)	(342)	(134)	(93)	(598)	(499)
Other operating expenses ⁽²⁾	(20,509)	(20,362)	(299)	(276)	(105)	(89)	(1,082)	(1,104)
Operating income	3,190	2,963	92	(155)	194	255	1,112	1,279
Finance income ⁽³⁾	121	253	81	79	7	4	1	(1)
Finance expenses ⁽³⁾⁽⁴⁾	(922)	(1,091)	(53)	(53)	(4)	(6)	(88)	(105)
Share of results of companies accounted for using the equity method after taxes	(475)	7	7	-	12	7	-	-
Net income before tax	1,914	2,132	127	(129)	209	260	1,025	1,173
Income tax	(256)	(468)	(103)	(50)	(35)	(55)	(615)	(719)
Net income for the period from continuing operations	1,658	1,664	24	(179)	174	205	410	454
Net income for the period attributable to the parent	1,462	1,445	24	(179)	174	205	410	454
Repsol's shareholding	30%	30%	60%	60%	48%	49%	30%	30%
Share of profit/(loss) consolidated by Repsol	439	433	14	(107)	84	100	123	136
Dividends	271	269	-	-	84	40	100	262
Other comprehensive income ⁽⁵⁾	44	(104)	494	(164)	56	(19)	39	(14)

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

⁽²⁾ In 2014 RBS includes operating lease expenses of €147 million (€108 million in 2013), mainly under floating production platform (FPSO units) lease commitments which are secured by the Group (see Note 29).

⁽³⁾ In 2014 RBS includes net interest expense of €55 million (€69 million in 2013).

⁽⁴⁾ In 2014 RBS includes the finance expense associated with the effect of discounting dismantling provisions of €4 million to present value (€3 million in 2013).

⁽⁵⁾ Relates to “Income and expenses recognized directly in equity” and “Amounts transferred to the consolidated income statement” in the consolidated statement of recognized income and expenses.

	Millions of euros							
	GNF		RSB		YPFB Andina		BPRY	
	2014	2013 ⁽¹⁾	2014	2013 ⁽¹⁾	2014	2013 ⁽¹⁾	2014	2013 ⁽¹⁾
Assets								
Non-current assets	39,487	34,227	3,214	2,415	755	666	5,410	4,555
Current assets	10,745	10,685	4,440	4,292	741	674	649	929
Cash and cash equivalents	3,484	4,252	25	262	347	351	59	38
Other current assets	7,261	6,433	4,415	4,030	394	323	590	891
Total assets	50,232	44,912	7,654	6,707	1,496	1,340	6,059	5,484
Liabilities								
Non-current liabilities	27,723	22,974	427	283	90	85	4,443	4,243
Financial liabilities ⁽²⁾	17,745	15,508	-	-	-	-	898	1,340
Other non-current liabilities ⁽³⁾	9,978	7,466	427	283	90	85	3,545	2,903
Current liabilities	8,401	8,528	480	416	402	368	431	260
Financial liabilities ⁽²⁾	2,805	3,403	62	10	-	-	381	-
Other current liabilities ⁽³⁾	5,596	5,125	418	406	402	368	50	260
Total liabilities	36,124	31,502	907	699	492	453	4,874	4,503
NET ASSETS	14,108	13,410	6,747	6,008	1,004	887	1,185	981
Repsol shareholding	30%	30%	60%	60%	48%	49%	30%	30%
Share of net assets	4,233	4,024	4,048	3,605	485	434	356	294
Gain / (loss) ⁽⁴⁾	334	334	-	-	-	-	-	-
Carrying amount of the investment	4,567	4,358	4,048	3,605	485	434	356	294

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “*Basis of presentation*”).

⁽²⁾ Does not include trade and other accounts payable and provisions.

⁽³⁾ In 2014 RBS includes current and non-current provisions for dismantling obligations in the amount of €208 million (€130 million in 2013).

⁽⁴⁾ The gain corresponds to goodwill.

(10) NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE

The main balance sheet line items classified as assets held for sale and related liabilities at December 31, 2014 and 2013 were as follows:

	Millions of euros	
	2014	2013 ⁽¹⁾
Property, plant and equipment and other intangible assets	18	1,114
Other non-current assets	80	136
Current assets	-	442
Assets	98	1,692
Non-current liabilities	-	(1,173)
Current liabilities	-	(284)
Liabilities	-	(1,457)
NET ASSETS	98	235

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “*Basis of presentation*”).

Non-current assets and liabilities classified as held for sale at December 31, 2014

At year-end 2014 this heading mainly includes Repsol Venezuela Gas, S.A.'s 17.5% interest in the Cardón IV area located in the Gulf of Venezuela following official notification that Corporación Venezolana de Petróleos (CVP) will acquire this interest.

Non-current assets and liabilities classified as held for sale at December 31, 2013

In December 2013, under the framework of the agreement to sell Shell some of the LNG assets and businesses (see Note 4), the Group reclassified €1,558 million of assets to “*Non-current assets held for sale*” and €1,456 million of liabilities to “*Liabilities related to non-current assets held for sale*”; these assets and liabilities were associated with the LNG assets and businesses that were part of the sale agreement with Shell but had not yet been sold at December 31, 2013. Having obtained all the pertinent permits and met all the closing conditions, the sale closed on January 1, 2014. These assets and businesses mainly comprised the methane tankers acquired under finance lease arrangements to support the LNG marketing, transport and trading activities.

(11) FINANCIAL ASSETS

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

	Millions of euros	
	2014	2013 ⁽¹⁾
Non-current financial assets	593	1,888
Other current financial assets	2,513	354
Currents derivatives on trading transactions ⁽²⁾	503	24
Cash and cash equivalents	4,638	5,716
Total	8,247	7,982

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “*Basis of presentation*”).

⁽²⁾ Recognized under the heading “*Other receivables*.”

The detail, by type of assets, of the Group's financial assets at December 31, 2014 and 2013, is as follows:

December 31, 2014							
Carrying amount							
	Financial assets held for trading	Other financial assets at fair value through profit or loss	Financial assets available for sale	Loans and receivables	Held to maturity investments	Hedging derivatives	Total
Equity instruments	-	-	60	-	-	-	60
Other financial assets	-	90	-	441	2	-	533
Long term/Non-current	-	90	60	441	2	-	593
Derivatives	618	-	-	-	-	25	643
Other financial assets	-	12	-	2,373	4,626	-	7,011
Short term/Current	618	12	-	2,373	4,626	25	7,654
TOTAL ⁽²⁾	618	102	60	2,814	4,628	25	8,247

December 31, 2013							
Carrying amount							
	Financial assets held for trading	Other financial assets at fair value through profit or loss	Financial assets available for sale	Loans and receivables	Held to maturity investments		Total
Equity instruments	-	-	1,223	-	-	-	1,223
Other financial assets	-	87	-	576	2	-	665
Long term/Non-current	-	87	1,223	576	2	-	1,888
Derivatives	40	-	-	-	-	-	40
Other financial assets	-	11	-	338	5,705	-	6,054
Short term/Current	40	11	-	338	5,705	-	6,094
TOTAL ⁽²⁾	40	98	1,223	914	5,707	-	7,982

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

⁽²⁾ In the heading “Other non-current assets,” and in the headings “Trade receivables” and “Other receivables” of the balance sheet include an amount, in 2014, of €155 million classified under long term and €4,550 million classified under short-term and in 2013 an amount of €60 million classified under long term and €4,525 million classified under short term, arising out of commercial receivables not included in the breakdown of the financial assets in the previous table. Additionally, in 2013 the assets presented under “Non-current assets held for sale subject to expropriation” in the consolidated balance sheet, as detailed in Note 4, are not included in the financial assets disclosures provided in the table above.

The classification of the financial assets recognized in the financial statements at fair value, by fair value calculation method, is as follows:

	Level 1		Level 2		Level 3		Total	
	2014	2013 ⁽¹⁾	2014	2013 ⁽¹⁾	2014	2013 ⁽¹⁾	2014	2013 ⁽¹⁾
Financial assets held for trading	356	11	262	29	-	-	618	40
Other financial assets at fair value through profit and loss	102	98	-	-	-	-	102	98
Financial assets available for sale ⁽²⁾	1	1,164	-	-	-	-	1	1,164
Hedging derivatives	2	-	23	-	-	-	25	-
Total	461	1,273	285	29	-	-	746	1,302

Level 1: Valuations based on a quoted price in an active market for an identical instrument. They relate mainly to derivatives held for trading, investment funds and, in 2013 only, unexpropriated YPF shares.

Level 2: Valuations based on a quoted price in an active market for similar financial assets or based on other valuation techniques that rely on observable market inputs.

Level 3: Valuations based on inputs that are not directly observable in the market.

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

⁽²⁾ Does not include €59 million 2014 and 2013, respectively, corresponding to equity investments in companies that are measured at acquisition cost under IAS 39.

The valuation techniques used for the instruments classified under level 2, which mainly correspond to derivative financial instruments, are based on the income approach, in accordance with accounting regulations, which entail the discounting to present value of future cash flows associated with said instruments, estimated using forward curves offered in the market, including adjustments for credit risk based on the duration of the instruments. In the case of options, price-setting models based on the Black & Scholes formula are used.

The most significant variables for valuing financial instruments vary depending on the type of instrument, but fundamentally include: exchange rates (spot and forward), interest rate curves, counterparty risk curves, prices of equity securities, and the volatilities of all the aforementioned factors. In all cases, market data is obtained from reputed information agencies or correspond to quotes issued by official bodies.

The composition of current and non-current financial assets by category is as follows:

11.1) Financial assets held for trading

Derivatives not designated as hedging instruments are included within this category (see Note 18).

11.2) Other financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss in the years 2014 and 2013 mainly correspond to collective mutual funds.

11.3) Financial assets available for sale

As of December 31, 2013, this heading mainly included 12.38% of the shares of YPF S.A. and 33.997% of the shares of YPF Gas S.A. owned at the time by Repsol that were not subject to expropriation by the Argentine government in the amount of €1,177 million.

In 2014 this heading includes minority financial investments in certain companies over which the Group does not have management influence and the unexpropriated shares of YPF Gas S.A. (see Note 4).

The movement in financial assets available for sale during the years ended December 31, 2014 and 2013 is the following:

	Millions of euros	
	2014	2013 ⁽¹⁾
Balance at beginning of year	1,223	619
Additions	3	1
Disposals ⁽²⁾	(943)	(40)
Adjustments to fair value ⁽³⁾	(223)	610
Changes in the scope of the consolidation	-	(5)
Reclassifications and other changes ⁽⁴⁾	-	38
Balance at end of year	60	1,223

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

⁽²⁾ In 2014 this heading corresponds to the sale of all of the unexpropriated shares of YPF S.A. in the amount of €943 million (see Note 4). In 2013 it primarily includes the derecognition upon the sale of the Group’s 3.47% interest in Alliance Oil Company in the amount of €39 million.

⁽³⁾ In 2014 and 2013 this heading mainly reflects the change in the value of the unexpropriated shares of YPF (in 2014, until their sale) and YPF Gas: a loss of €223 million in 2014 and a gain of €607 million in 2013.

11.4) Loans and receivables

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

	Millions of euros			
	Carrying amount		Fair Value	
	2014	2013 ⁽¹⁾	2014	2013 ⁽¹⁾
Non-current	441	576	441	576
Current ⁽²⁾	2,373	338	2,373	338
Total loans and receivables	2,814	914	2,814	914

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

⁽²⁾ Includes €1,504 million corresponding to deposits held at several banks that mature during the first and fourth quarters of 2015.

The current and non-current loans include the vendor loans extended by the Group to the Petersen group in connection with the acquisition by the latter of a stake in YPF S.A. At year-end these loans were fully provisioned. In addition, current and non-current loans include the loans granted to consolidated companies in the amount not eliminated in the consolidation process, mainly entities consolidated using the equity method, of €1,318 million and €891 million in 2014 and 2013, respectively; these amounts reflect impairment charges of €66 and €19 million, respectively.

The return accrued on the financial assets disclosed in the table above was equivalent to an average interest rate of 3.62% in 2014 and of 5.65% in 2013.

The maturity of non-current loans and receivables is the following:

Due date	Millions of euros	
	2014	2013 ⁽¹⁾
2015	-	220
2016	1	-
2017	227	191
2018	-	-
2019	48	-
Subsequent years	165	165
Total	441	576

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

11.5) Held to maturity investments

The breakdown of the face value of the held to maturity investments at December 31, 2014 and 2013 is as follows:

	Millions of euros	
	2014	2013 ⁽¹⁾
Non-current financial assets	2	2
Current financial assets	-	-
Cash equivalents ⁽²⁾	2,416	1,794
Cash on hand and at banks	2,210	3,911
Total	4,628	5,707

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

⁽²⁾ In 2014 this heading includes €2,125 million corresponding to repurchase agreements of Spanish government bond on maturity on January 2, 2015 (year-end 2013: €1,350 million due January 2, 2014).

The fair value of the financial held to maturity investments is the same as their face value, except for the non-current financial assets, whose fair value does not differ significantly from face value.

Financial investments are mainly from placements in banks and collateral deposits. These financial investments have accrued an average interest of 0.60% and 1.09% in 2014 and 2013, respectively.

Non-current held-to-maturity financial assets in 2014 and 2013 mature after 2019.

(12) INVENTORIES

The breakdown of “Inventories” at December 31, 2014 and 2013 is as follows:

	Millions of euros	
	2014	2013 ⁽¹⁾
Crude oil and natural gas	1,549	2,107
Finished and semi-finished goods	2,136	2,579
Supplies and other inventories	246	252
Total ⁽²⁾	3,931	4,938

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

⁽²⁾ Includes provisions for inventory impairment losses of €225 million at year-end 2014 (year-end 2013: €36 million).

At December 31, 2014 and 2013, the balance of “commodity” inventories, related to trading activity, at fair value less costs to sell (see Appendix IV) amounted to €791 million and €1,212 million, respectively, and the effect of their measurement at market value represented a loss of €42 million and an income of €3 million in 2014 and 2013, respectively. Recoverable value is calculated using market information and references. To estimate the related cash flows, the Group uses forward price/benchmark price curves provided by the market as well as a benchmark time horizon for pricing purposes. The main inputs used to value these transactions are mainly prices taken from official publications (Platt’s, Argus, OPIS, the brokerage community) and historic premiums.

The Repsol Group complies, both at December 31, 2014 and December 31, 2013, with the legal requirements regarding minimum safety stocks established under prevailing legislation (see Appendix III) through its Spanish Group companies.

(13) TRADE AND OTHER RECEIVABLES

The breakdown of this heading at December 31, 2014 and 2013 was the following:

	Millions of euros	
	2014	2013 ⁽¹⁾
Trade receivables for sales and services (gross amount)	3,205	3,360
Doubtful accounts provision	(122)	(141)
Trade receivables	3,083	3,219
Other trade creditors and other receivables	1,221	1,063
Debtors from personnel transactions	48	48
Public account receivables	198	195
Derivatives held for trading (see Notes 11 and 18)	503	24
Other receivables	1,970	1,330
Income tax assets	632	386
Trade and other receivables	5,685	4,935

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

The changes in the provision for doubtful accounts in 2014 and 2013 were as follows:

	Millions of euros	
	2014	2013
Balance at beginning of the year⁽¹⁾	141	129
Impairment losses recognized/ (reversed)	7	19
Change in the scope of consolidation	-	(1)
Translation differences	5	(1)
Reclassifications and other movements	(31)	(6)
Discontinued operations movements	-	1
Balance at end of the year	122	141

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

(14) EQUITY

14.1) Share capital

The share capital at December 31, 2014 and 2013, registered within the Companies Register, consisted of 1,350,272,389 and 1,302,471,907 fully subscribed and paid up shares of €1 par value each, in book entry form, and all listed on the Spanish stock exchanges and Buenos Aires Stock Exchange. The Company still has an ADS program. Since March 9, 2011 its ADSs are traded on the OTCQX market.

Following the most recent bonus share issue, closed in January 2015, outlined below, the share capital of Repsol, S.A. is currently represented by 1,374,694,217 shares, each with a par value of €1. Under accounting regulations, because the abovementioned capital increase had been registered within the Companies Register before the Board of Directors authorized the consolidated financial statements for issue, this bonus share issue has been recognized in the Group's financial statements as of December 31, 2014.

In 2012 Repsol starts for the first time the program named "Repsol Dividendo Flexible", approved at the Annual General Meeting on May 31, 2012. This program materializes in capital increases charged to the voluntary reserves derived from retained earnings with the irrevocable commitment on the part of Repsol to purchase the bonus share rights allocated free of charge at a guaranteed fixed price. Under this program, Repsol offers its shareholders the choice of receiving their remuneration in the form of newly issued paid-up shares of the Company or cash, or a mix thereof. The cash option is availed of by selling bonus share rights either in the market at their list price or to the Company at the guaranteed sale price.

In 2014 this program was renewed, at the Annual General Meeting of March 28, 2014, in which approved under agenda items five and six, in favor of two bonus share issues to substitute what traditionally would have been the final dividend from 2013 profits and the interim dividend from 2014 profits, respectively.

The first of these two bonus share issues took place between June and July 2014 and the second, between December 2014 and January 2015. The main characteristics of these issues are detailed below:

		June / July 2014	Dec. 2014 / January 2015
REMUNERATION IN CASH	Bonus share right trading period	June 19 - July 4	December 20 - January 8
	Deadline for applying to sell bonus share rights to Repsol at guaranteed fixed price	June 27	December 31
	Shareholders accepting irrevocable purchase commitment ⁽¹⁾	24.16% (320,017,594 rights)	38.51% (519,930,192 rights)
	Fixed price guaranteed per right	€0.485 before tax / right	€0.472 / right
	Pre-tax sum paid by Repsol to acquire its shareholders' bonus share rights	€155 million	€245 million
REMUNERATION IN REPSOL SHARES	Shareholder opting to receive new Repsol shares	75.84% (1,004,498,391 rights)	61.49% (830,342,152 rights)
	No. of rights needed for entitlement to one new share	39	34
	New shares issued	25,756,369	24,421,828
	Approximate increase in share capital	1.94%	1.81%
	Share issue closing date	July 7	January 9
	Date on which newly-issued shares began ordinary trading on the Madrid, Barcelona, Bilbao and Valencia stock exchanges	July 16	January 16

⁽¹⁾ Repsol has renounced the shares corresponding to the bonus share rights acquired by virtue of the abovementioned purchase commitment. The balance sheet at December 31, 2014 recognizes the bonus share issue closed in January 2015 as a reduction

in equity under “Dividends and remuneration” along with the obligation to pay the shareholders that had accepted the irrevocable purchase commitment in the same amount.

According to the latest information available at the date of preparation of the accompanying financial statements for issue, the significant shareholders are:

Significant shareholders	% of share capital Lastest available information
Fundación Bancaria Caixa d’Estalvis y Pensions de Barcelona ⁽¹⁾	11.71
Sacyr, S.A. ⁽²⁾	8.89
Temasek Holdings (Private) Limited ⁽³⁾	6.03
Blackrock, Inc. ⁽⁴⁾	3.09

⁽¹⁾ Fundació Bancaria Caixa d’Estalvis i Pensions de Barcelona holds its stake through CaixaBank, S.A. and Vidacaixa, S.A.

⁽²⁾ Sacyr, S.A. holds its stake through Sacyr Participaciones Mobiliarias, S.L.

⁽³⁾ Temasek holds its stake through its subsidiary, Chembra Investment PTE, Ltd.

⁽⁴⁾ Blackrock holds its stake through several controlled subsidiaries, all of which subject to a vote syndication arrangement. The information pertaining to Blackrock is based on the declaration presented by the latter to the CNMV on June 25, 2014 regarding its shareholding as of that date.

On June 4, 2014, Petróleos Mexicanos (PEMEX) notified the CNMV that it had completed an accelerated placement process, placing a total of 104,057,057 Repsol, S.A. shares, representing 7.86% of the Company's share capital at the time, among institutional investors. Since then, PEMEX is no longer considered a significant shareholder of Repsol, S.A.

In addition, on June 25, 2014, Blackrock, Inc. notified the CNMV about an equity interest in Repsol, held through various controlled subsidiaries and subject to a vote syndication arrangement, equivalent to over 3% of the Company's share capital at the time.

At December 31, 2014, the following Group companies' shares were publicly listed:

Company	Number of listed shares	% of share capital listed	Stock exchanges ⁽¹⁾	Year-end market price	Average last quarter	Currency
Repsol, S.A.	1,350,272,389	100%	Spanish stock exchanges (Madrid, Barcelona, Bilbao, Valencia) Buenos Aires OTCQX ⁽²⁾	15.55 249.00 18.58	17.33 282.63 21.54	euros pesos dollars
Gas Natural SDG, S.A.	1,000,689,341	100%	Spanish stock exchanges (Madrid, Barcelona, Bilbao, Valencia)	20.81	22.06	euros
Refinería La Pampilla, S.A.	1,244,679,999	100%	Lima Stock Exchange	0.21	0.23	soles
Compañía Logística de Hidrocarburos, CLH	1,779,049	2.54%				
Serie A	90,000	100%	Spanish stock exchanges			
Serie D	1,689,049	100%	(Madrid, Barcelona, Bilbao, Valencia)	33.70	32.99	euros

⁽¹⁾ Exchanges or markets for which the Group has specifically applied for admission to trading. Other exchanges, markets or multilateral trading platforms on which the shares may be traded without having been specifically requested by the Group are not included.

⁽²⁾ Repsol’s American Depositary Shares (ADSs) are traded on the OTCQX, an OTC (over-the-counter) US trading platform.

14.2) Share premium

The share premium at December 31, 2014 and 2013 amounted to €6,428 million. The Spanish Companies Act expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use.

14.3) Reserves

Legal reserve

Under the Spanish Companies Act, 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.

Other reserves

Includes mainly 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 (January 1, 2004) and all the results created and not distributed as dividends, which had not been recognized in any of the different reserves previously mentioned.

14.4) Own shares and own equity investments

The main transactions undertaken by the Repsol Group involving own shares were as follows:

	2014			2013		
	No. of shares	Cost ⁽⁴⁾	% of capital	No. of shares	Cost ⁽⁴⁾	% of capital
Opening balance	1,432,680		0.11 %	64,767,518		5.05 %
Temasek sale ⁽¹⁾	-	-	-	(64,700,000)	1,036	5.05%
Open-market purchases	9,242,085	(160)	0.67%	5,616,078	(98)	0.42%
Open-market sales	(3,570,011)	69	0.26%	(3,423,536)	60	0.26%
Acquisition of options over own shares	1,000,000	(19)	0.07%	100,000	(2)	0.01%
Disposal of options over own shares	(600,000)	11	0.04%	(982,500)	18	0.07%
Employee Share Acquisition Plan ⁽²⁾	437,577	8	0.03%	406,430	7	0.03%
2011-2014 Loyalty Program ⁽²⁾	57,146	1	0.00%	-	-	-
Repsol Flexible Dividend ⁽³⁾	184,617	-	-	55,120	-	-
Closing balance	7,689,371		0.56 %	1,432,680		0.11 %

⁽¹⁾ On March 4, 2013, investment group Singapur Temasek acquired 64.7 million of Repsol shares for €16.01 per share, implying a payment of €1,036 million to Repsol and a negative impact on equity in the first half of 2013 of €208 million.

⁽²⁾ All of the shares acquired under the scope of the Share Acquisition Plan and the Loyalty Program are delivered to employees (see Note 23.d).

⁽³⁾ New shares received under the “Repsol Flexible Dividend” scheme bonus share issues corresponding to treasury shares.

⁽⁴⁾ In millions of euros.

The abovelisted transactions were carried out exercising the powers delegated by the Company's shareholders at the Annual General Meetings of April 30, 2010 and March 28, 2014, authorizing the Board of Directors to make the derivative acquisition of Repsol shares, on one or more occasions, via sale-purchase, swap or any other transaction for consideration, directly or through subsidiaries, up to a maximum number of shares so that the sum of those acquired plus treasury shares already held by Repsol and any of its subsidiaries does not exceed 10% of the Company's share capital, insofar as the price or value of the consideration delivered is not less than the par value of the shares or more than their quoted price on the stock exchange.

The prevailing authorization (conferred at the Annual General Meeting of March 28, 2014) was granted for five years from the date of the General Meeting and had the effect of rendering null and void the unused portion of the authorization granted at the Annual General Meeting of April 30, 2010.

14.5) Adjustments for changes in value

The 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 financial assets classified within the category of financial assets available for sale.

Hedging 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 section 24 of Appendix IV and Note 18).

Translation differences

Corresponds to exchange differences recognized in equity as a result of the consolidation process described in section 2 of Appendix IV, and the measurement at fair value of the financial instruments assigned as net investment hedges in foreign transactions (see Note 18) in accordance to the method described under section 24 of Appendix IV.

14.6) Shareholder remuneration

The following table details the dividends paid by Repsol, S.A. to its shareholders in 2014 and 2013:

	2014			2013		
	% of nominal	Euros per share	Amount	% of nominal	Euros per share	Amount
Ordinary shares	100%	1	1,325	4.00%	0.04	51
Remaining shares (without vote, redeemable, etc)	-	-	-	-	-	-
Total dividends paid						
a) Dividends charged to profits	100%	1	1,325	4.00%	0.04	51
b) Dividends charged to reserves or share premium issues	-	-	-	-	-	-
c) Dividends in kind	-	-	-	-	-	-

The dividend received by shareholders in 2014, corresponds to the extraordinary interim dividend from 2014 profits, €1 gross per each outstanding share of the Company with remuneration rights, and was paid on June 6, 2014.

The dividend received by shareholders in 2013 includes the payment of a final cash dividend for 2013 of 51 millions euros (0.04 euros per share), paid on June 20, 2013 to each of the outstanding shares of the Company with remuneration rights.

Additionally, during 2014 and 2013 the Company's shareholders were also remunerated by means of the program denominated "Repsol Flexible Dividend" whose main characteristics are described in section 1. "Share capital" from this Note and whose figures are compiled in the following chart:

	No. Of free-of-charge allocation rights sold to Repsol	Committed purchase price (€/right)	Cash disbursement (millions of euros)	New shares issued	Remuneration in shares (millions of euros)
June/July 2013	521,556,172	0.445	232	20,023,479	339
December 2013/January 2014	486,839,688	0.477	232	22,044,113	389
June/July 2014	320,017,594	0.485	155	25,756,369	487
December 2014/January 2015	519,930,192	0.472	245	24,421,828	392

At the date of preparation of the accompanying financial statements, the Company's Board of Directors plans to submit a motion for the continuation of the “*Repsol Flexible Dividend*” program at the upcoming Annual General Meeting, specifically submitting a motion to issue new shares with a charge against voluntary reserves from retained earnings at the time of the year at which the Company traditionally pays its final dividend.

14.7) Earnings per share

Earning per share at December 31, 2014 and 2013 is detailed below:

	2014	2013
Net income attributable to the parent (millions of euros)	1,612	195
Net income attributable to the parent from discontinuing operations (millions of euros)	597	(684)
Weighted average number of shares outstanding (millions of shares)	1,374	1,363
EARNING PER SHARE (EPS) ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT (EUROS)	2014	2013
Basic (euros)		
EPS basic attributed to parent	1.17	0.14
EPS basic attributed to parent from discontinuing operations	0.43	-
Diluted (euros)		
EPS basic attributed to the parent	1.17	0.14
EPS basic attributed to the parent from discontinuing operations	0.43	-

The share capital outstanding at December 31, 2013 was 1,302,471,907; however, the weighted average number of shares outstanding at year end 2013 has been modified with respect to the number used to calculate earnings per share in the 2013 financial statements in order to reflect the impact of these bonus share issues carried out under the scope of the scrip dividend scheme known as “*Repsol Flexible Dividend*”, in keeping with applicable accounting regulations (see Note 2 “*Bases of presentation*”).

14.8) Minority interests

The equity attributable to minority interests at year end 2014 and 2013 relates basically to the following companies:

	Millions of euros	
	2014	2013 ⁽¹⁾
Refinería La Pampilla, S.A.	92	110
Petronor, S.A.	82	91
Repsol Comercial de Productos Petrolíferos, S.A.	30	30
Other companies	13	12
Total	217	243

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “*Basis of presentation*”).

(15) CURRENT AND NON CURRENT PROVISIONS

The breakdown of provisions at year-end and the changes in this heading in 2014 and 2013 are as follows:

	Millions of euros			
	Current and non-current provisions for contingencies and expenses			Total
	Field dismantling costs	Onerous contracts	Other provisions ⁽⁶⁾	
Balance at January 1, 2013	396	210	970	1,576
Allowances of provisions charged to results ⁽²⁾	15	55	1,029	1,099
Reversals of provisions with a credited to results ⁽³⁾	(3)	(27)	(58)	(88)
Provisions released due to payment	-	(50)	(80)	(130)
Translation differences	(9)	(8)	(7)	(24)
Reclassifications and others ⁽⁵⁾	(62)	691	(113)	516
Balance at December 31, 2013 ⁽¹⁾	337	871	1,741	2,949
Allowances of provisions charged to results ⁽²⁾	21	339	176	536
Reversals of provisions with a credited to results ⁽³⁾	(1)	-	(480)	(481)
Provisions released due to payment	(8)	(81)	(60)	(149)
Changes in the scope of the consolidation ⁽⁴⁾	-	-	6	6
Translation differences	30	128	21	179
Reclassifications and others ⁽⁵⁾	75	(98)	(391)	(414)
Balance at December 31, 2014	454	1,159	1,013	2,626

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

⁽²⁾ Includes €105 million corresponding to the effect of discounting provisions to present value in 2014 (€88 million in 2013). Additionally in 2014 this heading also includes provisions for onerous contracts in Canada, Ecuador and Spain for a total €282 million (see Note 8).

⁽³⁾ Includes the cancellation of a range of provisions recognized by Group companies in several countries as a result of changes in the circumstances giving rise to their original recognition.

⁽⁴⁾ See Note 4 “Changes in the Group’s composition”.

⁽⁵⁾ In 2013 this heading includes the provision recognized against net income from discontinued operations in connection with the onerous ‘Process-or-pay’ contract associated with the Canaport facility in North America (see Notes 4 and 8) in the amount of €691 million. In 2014 this heading mainly includes impacts associated with the YPF divestment.

⁽⁶⁾ “Other provisions” include provisions recognized to cover obligations deriving mainly from tax claims, legal and arbitration proceedings, employee incentive awards, insurance policies and provisions corresponding to the Group’s interests in other entities. Note 21 “Tax situation” and Note 29 “Contingencies, commitments and guarantees” provides additional information on these matters. In addition, this heading includes environmental provisions (see Note 30.2 “Environmental provisions”), the provisions recognized in respect of carbon emission allowances used (see Note 30.5 “CO₂ emissions”), as well as provisions for pension obligations in the amount of €24 million at December 31, 2014.

The next table provides an estimate of when the Group is likely to have the settlement timetable of provisioned contingencies and expenses recognized at year-end 2014. Nevertheless, due to the nature of the risks provisioned, these timing assessments are subject to uncertainty and changes that are beyond the Group’s control. As a result, this schedule could change in the future according to the circumstances underpinning the estimates.

	Millions of euros			Total
	Less than one year	From 1 to 5 years	More than 5 years and/or undetermined	
Provisions for field dismantling costs	-	12	442	454
Provisions for onerous contracts	119	551	489	1,159
Other provisions	121	341	551	1,013
TOTAL	240	904	1,482	2,626

(16) FINANCIAL LIABILITIES

This note discloses the categories of financial liabilities included in the balance sheet line-items outlined below:

	Millions of euros	
	2014	2013 ⁽¹⁾
Non- current financial liabilities	7,612	8,469
Current financial liabilities	4,086	5,833
Current derivatives on trading transactions ⁽²⁾	144	85
TOTAL	11,842	14,387

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

⁽²⁾ Recognized in heading “Other Payables” of the balance sheet.

Following is a breakdown of the financial liabilities acquired, most of which are secured with a personal guarantee, at December 31, 2014 and 2013:

	December 31, 2014				
	Financial liabilities held for trading	Financial liabilities at amortized cost	Hedging derivatives	Total	Fair value
Bank borrowings	-	1,359	-	1,359	1,359
Bonds and other securities	-	6,165	-	6,165	6,734
Derivatives	-	-	88	88	88
Long-term debts/ non-current financial liabilities	-	7,524	88	7,612	8,181
Bank borrowings	-	645	-	645	645
Bonds and other securities	-	671	-	671	671
Derivatives	190	-	88	278	278
Other financial liabilities	-	2,636	-	2,636	2,636
Short-term debts/current financial liabilities	190	3,952	88	4,230	4,230
TOTAL ⁽³⁾	190	11,476	176	11,842	12,411

	December 31, 2013 ⁽¹⁾				
	Financial liabilities held for trading	Financial liabilities at amortized cost	Hedging derivatives	Total	Fair value
Bank borrowings	-	1,282	-	1,282	1,282
Bonds and other securities ⁽²⁾	-	7,131	-	7,131	7,455
Derivatives	-	-	56	56	56
Long-term debts/ non-current financial liabilities	-	8,413	56	8,469	8,793
Bank borrowings	-	587	-	587	587
Bonds and other securities ⁽²⁾	-	2,826	-	2,826	2,866
Derivatives	136	-	2	138	138
Other financial liabilities	-	2,367	-	2,367	2,367
Short-term debts/current financial liabilities	136	5,780	2	5,918	5,958
TOTAL ⁽³⁾	136	14,193	58	14,387	14,751

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

⁽²⁾ In 2013 this heading includes €104 million corresponding to preference shares that were redeemed on December 16, 2014. See “Key issues, buybacks and repayments” in section 2 of this Note.

⁽³⁾ At year-end 2014 this heading includes €1,414 million corresponding to “Other non-current liabilities” (year-end 2013: €1,263 million) and €176 million corresponding to “Other payables” (year-end 2013: 154 million) related to finance leases carried at amortized cost that are not included in the table above.

The classification of the financial liabilities recognized in the financial statements at fair value, by fair value calculation method, is as follows:

	Level 1		Level 2		Level 3		Total	
	2014	2013 ⁽¹⁾	2014	2013 ⁽¹⁾	2014	2013 ⁽¹⁾	2014	2013 ⁽¹⁾
Financial liabilities held for trading	28	34	162	102	-	-	190	136
Hedging derivatives	-	-	176	58	-	-	176	58
TOTAL	28	34	338	160	-	-	366	194

Level 1: Valuations based on a quoted price in an active market for an identical instrument.

Level 2: Valuations based on a quoted price in an active market for similar financial assets or based on other valuation techniques that rely on observable market inputs.

Level 3: Valuations based on inputs that are not directly observable in the market.

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

The valuation techniques used for the instruments classified under level 2, which mainly correspond to derivative financial instruments, are based on the income approach, in accordance with accounting regulations, which entail the discounting to present value of future cash flows associated with said instruments, estimated using forward curves offered in the market, including adjustments for credit risk based on the duration of the instruments. In the case of options, price-setting models based on the Black & Scholes formula are used.

The main inputs used to value financial liabilities vary by instrument but are mainly exchange rates (spot and forward), interest rate curves, counterparty risk curves, equity prices and volatility metrics for all of the listed inputs. In all instances the market data is obtained from reputed information providers or correspond to the prices published by official bodies.

In relation to liquidity risk, the distribution of funding by maturity at December 31, 2014 and 2013 is provided in Note 17.

The breakdown of average balances outstanding and cost by instrument is as follows:

	2014		2013 ⁽¹⁾	
	Average volume	Average Cost	Average volume	Average Cost
Bank borrowings	4,457	1.75%	4,806	1.87%
Preference shares ⁽²⁾	79	3.69%	1,529	4.34%
Obligations	7,947	3.92%	8,113	4.42%
TOTAL	12,483	3.14%	14,448	3.56%

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

⁽²⁾ Series B and Series C preference shares of Repsol International Capital Ltd were early redeemed ahead in December 2014 (see section 16.2).

16.1) Bank borrowings

Between May and June 2014, the Group received financing from three banks for a total amount of €200 million; this bank financing maturing in May and June 2017 (€150 million) and May 2018 (€50 million). This loans carry interest is 3-month Euribor plus a spread of 2.1% for one half of their face value and a spread of 2.25% for the other half.

In May 2013, the Group entered into a €200 million financing agreement with the European Investment

Bank (EIB) for Repsol's 2013-2016 research and development program (R&D). The duration of said loan is fixed at ten years, the first three of which constitute a grace period. The loan bears an interest at 3-month Euribor plus a 1.402% spread.

16.2) Bonds and other securities

The chart below discloses issues, repurchases and redemptions of debt securities (recognized under current and non-current “*Bonds and other securities*”) in 2014 and 2013:

	Balance at 12/31/2013 ⁽¹⁾	(+) Issuances	(-) Repurchases or reimbursement ⁽³⁾	(+/-) Exchange rate and other adjustments	Balance at 12/31/2014
Bonds and other debt securities issued in the European Union with prospectus	9,957	2,558	(5,706)	27	6,836
Bonds and other debt securities issued outside the European Union	-	-	-	-	-
TOTAL	9,957	2,558	(5,706)	27	6,836

	Balance at 12/31/2012 ⁽¹⁾	(+) Issuances ⁽²⁾	(-) Repurchases or reimbursement	(+/-) Exchange rate and other adjustments	Balance at 12/31/2013 ⁽¹⁾
Bonds and other debt securities issued in the European Union with prospectus	9,875	5,377	(5,236)	(59)	9,957
Bonds and other debt securities issued outside the European Union	20	-	(19)	(1)	-
TOTAL	9,895	5,377	(5,255)	(60)	9,957

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “*Basis of presentation*”).

⁽²⁾ In 2013, 97.02% of the Series B preference shares and 97.31% of the Series C preference shares issued by Repsol International Capital Ltd. in 2001 were repurchased before its maturity. The preference shares bought back were derecognized on July 1, 2013 (under the column “*Repurchases or reimbursement*”) and the Series I/2013 bonds issued by Repsol, S.A. were simultaneously recognized (under the column “*Issuances*” in the table above) (see “Key issues, repurchases and repayments carried out in 2013” of this Note).

⁽³⁾ In 2014 the Series I/2013 bonds issued by Repsol S.A. were early redeemed. In addition, all of the Series B and Series C preference shares held by investors that did not sign up for the repurchase offer in 2013 were cancelled in December 2014.

⁽⁴⁾ The carrying amount of the preference shares issued by the Group through Repsol International Capital Ltd. whose holders accepted the Offers for Repurchase and Subscription was adjusted (under the column “*Exchange rate and other adjustments*” in the table above) in accordance with the terms of the Offers. The preference shares repurchased were derecognized on July 1, 2013 (under the “*Repurchases or reimbursement*” column) and the Series I/2013 bonds issued by Repsol, S.A. were simultaneously recognized (under the “*Issuances*” column in the table above).

Key issues, repurchases and redemptions carried out in 2014

Through Repsol International Finance B.V., the Group has a medium term note Programme (the *Euro 10,000,000,000 Guaranteed Euro Medium Term Note (EMTN) Programme*). It is registered with the *Luxembourg Commission de Surveillance du Secteur Financier* and was renewed on May 30, 2014, with a limit up to €10,000 million.

The following issues were made under the scope of this program in 2014:

DATE	SECURITY	ISSUER	CURRENCY	FACE VALUE (millions)	COUPON	ISSUE PRICE	MATURITY
December	Bonds	Repsol International Finance B.V.	Euros	500	2.250%	99.709%	12 years

In addition, through its subsidiary Repsol International Finance, B.V. ("RIF"), the Group holds a Euro Commercial Paper (ECP) Programme (arranged on March 26, 2010), with a limit up to €1,500 million, which is guaranteed by Repsol S.A. The ECP Program was increased to €2,000 million on October 25, 2010.

The following issues were made under the scope of this program in 2014:

PROGRAM	ISSUER	CURRENCY	FACE VALUE (millions)	AVERAGE RATE %	EQUIVALENT AMOUNT IN EUROS
ECP	Repsol International Finance B.V.	Euros	1,239	0.331%	1,239
ECP	Repsol International Finance B.V.	Dollars	1,037	0.376%	790
ECP	Repsol International Finance B.V.	Pounds sterling	5	0.668%	6
ECP	Repsol International Finance B.V.	Swiss francs	28	0.068%	23

The outstanding balances of the issues made under this program at December 31, 2014, were €289 million, \$256 million and CHF5 million.

Two bonds issued by Repsol International Finance, B.V. on March 27, 2009 and October 8, 2004, in the amount of €1,000 each, matured in March and October 2014. Repayment of these bond issues, which carried coupons of 6.50% and 4.625%, implied a decline in current financial liabilities and a cash outflow of €2,000 million.

On June 17, 2014, Repsol, S.A. announced the early redemption of all of the Series I/2013 Simple Bonds issued in 2013 for delivery to the investors accepting its offer to repurchase the Series B and Series C preference shares issued by Repsol International Capital Limited. Cancellation of this liability resulted in the recognition of a €71 million pre-tax loss in 2014 corresponding to the difference between the bonds' previous carrying amount and their new value as calculated to reflect their early cancellation. Following the related payment of cash to the Series I/2013 bondholders, these bonds were derecognized on July 1, 2014 in the amount of €1,458 million, corresponding to principal (€500 per bond) and €13 million in respect of the ordinary gross coupon (€4.375 per bond).

In December 2014 Repsol International Capital Ltd early redeemed all of the Series B and Series C preference shares that had not been repurchased pursuant to the 2013 repurchase offer for €84 million (see paragraph below).

Key issues, repurchases and repayments carried out in 2013

The Group completed the following issues in 2013:

DATE	SECURITY	ISSUER	CURRENCY	FACE VALUE (millions)	COUPON	ISSUE PRICE	MATURITY
May	Bonds	Repsol International Finance B.V.	Euros	1,200	2.625%	99.414%	7 years
July	Notes	Repsol, S.A.	Euros	1,458	3.50%	N/A	10 years
October	Bonds	Repsol International Finance B.V.	Euros	1,000	3.625%	99.734%	8 years

In addition, the Group, through Repsol International Finance B.V.'s Euro Commercial Paper (ECP) Program, carried out the following issues in 2013:

PROGRAM	ISSUER	CURRENCY	FACE VALUE (millions)	AVERAGE RATE %	EQUIVALENT AMOUNT IN EUROS
ECP	Repsol International Finance B.V.	Euros	1,382	0.467%	1,382
ECP	Repsol International Finance B.V.	Dollars	430	0.514%	321
ECP	Repsol International Finance B.V.	Swiss francs	20	0.140%	16

The outstanding balances of issues made under this program at December 31, 2013, were €479 million, \$143 million and CHF5 million.

On May 31, 2013, the respective boards of Directors of Repsol International Capital Ltd. and Repsol, S.A. agreed to launch the following offer consisting on: (i) a voluntary Repurchase Offer in cash of the Series B and C preference shares issued by Repsol International Capital Ltd., in May and December 2001, respectively, and simultaneously, and linked to the Repurchase Offer (ii) a public Subscription Offer of Repsol, S.A. Series I/2013 Bonds addressed to the holders accepting the Repurchase Offer.

The acceptance of the Repurchase Offer of the preference shares, for both series reached 97.21% of their nominal amount (Series B 97.02% and Series C 97.31%) and remaining outstanding the remainder preference shares. The total amount paid by Repsol International Capital Ltd. to the holders accepting the Repurchase Offer was €2,843 million in cash; €1,458 million were applied to subscribe for Repsol bonds, which were admitted to trading on the AIAF fixed-income market, for trading on the Electronic System for Debt Trading (SEND for its acronym in Spanish) on July 2, 2013.

On July 1, 2013, with the cash disbursement of the repurchase price made by the acceptants, the repurchased preference shares were derecognized from the balance sheet. Simultaneously, the bonds subscribed by the acceptants of the repurchase offer were recognized under “*Non current bonds and other securities.*” This transaction resulted in the recognition of a pre-tax gain of €76 million in the income statement (including the impact of the related hedging transactions).

Guaranteed debt security issues

The table below discloses the amounts secured by Group companies at year-end 2013 in respect of issues, repurchases and redemptions undertaken by associates, joint ventures and non-Group companies. There is no such secured amounts in 2014..

Millions of euros	Balance at 12/31/2012	(+) Granted	(-) Cancelled ⁽¹⁾	(+/-) Exchange rate and other adjustments	Balance at 12/31/2013
Issues of securities representing debt guaranteed by the group (guaranteed amount)	29	-	(29)	-	-

⁽¹⁾ Corresponds to the amounts issued by Peru LNG Company, Llc, a company sold to Shell on December 31, 2013 (see Note 4).

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

Bond issues, representing ordinary debt, of Repsol International Finance, B.V. and guaranteed by the issuer, face value of €6,186 millions, contain clauses whereby Repsol undertakes the repayment of all amounts due at early termination (among others cross-default provisions) and to not create any security interest upon the assets of the issuer of the guarantor in order to secure any obligations in respect of present or future indebtedness represented by bond. In the event of default, the trustee, at its sole discretion or at the request of the holders of at least one-fifth of the outstanding Notes, or by means of an extraordinary resolution, may declare all the outstanding Notes due and payable. In addition, the holders of the bonds issued in 2011, 2012, 2013 and 2014 may choose to have their bonds redeemed upon a change of control at Repsol and provided such change in control results in, if and only if Repsol's credit ratings fall below investment grade status as a result of the change of control.

At the date of preparation the accompanying financial statements for issue, the Repsol Group was not in breach of any of its financial obligations or of any other obligation that could trigger the early repayment of any of its financial commitments.

16.3) Other financial liabilities

Includes the loans granted by Group companies that are not eliminated through consolidation process; they consist primarily of transactions between entities consolidated using the equity method in the amount of €2,636 million at year-end 2014 (€2,367 million at year-end 2013). The loan granted by Repsol Sinopec Brasil S.A., via its subsidiary Repsol Sinopec Brasil B.V. (see Note 9), to its shareholders (including the Repsol Group) in proportion to their respective shareholdings; the balance for the Group at year-end amounted to €2,535 million (€2,257 million at year-end 2013). This loan is renewed annually and can be called according to agreed-upon authorization levels.

(17) FINANCIAL RISK AND CAPITAL MANAGEMENT

17.1) Financial risk management

The Group's businesses expose it to a series of financial risks: market risk, liquidity risk and credit risk. Repsol has a risk management structure and systems that enable it to identify, measure and control the risks to which the Group is exposed.

17.1.1) 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, interest rate risk and commodity risk.

The Company monitors exposure to market risk through ongoing sensitivity analysis. These strategies are complemented with other risk management measures when required by the nature of the risk exposure.

For each of the market risk factors detailed below, there is a table depicting the sensitivity of Group profit and equity (within the headings comprising "*Adjustments for changes in value*") to the main risks to which its financial instruments are exposed, in accordance with the requirements stipulated in IFRS 7 *Financial instruments: disclosures*.

This sensitivity analysis varies the inputs for the significant risk factors based on historical performance. The estimates made depict the impact of favorable and adverse changes. The impact on profit and/or equity is estimated as a function of the financial instruments held by the Group at each year end.

a) Exchange rate risk

The Group's profit and equity are exposed to fluctuations in the exchange rates of the currencies in which it transacts. The Group's most significant foreign currency exposure is to the US dollar.

Repsol obtains part of its financing in dollars, either directly or through the use of foreign exchange derivatives (see Note 18).

The sensitivity of net income and equity to exchange rate risk, as a result of the appreciation or depreciation of exchange rate, on the financial instruments held by the Group at year end, is illustrated below:

Effect of fluctuations in the euro against the dollar:

	Currency appreciation (+) / depreciation (-)	Millions of euros	
		2014	2013 ⁽¹⁾
Impact on profit after tax	5%	4.8	(46.2)
	-5%	(5.3)	51.1
Impact on equity	5%	71.8	(195.5)
	-5%	(79.4)	216.1

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

In addition, a 5% appreciation of the euro against the Brazilian real, considering instruments held at December 31 2014, have resulted in an approximate variation in profit after tax, for a decrease of €2million in 2014, whereas in 2013 there was no such effect. Meanwhile, a 5% appreciation of the euro against the Brazilian real would have resulted in a decrease in equity of €0.2 million in both 2014 and 2013.

Elsewhere, euro appreciation of 5% against the Russian ruble in 2014 would have decreased equity by €0.9 million and profit after tax by €1.3 million. In 2013 this same appreciation would have eroded equity by €0.2 million and profit after tax by €0.9 million.

b) Interest rate risk

Fluctuations in interest rates can affect interest income and expense through financial assets and liabilities with variable interest rates; which can also impact the fair value of financial assets and liabilities with a fixed interest rate.

Repsol occasionally enters into interest rate derivative transactions to mitigate the risk of changes in its finance costs or in the market value of its debt. Generally, these derivatives are designated as hedging instruments for accounting purposes (see Note 18).

At year end 2014 and 2013, the net debt balance at fixed rates was €5,596 million and €9,655 million respectively. This is equivalent to 139% and 128% respectively of total net debt including interest rate derivatives.

The sensitivity of net income and equity, as a result of the effect of fluctuations in interest rates on the financial instruments held by the Group at year end, is illustrated in the following table:

	Increase (+) / Decrease (-) in interest rates (basis points)	Millions of euros	
		2014	2013 ⁽¹⁾
Impact on profit after taxes	+50	4.4	8.1
	-50	(4.4)	(8.1)
Impact on equity	+50	61.3	13.6
	-50	(65.1)	(14.5)

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

c) Commodity price risk

As a result of its trade operations and activities, the Group’s results are exposed to volatility in the prices of oil, natural gas and their derivative products.

Repsol enters into derivative transactions to mitigate its exposure to price risk. These derivatives provide an economic hedge of the Group's results, although they are not always designated as hedging instruments for accounting purposes (see Note 18).

The impact of a 10% increase or decrease in crude and oil product prices would have implied the following changes in the net income, as a result of its effects on the financial instruments held by the Group at year end 2014 and 2013, is illustrated in the following table:

	Crude & oil products prices increase (+) / decrease (-)	Millions of euros	
		2014	2013 ⁽¹⁾
Impact on profit after taxes	+10%	(26.5)	(7.2)
	-10%	26.5	7.2

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 "Basis of presentation").

17.1.2) 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.

In accordance with its conservative financial policy, Repsol holds sufficient cash, other liquid cash equivalents and undrawn credit lines to cover 70% of total gross debt (83% if we include €1,504 million of immediately-drawable deposits classified as financial investments, in accordance with their maturity). The Group had €3,312 and €3,123 million in undrawn credit lines at year end 2014 and 2013, respectively.

The tables below present an analysis on the maturities of the financial liabilities existing at December 31, 2014 and 2013:

December 31, 2014	Maturity (millions of euros)						Total
	2015	2016	2017	2018	2019	Subsequent	
Trade payables	2,350	-	-	-	-	-	2,350
Other payables	3,402	-	-	-	-	-	3,402
Loan and other financial debts ⁽²⁾	4,050	1,293	1,442	1,086	1,252	3,472	12,595
Derivatives ⁽³⁾	148	12	9	9	7	37	222

December 31, 2013 ⁽¹⁾	Maturity (millions of euros)						Total
	2015	2016	2017	2018	2019	Subsequent	
Trade payables	2,588	-	-	-	-	-	2,588
Other payables	3,114	-	-	-	-	-	3,114
Loans and other financial debts ⁽²⁾	5,951	594	1,312	1,249	1,067	5,773	15,946
Preference shares	3	3	3	3	3	85	100
Derivatives ⁽³⁾	66	13	10	7	4	9	109

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

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 "Basis of presentation").

⁽²⁾ Corresponds to the future maturities of the amounts registered under the headings "Non-current financial liabilities" and "Current financial liabilities", including interests or future dividends related to those financial liabilities.

⁽³⁾ The contractual maturities of the derivatives included under this heading are outlined in Note 18.

17.1.3) 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, in line with best practices.

The exposure of the Group to credit risk is attributable, among others, to commercial debts from trading transactions, whose amounts are shown on the consolidated balance sheet net of allowances for impairment provisions (see Note 13) for an amount of €4,459 and €4,343 million, respectively at December 31, 2014 and 2013.

The allowances for doubtful accounts are measured by the following criteria:

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

Note 13 “*Trade and other receivables*” includes the registered impairment losses on December 31, 2014 and 2013. These allowances represent the best estimates of the Group for the losses incurred in relation to its accounts receivable.

The Group’s exposure to credit risk in 2014 also derives from debts with a financial nature which are carried in the consolidated balance sheet net of the corresponding impairment provisions. The breakdown of impaired financial assets and the impact on the consolidated income statement are provided in Note 11 “*Financial assets.*”

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 December 31, 2014 and 2013:

Maximum exposure	Note	Millions of euros	
		2014	2013 ⁽¹⁾
- Commercial Debts	13	4,581	4,483
- Derivatives	11	643	40
- Cash and cash equivalents	11	4,638	5,716
- Other non-current financial assets ⁽²⁾	11	2,233	2,077
- Other current financial assets	11	2,373	338

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “*Basis of presentation*”).

⁽²⁾ At December 31, 2014 and 2013 the heading “*Non-current loans and receivables*” included loans granted to the Petersen Group to acquire its stake in YPF SA, which are fully impaired.

The credit risk affecting liquid funds, derivatives and other financial instruments is generally more limited than the accounts trade receivables because the counterparties are banks or insurance entities that meet the standards of solvency in accordance with the internal valuation models and market conventions regulating these kinds of financial transactions. Likewise, the vast majority of the accounts receivable neither due nor provisioned have a credit quality assigned according to the valuations of the Group, based on the solvency analysis and the payment habits of each customer.

The Group’s credit risk on trade receivables is not significantly concentrated as it is spread out among a large number of customers and other counterparties. The maximum net exposure to a third party,

including official bodies and public sector entities, does not exceed 2%, and no single private client accumulates risk exposure of more than 1%.

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 partially to third parties the credit risk related to the business activity of some of their businesses.

Effective third party guarantees extended to the Group for its commercial activity amounted to €3,616 million at December 31, 2014 and €3,361 million at December 31, 2013. Of this amount, trade payables at December 31, 2014 and 2013 covered by guarantees amounted to €815 million and €835 million, respectively.

During 2014, the Group executed guarantees received for an amount of €18 million. During 2013 this figure was €19 million.

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

Due Date	Millions of euros	
	2014	2013 ⁽¹⁾
Not due debt	4,173	4,028
Due debt 0-30 days	176	241
Due debt 31-180 days	90	59
Due debt for more than 180 days	20	15
TOTAL	4,459	4,343

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

17.2) Capital management

Repsol, as an essential part of its strategy, has committed to a policy of financial prudence. The financial structure targeted is defined by this commitment of solvency and the aim to maximize shareholder returns, by optimizing the cost of capital.

Determination of the Group’s target capital structure takes into consideration the leverage ratio defined as the ratio between net financial debt and net capital employed:

$$\text{Leverage ratio} = \frac{\text{Net Financial Debt}^{(1)}}{\text{Net Capital Employed}^{(2)}}$$

(1) The ratios use the net financial debt concept instead of gross debt in order to consider the financial investments. In accordance with its conservative financial policy, Repsol holds sufficient cash, other liquid cash equivalents and undrawn credit lines to cover 70% of total gross debt (83% if we include €1,504 million of immediately-drawable deposits classified as financial investments, in accordance with their maturity). As a result, these ratios provide a better picture of Group solvency when using the net debt concept.

(2) Corresponds to the sum of net financial debt and equity.

The breakdown of the calculations of these ratios, based on the following consolidated balance sheet headings at year end 2014 and 2013, is as follows:

	Millions of euros	
	2014	2013 ⁽¹⁾
Non-current financial liabilities	7,612	8,469
Current financial liabilities	4,086	5,833
Non-current financial assets	(593)	(1,888)
Less financial assets available for sale (see Note 11)	60	1,223
Other current financial assets	(2,513)	(354)
Cash and cash equivalents	(4,638)	(5,716)
Financial derivative instruments excluding exchange rate (see Note 18)	(191)	(62)
Net Financial Debt⁽²⁾	3,823	7,505
Equity	28,154	27,450
Net Capital Employed⁽³⁾	31,977	34,955
Net Financial Debt / Net Capital Employed	12.0 %	21.5 %

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “*Basis of presentation*”).

⁽²⁾ This heading excludes €1,590 and €1,417 million of current and non-current finance leases (see Note 19). In 2013 it included €84 million in preference shares which have been repurchased in 2014 (see Note 16).

⁽³⁾ Net Capital employed includes that corresponding to discontinued operations.

The trend and analysis of this ratio is monitored systematically. Moreover, leverage projections are performed as a key and restrictive, input into Group investment decision-making and dividend policy.

(18) DERIVATIVE TRANSACTIONS

The table below reflects the impact on the balance sheet of derivative instruments at December 31, 2014 and 2013 as a result of changes in their fair value since their arrangement and their maturities:

<i>Millions of euros</i>					
Classification	Non-current	Current	Non-current	Current	Fair
December 31, 2014	Assets	Assets	Liabilities	Liabilities	Value
Cash Flow Hedges	-	25	(88)	(88)	(151)
Interest Rate	-	-	(88)	(88)	(176)
Commodities Price	-	25	-	-	25
Other derivative transactions	-	618	-	(190)	428
Exchange Rate	-	140	-	(46)	94
Commodities Price	-	478	-	(144)	334
Total ⁽²⁾	-	643	(88)	(278)	277

<i>Millions of euros</i>					
Classification	Non-current	Current	Non-Current	Current	Fair
December 31, 2013 ⁽¹⁾	Assets	Assets	Liabilities	Liabilities	Value
Cash Flow Hedges	-	-	(56)	(2)	(58)
Interest Rate	-	-	(56)	(2)	(58)
Other derivative transactions	-	40	-	(136)	(96)
Exchange rate and interest rate	-	-	-	(21)	(21)
Exchange rate	-	16	-	(30)	(14)
Commodities prices	-	24	-	(85)	(61)
Total ⁽²⁾	-	40	(56)	(138)	(154)

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

⁽²⁾ In 2014 and 2013, this heading includes derivatives with a negative measurement in respect of interest rates of €191 and €62 million, respectively.

The breakdown of the impact of the fair value restatement of derivatives on consolidated profit before tax and on consolidated equity is as follows:

<i>Millions of euros</i>	Operating Income		Financial Result		Adjustment for changes in value	
	2014	2013 ⁽¹⁾	2014	2013 ⁽¹⁾	2014	2013 ⁽¹⁾
Cash Flow Hedges ⁽²⁾	-	-	(20)	(102)	(124)	143
Hedge of net investment	-	-	-	-	-	13
Other transactions	476	(30)	531	(129)	-	-
Total ⁽²⁾	476	(30)	511	(231)	(124)	156

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

⁽²⁾ In 2013 and in relation to the preference shares issued in 2001 through the subsidiary *Repsol International Capital, Ltd.*, which were subject of a repurchase offer presented in 2013 (see Note 16), the Group had linked a series of financial swaps for which it paid an average interest rate of 2,26%, and received EURIBOR 3 months. As a consequence of the repurchase these were discontinued and transferred to the income statement, along with the accumulated losses, registered under the “Adjustments for changes in value” section, from two other interest rate financial swaps, discontinued in 2007 and associated to those shares, for a total of €74 million (see Note 24). In 2014 all the preference shares have been cancelled ahead of maturity. As a consequence

of such cancellation, on December 16th, 2014, the market valuation reserve for IRS associates to the preference shares was cancelled for a negative amount of €2 million.

There follows a detailed disclosure of the Group's most significant transactions related to derivative financial instruments at year end 2014 and 2013.

Accounting hedges

The most significant transactions correspond to:

- Interest rate financial swaps' cash flow hedging entered during the year 2014 to support future issues of financial instruments (see Note 33). Through this hedging, the Group pays an average interest rate of 1.693% and received EURIBOR 6 months. As of December 31, 2014, the notional of these operations amounted to €1,000 million, maturity in 2015 and a negative fair value of €86 million.
- Interest rate financial swaps' cash flow hedging (in dollars) related to the financing of the investment in GNL's project for Canaport, in Canada. Through these transactions the Group pays an average interest rate of 5.28% and received LIBOR 3 months. As of December 31, 2014, the notional of these operations amounted to €325 million, maturity later than 2019, and presented a negative fair value of €90 million. As of December 31, 2013, the notional amounted to €294 million, and presented a negative fair value of €58 million.
- The commodities prices' hedging arranged in 2014 corresponded to cash flow hedging in dollars. Its purpose was to cover the variability of gas prices during the winter of 2014-2015, and the maturity is less than a year. As of December 31, 2014, the notional of these operations amounted to €62 million (3,050,000 MBtu at an average price of \$25/MBtu), and presented a fair value of €25 million.

Other derivative transactions

Additionally, Repsol has arranged a series of derivatives to manage its exposure to foreign exchange rate and price risk that do not qualified as accounting hedges under IAS 39.

These derivatives include currency forward contracts which mature in less than a year, as part of the global strategy to manage the exposure to exchange-rate risk.

Additionally, for the coverage of the risk which derives from future physical transactions such as the selling and/or purchase of oil and other petroleum products, the Group has entered into futures and swap contracts.

A detail of these derivatives at year-end 2014 and 2013 is provided below:

<i>Millions of euros</i>		Maturity						Fair Value
Classification as of December 31, 2014	2015	2016	2017	2018	2019	Subseq.	Total	
Exchange rate	94	-	-	-	-	-	94	94
Commodities prices	334	-	-	-	-	-	334	334
Purchase contracts	(354)	-	-	-	-	-	(354)	(354)
Sale contracts	473	-	-	-	-	-	473	473
Options	(7)	-	-	-	-	-	(7)	(7)
Swaps	208	-	-	-	-	-	208	208
Others ⁽²⁾	14	-	-	-	-	-	14	14
TOTAL	428	-	-	-	-	-	428	428

<i>Millions of euros</i>		Maturity						Fair Value
Classification as of December 31, 2013 ⁽¹⁾	2014	2015	2016	2017	2018	Subseq.	Total	
Exchange and interest rate	(21)	-	-	-	-	-	(21)	(21)
Exchange rate	(14)	-	-	-	-	-	(14)	(14)
Commodities prices	(61)	-	-	-	-	-	(61)	(61)
Purchase contracts	31	-	-	-	-	-	31	31
Sale contracts	(46)	-	-	-	-	-	(46)	(46)
Options	(43)	-	-	-	-	-	(43)	(43)
Swaps	(14)	-	-	-	-	-	(14)	(14)
Others ⁽²⁾	11	-	-	-	-	-	11	11
TOTAL	(96)	-	-	-	-	-	(96)	(96)

(1) Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

(2) This corresponds to the market valuation of the contract of purchase-sale of commodities, valued under IAS 39, as it has been described in Appendix IV.

(19) OTHER NON-CURRENT LIABILITIES

"Other non-current liabilities" includes the following items:

	Millions of euros	
	2014	2013 ⁽¹⁾
Obligations under finance leases	1,414	1,263
Guarantees and deposits	142	140
Deferred income ⁽²⁾	14	15
Others	231	258
Total	1,801	1,676

(1) Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

(2) Includes the amounts associated to the CO2 emission rights granted gratuitously (see Note 7).

19.1) Obligations under finance leases

The breakdown of the amounts payable under finance leases at December 31, 2014 and 2013 is as follows:

	Millions of euros		Millions of euros	
	Lease payments		Present value of minimum lease payments	
	2014	2013	2014	2013
Within one year	185	162	176	154
Between 2 and 5 years, both included	727	643	560	392
After 6 years	2,458	2,327	854	871
	3,370	3,132	1,590	1,417
Less:				
Future financial expenses	(1,780)	(1,715)		
Total	1,590	1,417		
Recognized as:			2014	2013
Non-current obligations under finance leases			1,414	1,263
Current obligations under finance leases			176	154
Total			1,590	1,417

The effective average interest rate on obligations under finance leases at December 31, 2014 was 8.85% (8.92 % at December 31, 2013).

The main liabilities related to finance leases shown in this heading are as follows:

- On May 15, 2006 the Group signed an agreement with Emera Brunswick Pipeline Company, Ltd. for the transportation of natural gas through a pipeline that connects the Canaport plant with the US border. The agreement has an initial term of 25 years (renewable for up to an additional 30 years). It came into effect in July 2009. At December 31, 2014 and 2013, the amount recognized in this heading was \$477 million (€393 million) and \$498 million (€361 million), respectively.
- In addition, on April 21, 2006 the Group signed an agreement with Maritimes & North East Pipeline for the transportation of Canadian natural gas from the Canadian border to Dracut for an initial term of 25 years (renewable for up to an additional 30 years). The agreement became effective in March 2009. The corresponding liability recognized in this heading at year end 2014 and 2013 amounted to \$1,212 million (€999 million) and \$1,233 million (€894 million), respectively.

As a result of the agreement to sell part of the LNG assets and businesses (see Note 4), €1,226 million corresponding to the fleet of tankers used to transport LNG that was managed by the Repsol Group was reclassified to "*Liabilities related to non-current assets held for sale*"; this fleet was sold on January 1, 2014 once the agreed-upon closing conditions had all been met.

19.2) Guarantees and deposits

This heading includes, among others, deposits received by Repsol Butano, S.A. from the users of gas bottles in accordance with applicable legal regulations. These amounts are refundable when the corresponding contracts are cancelled.

(20) TRADE PAYABLES AND OTHER PAYABLES

In 2014 and 2013 Repsol had the following accounts payable classified under “*Trade payables and other payables*”:

	Millions of euros	
	2014	2013 ⁽¹⁾
Trade payables	2,350	2,588
Obligations under finance leases (Note 19)	176	154
Tax Payables	548	576
Derivative financial instruments (Note 18)	144	85
Others	2,534	2,299
Other payables	3,402	3,114
Income tax payables	165	135
Total	5,917	5,837

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “*Basis of presentation*”).

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

Information regarding deferrals of payments settled with suppliers.

As required under additional provision three of Law 15/2010, of July 5, the required disclosures on the deferrals of payments to trade suppliers are presented.

The information regarding deferrals of payments settled with suppliers in 2014 and 2013 in accordance with additional provision three, “Disclosure requirements,” of the aforementioned legislation is as follows:

	Millions of euros			
	2014		2013 ⁽¹⁾	
	Amount	%	Amount	%
Payments within the maximum legal term	12,836	99%	11,132	99%
Others	92	1%	114	1%
Total payments during the year	12,928		11,246	
Weighted average term by which payments were deferred over the legal period (days)	50		53	
Payments which at year-end were outstanding by more than maximum legal term	6		6	

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 for application of IFRS 11 (see Note 2 “*Basis of preparation*”).

According to the transitional provision of the Law 15/2010 the maximum legal payment deadline is 60 days in 2014.

(21) TAX SITUATION

Corporate income tax

Due to the broad geographic mix and the marked international nature of the business activities carried out by the companies comprising the Repsol Group, the latter is subject to several tax jurisdictions as far as its tax regulations and rates are concerned. For this reason, the Repsol Group's effective tax rate is shaped by the breakdown of earnings by each of its operating markets and, on occasion, the existence of double taxation on that profit.

a) In Spain

Most of the entities resident in Spain for tax purposes pay income tax under Spain's special consolidated tax regime. Under this regime, the companies comprising the tax group jointly determine the Group's taxable profit and tax liability, which is then allocated to these companies following the criteria established by the ICAC (acronym in Spanish for the Audit and Accounting Institute) in relation to the recognition and determination of individual corporate tax liabilities.

Repsol, S.A. is the parent of Consolidated Tax Group 6/80, which comprises all of the companies resident in Spain that are at least 75%-owned, directly or indirectly, by the parent and that meet certain prerequisites. In 2014 the Tax Group was made up of 52 companies, the most significant of which are: Repsol, S.A. itself, Repsol Petróleo, S.A., Repsol Trading, S.A., Repsol Química, S.A., Repsol Butano, S.A., Repsol Exploración, S.A. and Repsol Comercial de Productos Petrolíferos, S.A.

Elsewhere, Petróleos del Norte, S.A. (Petronor) is the parent of Consolidated Tax Group 02/01/B, which includes Asfalnor, S.A. and applies the special regional tax regulations of Vizcaya for corporate income tax purposes.

The rest of the companies resident in Spain for tax purposes that are not included in either of the above tax groups determine their income tax individually.

The Spanish companies are taxed at the generale rate of 30%, regardless of whether they pay tax as part of a tax group or individually. Exceptionally, Repsol Investigaciones Petrolíferas, S.A., which files its taxes on an individual basis under the Special Hydrocarbon Regime, is taxed at 35%, and the Petronor group, which applies the special regional regime of Vizcaya, is taxed at 28%.

Law 27/2014 was passed in Spain on November 28, 2014, establishing a statutory corporate tax rate of 28% in 2015 and 25% from 2016. The rate applicable under the Special Hydrocarbon Regime was also reduced to 33% in 2015 and 30% from 2016.

b) Other countries

The rest of the Group companies pay tax in each of the countries in which they do business, applying the prevailing income tax rate under applicable local tax regulations. Group companies in some countries are also subject to a levy on minimum presumptive income in addition to income tax.

In turn, the Group companies resident in Spain that conduct some of their business in other countries are also subject to prevailing income tax in those countries in respect of the profits generated outside Spain. This is the case, for example, of the permanent establishments of the Spanish companies that carry out oil and gas exploration and production activities in other countries (including Libya, Algeria, Peru and Ecuador).

Below is a list of the statutory income tax rates applicable in the Group's main tax jurisdictions:

Country	Tax rate
Algeria ⁽¹⁾	30% - 38%
Bolivia	25%
Canada ⁽²⁾	27%
Ecuador	22%
United States ⁽³⁾	35%
Libya	65%
Netherlands	25%
Peru	30%
Portugal	24,5% - 31,5%
Trinidad and Tobago	55%
Venezuela	34% (gas) y 50% (oil)

⁽¹⁾ Plus tax on exceptional profits (TPE) by its acronym in Spanish.

⁽²⁾ Federal and provincial rate.

⁽³⁾ Federal rate.

Accrued income tax expense

The table below shows how the income tax expense accrued for accounting purposes in 2014 and 2013 was calculated, in keeping with the criteria outlined in section 22 of Appendix IV:

	Millions of euros	
	2014	2013 ⁽¹⁾
Current income tax		
Current income tax charge	380	489
Other adjustments in respect of income tax	(293)	(217)
Current income tax	87	272
Deferred income tax		
Relating to movements during the year	407	(95)
Other adjustments in respect of deferred tax expense	(348)	254
Deferred income tax	59	159
Accrued income tax expense	146	431

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 for application of IFRS 11 (see Note 2 "Basis of preparation").

The following table provides a reconciliation of the Spanish statutory corporation tax rate to the effective tax rate of the Group on profit or loss before taxation:

	Millions of euros	
	2014	2013 ⁽¹⁾
Accounting profit before tax and before the Group's share of results of companies accounted for using the equity method	230	477
Spain's statutory income tax rate	30%	30%
Income tax expense at the statutory rate	69	143
Tax calculated at rates other than the statutory Spanish rate	110	251
Restatement of deferred taxes and tax provisions	34	30
Restatement of Balance Sheet in Spain	-	(96)
Tax credits	(27)	(34)
Tax losses for which no deferred tax asset was recognized	34	90
Other items	(74)	47
Income tax expense	146	431
Effective tax rate calculated in respect of profit before tax and before the Group's share of the earnings of equity-accounted investees	63%	90%

⁽¹⁾ Includes de necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 "Basis of preparation").

In 2014, the reconciliation headings include the tax impact of the YPF disinvestment and the tax reforms in Spain (specifically the reduction in the statutory corporate tax rate from 2015 on).

In 2013, the reconciliation headings include the tax impact of the restatement of the Spanish companies' balance sheet, as provided for in Spanish Law 16/2012. The ICAC, in a ruling issued on January 31, 2013, ruled that any restatements made must be recognized in the Group's Spanish companies' 2013 financial statements. The tax impact would also be recognized in 2013. Repsol accordingly revalued the amounts of items of property, plant and equipment recognized by the Group's Spanish companies that were not fully depreciated for accounting or tax purposes. In order to accredit the right to deduct the future depreciation charges on the higher asset values in the wake of the revaluation exercise, the Group settled the one-off 5% tax charge amounting to €21 million in conjunction with its 2012 income tax return.

This revaluation was eliminated in preparing the 2013 consolidated financial statements under IFRS, giving rise to the recognition of a deferred tax asset of €117 million. The deferred tax asset generated by the increase in the tax base of the affected assets and the one-off 5% tax have been accounted for with a balancing entry of €96 million under "Income tax."

Deferred taxes

The tax income related to the accounting profit of discontinued operations included in "Net income for the period from discontinued operations after taxes" (see Note 25) amounts to €243 million in 2014 (€338 million in 2013).

The breakdown of the deferred tax assets and deferred tax liabilities by underlying concept recognized in the accompanying balance sheet is shown below:

	Millions of euros		
	2014	2013 ⁽¹⁾	Change
Deferred tax assets			
Provisions for doubtful account	15	24	(9)
Provisions for employees	57	57	-
Provisions for contingencies	11	14	(3)
Other provisions	301	206	95
Depreciation schedule differences	292	270	22
Tax credits	2,602	2,949	(347)
Other deferred tax assets	689	559	130
Total	3,967	4,079	(112)
Deferred tax liabilities			
Tax incentives	(13)	(17)	4
Deferred gains	(10)	(45)	35
Depreciation schedule differences	(1,191)	(1,061)	(130)
Functional currency	-	-	-
Fair value gains arising on business combination, allocated to the value of the assets acquired	4	(24)	28
Other deferred tax liabilities	(474)	(719)	245
Total	(1,684)	(1,866)	182

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of preparation”).

At year-end 2014, in conjunction with the reduction in the statutory corporate tax rate in Spain, the deferred tax assets and liabilities were reviewed and restated to reflect the rates expected to apply in the year or years in which the assets are realized or the liabilities settled. This exercise has had the effect of reducing “Deferred tax assets” by €456 million and “Deferred tax liabilities” by €100 million.

The unused tax credits that the Group expects to be able to offset against future taxable income, within the legal deadlines stipulated in tax legislation in each of the tax jurisdictions in which they were generated, amount to €2,602 million.

In addition, the Group has deferred tax assets that have not been recognized at year-end 2014 of €200 million (€309 million in 2013). Generally speaking, these assets correspond to unused tax losses and unused tax credits that do not qualify for recognition under IFRS. The timeframes for offsetting these assets vary from one to 20 years, depending on the tax legislation in effect in each of the countries that generated them.

The Group did not recognize deferred tax liabilities of €103 million in 2014 (€122 million in 2013). This relates to taxable temporary differences associated with investments in subsidiaries, associates and permanent establishments that qualify for the exemption provided for under IFRS.

A total of €196 million was credited directly to equity in 2014 in respect of deferred taxes (a net charge of €188 million in 2013).

Administrative and legal proceedings with tax implications

Repsol does business globally, operating as a vertically-integrated oil and gas company, which translates into growing complexity with respect to tax management in the current international context.

In accordance with prevailing tax legislation, tax returns cannot be considered final until they have been inspected by the tax authorities or until the inspection period in each tax jurisdiction has prescribed.

The years for which the Group companies have their tax returns open to inspection in respect of the main applicable taxes are as follows:

Country	Years open to inspection
Algeria	2010 - 2014
Bolivia	2009 - 2014
Canada	2010 - 2014
Ecuador	2011 - 2014
Spain	2010 - 2014
United States	2010 - 2014
Libya	2007 - 2014
Netherlands	2009 - 2014
Peru	2010 - 2014
Portugal	2011 - 2014
Trinidad and Tobago	2010 - 2014
Venezuela	2010 - 2014

Whenever discrepancies arise between Repsol and the tax authorities with respect to the tax treatment applicable to certain operations, the Group acts with the authorities in a transparent and cooperative manner in order to resolve the resulting controversy, using the legal avenues at its disposition with a view to reaching non-litigious solutions.

However, in this fiscal year, as in prior years, there are administrative and legal proceedings with tax implications that might be adverse to the Group's interest and that have given rise to litigious situations that could result in contingent tax liabilities of undetermined amounts at present. Repsol believes that it has acted lawfully in handling the foregoing matters and that its defense arguments are underpinned by reasonable interpretations of prevailing legislation, to which end it has lodged appeals as necessary to defend the interests of the Group and its shareholders.

It is difficult to predict when these tax proceedings will be resolved due to the extensive appeals process. Based on the advice received from in-house and external tax experts, the company believes that the tax liabilities that may ultimately derive from these proceedings will not have a significant impact on the accompanying financial statements. In the Group's experience, the result of lawsuits claiming sizeable amounts have either tended to result in immaterial settlements or the courts have found in favour of the Group.

The Group's criterion is to recognize provisions for tax-related proceedings that it deems it is likely to lose and does not recognize provisions when the risk of losing the case is considered possible or remote. The amounts to be provisioned are calculated on the basis of the best estimate of the amount needed to settle the lawsuit in question, underpinned, among others, by a case-by-case analysis of the facts, the legal opinions of its in-house and external advisors and prior experience in these matters.

The main tax-related proceedings at December, 2014 are as follows:

Bolivia

Repsol E&P Bolivia, S.A. and YPFB Andina, S.A., in which the Repsol Group owns 48.33%, have been handed down rulings by Bolivia's Supreme Court denying the possibility of deducting royalties and hydrocarbon interests for corporate income tax calculation purposes. This issue dates to before the oil sector was nationalized. The Company believes that there is jurisprudence in constitutional law in support of its position, specifically and expressly endorsed by Law 4115, of September 26 2009. The Constitutional Court of Bolivia has returned the Repsol E&P case to the Supreme Court, which is

expected to rule in favour of the Group's interests. YPFB Andina, meanwhile, is awaiting the Constitutional Court's ruling.

Brazil

Petrobras, as operator of block BM-S-9, in which Repsol has a 25% ownership interest, has been notified by the Sao Paulo tax authorities of an assessment that it breached certain formal requirements (the issuance of supporting tax documentation) related to the onshore-offshore movement of materials and equipment to the offshore drilling platform (including the movement of the platform itself to the drilling site). The criterion adopted by Petrobras is in line with widespread industry practice. This case is being heard at an administrative state court of second instance.

Elsewhere, Petrobras, as operator of the Albacora Leste, BM-S-7 and BMS-9 consortia (and other consortia in which Repsol Sinopec Brasil has no interests), has received infraction notices with respect to withholding on income tax (*Imposto de Renda Retido na Fonte* or IRRF) and CIDE (*Contribuição de Intervenção no Domínio Econômico* withholdings) made in 2008 and 2009 and in respect of these same taxes as well as the Social Integration and Contribution to Social Security Financing Program (PIS/COFINS for its acronym in Portuguese) in 2010 in relation to payments to foreign companies for the chartering of exploration platforms and related services used at the above-listed blocks. The Company is evaluating its liability in the matter from both a tax and contractual perspective.

In addition, Repsol Sinopec Brasil received notices of infraction with respect to IRRF and CIDE withholdings made in 2009 in relation to payments to foreign companies for the chartering of exploration vessels and related services used at blocks BM S-48 and BM-C33, which Repsol Sinopec Brasil operates. The Company, in keeping with the reports provided by its internal and external tax consultants, believes that its approach is both legal and in line with widespread sector practice. This case is being heard at an administrative federal court of second instance.

Canada

The Canadian tax authorities have rejected the application of certain tax incentives related to the Canaport assets. Repsol Energy Canada Ltd. and Repsol Canada, Ltd. appealed the corresponding tax assessments (2005-2008), firstly via administrative and subsequently via judicial redress proceedings. Canada's Tax Court ruled in favor of Repsol on January 27, 2015. This sentence may still be appealed.

Ecuador

The Ecuador internal revenue service (SRI) has questioned the deduction from income tax of payments for the transportation of crude oil to Ecuador company Oleoducto de Crudos Pesados, S.A. (OCP) under a ship-or-pay arrangement by several consortia in which Repsol Ecuador, S.A. has ownership interests. The matter has been appealed before Ecuador's National Court of Justice.

The SRI has also queried the criteria used to set the benchmark price applicable to sales of its crude to the Bloque 16 consortium in which Repsol Ecuador, S.A. holds a 35% interest. This matter is pending sentencing by the Tax Court.

(OCP), a 29.66% investee of Repsol Ecuador, S.A., is disputing with the government of Ecuador the tax treatment of subordinated debt issued to finance its operations. The National Court handed down a favorable ruling for this company, which the authorities appealed before the Constitutional Court. The Constitutional Court has rendered the National Court ruling null and ordered a new ruling. The government also dismissed the National Court members who ruled in favor of the company. The National Court has issued three rulings that go against the first ruling (i.e., in favor of the interests of SRI) in respect of 2003 to 2006 fiscal years. OCP is taking the opportune steps before the

Constitutional Court and is analyzing the possibility of filing an arbitration claim against the government of Ecuador for various reasons.

Spain

The main litigations deriving from the inspections of income tax returns from 1998 to 2001 and from 2002 to 2005 concluded in 2013. The corresponding sentences and rulings had the effect of cancelling 90% of the tax liability initially assessed by the tax authorities and that had been appealed by the Company. With regard to the penalties linked to those inspections, the justice Courts have cancelled all the penalties that at this date, have already pronounced.

Elsewhere, the settlements and fines deriving from the inspections corresponding to the 2006-2009 corporate income tax, value added tax and hydrocarbon tax returns and other duties and withholdings are still open to final administrative decision. The matters under discussion, which are mainly related to corporate income tax (transfer pricing, foreign portfolio loss recognition, investment incentives), and imply a change in the tax authority's criteria with respect to earlier inspections. Repsol, in keeping with the reports provided by its internal and external tax advisors, believes that it has acted lawfully in these matters and, accordingly, does not expect them to result in liabilities that could have a significant impact on the Group's results. The Group will appeal the assessments handed down by the tax authorities as necessary in order to uphold and defend the Group's legitimate interests

Lastly, in relation to the sentence issued by the European Union Court of Justice on February 27, 2014, declaring the Tax on the Retail Sale of Certain Hydrocarbons (IVMDH for its acronym in Spanish), levied from 2002 to 2012, contrary to EU law, Repsol has initiated several proceedings against the Spanish tax authorities in order to uphold the interests of its customers and their right to seek the refund of the amounts incorrectly collected in this respect.

Trinidad and Tobago

BP Trinidad&Tobago LLC, in which Repsol has a 30% interest along with the BP Group, is regularly inspected by the Board of Inland Revenue. At present, inspections are ongoing in respect of multiple taxes, including the petroleum profit tax, the supplemental petroleum tax, VAT and withholdings, and tax years. These matters are for the most part at the pre-litigation stage.

In view of the uncertainty concerning the materialization of the existing tax contingencies associated with lawsuits and other tax matters, at year-end the Group had recognized provisions under "*Other provisions*" (see Note 15) that are deemed adequate to cover those tax contingencies. The amount recognized in the balance sheet in this respect at December 31, 2014 is €649 million. The tax-related proceedings in progress and other tax contingencies that have been provisioned correspond to a large number of cases.

(22) OPERATING REVENUES AND EXPENSES

Sales and services rendered and other income

The distribution by geographic area corresponding the caption “Sales” and “Services rendered and other income” headings on the accompanying consolidated income statement, depending on the markets to which they correspond, is as follows:

Geographic Area	Millions of euros	
	2014	2013 ⁽¹⁾
Spain	24,685	25,527
European Union	7,789	7,855
O.E.C.D. Countries	4,908	4,961
Other countries	8,460	8,511
Total	45,842	46,854

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

This heading “Sales” includes excise tax and similar taxes levied on the production and/or sale of oil and gas products amounting to €6,077 million in 2014 and €6,099 million in 2013.

Income and expenses from impairment losses and gains/(losses) on disposal of non-current assets

Income includes the following items:

	Millions of euros	
	2014	2013 ⁽¹⁾
Income from release of impairment provisions ⁽²⁾	206	5
Gains on disposal of non-current assets	84	14
Total	290	19

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

⁽²⁾ Includes the reversal of a €179 million impairment loss that had been recognized in respect of the Canaport regasification plant and gas pipelines.

The gains on non-current asset disposals in 2014 correspond mainly to gains generated by farm-out agreements in the *Upstream* segment, specifically in Australia (farming out a 55% interest in block WA-480-P), Peru (agreement at Batch 57 in which Repsol has retained a 53.84% interest) and Aruba (sale of 65% the production participation agreement in this country) totaling €60 million.

Mentioned expenses include the following items:

	Millions of euros	
	2014	2013 ⁽¹⁾
Impairment losses recognized (Notes 6, 7 and 8)	561	114
Losses on disposal of non-current assets	27	17
Total	588	131

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

Other operating income

On April 1, 2014, Repsol, S.A. and Naturgás Energía Grupo, S.A. agreed the early cancellation of the long-term maritime shipping agreement covering the transport of specific quantities of LNG acquired by Naturgas. In exchange, Naturgás will pay Repsol, S.A. \$95 million in two installments. As a result, the Group recognized a pre-tax gain of €69 million under “Other operating income”. As of December 31, 2014, the amount of €34 million related to the second payment which is expected to be received on April 2015, was outstanding.

In addition, in relation with the application in Spain of bottled LPG regulation, the National High Court recognized Repsol’s entitlement to damages for the losses derived from application of the price formula for the second, third and fourth quarters of 2011 and the first quarter of 2012. This has resulted, in a post-tax gain €93.5 million (see Note 29 “Contingencies, commitments, and guarantees”).

The amount recognized under “Other operating income” in respect of operating grants was €25 million in both 2014 and 2013.

Supplies

This heading includes the following items:

	Millions of euros	
	2014	2013 ⁽¹⁾
Purchases	37,271	38,626
Changes of inventory	983	(187)
Total	38,254	38,439

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

The heading “Purchases” includes excise tax and similar taxes levied on the production and/or sale of oil and gas products disclosed in “Sales” section of this note.

Personnel expenses

“Personnel expenses” heading includes the following items:

	Millions of euros	
	2014	2013 ⁽¹⁾
Salaries and others	1,293	1,245
Social security expenses	436	426
Total personnel expenses	1,729	1,671

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

Other operating expenses

“Other operating expenses” heading includes the following items:

	Millions of euros	
	2014	2013 ⁽¹⁾
Taxes other than income tax	302	378
External services	3,017	3,164
Transport and freight costs	1,118	783
Other expenses	410	285
Total	4,847	4,610

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

Exploration costs amounted to €811 and €433 million in 2014 and 2013, of which €398 and €168 million, respectively, are recognized in the heading “Amortization.”

The expense recognized in the income statement in connection with research and development activities amounted to €87 million in 2014 (€88 million in 2013).

(23) PERSONNEL OBLIGATIONS

a) Defined contribution pension plans

Repsol has defined contribution plans for certain employees in Spain, which conform to current legislation.

Additionally, outside Spain, certain Group subsidiaries have a defined contribution pension plans for their employees.

The annual cost charged to “Personnel expenses” in the consolidated income statement in relation to the defined contribution pension plans detailed above amounted to €44 million in 2014 and €43 million in 2013.

Executives of the Repsol Group in Spain are beneficiaries of an executive pension plan that complements the standard pension plan denominated “Plan de previsión de Directivos” (Management remuneration plan) which covers the participant retirement, disability and death. Repsol makes defined contributions based on a percentage of participants’ salaries. The plan guarantees a fixed return equivalent to 125% the prior year National Consumer Price Index. The plan is instrumented through collective insurances that cover pension obligations, subscribed with an insurance entity. Premiums paid under these policies finance and externalize the Group’s commitments in respect of ordinary contributions, as well as the fixed return mentioned above. The executive (or his/her beneficiaries) becomes entitled to receive the plan benefits in the event of retirement, death or total permanent disability, and under certain other circumstances defined in the plan rules. The cost of this plan recognized under “Personnel expenses” in the 2014 and 2013 consolidated income statement was €14 million, respectively.

b) Defined benefit pension plans

Repsol has arranged defined benefit pension plans for certain groups of employees. The amount charged to the Group’s income statement in this respect was €1 million in both reporting periods, while the related balance sheet provision in 2014 amounted to €24 million (€10 million in 2013) (see Note 15 “Current and non-current provisions”).

c) Medium and long-term incentive plan.

The company has implemented a loyalty building program 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 this program is to strengthen the identification of executives and managers with shareholders' interests, based on the company's medium and long-term earnings sustainability as well as the compliance with the Strategic Plan, while at the same time facilitating the retention by the Group of key personnel.

At year end, the 2011-2014, 2012-2015, 2013-2016 and 2014-2017 incentive programs were in force. The 2010-2013 plan was closed, as originally stipulated, on December 31, 2013 and its beneficiaries perceived their bonuses during 2014.

The four plans of this type in force (2011-2014, 2012-2015, 2013-2016 and 2014-2017 incentive plans) are independent of each other but their main characteristics are the same. All four are specific pluri-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 December 31 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 then multiplied by a second variable coefficient tied to the beneficiary's average individual performance under the Target Management scheme during the years used for benchmarking under each incentive program.

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

To reflect the commitments assumed under these incentive plans, the Group recognized a charge of €12 and €17 million in the 2014 and 2013 consolidated income statement, respectively. In 2014 and 2013 the Group had recognized provisions totaling €42 and €44 million to meet its obligations under all the aforementioned plans respectively.

d) Share-based payment plans

i.) "Loyalty Program"

This Plan, approved at the Annual General Meeting of April 15, 2011 and divided into five cycles (2011-2014, 2012-2015, 2013-2016, 2014-2017 and 2015-2018) is designed to align the long-term interests of the Company and its shareholders. It takes the form of a multi-cycle share purchase plan under which beneficiaries are entitled to invest up to a maximum amount in shares of Repsol, S.A., receiving at the end of a three-year period, assuming they still hold their shares, remain in the employment of the Group and the rest of the Plan terms and conditions are met, one additional share for every three initially acquired.

In order to simplify execution of the Loyalty Program, it has been determined that, only beneficiaries of the pluri-annual incentive schemes can be beneficiaries of the loyalty programs and the maximum amount they can invest upfront under the Loyalty Program has been set at 50% of the pre-tax bonus received by each beneficiary under the corresponding pluri-annual incentive scheme. Beneficiaries

must purchase their shares by May 31 of each calendar year at the latest.

At the date of preparation of the accompanying financial statements for issue, the second, third and fourth cycles of this Plan were in force (2012-2015, 2013-2016 and 2014-2017); key data for these cycles are provided below:

	No of participants	Total upfront investment (no.of shares)	Average price (€ /share)	Maximum share delivery commitment
Second cycle (2012-2015)	187	294,689	12.26	98,161
Third cycle (2013-2016) ⁽¹⁾	200	172,302	18.22	57,366
Fourth cycle (2014-2017)	218	150,271	20.72	50,026

⁽¹⁾ Thirteen beneficiaries, whose applications were submitted correctly and promptly, were admitted to the Program after the subscription period closed, as their applications had not been processed initially. Those beneficiaries acquired a total of 3,514 shares on the same terms and conditions as if their applications had been properly processed.

In the fourth cycle of the Plan (2014-2017), the current members of the Executive Committee acquired a total of 55,060 shares. Adding in the number of shares acquired under the second cycle (a total of 131,395), and under third cycle (a total of 77,155) Repsol has committed to deliver 43,795, 25,716 and 18,351 shares, respectively, at the end of the vesting period of each cycle in all instances subject to delivery of the vesting terms.

As a result of this Plan, at December 31, 2014 and 2013, the Group had recognized an expense of €0.85 and €1.21 million, respectively, under “*Personnel expenses*” with a counterbalancing entry under “*Other reserves*” in equity, respectively.

The first cycle of the plan vested on May 31, 2014. As a result, 322 beneficiaries (including members of the Executive Committee) became entitled to delivery of 69,162 shares (before withholdings). Net of the withholdings made by the Company, the beneficiaries received a total of 57,146 shares on June 5, 2014 valued at a unit price of €20.905 per share, in accordance with the plan terms and conditions. Specifically, the members of the Executive Committee (including those who also serve as directors) became entitled to the receipt of 26,537 shares (before withholdings); they received 18,594 shares net of withholdings on the abovementioned date and at the abovementioned valuation.

ii.) Share Acquisition Plan

The Share Acquisition Plans (SAP) were approved at the Annual Meeting Meeting of April 15, 2011 for 2011-2012 and at the Annual General Meeting of May 31, 2012 for 2013-2015.

These plans are targeted at Repsol Group employees in Spain and is designed to enable interested beneficiaries to receive part of their remuneration in Repsol, S.A. shares up to an annual limit equivalent to the maximum monetary equivalent that, under prevailing tax legislation in each year and jurisdiction, is not considered income subject to personal income tax. The shares will be valued at the closing price of Repsol, S.A. 's shares on the continuous market on the Spanish stock exchanges on the date of delivery to the beneficiaries.

In 2014 the Group purchased 437,577 shares of Repsol, S.A. for €7.9 million for delivery to participants in the 2014 SAP. Under the scope of the 2013 SAP, the Group acquired 406,430 shares from Repsol, S.A. for a total of €7.1 million (see Note 14).

The members of the Executive Committee acquired a total of 420 shares in accordance with the plan terms and conditions.

The shares to be delivered under both schemes i) and ii) may be sourced from Repsol's directly or

indirectly held treasury shares, new-issued shares or from third party entities with whom the Group has entered into agreements to guarantee coverage of the commitments assumed.

(24) FINANCE INCOME AND EXPENSES

The breakdown of finance income and expenses in 2014 and 2013 is as follows:

	Millions of euros	
	2014	2013 ⁽¹⁾
Finance interest	112	85
Finance expenses	(414)	(540)
Net interest expense	(302)	(455)
Due to interest rate	(29)	(4)
Change in fair value of financial instruments	(29)	(4)
Due to exchange rate	253	-
Change in fair value of financial instruments	557	(125)
Exchange differences	(304)	125
Other positions	1	-
Change in fair value of financial instruments	1	-
Net gains / (losses) from financial instruments exposure⁽²⁾	225	(4)
Impact of discounting provisions to present value	(63)	(73)
Capitalised interest⁽³⁾	81	126
Leases	(126)	(128)
Impairment and gains (losses) on disposal of financial instruments ⁽⁴⁾	369	79
Other income	22	29
Other expenses	(54)	(56)
Other financial income and expenses	211	(76)
FINANCIAL RESULT	152	(482)

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

⁽²⁾ This heading includes exchange gains and losses generated by the measurement and settlement of foreign-currency denominated monetary items (see section 5 of Appendix IV) as well as the gains and losses recognized as a result of the measurement and settlement of derivatives. The increase in this heading 2014 is mainly attributable to dollar appreciation against the euro and its impact on dollar-denominated positions, as well as the exchange rate driven gain on the bonds awarded by the Argentine government until the date of their monetization (see sections 4.1.1 “Assets related to the expropriation of the Group's shares in YPF S.A. and YPF Gas S.A.” in Note 4).

⁽³⁾ Capitalized interest during construction is recognised in the consolidated income statement under “Finance expenses”.

⁽⁴⁾ In 2014, this heading primarily includes the gain generated by the sale of the Group's unexpropriated YPF S.A. and YPF Gas S.A. shares in the amount of €453 million and the loss generated on the sovereign bonds awarded by the Argentine government of €53 million (sections 4.1.2 and 4.1.1 of Note 4, respectively). In 2013 it included principally the €76 million gain generated by the buyback of preference shares detailed in Note 16.

(25) NET INCOME FROM DISCONTINUED OPERATIONS

In 2014, “Net income for the period from discontinued operations after taxes” mainly includes the gains generated by the sale of Repsol Comercializadora de Gas, S.A. and the tax impact of the expropriation of the YPF S.A. and YPF Gas S.A. shares (see Note 4).

In 2013, this caption mainly includes the results generated by the LNG assets and businesses sold and/or classified as non-current assets held for sale at December 31, 2013 (see Note 4) as well as the gain generated by the sale and the impairment charges recognized on the retained LNG assets and onerous contract in North America (see Notes 7, 8 and 15).

The table below provides a breakdown by nature of the income and expenses corresponding to discontinued operations:

	Millions of euros	
	2014	2013
Operating revenue	-	1,888
Operating expenses	(35)	(1,320)
Operating profit	(35)	568
Financial result	(2)	(47)
Result of companies accounted for using the equity method-net of tax	-	74
Net income from discontinued operations before tax	(37)	595
Tax expense in respect of net income from discontinued operations	4	(159)
Net income from discontinued operations	(33)	436
After-tax gain on the sale of the LNG assets and YPF	658	159
After-tax [gain/loss] on the change in value of the non-current assets held for sale subject to expropriation	(28)	(1,279)
NET INCOME FOR THE PERIOD FROM DISCONTINUED OPERATIONS - NET OF TAXES	597	(684)
NET INCOME FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO THE PARENT	597	(684)

(26) CASH FLOW FROM OPERATING ACTIVITIES

The composition of the heading “Cash flows from operating activities” regarding to the ongoing activities of the consolidated cash flow statement in the years 2014 and 2013 is as follows:

	Notes	Millions of euros	
		2014	2013 ⁽¹⁾
Net income Before tax		1,122	1,282
Adjustments to net income		1,410	1,467
Depreciation and amortization of assets	7 y 8	1,796	1,520
Net changes in operating provisions	15	676	330
Gains (losses) on sale of non-commercial assets	4	11	3
Financial result	24	(152)	482
After-tax share of results of companies accounted for using the equity method	9	(892)	(805)
Other adjustments (net)		(29)	(63)
Change in working capital		966	(275)
Other cash flows from/(used in) operating activities		(315)	92
Dividend received		530	628
Income tax recieved / (paid)		(611)	(425)
Other proceeds from/ (payment for) from operating activities		(234)	(111)
Cash Flow from operating activities		3,183	2,566
Cash Flow from discontinued operating activities		(86)	110

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

(27) INFORMATION ON RELATED PARTY TRANSACTIONS

Repsol undertakes transactions with related parties on an arm's length basis.

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

- a. Significant shareholders: at December 31, 2014, the Company's significant shareholders that are deemed related parties are:

Significant shareholders	% total over share capital December 31, 2014
Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona ⁽²⁾	11.90
Sacyr Vallehermoso, S.A. ⁽³⁾	9.05
Temasek Holdings (Private) Limited ⁽⁴⁾	6.14

⁽¹⁾ Data prior to the close of the scrip issue detailed in section 14.1 "*Share capital*".

⁽²⁾ Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona holds its interest through CaixaBank, S.A. and Vidacaixa, S.A.

⁽³⁾ Sacyr, S.A. holds its shareholding through Sacyr Participaciones Mobiliarias, S.L.

⁽⁴⁾ Temasek holds its investment through its subsidiary, Chembra Investment PTE, Ltd.

The figures provided above reflect the information available to of Repsol, S.A. at December 31, 2014 on the basis of the latest reports provided by Spain's central counterparty clearing house, Iberclear (Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.) and the information submitted by the Company's shareholders to the Group and to Spanish securities market regulator (the CNMV for its acronym in Spanish).

On June 4, 2014, Petróleos Mexicanos (PEMEX) notified the CNMV that it had completed an accelerated placement process, placing a total of 104,057,057 Repsol, S.A. shares, representing 7.86% of the Company's share capital at the time, to institutional investors. Since then, PEMEX is no longer considered a significant shareholder of Repsol, S.A. Additionally, on June 4, 2014, Pemex International España S.A.U. (a subsidiary of the PEMEX Group) notified the Company of its resignation from the Board of Directors of Repsol; since that date PEMEX is no longer considered a related party of Repsol.

- b. Executives and directors: includes members of the Board of Directors and of the Executive Committee.
- c. People or Group Companies: includes transactions with Group companies or entities for the part not eliminated in the consolidation process, corresponding mainly to transactions undertaken with companies consolidated using the equity method.

Income, expenses and other transactions recorded in 2014 with related parties were as follows:

Millions of euros				
EXPENSES AND INCOME	Significant shareholders	Executive and Directors	People, companies or entities within the Group ⁽²⁾	Total
Financial expenses	6	-	32	38
Operating leases	2	-	3	5
Reception of services	8	-	350	358
Purchase of goods (finished or in progress) ⁽²⁾	1,519	-	6,854	8,373
Other expenses	16	-	1	17
TOTAL EXPENSES	1,551	-	7,240	8,791
Financial income	37	-	50	87
Management or cooperation agreements	-	-	5	5
Transfer of R&D and license agreements	-	-	3	3
Leases	1	-	3	4
Provision of services	9	-	4	13
Sale of goods (finished or in progress) ⁽³⁾	64	-	862	926
Gains from derecognition or disposal of assets	-	-	1	1
Other income	1	-	112	113
TOTAL INCOME	112	-	1,040	1,152

Millions of euros				
OTHER TRANSACTIONS	Significant shareholders	Executive and Directors (1)	People, companies or entities within the Group	Total
Purchase of property, plant and equipment, intangible and other assets	46	-	-	46
Finance agreements: credits and capital contributions (lender) ⁽⁴⁾	1	-	2,091	2,092
Finance lease agreements (lessor)	-	-	5	5
Disposal of property, plant and equipment, intangible or other assets	15	-	-	15
Finance agreements: credits and capital contributions (lessor) ⁽⁵⁾	509	-	3,463	3,972
Guarantees given ⁽⁶⁾	64	-	1,664	1,728
Guarantees received	34	-	-	34
Commitments acquired ⁽⁷⁾	80	-	7,463	7,543
Cancelled commitments/guarantees	-	-	8	8
Dividends and other profit distributed ⁽⁸⁾	652	1	-	653
Other transactions ⁽⁹⁾	1,607	-	-	1,607

(1) Includes transactions performed with executives and directors not included in Note 28, which itemizes the remuneration received by executives and directors, corresponding to the outstanding balance at the reporting date of the loans granted to members of senior management and the corresponding accrued interest, as well as dividend and other remuneration received as a result of holding shares of the Company.

(2) The "Significant shareholders" column primarily includes purchases made under the crude oil purchase contract signed for and indetermined period with the Pemex Group until June 4, 2014 (which is when PEMEX ceased to be considered a related party), which amounted to 164,000 barrels per day in 2014. The "Group, companies or entities within the Group" column primarily includes goods purchased from the Gas Natural Fenosa (GNF) Group, BPRY Caribbean Ventures, LLC (BPRY) and the Repsol Sinopec Brasil (RSB) Group, entities consolidated using the equity method (see Note 9), in the amounts of €1,113, €629 and €382 million, respectively.

(3) This heading mainly includes product sales to the Gas Natural Fenosa (GNF) Group and BPRY Caribbean Ventures, LLC (BPRY), entities consolidated using the equity method, in the amounts of €291 and €223 million, respectively.

(4) Includes loans extended to Group companies with entities consolidated using the equity method (see Note 11.4), and these entities' undrawn credit lines.

(5) The "Significant shareholders" column includes the drawdown limit of €370 million on credit lines extended by La Caixa. The "Group, companies or entities within the Group" column primarily includes the loan granted by Repsol Sinopec Brasil S.A. to its shareholders (See Note 16.3) and undrawn credit lines with these entities.

(6) This heading primarily includes €1,506 million corresponding to three guarantees provided by the Group in

relation to the lease agreements on three floating platforms entered into by its subsidiary Guar  B.V. (see Note 29).

(7) Corresponds to purchase commitments net of sales commitments outstanding at the reporting date.

(8) The amounts recorded under "Dividends and other profit distributions" include the amounts corresponding to the sale to Repsol, at the guaranteed fixed price, of bonus share rights as part of the bonus share issues undertaken in January and July 2014 under the framework of the "Repsol Flexible Dividend" scrip dividend program. In contrast, this heading does not include the amounts corresponding to the sale to Repsol, at the guaranteed fixed price, of bonus share rights as part of the bonus share issue closed in January 2015, which in the case of the significant shareholders amounted to  173 million. These rights are recognized as an account payable at December 31, 2014. Nor does it include the Repsol shares subscribed as a result of the aforementioned bonus share issues.

(9) This heading primarily includes remunerated accounts and deposits in the amount of  1,000 million, exchange rate hedges in the amount of  202 million and interest rate hedges in the amount of  74 million arranged with La Caixa Group.

Income, expenses and other transactions recorded in 2013 with related parties were as follows:

Millions of euros ⁽¹⁾				
	Significant shareholders	Executive and Directors	People, companies or entities within the Group ⁽²⁾	Total
EXPENSES AND INCOME				
Financial expenses	27	-	48	75
Operating leases	2	-	2	4
Reception of services	5	-	461	466
Purchase of goods (finished or in progress) ⁽⁴⁾	3,683	-	7,476	11,159
Other expenses	16	-	14	30
TOTAL EXPENSES	3,733	-	8,001	11,734
Financial income	5	-	34	39
Management or cooperation agreements	-	-	3	3
Transfer of R&D and license agreements	-	-	1	1
Leases	1	-	-	1
Provision of services	27	-	43	70
Sale of goods (finished or in progress) ⁽⁵⁾	42	-	1,356	1,398
Gains from derecognition or disposal of assets	-	-	-	-
Other income	1	-	150	151
TOTAL INCOME	76	-	1,587	1,663

Millions of euros ⁽¹⁾				
	Significant shareholders	Executive and Directors ⁽³⁾	People, companies or entities within the Group ⁽²⁾	Total
OTHER TRANSACTIONS				
Purchase of property, plant and equipment, intangible and other assets	-	-	-	-
Finance agreements: credits and capital contributions (lender) ⁽⁶⁾	1	-	1,075	1,076
Finance lease agreements (lessor)	-	-	6	6
Disposal of property, plant and equipment, intangible or other assets	12	-	-	12
Finance agreements: credits and capital contributions (lessor) ⁽⁷⁾	425	-	3,049	3,474
Guarantees given ⁽⁸⁾	127	-	1,471	1,598
Guarantees received	13	-	-	13
Commitments acquired ⁽⁹⁾	707	-	3,554	4,261
Cancelled commitments/guarantees	10	-	2,598	2,608
Dividends and other profit distributed ⁽¹⁰⁾	338	-	1	339
Other transactions ⁽¹¹⁾	1,397	-	-	1,397

- (1) Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “*Basis of presentation*”).
- (2) These tables include the transactions performed with companies luded in the scope of the LNG asset sale agreement with Shell (see Note 4), the most significant amounts being: (i) the purchase of goods in the amount of €1,482 million; (ii) revenue from the sale of goods of €348 million; (iii) expenses incurred in exchange for services received of €117 million; (iv) revenue from provision of services of €40 million; and (v) other income of €40 million.
- (3) Includes transactions performed with executives and directors not included in Note 28, which itemizes the remuneration received by executives and directors, corresponding to the outstanding balance at the reporting date of the loans granted to members of senior management and the corresponding accrued interest, as well as dividend and other remuneration received as a result of holding shares of the Company.
- (4) These purchases include those made under the crude oil purchase contract signed for and indetermined period with the Pemex Group, which amounted to 139,000 barrels per day in 2013. The “*Group, companies or entities within the Group*” column primarily includes goods purchased from the Gas Natural Fenosa (GNF) Group, BPRY Caribbean Ventures, LLC (BPRY) and the Repsol Sinopec Brasil (RSB) Group, joint ventures of the Group (See Note 9), in the amounts of €1,130, €297 and €166 million, respectively.
- (5) This heading includes product sales to the Gas Natural Fenosa (GNF) Group and BPRY Caribbean Ventures, LLC (BPRY), entities consolidated using the equity method (see Note 9), in the amounts of €710 and €528 million, respectively.
- (6) Primarily includes loans extended to Group entities consolidated using the equity method (see Note 11.4), and these entities' undrawn credit lines.
- (7) The “*Significant shareholders*” column includes the drawdown limit of €345 million on credit lines extended by La Caixa. In addition, the “*Group, companies or entities within the Group*” column primarily includes the loan granted by Repsol Sinopec Brasil S.A. to its shareholders (see Note 16.3) and undrawn credit lines with these entities.
- (8) This heading includes €1,385 million corresponding to three guarantees provided by the Group in relation to the lease agreements on three floating platforms entered into by its subsidiary Guará B.V. (see Note 29).
- (9) Corresponds to purchase commitments net of sales commitments outstanding at the reporting date.
- (10) The amounts recorded under “*Dividends and other profit distributions*” include the amounts corresponding to the sale to Repsol, at the guaranteed fixed price, of bonus share rights as part of the bonus share issues undertaken in January and July 2013 under the framework of the “*Repsol Flexible Dividend*” scrip dividend scheme. In contrast, this heading does not include the amounts corresponding to the sale to Repsol, at the guaranteed fixed price, of bonus share rights as part of the bonus share issue closed in January 2014, which in the case of the significant shareholders amounted to €191 million. These rights were recognized as an account payable at December 31, 2013. Nor does it include the Repsol shares subscribed as a result of the aforementioned bonus share issues.
- (11) This heading primarily includes remunerated accounts and deposits in the amount of €500 million, exchange rate hedges in the amount of €499 million and interest rate hedges in the amount of €67 million arranged with La Caixa Group.

The transactions performed by Repsol, S.A. with its Group companies and those performed by the Group companies among themselves form part of the Company's ordinary business activities in terms of their purpose and terms and conditions.

(28) REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND EXECUTIVES

28.1) Remuneration of the members of the Board of Directors

The remuneration earned by Executive Directors ¹, as detailed under paragraphs a), b) and c) of this Note, amounted to €8.82 million (€7.55 million in 2013), representing 0.55% of the net income attributed to the parent company.

a) Due to membership of the Board

In accordance with Article 45 of the Articles of Association, the Directors, in their capacity as members of the Board and in exchange for discharging the supervisory and decision-making duties intrinsic to Board

¹ The data regarding Mr. Imaz correspond in all sections to the period elapsing between his appointment to the Board of Directors (April 30, 2014) and year-end.

membership, are entitled to receive a fixed annual payment that may not exceed the ceiling established to this end at the General Meeting; it is up to the Board of Directors to determine the precise amount payable within that limit and its distribution among the various Directors, factoring in the positions and duties performed by each within the Board and its committees.

At the Annual General Meeting of 31 May 2013, specifically under Agenda item thirteen, Repsol's shareholders agreed to set the above limit at an amount equivalent to €6 million.

Under the system established and approved by the Nomination and Compensation Committee, the amounts of the annual remuneration earned in 2014 and 2013 by virtue of membership of the Board and its Committees are as follows:

<i>Governing Body</i>	Euros	
	2014	2013
Board of Directors	176,594	176,594
Delegate Committee	176,594	176,594
Audit and Control Committee	88,297	88,297
Strategy, Investment and Corporate Social Responsibility Committee	44,149	44,149
Nomination and Compensation Committee	44,149	44,149

The amount of remuneration earned in 2014 by the members of the Board of Directors in their capacity as Board members against the aforesaid assignment in the Articles of Association amounted to €4.978 million, the detail being as follows:

<i>Board of Directors</i>	Remuneration of Membership to Governing Bodies (Euros)					
	Board	Delegate C	Audit C	Nomination C	Strategy C	TOTAL
Antonio Brufau Niubó	176,594	176,594	-	-	-	353,188
Luis Suárez de Lezo	176,594	176,594	-	-	-	353,188
Josu Jon Imaz ⁽¹⁾	132,446	132,446	-	-	-	264,891
Henri Philippe Reichstul	176,594	176,594	-	-	-	353,188
Javier Echenique Landiribar ⁽²⁾	176,594	58,865	88,297	-	29,432	353,188
Artur Carulla Font	176,594	176,594	-	44,149	-	397,337
José Manuel Loureda Mantiñán	176,594	-	-	44,149	44,149	264,891
Luis Carlos Croissier Batista	176,594	-	88,297	-	44,149	309,040
Isidro Fainé	176,594	176,594	-	-	-	353,188
Juan María Nin	176,594	-	-	44,149	44,149	264,891
Ángel Durández Adeva	176,594	-	88,297	-	-	264,891
M ^a Isabel Gabarró Miquel	176,594	-	-	44,149	44,149	264,891
Mario Fernández Pelaz	176,594	-	-	44,149	-	220,743
Manuel Manrique Cecilia	176,594	176,594	-	-	-	353,188
Rene Dahan	176,594	176,594	-	-	-	353,188
Pemex Internacional España, S.A. ⁽³⁾	73,581	73,581	-	-	18,395	165,557
Paulina Beato ⁽⁴⁾	58,865	-	29,432	-	-	88,297

⁽¹⁾ Mr. Imaz was appointed to the Board of Directors of Repsol, S.A. and its Delegate Committee on April 30, 2014.

⁽²⁾ Mr. Echenique stepped down from the Delegate Committee and was appointed to the Strategy, Investment and Corporate Social Responsibility Committee on April 30, 2014.

⁽³⁾ Pemex Internacional España, S.A. presented its resignation from the Board of Directors of Repsol, S.A. and its Strategy, Investment and Corporate Social Responsibility Committee on June 4, 2014.

⁽⁴⁾ Ms. Beato resigned from the Board of Directors of Repsol, S.A. and its Audit and Control Committee on April 30, 2014.

Additionally, it should also be noted that:

- The members of the Board of Directors of the parent company have not been granted any loans or advances by any Group company, joint agreement or associate.
- The non-executive Directors only receive the fixed remuneration indicated in the table above and

are excluded from the schemes financed by the Company to provide coverage in the event of termination, death or other developments and from the Company's short and long term performance-based bonus schemes.

- No Group company, joint agreement or associate has pension or life insurance obligations to any former or current member of the Board of Directors of the parent company, except in the case of the Executive Chairman, the Chief Executive Officer and the General Counsel Secretary, whose remunerations, as Executive Directors, are subject to the commitments set forth in their respective contracts for services, which include a defined contribution system.

b) Due to the holding of executive positions and performing executive duties.

The annual monetary fixed remuneration earned in 2014 by the members of the Board of Directors who, during that period had performed executive tasks at the Group, amounted to €3.895 million, of which €2.112 million was earned by Mr. Antonio Brufau, €0.983 million by Mr. Luis Suárez de Lezo and €0.8 million by D. Josu Jon Imaz, who, as mentioned above, was appointed to the Board of Directors of Repsol, S.A. on April 30, 2014.

In addition, the in-kind remuneration (which includes, among other items, life and disability insurance, health insurance and the shares - before withholdings - awarded under the Loyalty Program described in Note 23.d) i.), as well as payments on account/withholdings related to in-kind remuneration and annual and multi-year bonus payments (the latter corresponding to the period elapsing between January 1, 2014 and April 30, 2014, the date on which the Board of Directors approved a new organizational structure separating the Chairman of the Board and Chief Executive Officer positions) accrued by Antonio Brufau in 2014 totaled €1.150 million. Luis Suárez de Lezo earned €1.514 million in connection with in-kind remuneration and annual and multi-year bonus payments. The remuneration accrued by Josu Jon Imaz in connection with in-kind remuneration and annual and multi-year bonus payments between April 30, 2014 and year-end totaled €0.906 million. Mr. Brufau has not been accruing bonuses under multi-year schemes since May 1, 2014.

The figures mentioned above do not include the amounts reflected in paragraph e) below.

In relation to the abovementioned Loyalty Program, as indicated in Note 23.d) i.), the first cycle of the plan vested on May 31, 2014. Upon vesting, Antonio Brufau became entitled to the receipt of 10,660 shares (before withholdings), valued at a unit price of €20.905 per share, equivalent to the sum of €222,854. Luis Suárez de Lezo became entitled to receive 2,124 shares (before withholdings) at the same valuation, equivalent to a payment of €44,409. Josu Jon Imaz was not a beneficiary of the first cycle of the Loyalty Program and so did not become entitled to any additional shares.

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

The remuneration earned in 2014 by the members of the parent's Board of Directors in their capacity as directors of other Group companies, joint arrangements and associates amounted to €0.385 million, according to the following detail:

	Euros	
	Gas Natural	Petronor
Antonio Brufau Niubó ⁽¹⁾	196,650	-
Luis Suárez de Lezo Mantilla	139,150	-
Josu Jon Imaz San Miguel	-	48,951

⁽¹⁾ The remuneration earned for membership of the Board of Directors of Gas Natural is deducted from the performance-based pay received by Mr. Brufau until April 30, 2014 and from his fixed remuneration thereafter.

d) Due to civil liability insurance premiums

The members of the Board of Directors are covered by the same civil liability insurance policy that insures all the Directors and officers of the Repsol Group.

e) Due to contributions to pension plans, long-service bonuses and welfare plans

The cost of the contributions made to pension plans, long-service bonuses and welfare plans, including incurred by the parent company in respect of the members of the Board of Directors discharging executive duties, amounted to €0.375 million in 2014. Of this figure, €0.202 million correspond to Mr Luis Suárez de Lezo and €0.173 million to Mr. Josu Jon Imaz.

By virtue of a Board resolution taken on February 27, 2013 at the request of its Chairman, Mr. Antonio Brufau, Repsol discontinued contributions to the latter's pension scheme on March 12, 2013, thereby extinguishing Repsol S.A.'s commitment to making further contributions.

28.2) Indemnity payments to executives

Non of the Directors received any indemnity payment from Repsol in 2014.

28.3) Other transactions with directors

During 2014, Repsol's Directors did not conclude any material transactions with the Company or any of the Group companies outside the ordinary course of business or on terms other than those afforded to customers or other than on an arm's length basis.

Notwithstanding the foregoing, the Chief Executive Officer and the General Counsel Secretary have signed up for the 2012-2015, 2013-2016 and 2014-2017 cycles of the Loyalty Program to Beneficiaries of the Pluri-annual Remuneration Programs, as detailed in Note 23. The Chairman signed up for the 2012-2015 and 2013-2016 cycles.

In 2014 the motions adopted by the Board of Directors and the Nomination and Compensation Committee in relation to: (i) the re-election of Directors; (ii) the appointment or re-election of members of the Board committees; and (iii) the awarding of specific positions on the Board of Directors were all voted on in the absence of the Director affected by the corresponding resolutions.

In addition, the Executive Directors did not participate in the approval of the Board of Directors resolutions regarding their compensation for the performance of executive duties at the Company.

28.4) Remuneration of executives

a) Scope

For reporting purposes, in this section Repsol considers "executive officers" to be the members of the Repsol Group's Executive Committee. This consideration, made purely for reporting purposes herein, neither substitutes nor implies an interpretation of other senior management or similar concepts applicable to the Company under prevailing legislation (such as Royal Decree 1382/1985), nor does it have the effect of creating, recognizing, amending or extinguishing any existing legal or contractual rights or obligations.

The information included in this Note relates to the seven people who have been members of the Executive Committee of the Group in 2014², excluding, unless stated otherwise, those who are also members of the Board of Directors of Repsol, S.A., since the information relating to them is disclosed in the paragraph 1) of this note.

b) Wages and salaries

Executive officers receive fixed and variable remuneration. The latter consists of an annual bonus, and a multi-annual bonus, calculated both as a given percentage of the fixed remuneration earned on the basis of the degree to which certain targets are met.

The total remuneration earned in 2014 by executive officers who formed part of the Executive Committee, is as follows:

	Millions of euros
Salary	5.499
Attendance fees	0.287
Variable remuneration	5.219
Remuneration in kind ⁽¹⁾	1.103

⁽¹⁾ Includes the entitlement to receipt 13,752 additional shares (before withholdings) at the end of the vesting period for the first cycle of the Loyalty Program, valued at €20.905 per share, representing an equivalent amount of €287,493.

In accordance with the foregoing, total compensation amounted to €12.108 million.

c) Executive welfare plan

In 2014, the contributions made by the Group to its executive officers amounted to €1.688 million.

d) Pension fund and insurance premiums

The contributions made by the Group in 2014 to the pension plans for executive officers adapted to the Pension Plans and Funds Law (see section 18, Appendix IV and Note 23) plus the life and accident insurance premiums paid totaled €0.707 million (this amount is included in the disclosures reported in section b) above).

Executive officers are covered by the same civil liability insurance policy as that covering all the directors and senior management personnel of the Repsol Group.

e) Advances and loans granted

At December 31, 2014, the Company had granted loans to its executive officers amounting to €0.076 million, which earned average interest of 2.8% in 2014.

² As indicated in the preceding sections, Josu Jon Imaz was named Director of Repsol on April 30, 2014; accordingly, for the purposes of the amounts provided in the table in section b) below, the figures only contemplate the remuneration earned by him until that date in his capacity as member of the Executive Committee. As a result, the Executive Committee is understood to have comprised seven members (excluding Mr. Brufau and Mr. Suárez de Lezo, who were also directors of the parent) until April 30, 2014; from May 1, 2014, when Mr. Josu Jon Imaz was appointed Chief Executive Officer, the number of members contemplated in this section 4) falls to six.

28.5) Indemnity payments to executives

The executive officers to which this note is referred to (see Section 4 of this Note) have, in their respective contracts, the right to receive a compensation in the event of termination of their relationship with the company, provided that the termination was not due to a breach of obligations of the such 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.

Those compensations shall be recognized as a provision and a personnel expense only when the termination of the relationship between the executive and the Group is due to a reason that entitled him or her to such perception. The Group has a collective insurance policy contracted which aims to guarantee the payment of such compensations to the executive officers to which this Note is referred to (see Section 4 above), including the General Counsel and Secretary Director.

No executive officer received any indemnity payment from Repsol in 2014.

28.6) Other transactions with executive officers

During 2014, the executive officers of Repsol did not conclude any material transactions with the Company or any of the Group companies outside the ordinary course of business or on terms other than those afforded to customers or other than on an arm's length basis.

Notwithstanding the foregoing, the executive officers (including Executive Directors) have signed up for the 2012-2015, 2013-2016 and 2014-2017 cycles of the Loyalty Program, as detailed in Note 23)

(29) CONTINGENCIES, COMMITMENTS, AND GUARANTEES

29.1) Legal and arbitration proceedings

At December 31, 2014, Repsol's consolidated balance sheet includes provisions for lawsuits totaling €46 million (this figure excludes the provisions for tax contingencies itemized in Note 21 "*Tax situation*" in the section titled "*Other material tax disclosures*"). This figure is included under "*Other provisions*" in the table provided in Note 15.

The Repsol Group companies are party to judicial and arbitration proceedings arising in the ordinary course of their business activities. The most significant of these and their status at the reporting date are summarized below.

Argentina

Claim filed against Repsol and YPF by the Union of Consumers and Users

The plaintiff claims the reimbursement of all the amounts the consumers of bottled LPG were allegedly charged in excess from 1993 to 2001, corresponding to a surcharge for such product. With respect to the period from 1993 to 1997, the claim is based on the fine imposed on YPF S.A. by the Secretariat of Industry and Commerce through its resolution of March 19, 1999. It should be noted that Repsol has never participated in the LPG market in Argentina and that the fine for abusing a dominant position was imposed on YPF S.A. In addition, YPF S.A. has alleged that charges are barred by the applicable statute of limitations. Hearings have commenced and are in process. The claim amounts to Argentinian Ps.91 million (€17 million) for the period from 1993 to 1997, amount which updated at August 18, 2012 by an expert appraiser, this amount would total Argentinean Ps.387 million (€43 million) plus interest and expenses.

This claim has been pending court ruling since February 10, 2014 and an appeal has been lodged to have the sentence issued.

United States of America

The Passaic River and Newark Bay lawsuit.

The events underlying this lawsuit relate to the sale by Maxus Energy Corporation ("Maxus") of its former chemicals subsidiary Diamond Shamrock Chemical Company ("Chemicals") to Occidental Chemical Corporation ("OCC"). Maxus agreed to indemnify Occidental for certain contingencies relating to the business and activities of Chemicals prior to September 4, 1986 (the date of the Chemicals share purchase agreement), including certain environmental liabilities relating to certain chemical plants and waste disposal sites used by Chemicals prior to the Closing Date. In 1995, YPF S.A. ("YPF") acquired Maxus and in 1999, Repsol S.A. acquired YPF (see Note 4).

In December 2005, the New Jersey Department of Environmental Protection ("DEP") and the New Jersey Spill Compensation Fund (together, the "State of New Jersey") sued Repsol YPF S.A. (today called Repsol, S.A., hereinafter, "Repsol"), YPF, YPF Holdings Inc. ("YPFH"), CLH Holdings ("CLHH"), Tierra Solutions, Inc. ("Tierra"), Maxus and OCC for the alleged contamination caused by the former Chemicals plant located on Lister Avenue in Newark which allegedly contaminated the Passaic River, Newark Bay and other bodies of water and properties in the vicinity (the Passaic River and Newark Bay lawsuit). In August 2010, the lawsuit was extended to YPF International S.A. ("YPFI"), and Maxus International Energy Company ("MIEC") (all of which together, "Original Defendants"). In February 2009, Maxus and Tierra included another 300 companies in the suit (including certain municipalities) as third parties since they are potentially liable.

On September 26, 2012 OCC lodged a Second Amended Cross Claim (the "Cross Claim") against Repsol, YPF, Maxus, Tierra and CLHH.

On June 6, 2013, the original defendants (with the exception of OCC) signed a Settlement Agreement with the State of New Jersey, in which they do not acknowledge liability but do undertake to pay \$130 million (\$65 million payable by Repsol and the other \$65 million payable by YPF/Maxus) in exchange for the withdrawal by the State of New Jersey of its proceedings against Repsol, YPF, YPFI, YPFH, CLHH, MIEC, Maxus, and Tierra and a level of protection against potential future lawsuits. Under the agreement, the State of New Jersey reserves the right to proceed with its case against OCC, which was not party to the agreement. In turn, OCC is entitled to press ahead with its Cross Claim. The Settlement Agreement, which has been approved by the Court of New Jersey, stipulates that the related hearings may not take place before December 2015.

In August 2014, OCC signed an agreement with the State of New Jersey which was approved by the state court on December 16, 2014.

In November 2014, the judge issued a new timeline for the proceedings, setting the date for the hearing for December 7, 2015, among other things. On November 21, 2014, Repsol, YPF and Maxus presented Motions to Dismiss OCC's Cross Claim.

On January 13, 2015, the assistant judge on the case (the Special Master) issued an opinion and recommendation with respect to the Motions to Dismiss presented by Maxus, YPF and Repsol in favor of dismissing most of OCC's claims. OCC appealed the Special Master's opinion and recommendation before the Court of New Jersey. OCC's appeal was heard on January 29, 2015. The judge decided to uphold the Special Master's recommendation in its entirety, dismissing, in full or in part, without scope for re-admission, 10 of the 12 claims presented by OCC.

Ecuador

Lawsuit regarding payments in respect of LPG surpluses to the State of Ecuador by Duragas, S.A.

Ecuador's hydrocarbon regulator (La Agencia de Regulación y Control Hidrocarburífero) ("ARCH") is authorised to audit the revenue, costs, and expenses of LPG operators. The regulator's audit of Duragas, S.A. from 2002 to 2013 revealed a difference between the amount of LPG acquired from EP PETROECUADOR (formerly Petrocomercial, a public company and Ecuador's sole authorised supplier of LPG) for domestic consumption and the amount actually sold to the sector by Duragas, S.A., company of the Group. The ARCH determined that the difference between the LPG tariffs established for domestic and industrial consumption must be recalculated to benefit EP PETROECUADOR. According to EP PETROECUADOR, the results of this reassessment for such years would total U.S.\$60 million, plus the interest and costs pending its appraisal.

Duragas, S.A. has appealed in due time and form all of the ARCH's reports and subsequent settlement, demands and payment notices and requests received from EP PETROECUADOR, submitting both formal and material arguments (the existence of technically unavoidable shortages in containers, failure to make the distinction between the remaining LPG in containers and the amounts sold to the industrial market, etc). To date, the courts have not rendered any judgment on the merits of the case.

While these appeals are being substantiated, EP PETROECUADOR has taken coercive action to collect the amounts it is claiming for the years 2004-2011, amounting to U.S.\$50 million. Although these coercive procedures were unorthodox and have overlooked the established legal channels, which could be recognised in one of the appeals filed by Duragas, S.A., all of them tend to adopt what is known as the "solve et repete" rule (i.e. the requirement to pay or set aside the amount dispute if a party wants to challenge the claim arising from coercive action), and thus, while the validity of the ARCH's report is being determined for each year, Duragas, S.A. is anticipating and bearing the economic damages derived from these coercive measures, becoming more the actual claimant (in terms of returning the amount claimed) rather than respondent (for the amount assessed in the ARCH's report).

On 22 October 2014 and after several discussions initiated in July, the Ministerio de Recursos Naturales No Renovables, the ARCH, EP PETROECUADOR and Duragas, S.A. signed a Settlement Agreement (Acuerdo Transaccional) upon payment of US\$31 million, putting an end to the disputes among the parties. Pursuant to the Settlement Agreement, all the parties are currently dealing with the dismissal of judicial proceedings related to the issue.

Spain

Claims against the Quarterly Resolutions issued by the Directorate-General of Energy and Mining Policy regarding bottled LPG prices during parts of 2009 to 2012

During 2014, Repsol Butano, S.A. was notified of four sentences issued by the Contentious Administrative Court of the National High Court (Audiencia Nacional) and one issued by the Madrid High Court (Tribunal Superior de Justicia de Madrid) awarding Repsol Butano, S.A. the right of being compensated for the damages caused by the quarterly resolutions issued by the Directorate-General of Energy and Mining Policy determining the maximum retail prices for regulated LPG containers for the second, third and fourth quarters of 2011 and the first, second and third quarter of 2012 totalling €93.5 million of principal plus the corresponding late payment interest legally due.

In those sentences, the Courts declared the existence in these cases of the elements that determine the public administration pecuniary liability and also confirmed the quantification of the damages caused by the quarterly resolutions appealed by Repsol Butano, S.A. as stated by the independent experts designated by Repsol Butano, S.A. and the court, for the aforementioned amount.

Although the above sentences are being appealed by the State Attorney, the public administration did not dispute its pecuniary liability but rather questioned the assessment and quantification of the damages with arguments that have been individually dismissed on substantiated grounds by the above mentioned sentences upholding the claims of Repsol Butano, S.A.

Such reasoning of the courts, along with the arguments raised by Repsol Butano, S.A. to defend its claim, means the probability of the abovementioned sentences being upheld by the Supreme Court (Tribunal Supremo) is very elevated.

Withdrawal of the proceedings initiated as a consequence of the expropriation of the Repsol Group's shares in YPF, S.A. and YPF Gas, S.A.

In accordance with the commitments assumed under the Amicable Settlement and Expropriation Compromise Agreement signed with Argentina (see Note 4), in 2014 Repsol withdrew, among others, the following proceedings it had initiated in 2012 and 2013 in response to the YPF expropriation: i) the arbitration proceedings taken against the Argentine Republic before the ICSID Arbitration Tribunal under the scope of the Agreement between the Argentinean Republic and the Kingdom of Spain on the Reciprocal Promotion and Protection of Investments; ii) the lawsuits initiated against the Argentine government claiming the unconstitutionality of the intervention of YPF and YPF Gas by the Argentine government and the temporary occupation by the Argentine government of the rights attaching to the expropriated shares of YPF S.A. and YPF Gas S.A. owned by the Repsol Group; iii) the Class Action Complaint brought against the Argentine state in New York state regarding the breach of its obligation to launch a public takeover offer for the shares of YPF before taking control of the company; and iv) the lawsuit brought against the Argentine state in New York state over YPF's failure to present, under the Argentine state's administration, Form 13D, as required by the Securities and Exchange Commission (SEC).

29.2) Contractual commitments

At December 31, 2014, the Repsol Group has contractually committed to the following purchases and capital and other expenditures:

	Millions of euros						
Purchase, investment and expenditure commitments	2015	2016	2017	2018	2019	Subs. Years	Total
Purchase commitments	5,091	1,955	1,934	2,050	1,453	17,974	30,457
Crude oils and others ⁽¹⁾	2,715	395	391	393	394	1,702	5,990
Natural Gas ⁽²⁾	2,376	1,560	1,543	1,657	1,059	16,272	24,467
Investment commitments ⁽³⁾	953	888	430	130	78	255	2,734
Service commitments	342	209	146	99	69	358	1,223
Transport commitments	65	62	62	58	24	275	546
Operating leases ⁽⁴⁾	202	136	130	112	104	652	1,336
Transport - Time Charter	21	12	11	5	5	5	59
Operating leases ⁽⁵⁾	181	124	119	107	99	647	1,277
TOTAL	6,653	3,250	2,702	2,449	1,728	19,514	36,296

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's best estimates.

⁽¹⁾ This heading mainly includes the commitments for the purchase of products needed to operate the Group's refineries in Spain and the commitments assumed under oil purchase contracts with the Pemex Group (open-ended), with the Saudi Arabian Oil Company (renewed annually) and with Repsol Sinopec Brasil, committing to the acquisition at December 31, 2014 of 125,000, 65,000, and 31,000 barrels, respectively.

⁽²⁾ These commitments essentially include commitments to purchase natural gas in North America in the amount of €21,037 million, 77% of which committed to under two contracts signed in 2014 over a volume of approximately 2.4 Bcm, with

- deliveries starting in 2017, one of which was entered into with the Gas Natural Fenosa Group. In Spain it includes the commitment contractually assumed in 2013 with Gas Natural Fenosa for the supply of natural gas to Repsol's refineries.
- (3) Includes primarily capital commitments in Algeria, Peru, Venezuela, Angola and Bolivia amounting to €602, 285, 229, 228 and €222 million, respectively.
- (4) Operating lease expenses recognized at December 31, 2014 amount to €308 million (€296 million at year-end 2013).
- (5) Corresponds mainly to commitments under service stations leases amounting to €881 million.

The Repsol Group is contractually committed to the following sales and to the provision of the following revenue-generating activities at December 31, 2014:

	Millions of euros						
Committed sales and other income contracted for	2015	2016	2017	2018	2019	Subs. Years	Total
Committed sales	7,605	1,113	753	789	709	4,563	15,532
Crude oil and others ⁽¹⁾	7,153	973	584	588	501	1,635	11,434
Natural Gas ⁽²⁾	452	140	169	201	208	2,928	4,098
Service commitments ⁽³⁾	356	284	276	269	218	1,557	2,960
Leases	105	89	84	71	69	70	488
TOTAL	8,066	1,486	1,113	1,129	996	6,190	18,980

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's best estimates.

- (1) Mainly includes commitments to sell oil products (fuels, LPG and petrochemical products) in Spain and Peru in the amount of €6,682 million and €1,954 million, respectively.
- (2) Primarily includes natural gas sale commitments in Algeria (€1,989 million) and Peru (€1,667 million).
- (3) Mainly includes the execution of oil and gas transactions in Bolivia under the terms of the Operating Agreements signed by Repsol E&P Bolivia, S.A (see Appendix III).

29.3) Guarantees

At December 31, 2014, the Repsol Group's companies have extended guarantees to third parties or Group companies whose assets, liabilities and earnings are not presented in the consolidated financial statements (joint-ventures and equity-accounted investees). This section details the material guarantees outstanding at year-end:

- As part of the lease over three floating production platforms in connection with development of the BMS-9 field, Repsol Sinopec Brasil (RSB, see Note 9), which is 60%-owned by Repsol, S.A. and 40%-owned by China Petrochemical, part of the Sinopec Group, assumed liability for 25% of the contractual obligations of Guara B.V., corresponding to its 25% ownership interest in this company. The Group has provided the three guarantees detailed below in respect of these leases.

A first guarantee with a present value of \$711 million corresponding to 100% of RSB's interest in its subsidiary Guara B.V., for which Repsol in turn holds a counter guarantee from China Petrochemical in respect of the latter's 40% interest in RSB, and two additional guarantees, in amounts of \$572 million and \$545 million, corresponding to RSB's 60% interest in Guara B.V. The latter guarantee continues to be contingent upon compliance by the supplier with future contractual obligations and the attendant accrual of payment obligations by Guara B.V., which accrual is expected to begin in the fourth quarter of 2016.

These guarantees represent the maximum amounts payable; these amounts diminish every year over the life of the underlying lease agreements, which have a term of 20 years.

- The Group has extended guarantees in respect of its shareholding in Oleoducto de Crudos Pesados de Ecuador, S.A. (OCP), a company wholly-owned by Oleoducto de Crudos Pesados, Ltd., which is in turn 29.66%-owned by Repsol OCP Ecuador, S.A.; the guarantees serve as collateral for the construction, abandonment and environmental and operating risks related to this operation in an aggregate amount of approximately \$30 million. The Group has pledged all of its shares in OCP.

- The Group has awarded a guarantee in respect of its interest in Cardón IV covering the risk of confiscation, expropriation, nationalization or any other measure designed to restrict its use that is attributable to the Venezuelan government or acts of insurrection or terrorism for up to \$90 million.
- In relation to the sale of LNG assets to Shell (see Note 4 “*Changes in the Group's composition*”), the Group has provided two guarantees: one to Gas Natural Fenosa covering the supply obligations of Shell Spain LNG SAU (formerly, Repsol Comercializadora de Gas, S.A.) to Gas Natural SDG and another to Atlantic LNG 4 Company of Trinidad & Tobago covering the payment obligations of Repsol LNG T&T Ltd. under a gas processing contract. In turn, the Group holds an indemnification commitment from Shell covering any liabilities Repsol may incur as a result of these guarantees.

Additionally, the Group grants guarantees and commitments to compensate, primarily in relation to the sale of assets and potential liabilities deriving from its activities, including those of an environmental nature, in the ordinary course of its business operations and in keeping with widespread industry practice.

(30) ENVIRONMENTAL INFORMATION

The criteria used to measure environmental costs are established in the “Repsol Safety and Environmental Costs Guide,” which adapts the American Petroleum Institute (API) 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 property, plant and equipment, per the guidelines expressed in the aforementioned Guide.

30.1) Environmental Assets

The breakdown of the cost of the environmental assets identified and the related accumulated depreciation at December 31, 2014 and 2013 is as follows:

	Millions of euros					
	2014			2013 ⁽¹⁾		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Atmosphere protection	421	(241)	180	419	(241)	178
Water management	487	(330)	157	469	(307)	162
Product quality	1,603	(832)	771	1,488	(777)	711
Soil	120	(49)	71	106	(40)	66
Energy saving and efficiency	350	(133)	217	303	(121)	182
Waste management	35	(18)	17	31	(16)	15
Contingencies and spills	45	(3)	42	31	(2)	29
Other	199	(117)	82	176	(104)	72
	3,260	(1,723)	1,537	3,023	(1,608)	1,415

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “*Basis of presentation*”).

The cost includes €291 million of assets under construction at December 31, 2014 and €232 million at December 31, 2013.

Among the most significant environmental investments made in 2014, it is worth highlighting the ones dedicated to improving environmental quality of petroleum products, increasing energy saving and

efficiency, improving contingency systems and spill prevention systems, optimizing water consumption, reducing landfill waste pollution and minimizing emissions.

In terms of noteworthy investments in 2014, it is worth highlighting the launch of two major energy efficiency upgrade projects under the scope of the Chemicals competitiveness plan. The first relates to the plans for remodeling the olefin factory in Puertollano and entailed environmental capital expenditure of €13 million last year. The work performed will enable the factory to cater to demand for value-added products, operating under more energy-efficient conditions. The second is the project for making the large turbines at the olefin factory in Tarragona more efficient; this project entailed capital expenditure of approximately €5 million.

It is also worth highlighting the continued progress on two important projects: the comprehensive coastal protection plan in Tarragona (environmental investment amounted to €12 million in 2014) and the fuel quality upgrade project at the La Pampilla refinery in Peru (investment of nearly €94 million).

30.2) Environmental provisions

Repsol recognizes 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 “*Provisions for risks and current and non-current environmental expenses*” under the “Other provisions” column in the table reconciling the movement in provisions in Note 15.

The changes in the environmental provisions in 2014 and 2013 were as follows:

	Millions of euros	
	2014	2013 ⁽¹⁾
Opening balance	51	48
Period provisions charged to income	5	9
Provisions released with a credit to income	(2)	(2)
Payment	(5)	(5)
Reclassifications and other movements ⁽²⁾	-	(49)
Discontinued operations movements ⁽²⁾	-	50
Closing balance	49	51

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “*Basis of presentation*”).

⁽²⁾ The agreement signed in June 2013 with the state of New Jersey regarding the environmental contingencies of a subsidiary of YPF S.A. in the Passaic River and Newark Bay (see Note 29) gave rise to the recognition of a €50 million provision that in December 2013 was reclassified to *Other payables*, prior to its effective payment on February 7, 2014

Additionally, *Repsol’s Safety and Environmental Cost Guide* classifies as environmental provisions 75% of the amounts recognized under the caption “*Provision for Field Dismantling Costs*,” totaling €341 million and €253 million at December 31, 2014 and 2013, respectively (see Note 15).

Subject to the relevant terms and conditions, corporate insurance policies cover civil responsibilities for pollution on land and at sea, and for certain countries and activities, administrative responsibilities for pollution on land, all provoked by accidental and sudden events, in line with habitual industry practices and applicable legislation.

30.3) Environmental Expenses

In 2014 and 2013 environmental expenses amounted to €128 million and €133 million respectively, classified as “*Supplies*” and “*Other operating expenses*.” These expenses include €54 million of expenses for the allowances needed to cover CO₂ emissions made in each of 2014 and 2013, although the net impact on the income statement was a net expense of €11 million and €9 million, respectively.

Environmental expenses in 2014 and 2013 also include: other measures for atmospheric protection amounting to €24 million, for both periods; waste management amounting to €12 million and €16 million, respectively; and water management amounting to €17 million and €16 million, respectively; soil remediation and field dismantling costs amounting to €7 million and €8 million, respectively.

30.4) Applicable Framework

The legislative developments occurring during the year that could have an impact on the Group include:

- Commission Decision 2014/738/EU establishing conclusions on Best Available Techniques (BAT) for the refining of mineral oil and gas.
- Decision of the European Parliament and Council regarding the 'backloading' of Emission Trading Scheme auctions.
- Commission Decision 2014/746/EU determining a list of sectors deemed to be exposed to a significant risk of carbon leakage.
- Climate and Energy Policy Framework 2030.

We also continue to highlight the potential impact of:

- Directive 2009/29/EC on the greenhouse gas emission allowance trading scheme.
- Directive 2009/30/EC as regards the specification of petrol, diesel and gas-oil.
- Directive 2009/28/EC on the promotion of the use of energy from renewable sources.
- Directive 2012/27/EU on energy efficiency obligations.

30.5) CO₂ emissions

The provisions movements recognized in respect of carbon emission allowances used in 2014 and 2013 is as follows:

	Millions of euros	
	2014	2013 ⁽¹⁾
Opening Balance	55	70
Period provisions charged to income ⁽²⁾	54	54
Reclassifications and other movements ⁽³⁾	(54)	(69)
Closing Balance	55	55

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “*Basis of presentation*”).

⁽²⁾ Corresponds to the expense incurred to acquire the allowances needed to cover the Group's carbon emissions.

⁽³⁾ In 2014 and 2013, corresponds to the derecognition of allowances used to cover emissions made in 2013 and 2012, respectively (see Note 7).

During 2014 and 2013 the companies comprising the consolidation scope recognized emission allowances allocated free of charge under the Spanish National Allocation plan equivalent to €9 million tons of CO₂ respectively, measured at €43 and €60 million, (see Note 7).

In 2013, the value of the Group's emission allowances written down for impairment by €16 million, a charge which was offset almost in full by the recognition of deferred income corresponding to the emission allowances received free of charge. The net total impact of the CO₂ management effort, including the gains/losses on the portfolio of allowances held for trading, equated to income of €39 million in 2014 and an expense of €41 million in 2013.

In 2014, the Group companies were already operating within Phase III of the EU ETS and, as anticipated, are expected to enter a deficit at the end of this phase as they will have consumed the allowances granted under Phase II as well as their cost compensation allocation under Phase III. Repsol has taken certain mitigating measures in an attempt to diminish the additional cost in the future. Over the years, it has been acquiring Clean Development Mechanism (CDM) and Joint Implementation (JI) credits. In addition, the Company, and within it all of the installations included in the Emission Trading Scheme, has begun to implement the new 2014-2020 Energy and Carbon Plan which is designed to facilitate the execution of energy-saving and emission-cutting plans with a view to considerably reducing the cost of compliance with Phase III. The reductions achieved in 2014 are in line with the long-term trend envisaged under this multi-year plan.

(31) STAFF

Repsol Group employed a total of 24,289 people at December 31, 2014, geographically distributed as follows: Spain (17,291 employees), Latin America (4,461 employees) and rest of the world (2,537 employees). Average headcount in 2014 was 24,167 employees and in 2013 was 23,885 employees.

The Repsol Group employed a total of 661 people of differing abilities at year-end (2.72% of its workforce).

In Spain in 2014, using the computation criteria stipulated in Spanish law on the rights of people with disability and their integration, the Group surpassed the legally required percentage threshold: its differently-abled workforce accounted for 4.01% of the total in Spain, being 609 direct hires and 149 people employed using alternative mechanisms.

In compliance with Organic Law 3/2007, dated March 22, which promotes true equality between men and women, published in the BOE (Official State Gazette) issued on March 23, 2007, the following tables reflect the Group's total headcount distributed by professional categories and gender at year end 2014 and 2013:

	Number of employees			
	2014		2013 ⁽¹⁾	
	Men	Women	Men	Women
Managers	255	47	245	43
Seniors line personnel	1,534	496	1,465	463
Other line personnel	7,771	4,081	7,701	3,937
Operating staff (manual workers, administrative)	6,669	3,436	6,743	3,346
Total ⁽²⁾	16,229	8,060	16,154	7,789

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 "*Basis of presentation*").

⁽²⁾ Does not include employees with annual working hours of 20% or less of those stipulated in the collective bargaining agreements.

(32) FEES PAID TO THE AUDITORS

In 2014, the fees earned by Deloitte for the audit services provided to Repsol, S.A. and its companies controlled have amounted to €4.9 million. Additionally, the fees earned by the auditors and their organization for audit-related services and for other services have amounted to €0.8 and €0.5 million, respectively.

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

(33) SUBSEQUENT EVENTS

On December 15, 2014, following the unanimous approval by the Board of Directors of both companies, Repsol, S.A. and Talisman Energy Inc. (“Talisman”) entered into an agreement (the “*Arrangement Agreement*”) under which Repsol agreed to acquire 100% of the outstanding common shares of Talisman for cash consideration of \$8.00 per share, and, all of Talisman’s outstanding preferred shares for C\$25 cash per share plus accrued dividends not paid as of the closing date.

The aggregate purchase price amounts to \$8,300 million, plus assumed Talisman debt of approximately \$4,700 million.

The transaction will be structured as a *Plan of Arrangement* regulated under the Canada Business Corporations Act. It is subject to approval by the Canadian courts and the shareholders of Talisman. The *Arrangement Agreement* contains a series of terms and conditions that are standard in transactions of this nature, including the requirement to obtain regulatory approval and consent from third party shareholders in certain Talisman assets. Talisman has also committed to paying Repsol an amount of \$270 million under certain circumstances if the transaction does not close.

Following provisional approval in the form of an *Interim Order* from the competent court (the Court of Queen's Bench of Alberta), Talisman held a special meeting of shareholders on February 18 at which its shareholders approved the transaction. The votes cast in favor represented holders of 99.4% of the common shares and 99.8% of the preferred shares present or represented at the meeting, thereby amply exceeding the approval threshold stipulated by the court (66.6%). This same court definitively authorized the *Plan of Arrangement* on February 20, issuing the corresponding *Final Order*.

According to the initial calendar, the transaction is expected to close in mid-2015.

(34) EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These consolidated financial statements are prepared on the basis of IFRS, as issued by the IASB and as endorsed by European Union (see Note 2 and Appendix IV). Consequently, certain accounting practices applied by the Group may not conform with other generally accepted accounting principles in other countries.

APPENDIX I: Main companies comprising the Repsol Group at December 31, 2014

Name	Country	Activity	Consolidation method (1)	December 2014 % of Total Ownership		December 2013 Millions of Euros	
				equity interest	% of control investment (2)	Equity (3)	Share (3)
Abastecimentos e Serviços de Aviação, Lda.	Portugal	Marketing of oil products	EM	35.00	50.00	-	-
AESA - Construcciones y Servicios Bolivia, S.A.	Bolivia	Transportation of hydrocarbons	FC	99.00	99.00	-	-
Agri Development, B.V.	Netherlands	Construction for offshore crude oil and natural gas production	PC	6.00	10.00	-	-
Air Miles España, S.A. (4)	Spain	Establishment, introduction and operation in Spain and Andorra of the Travel Club program. Loyalty services	EM	24.16	25.00	7	-
Akakus Oil Operations, B.V.	Netherlands	Exploration and production of hydrocarbons	EM	49.00	49.00	-	-
Albatros, S.à.r.l.	Luxembourg	Portfolio company	FC	100.00	100.00	135	-
Alugas Gaviota, S.L. (5)	Spain	Regasification, storage and distribution of natural gaseous hydrocarbons	FC	100.00	100.00	-	-
AR Oil & Gaz, B.V.	Netherlands	Portfolio company	PC	49.01	49.01	-	-
Arteche y García, S.L.	Spain	Installation and operation of fuel service stations	FC	96.67	100.00	-	-
Asfahor, S.A.	Spain	Distribution and marketing of asphalt products	FC	85.98	100.00	-	-
Asfaltos Españoles, S.A.	Spain	Asphalts	(16)	49.99	50.00	26	9
Beatrice Offshore Windfarm, Ltd. (6)	UK	Development of offshore wind energy	EM	25.00	25.00	-	-
Benzirep-Vall, S.L.	Spain	Installation and operation of fuel service stations	FC	96.67	100.00	-	-
BP Trinidad & Tobago, Llc.	USA	Exploration and production of hydrocarbons	PC	30.00	100.00	355	123
BPRY Caribbean Ventures, Llc.	USA	Portfolio company	PC	30.00	30.00	123	887
C.L.H. Aviación, S.A.	Spain	Transportation and storage of oil products	EM	10.00	100.00	-	-
Caiaeste - Gestao de Areas de Serviço, Lda.	Portugal	Operation and management of service stations	EM	50.00	50.00	-	-
Campsa Estaciones de Servicio, S.A.	Spain	Operation and management of service stations	FC	96.67	100.00	45	8
Canaport LNG Limited Partnership (4)	Canada	Regasification of LNG	(16)	75.00	75.00	-	-
Carabobo Ingeniería y Construcciones, S.A.	Venezuela	Other activities	EM	27.50	27.50	-	-
Carbón Black Española, S.A.	Spain	Dormant	FC	100.00	100.00	19	-
Carburants i Derivats, S.A.	Andorra	Distribution of oil derivative products	EM	32.14	33.25	1	-
Cardón IV, S.A.	Venezuela	Exploration and production of hydrocarbons	PC	50.00	50.00	372	2
Caveant, S.A.	Argentina	Portfolio company	FC	100.00	100.00	40	1
Cogeneración Gequisa, S.A.	Spain	Production of electric energy and vapor	EM	39.00	39.00	7	2
Compañía Anónima de Revisiones y Servicios, S.A.	Spain	Installation and operation of fuel service stations	FC	91.84	95.00	3	1
Compañía Auxiliar de Remolcadores y Buques Especiales, S.A.	Spain	Tugboats	FC	99.97	100.00	5	0
Compañía Logística de Hidrocarburos CLH, S.A.	Spain	Transportation and storage of oil products	EM	10.00	10.00	210	84
CSJC Eurotek - Yugra	Russia	Exploration and production of hydrocarbons	FC	100.00	100.00	-	-
Distribuidora Andalucía Oriental, S.A.	Spain	Marketing of fuels	PC	48.34	50.00	2	1
Distribuidora de Petróleos, S.A.	Spain	Marketing of fuels	FC	82.17	85.00	-	-
Dubai Marine Areas, Ltd.	UK	Exploration and production of hydrocarbons (dormant company in the process of liquidation)	PC	50.00	50.00	-	-
Duragas, S.A.	Ecuador	Marketing of LPG	FC	100.00	100.00	(2)	11
Dynasol Elastómeros, S.A.	Spain	Production and marketing of chemical products	PC	50.01	50.01	36	17
Dynasol Elastómeros, S.A. de C.V.	Mexico	Production and marketing of chemical products	EM	49.99	49.99	91	36
Dynasol Gestión, S.A.	Spain	Holding company and shared services provider	EM	50.00	50.00	39	12
Dynasol, Llc.	USA	Marketing of petrochemical products	EM	50.00	50.00	34	1
Enirepsa Gas Limited	Saudi Arabia	Gas supply and/or logistics (dormant company in the process of liquidation)	EM	30.00	30.00	-	-
Estación de Servicio Barajas, S.A.	Spain	Operation of service stations and vehicle repair service stations	FC	92.80	96.00	3	1
Estaciones de Servicio El Robledo, S.L.	Spain	Sale to the public of fuels, lubricants and any oil-related products	FC	96.67	100.00	-	-
Euro 24, S.L.	Spain	Automotive-related services	FC	96.67	100.00	-	-
Gas Natural SDG, S.A. (7)	Spain	Holding, wind energy and electricity generation, gas purchases and sales	PC	30.00	30.00	13,254	1,001
Gas Natural West África S.L.	Spain	Exploration and production of hydrocarbons	PC	72.00	100.00	4	7
Gastream México, S.A. de C.V.	Mexico	Other activities (Dormant)	FC	100.00	100.00	(1)	21
Gaviota RE, S.A.	Luxembourg	Reinsurance	FC	100.00	100.00	14	14
General Química, S.A.	Spain	Manufacture and sale of petrochemical products	FC	100.00	100.00	8	3
Gestão e Administração de Postos de Abastecimento, Unipessoal, Lda.	Portugal	Marketing of oil products	FC	100.00	100.00	1	-
Gestión de Puntos de Venta GESPEVESA, S.A.	Spain	Management of service stations	PC	48.34	50.00	50	39
Greenstone Assurance, Ltd. (15)	Bermuda Islands	Reinsurance (in run-off)	FC	100.00	100.00	88	12
Grupo Repsol del Perú, S.A.C.	Peru	Shared services provider	FC	100.00	100.00	1	-
Guará, B.V.	Netherlands	Construction for offshore crude oil and natural gas production	EM	15.00	25.00	-	-
Iberian Lube Base Oil Company, S.A. (11)	Spain	Development and production of base lubricants	(16)	29.99	30.00	112	114
Ibil, Gestor de Carga de Vehículo Eléctrico, S.A.	Spain	Construction and operation of electric vehicle charging points	PC	50.00	50.00	8	12
Inch Cape Offshore, Ltd.	UK	Development of offshore wind energy	PC	51.00	51.00	-	2
Kuosol S.A.P.I. de C.V.	Mexico	Development of new energy projects (dormant)	PC	50.00	50.00	1	11
MC Alrep, Llc.	Russia	Provision of joint venture management services	PC	49.01	100.00	-	-
Moray Offshore Renewables, Ltd.	UK	Development of offshore wind energy	PC	33.36	33.36	10	11
Occidental de Colombia LLC (4)	USA	Ownership of exploratory and productive assets in Colombia	PC	25.00	25.00	-	-
OJSC Eurotek	Russia	Exploration and production of hydrocarbons	PC	49.01	100.00	-	-
Oleoducto de Crudos Pesados Ecuador, S.A. (4)	Ecuador	Exploitation and management of an oil pipeline in Ecuador	EM	29.66	100.00	(270)	40
Oleoducto de Crudos Pesados, Ltd.	Cayman Islands	Portfolio company	EM	29.66	29.66	(116)	73
Perú Hunt Pipeline Development Company LLC (4) (10)	USA	Portfolio company (Dormant)	EM	44.70	44.70	89	89
Petrocarabobo, S.A.	Venezuela	Exploration and production of hydrocarbons	EM	11.00	11.00	-	-
Petróleos del Norte, S.A.	Spain	Refining	FC	85.98	85.98	680	121
Petroquímica, S.A. Emp. Mixta	Venezuela	Exploration and production of hydrocarbons	PC	40.00	40.00	-	-
Polidux, S.A.	Spain	Manufacture and sale of petrochemical products	FC	100.00	100.00	(14)	17
Principle Power (Europe), Ltd.	UK	Production of electricity	PC	24.71	100.00	-	-
Principle Power Portugal Unipessoal, Lda.	Portugal	Production of electricity	PC	24.71	100.00	-	-
Principle Power, Inc.	USA	Holding company. Development of offshore (medium and deep water) wind energy technology	PC	24.71	24.71	-	-
Quiriquire Gas, S.A.	Venezuela	Exploration and production of hydrocarbons	PC	60.00	60.00	87	-
Refinería La Pampilla, S.A.A.	Peru	Refining	FC	51.03	51.03	309	313
Repsol Angola 22, B.V.	Netherlands	Exploration and production of hydrocarbons	FC	100.00	100.00	13	36
Repsol Angola 35, B.V.	Netherlands	Exploration and production of hydrocarbons	FC	100.00	100.00	36	58
Repsol Angola 37, B.V.	Netherlands	Exploration and production of hydrocarbons	FC	100.00	100.00	61	79
Repsol Angostura, Ltd. (5)	Trinidad & Tobago	Facilitation of the exploration for and exploitation of offshore oil in Trinidad and Tobago	FC	100.00	100.00	61	79
Repsol Aruba, B.V.	Netherlands	Exploration and production of hydrocarbons	FC	100.00	100.00	-	-

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In the event of a discrepancy, the Spanish language version prevails

Name	Country	Activity	Consolidation	December 2014		December 2013	
				% of Total Ownership		Millions of Euros	
				equity	% of control	Equity	Share capital
			method (1)	interest	investment (2)	(3)	(3)
Repsol Beatrice, Ltd.	UK	Development of offshore wind energy	FC	100.00	100.00	(2)	-
Repsol Bolivia, S.A.	Bolivia	Portfolio company	FC	100.00	100.00	1,201	197
Repsol Bulgaria, B.V.	Netherlands	Exploration and production of hydrocarbons	FC	100.00	100.00	10	25
Repsol Butano, S.A.	Spain	Marketing of LPG	FC	100.00	100.00	277	59
Repsol Canada, Ltd. General Partner	Canada	Regasification of LNG	FC	100.00	100.00	-	-
Repsol Capital, S.L.	Spain	Portfolio company	FC	100.00	100.00	577	464
Repsol Chemie Deutschland, GmbH	Germany	Marketing of petrochemical products	FC	100.00	100.00	-	-
Repsol Chile, S.A.	Chile	Portfolio company (Dormant)	FC	100.00	100.00	14	9
Repsol Comercial de Productos Petrolíferos, S.A.	Spain	Marketing of oil products	FC	99.99	99.99	1,145	335
Repsol Comercial, S.A.C.	Peru	Marketing of fuels	FC	51.03	100.00	72	56
Repsol Directo, Lda.	Portugal	Distribution and marketing of oil products	FC	100.00	100.00	-	-
Repsol Directo, S.A.	Spain	Distribution and marketing of oil products	FC	96.67	100.00	-	-
Repsol E & P Bolivia, S.A. (6)	Bolivia	Exploration and production of hydrocarbons	FC	100.00	100.00	570	201
Repsol E & P Canada, Ltd.	Canada	Exploration and production of hydrocarbons	FC	100.00	100.00	(3)	87
Repsol E & P Eurasia, LLC.	Russia	Exploration and production of hydrocarbons	FC	99.99	99.99	-	-
Repsol E & P T & T Limited	Trinidad & Tobago	Exploration and production of hydrocarbons	FC	100.00	100.00	99	25
Repsol E & P USA, Inc. (17)	USA	Exploration and production of hydrocarbons	FC	100.00	100.00	3,024	2,491
Repsol Ecuador, S.A.	Spain	Exploration and production of hydrocarbons	FC	100.00	100.00	76	5
Repsol Eléctrica de Distribución, S.L.	Spain	Distribution and supply of electric energy	FC	100.00	100.00	3	-
Repsol Energy Canada, Ltd.	Canada	Marketing of LPG	FC	100.00	100.00	(969)	602
Repsol Energy North America Corporation	USA	Marketing of LPG	FC	100.00	100.00	4	207
Repsol Energy Ventures, S.A. (14)	Spain	Development of new energy projects in-company or with third parties	FC	100.00	100.00	2	2
Repsol Exploración Argelia, S.A.	Spain	Exploration and production of hydrocarbons	FC	100.00	100.00	1	4
Repsol Exploración Atlas, S.A.	Spain	Exploration and production of hydrocarbons	FC	100.00	100.00	(3)	2
Repsol Exploración Cendrawasih I, B.V.	Netherlands	Exploration and production of hydrocarbons	FC	100.00	100.00	3	19
Repsol Exploración Cendrawasih II, B.V.	Netherlands	Exploration and production of hydrocarbons	FC	100.00	100.00	1	9
Repsol Exploración Cendrawasih III, B.V.	Netherlands	Exploration and production of hydrocarbons	FC	100.00	100.00	-	2
Repsol Exploración Cendrawasih IV, B.V.	Netherlands	Exploration and production of hydrocarbons	FC	100.00	100.00	-	2
Repsol Exploración Colombia COL-4, S.A. (5)	Spain	Exploration and production of hydrocarbons	FC	100.00	100.00	-	-
Repsol Exploración Colombia, S.A.	Spain	Exploration and production of hydrocarbons	FC	100.00	100.00	(12)	2
Repsol Exploración East Bula, B.V.	Netherlands	Exploration and production of hydrocarbons	FC	100.00	100.00	-	2
Repsol Exploración Gharb, S.A.	Spain	Exploration and production of hydrocarbons	FC	100.00	100.00	-	6
Repsol Exploración Gorontalo, B.V.	Netherlands	Exploration and production of hydrocarbons	FC	100.00	100.00	-	-
Repsol Exploración Guinea, S.A.	Spain	Exploration and production of hydrocarbons (Dormant)	FC	100.00	100.00	-	-
Repsol Exploración Guyana, S.A.	Spain	Exploration and production of hydrocarbons	FC	100.00	100.00	(15)	-
Repsol Exploración Irlanda, S.A.	Spain	Exploration and production of hydrocarbons	FC	100.00	100.00	(28)	-
Repsol Exploración Karabashsky, B.V.	Netherlands	Exploration and production of hydrocarbons	FC	100.00	100.00	241	259
Repsol Exploración Kazakhstan, S.A.	Spain	Exploration and production of hydrocarbons	FC	100.00	100.00	-	-
Repsol Exploración Liberia, B.V. (8)	Netherlands	Exploration and production of hydrocarbons	FC	100.00	100.00	1	47
Repsol Exploración México, S.A. de C.V.	Mexico	Exploration and production of hydrocarbons	FC	100.00	100.00	38	16
Repsol Exploración Murzuq, S.A.	Spain	Exploration and production of hydrocarbons	FC	100.00	100.00	623	8
Repsol Exploración Nicaragua, S.A. (5)	Spain	Exploration and production of hydrocarbons	FC	100.00	100.00	-	-
Repsol Exploración Numfor, B.V.	Netherlands	Exploration and production of hydrocarbons	FC	100.00	100.00	-	-
Repsol Exploración Perú, S.A.	Spain	Exploration and production of hydrocarbons	FC	100.00	100.00	328	17
Repsol Exploración Seram, B.V.	Netherlands	Exploration and production of hydrocarbons	FC	100.00	100.00	-	3
Repsol Exploración Sierra Leona, S.L.	Spain	Exploration and production of hydrocarbons	FC	100.00	100.00	-	3
Repsol Exploración Suriname, S.L.	Spain	Exploration and production of hydrocarbons	FC	100.00	100.00	(1)	-
Repsol Exploración Tobago, S.A.	Spain	Exploration and production of hydrocarbons	FC	100.00	100.00	-	-
Repsol Exploración Venezuela, B.V.	Netherlands	Portfolio company	FC	100.00	100.00	156	352
Repsol Exploración, S.A. (9)	Spain	Exploration and production of hydrocarbons	FC	100.00	100.00	1,608	25
Repsol Exploration Advanced Services, AG	Switzerland	Other activities	FC	100.00	100.00	-	-
Repsol Exploration Australia, Pty, Ltd.	Australia	Exploration and production of hydrocarbons	FC	100.00	100.00	(1)	18
Repsol Exploration Namibia Pty, Ltd.	Namibia	Exploration and production of hydrocarbons	FC	100.00	100.00	4	-
Repsol Exploration Norge, AS	Norway	Exploration and production of hydrocarbons	FC	100.00	100.00	23	-
Repsol Gas de la Amazonia, S.A.C.	Peru	Marketing of LPG	FC	99.85	100.00	-	-
Repsol Gas del Perú, S.A.	Peru	Marketing of LPG	FC	99.86	99.86	50	34
Repsol Gas Portugal, S.A.	Portugal	Marketing of LPG	FC	100.00	100.00	29	1
Repsol GLP de Bolivia, S.A.	Bolivia	Marketing of LPG	FC	100.00	100.00	-	-
Repsol International Capital, Ltd	Cayman Islands	Finance (dormant and in the process of liquidation)	FC	100.00	100.00	34	347
Repsol International Finance, B.V.	Netherlands	Finance and securities holding	FC	100.00	100.00	2,156	301
Repsol Investeringen, BV	Netherlands	Finance	FC	100.00	100.00	-	-
Repsol Investigaciones Petrolíferas, S.A.	Spain	Exploration and production of hydrocarbons	FC	100.00	100.00	579	226
Repsol Italia, SpA	Italy	Marketing of oil products	FC	100.00	100.00	64	2
Repsol Libreville, S.A. avec A.G. (5)	Gabon	Exploration and production of hydrocarbons	FC	100.00	100.00	-	-
Repsol LNG Holdings, S.A.	Spain	Marketing of hydrocarbons	FC	100.00	100.00	-	2
Repsol LNG Offshore, B.V.	Netherlands	Construction for the production of offshore crude oil and gas (dormant)	FC	100.00	100.00	14	14
Repsol LNG, S.L.	Spain	Marketing of gas	FC	100.00	100.00	(1)	-
Repsol Louisiana Corporation	USA	Exploration and production of hydrocarbons	FC	100.00	100.00	-	-
Repsol Lubrificantes y Especialidades, S.A.	Spain	Production and marketing of oil derivatives	FC	99.97	100.00	33	5
Repsol Lubrificantes e Especialidades Brasil Participações, Ltda. (5)	Brasil	Production and marketing of lubricants	FC	100.00	100.00	-	-
Repsol Lusitania, S.L.	Spain	Portfolio company	FC	100.00	100.00	(17)	-
Repsol Marketing, S.A.C.	Peru	Marketing of fuels and fuel specialty products	FC	100.00	100.00	12	2
Repsol Maroc, S.A.	Morocco	Marketing of natural gas (Dormant)	EM	99.96	99.96	-	1
Repsol Mediación, Agente de Seguros Vinculado, S.L.U.	Spain	Insurance brokerage	FC	96.67	100.00	2	-
Repsol Moray Firth, Ltd.	UK	Development of offshore wind energy	FC	100.00	100.00	7	8
Repsol Netherlands Finance, BV	Netherlands	Finance	FC	100.00	100.00	(24)	-
Repsol Nuevas Energías U.K., Ltd.	UK	Development and construction of offshore wind farms	FC	100.00	100.00	16	13
Repsol Nuevas Energías, S.A.	Spain	Manufacture, distribution, and sale of all types of biofuels and other related activities	FC	100.00	100.00	(7)	1
Repsol OCP de Ecuador, S.A.	Spain	Portfolio company	FC	100.00	100.00	30	-
Repsol Offshore E & P USA, Inc.	USA	Exploration and production of hydrocarbons	FC	100.00	100.00	-	-
Repsol Oriente Medio, S.A.	Spain	Exploration and production of hydrocarbons	FC	100.00	100.00	(6)	-
Repsol Overzee Financien, B.V.	Netherlands	Portfolio company	FC	100.00	100.00	660	129
Repsol Perú, B.V.	Netherlands	Portfolio company	FC	100.00	100.00	174	152
Repsol Petróleo, S.A.	Spain	Refining	FC	99.97	99.97	1,856	218
Repsol Polímeros, S.A.	Portugal	Manufacture and sale of petrochemical products	FC	100.00	100.00	(215)	222
Repsol Portuguesa, S.A.	Portugal	Distribution and marketing of oil products	FC	100.00	100.00	514	-
Repsol Química, S.A.	Spain	Manufacture and sale of petrochemical products	FC	100.00	100.00	(112)	60

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Name	Country	Activity	Consolidation method (1)	December 2014 % of Total Ownership		December 2013 Millions of Euros	
				equity interest	% of control investment (2)	Equity (3)	Share capital (3)
Repsol Services Company	USA	Exploration and production of hydrocarbons	FC	100.00	100.00	-	-
Repsol Sinopec Brasil, B.V.	Netherlands	Portfolio company	PC	60.01	100.00	3,951	3,759
Repsol Sinopec Brasil, S.A.	Brazil	Exploration and marketing of hydrocarbons	PC	60.01	60.01	5,953	4,810
Repsol St. John LNG, S.L. (5)	Spain	Performance of oil and gas related studies and all manner of gas sector ac	FC	100.00	100.00	-	-
Repsol Surorient Ecuador, S.A. (13)	Spain	Exploration and production of hydrocarbons	FC	100.00	100.00	2	2
Repsol Tesorería y Gestión Financiera, S.A.	Spain	Treasury services to group companies	FC	100.00	100.00	310	-
Repsol Trading Perú, S.A.C. (5)	Peru	Trading and transport	FC	100.00	100.00	-	-
Repsol Trading Singapore Pte., Ltd. (5)	Singapur	Trading and transport	FC	100.00	100.00	-	-
Repsol Trading USA Corporation	USA	Trading and transport	FC	100.00	100.00	-	-
Repsol Trading, S.A.	Spain	Marketing of oil products	FC	100.00	100.00	123	-
Repsol U.K. Round 3, Ltd.	UK	Development of offshore wind energy	FC	100.00	100.00	(8)	8
Repsol USA Holdings Corporation (4)	USA	Exploration and production of hydrocarbons	FC	100.00	100.00	-	-
Repsol Venezuela Gas, S.A. (4)	Venezuela	Exploration and production of hydrocarbons	FC	100.00	100.00	167	-
Repsol Venezuela, S.A.	Venezuela	Exploration and production of hydrocarbons	FC	100.00	100.00	121	1
San Andrés Park, S.L.	Spain	Service stations for the supply and sale of fuels and lubricants.	FC	96.67	100.00	-	-
Saint John Gas Marketing Company (5)	USA	Support for and/or investment in a liquefaction plant in Canada	FC	100.00	100.00	-	-
Saint John LNG Development Company, Ltd. (5)	Canada	Preparation of the construction plans for a liquefaction plant in Canada	FC	100.00	100.00	-	-
Saneco	Russia	Exploration and production of hydrocarbons	PC	49.01	100.00	-	-
SC Repsol Baicai, S.R.L.	Romania	Exploration and production of hydrocarbons	FC	100.00	100.00	-	-
SC Repsol Piesti, S.R.L.	Romania	Exploration and production of hydrocarbons	FC	100.00	100.00	-	-
SC Repsol Targoviste, S.R.L.	Romania	Exploration and production of hydrocarbons	FC	100.00	100.00	-	-
SC Repsol Targu Jiu, S.R.L.	Romania	Exploration and production of hydrocarbons	FC	100.00	100.00	-	-
Servicios Administrativos Cuenca de Burgos S.A. de C.V.	Mexico	Exploration and production of hydrocarbons	FC	100.00	100.00	-	-
Servicios de Mantenimiento y Personal, S.A.	Ecuador	Maintenance and Human Resource services	FC	100.00	100.00	-	1
Servicios de Seguridad Mancomunados, S.A.	Spain	Security	FC	99.98	100.00	1	-
Servicios Logísticos Combustibles de Aviación, S.L.	Spain	Transportation and commercial airline into-plane services of oil products	PC	49.29	50.00	14	4
Servicios y Operaciones de Perú S.A.C	Peru	Other activities	FC	100.00	100.00	-	-
Sociedade Abastecedora de Aeronaves, Lda.	Portugal	Marketing of oil products	EM	25.00	25.00	-	-
Sociedade Açoreana de Armazenagem de Gas, S.A.	Portugal	Marketing of LPG	EM	25.07	25.07	4	1
Societat Catalana de Petrols, S.A.	Spain	Distribution and marketing of oil products	FC	87.20	90.00	3	6
Solgas Distribuidora de Gas, S.L.	Spain	Marketing of LPG	FC	100.00	100.00	(1)	1
Solred, S.A.	Spain	Management of payment systems in service stations	FC	96.67	100.00	41	7
Spelta Produtos Petrolíferos Unipessoal, Lda.	Portugal	Marketing of LPG	FC	100.00	100.00	1	-
TAPBC Acquisition, Inc. (5)	Canada	Portfolio company	FC	100.00	100.00	-	-
Tecnicontrol y Gestión Integral, S.L.	Spain	Real State development	FC	100.00	100.00	32	4
Terminales Canarios, S.L.	Spain	Gas supply and transportation	PC	48.34	50.00	24	20
The Repsol Company of Portugal, Ltd.	UK	Marketing of oil products	FC	100.00	100.00	1	1
TNO (Tafnefteotdacha)	Russia	Exploration and production of hydrocarbons	PC	34.30	99.54	-	-
Transportadora Sulbrasileira de Gas, S.A.	Brazil	Construction and operation of gas pipeline	PC	25.00	25.00	-	-
Tucunaré Empreendimentos e Participações, Ltda.	Brazil	Support services and administrative infrastructure	FC	100.00	100.00	-	-
Vía Red Hostelería y Distribución, S.L.	Spain	Gas supply and transportation	FC	100.00	100.00	1	1
Windplus, S.A.	Portugal	Development of windfloat technology for generation of floating offshore wind energy	PC	22.56	91.28	-	-
YPFB Andina, S.A. (6)	Bolivia	Exploration and production of hydrocarbons	PC	48.33	48.33	1,119	140
YPFB Transierra, S.A. (12)	Bolivia	Transportation of oil and gas including the construction and operation of oil and gas pipelines	EM	21.51	44.50	283	64
Zhambai Limited Liability Partnership	Kazakhstan	Exploration and production of hydrocarbons (inactive and in the process of liquidation)	EM	25.00	25.00	-	-

(1) Consolidation method:

FC: Full consolidation method

EM: Equity method. The Group's interests in joint ventures have been consolidated using the equity method since 1 January 2014 as they qualify as joint ventures under IFRS 11 - Joint Arrangements

(2) Percentage related to the ownership interest of parent companies in the subsidiary.

(3) Relates to data of the individual companies, except in the cases specifically identified below, from the latest financial statements approved by the Shareholders in General Meeting (in general, data at December 31, 2013), prepared in accordance with generally accounting principles prevailing in their corresponding jurisdictions. The equity of companies whose functional currency is not the euro have been converted using the year-end exchange rate. The amounts have been rounded off (figures under half a million are shown as zero).

(4) Data relating to the consolidated financial statements.

(5) Companies incorporated in the Repsol Group in the year 2014.

(6) Data corresponding to the financial statements closed at March 31, 2014.

(7) Parent of a group comprised of more than 300 companies; relevant information can be consulted in the consolidated financial statements of this company (www.portal.gasnatural.com).

(8) This company has a branch office domiciled in Liberia.

(9) This company owns 100% of Repsol Exploration Services, LTD, a company under liquidation domiciled in the Cayman Islands.

(10) This company is the parent of Hunt Pipeline Development Perú, LP, which in turn holds 100% of Hunt Pipeline Company of Peru, Ltd., a dormant company domiciled in the Cayman Islands in the process of liquidation sociedad inactiva

(11) Formerly called SKSOL Lube Base Oils, S.A.

(12) Formerly called Transierra, S.A.

(13) Formerly called Repsol Cuba, S.A.

(14) Formerly called Repsol New Energy Ventures, S.A.

(15) This company holds minority interests in the mutual reinsurance companies Oil Casual Insurance (4.4%) and Oil Insurance, Ltd (1.09%), domiciled in Bermuda.

(16) Investments in joint arrangements that are either not articulated through a financial structure or vehicle that can be separately identified or, being so structured, such vehicle does not limit their rights to the assets or obligations for the liabilities relating to the arrangement.

These investments are held by the Group through investments in fully-consolidated subsidiaries.

(17) Data corresponding to the 2012 annual financial statements duly authorized for issue.

APPENDIX Ib: MAIN CHANGES IN THE CONSOLIDATION SCOPE FOR THE YEAR ENDED DECEMBER 31, 2014

Name	Country	Parent Company	Concept	Date	31.12.14			31.12.13		
					% of Total Ownership			% of Total Ownership		
					Consolidation method ⁽¹⁾	% of Direct Ownership	% of control ⁽²⁾	Consolidation method ⁽¹⁾	% equity interest	% of control ⁽²⁾
Repsol Comercializadora de Gas, S.A.	Spain	Repsol Exploración, S.A.	Sale	ene-14	-	-	-	F.C.	100%	100%
Kuosol Agrícola S.A.P.I. de C.V.	Mexico	Kuosol S.A.P.I. de C.V.	Sale	ene-14	-	-	-	(4)	50.00%	100%
Repsol Angostura, Ltd.	Trinidad & Tobago	Repsol Exploración, S.A.	Constitution	feb-14	F.C.	100%	100%	-	-	-
Empresa Petrolera Maxus Bolivia, S.A.	Bolivia	Repsol Bolivia, S.A.	Absorption	feb-14	-	-	-	F.C.	100%	100%
Repsol Trading Perú, S.A.C.	Peru	Repsol Trading, S.A.	Constitution	mar-14	F.C.	100%	100%	-	-	-
Transportadora de Gas del Perú, S.A. (TGP) ⁽³⁾	Peru	Hunt Pipeline Company of Perú, Ltd.	Sale	mar-14	-	-	-	E.M.	10.00%	22.38%
Repsol YPF Trading y Transportes Singapur, Ltd.	Cayman Islands	Repsol Trading, S.A.	Liquidation	abr-14	-	-	-	F.C.	100%	100%
Orisol, Corporación Energética, S.A.	Spain	Repsol Nuevas Energías, S.A.	Sale	may-14	-	-	-	(4)	46.81%	46.81%
Alsugas Gaviota, S.L.	Spain	Repsol Tesorería y Gestión Financiera, S.A.	Acquisition	may-14	F.C.	100%	100%	-	-	-
Repsol St. John LNG, S.L.	Spain	Repsol LNG Holdings, S.A.	Constitution	jun-14	F.C.	100%	100%	-	-	-
Repsol Trading Singapore Pte, Ltd.	Singapur	Repsol Trading, S.A.	Constitution	jun-14	F.C.	100%	100%	-	-	-
Algaenergy, S.A.	Spain	Repsol Nuevas Energías, S.A.	Sale	jun-14	-	-	-	(4)	20.02%	20.02%
Tocado International B.V.	Netherlands	Repsol New Energy Ventures, S.A.	Sale	jul-14	-	-	-	E.M.	20.34%	20.34%
YPFB Andina, S.A.	Bolivia	Repsol Bolivia, S.A.	Decrease shareholding	ago-14	P.C.	48.33%	48.33%	(4)	48.92%	48.92%
Ibilek Car-Sharing Vehículo Eléctrico, S.A.	Spain	Ibil, Gestor de Carga de Vehículo Eléctrico, S.A.	Absorption	sep-14	-	-	-	(4)	50.00%	100%
Saint John Gas Marketing Company	USA	Repsol St. John LNG, S.L.	Constitution	sep-14	F.C.	100%	100%	-	-	-
Repsol Libreville, S.A. avec A.G.	Gabon	Repsol Exploración, S.A.	Constitution	sep-14	F.C.	100%	100%	-	-	-
Saint John LNG Development Company, Ltd.	Canada	Repsol St. John LNG, S.L.	Constitution	sep-14	F.C.	100%	100%	-	-	-
Air Miles España, S.A.	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Decrease shareholding	sep-14	E.M.	24.16%	25.00%	E.M.	25.78%	26.67%
Noroil, S.A.	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Absorption	oct-14	-	-	-	F.C.	96.67%	100%
Repsol Exploración Colombia COL-4, S.A.	Spain	Repsol Exploración, S.A.	Constitution	oct-14	F.C.	100%	100%	-	-	-
Repsol Exploración Nicaragua, S.A.	Spain	Repsol Exploración, S.A.	Constitution	nov-14	F.C.	100%	100%	-	-	-
Calio Holdings, LLC.	USA	Repsol Exploración Venezuela, B.V.	Liquidation	dic-14	-	-	-	F.C.	100%	100%
Societat Catalana de Petrolis, S.A. (PETROCAT)	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Increase shareholding	dic-14	F.C.	87.20%	90.00%	E.M.	43.69%	45.00%
Neol Biosolutions, S.A.	Spain	Repsol New Energy Ventures, S.A.	Sale	dic-14	-	-	-	(4)	50.00%	50.00%
TAPBC Acquisition, Inc.	Canada	Repsol Exploración, S.A.	Constitution	dic-14	F.C.	100%	100%	-	-	-
Windplus, S.A.	Portugal	Principle Power, Inc.	Increase shareholding	dic-14	P.C.	22.56%	91.28%	(4)	23.73%	70.62%
Principle Power, Inc.	USA	Repsol New Energy Ventures, S.A.	Decrease shareholding	dic-14	P.C.	24.71%	24.71%	(4)	33.61%	33.61%
Repsol Lubrificantes e Especialidades Brasil Participações, Ltda.	Brazil	Repsol Lubrificantes y Especialidades, S.A.	Constitution	dic-14	F.C.	100%	100%	-	-	-

Gas Natural Group Companies (several companies) ⁽⁵⁾

Gas Natural SDG, S.A.

(1) Consolidation Method:

F.C. Full consolidation

EM: Equity method. The Group's interests in joint ventures have been consolidated using the equity method since 1 January 2014 as they qualify as joint ventures under IFRS 11 - Joint Arrangements

(2) Percentage related to the ownership interest of parent companies in the subsidiary.

(3) See Note 4.

(4) Investments in joint arrangements that are either not articulated through a financial structure or vehicle that can be separately identified or, being so structured, such vehicle does not limit their rights to the assets or obligations for the liabilities relating to the arrangement. These investments are held by the Group through investments in fully-consolidated subsidiaries.

(5) In 2014 the Gas Natural Fenosa Group's scope of consolidation (Note 9) changed as a result of additions, derecognitions and increased and decreased shareholdings in investees (see the 2014 consolidated financial statements of Gas Natural Fenosa).

APPENDIX Ib: MAIN CHANGES IN THE CONSOLIDATION SCOPE FOR THE YEAR ENDED DECEMBER 31, 2013

Name	Country	Parent Company	Concept	Date	Consolidation method ⁽³⁾	31.12.13	31.12.12			
						% of Total Ownership		% of Total Ownership		
						% of Direct Ownership	% of control ⁽⁴⁾	Consolidation method ⁽³⁾	% equity interest	% of control ⁽⁴⁾
Pacific LNG Bolivia, S.A.	Bolivia	Repsol Bolivia, S.A.	Liquidation	ene-13	-	-	-	EM	37.50%	37.50%
Tocado International B.V.	Netherlands	Repsol New Energy Ventures, S.A.	Acquisition	ene-13	EM	20.34%	20.34%	-	-	-
Eurotek	Russia	AR Oil & Gas BV	Decrease shareholding	ene-13	FC	49.01%	100%	FC	100%	100%
MC ALREP, Llc.	Russia	AR Oil & Gas BV	Acquisition	feb-13	FC	49.01%	100%	-	-	-
Kuosol Servicios, S.A. de C.V.	Mexico	Kuosol S.A.P.I. de C.V.	Absorption	feb-13	-	-	-	FC	49.99%	99.98%
Repsol Exploración Gharb, S.A.	Spain	Repsol Exploración, S.A.	Constitution	mar-13	FC	100%	100%	-	-	-
Principle Power Inc.	USA	Repsol New Energy Ventures, S.A.	Acquisition	mar-13	FC	33.61%	33.61%	-	-	-
Principle Power Portugal Unipessoal, Lda.	Portugal	Principle Power Inc.	Acquisition	mar-13	FC	100%	33.61%	-	-	-
Principle Power (Europe), Ltd.	United Kingdom	Principle Power Inc.	Acquisition	mar-13	FC	100%	33.61%	-	-	-
Windplus, S.A.	Portugal	Principle Power Inc.	Decrease shareholding	abr-13	FC	23.73%	70.62%	FC	30.95%	30.95%
Repsol Exploración Guyana, S.A.	Spain	Repsol Exploración, S.A.	Constitution	jun-13	FC	100%	100%	-	-	-
Air Miles España, S.A.	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Increase shareholding	jun-13	EM	25.78%	26.67%	EM	21.75%	22.50%
SC Repsol Targu Jiu SRL	Romania	Repsol Exploración, S.A.	Constitution	jul-13	FC	100%	100%	-	-	-
SC Repsol Baicoi SRL	Romania	Repsol Exploración, S.A.	Constitution	jul-13	FC	100%	100%	-	-	-
SC Repsol Targoviste SRL	Romania	Repsol Exploración, S.A.	Constitution	jul-13	FC	100%	100%	-	-	-
SC Repsol Pitesti SRL	Romania	Repsol Exploración, S.A.	Constitution	jul-13	FC	100%	100%	-	-	-
Repsol Exploración Cendrawasih I, B.V	Netherlands	Repsol Exploración, S.A.	Constitution	jul-13	FC	100%	100%	-	-	-
Repsol Exploración Gorontalo, B.V.	Netherlands	Repsol Exploración, S.A.	Constitution	jul-13	FC	100%	100%	-	-	-
Repsol Exploración Numfor, B.V.	Netherlands	Repsol Exploración, S.A.	Constitution	jul-13	FC	100%	100%	-	-	-
Algaenergy	Spain	Repsol Nuevas Energías, S.A.	Increase shareholding	jul-13	PC	20.02%	20.02%	FC	20.01%	20.01%
San Andrés Park S.L	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Acquisition	sep-13	FC	96.67%	100%	-	-	-
Bahía Bizkaia Electricidad, S.L. ⁽¹⁾	Spain	Repsol, S.A.	Sale	oct-13	-	-	-	FC	25.00%	25.00%
Albatros S.a.R.L.	Luxembourg	Repsol, S.A.	Constitution	nov-13	FC	100%	100%	-	-	-
Repsol - Gas Natural LNG, S.L.	Spain	Gas Natural SDG, S.A.	Sale	dic-13	-	-	-	FC	65.00%	100%
Perú LNG Company Llc. ⁽¹⁾	USA	LNG Shipping Operation Services Netherland, B.V.	Sale	dic-13	-	-	-	EM	20.00%	20.00%
Perú LNG, S.R.L. ⁽¹⁾	Peru	Perú LNG Company, Llc.	Sale	dic-13	-	-	-	EM	20.00%	20.00%
Atlantic 1 Holdings, Llc. ⁽¹⁾	USA	Repsol LNG Port Spain, B.V.	Sale	dic-13	-	-	-	EM	20.00%	20.00%
Atlantic 2/3 Holdings Llc. ⁽¹⁾	USA	Repsol LNG Port Spain, B.V.	Sale	dic-13	-	-	-	FC	25.00%	25.00%
Atlantic 4 Holdings Llc. ⁽¹⁾	USA	Repsol LNG Port of Spain, B.V.	Sale	dic-13	-	-	-	EM	22.22%	22.22%
Atlantic LNG 2/3 Company of Trinidad&Tobago, Unlimited ⁽¹⁾	Trinidad & Tobago	Atlantic 2/3 Holdings Llc.	Sale	dic-13	-	-	-	FC	25.00%	100%
Atlantic LNG 4 Company of Trinidad&Tobago, Unlimited ⁽¹⁾	Trinidad & Tobago	Atlantic 4 Holdings Llc.	Sale	dic-13	-	-	-	EM	22.22%	100%
Atlantic LNG Co. of Trinidad&Tobago ⁽¹⁾	Trinidad & Tobago	Atlantic 1 Holdings, Llc.	Sale	dic-13	-	-	-	EM	20.00%	100%
Repsol LNG T&T, Ltd. ⁽¹⁾	Trinidad & Tobago	Repsol LNG Port Spain, B.V.	Sale	dic-13	-	-	-	FC	100%	100%
Repsol LNG Port of Spain, B.V. ⁽¹⁾	Netherlands	Netherlands ALNG Holding Company, B.V.	Sale	dic-13	-	-	-	FC	100%	100%
LNG Shipping operation services netherlands B.V. ⁽¹⁾	Netherlands	Repsol Exploración, S.A.	Sale	dic-13	-	-	-	FC	100%	100%
Netherlands ALNG Holding Company B.V. ⁽¹⁾	Netherlands	Repsol International Finance, B.V.	Sale	dic-13	-	-	-	FC	100%	100%
Gas Natural Group companies (several companies) ⁽²⁾		Gas Natural SDG, S.A.								

(1) Companies forming part of the scope of the sale to Shell of the Group's LNG assets and businesses. Bahía Bizkaia Electricidad, S.L. was ultimately sold to BP (Note 31)

(2) The consolidation scope of the Gas Natural Fenosa group changed in 2013, with new companies consolidated, others deconsolidated and increases and decreases in existing shareholdings; none of these changes has a significant impact on the Group's financial statements.

(3) Consolidation Method:

F.C. Full consolidation

P.C. Proportionate Consolidation

E.M. Equity Method

(4) Percentage corresponding to the Parent Company's ownership in the subsidiary.

APPENDIX II: Joint Operations for the year ended December 31, 2014

Name	% Ownership interest ⁽¹⁾	Operator	Activity
Angola			
Block 22	42.86%	Repsol Angola 22 B.V. (sucursal)	Exploration
Block 35	35.71%	ENI West Africa SPA	Exploration
Block 37	28.57%	ConocoPhillips Angola 37 Ltd	Exploration
Algeria			
TFT	30.00%	Groupement TFT	Exploration and Production
Issaouane (TFR)	59.50%	Repsol Exploration Argelia - Sonatrach	Exploration and Production
Reggane	26.25%	Groupement Reggane	Exploration and Production
Sud Est Illizi	52.50%	Repsol Exploration Argelia S.A.	Exploration and Production
Aruba			
Aruba offshore block	35.00%	Repsol Aruba, B.V.	Exploration
Australia			
Block WA48	55.00%	BHP BP	Exploration
Bolivia			
Block San Alberto (2)	50.00%	Petrobras Bolivia S.A.	Exploration and Production
Block San Antonio (2)	50.00%	Petrobras Bolivia S.A.	Exploration and Production
Block Monteagudo (2)	20.00%	Repsol E&P Bolivia S.A.	Exploration and Production
Planta de Compresión de Gas Rio Grande (2)	50.00%	YPFB Andina S.A.	Exploration and Production
Block Charagua	30.00%	Repsol E&P Bolivia S.A.	Exploration
Block Caipipendi	37.50%	Repsol E&P Bolivia S.A.	Exploration and Production
Block Monteagudo	30.00%	Repsol E&P Bolivia S.A.	Exploration and Production
Brazil (3)			
Albacora Leste	10.00%	Petrobras	Production
BM-C-33	35.00%	Repsol Sinopec Brasil S.A.	Exploration
BM-ES-21	10.00%	Petrobras	Exploration
BM-S-50	20.00%	Petrobras	Exploration
BM-S-51	20.00%	Petrobras	Exploration
BM-S-7	37.00%	Petrobras	Exploration
BM-S-9	25.00%	Petrobras	Exploration
Cabiunas	15.00%	Petrobras	Exploration and Production
Floating LNG	16.33%	Petrobras	Exploration and Production
Bulgaria			
Han Asparuh	30.00%	TOTAL	Exploration
Canada			
Canaport LNG Limited Partnership	75.00%	Repsol Canadá Ltd	LNG Regasification
Colombia			
Cravo Norte (4)	22.50%	OXYCOL	Production
Cosecha (4)	70.00%	OXYCOL	Production
Chipirón (4)	35.00%	OXYCOL	Production
Rondón (4)	25.00%	OXYCOL	Production
Capachos	50.00%	Repsol Exploration Colombia Sucursal	Abandoned
El Queso	50.00%	Repsol Exploration Colombia Sucursal	Abandoned
Guajira OFF-1	50.00%	Repsol Exploration Colombia Sucursal	Exploration
Cebucan	20.00%	Petrobras	Exploration
Catleya	50.00%	Ecopetrol	Exploration
Tayrona	30.00%	Petrobras	Exploration
RC11	50.00%	Repsol Exploration Colombia Sucursal	Exploration
RC12	50.00%	Repsol Exploration Colombia Sucursal	Exploration
Guadual	20.00%	Petrobras	Abandoned
Orquidea	40.00%	Hocol	Abandoned
COL-4	34.34%	Repsol	Exploration
Cuba			
Block 25-29 y 35*36	40.00%	Repsol Cuba Sucursal	Exploration
Ecuador			
Block 16	35.00%	Repsol Ecuador S.A.	Exploration and Production
Block Tivacuno	35.00%	Repsol Ecuador S.A.	Exploration and Production
USA			
Midcontinent	13.44%	Sandridge	Development
Midcontinent	6.38%	Cummings Oil	Development
Midcontinent	5.92%	Empire	Development
Midcontinent	4.75%	Veritas Energy	Development
Midcontinent	4.69%	PetroQuest	Development
Midcontinent	4.43%	Chesapeake	Development
Midcontinent	4.00%	Coffeyville Resources	Development
Midcontinent	3.80%	Fairway Resources	Development

Name	% Ownership ^(a)	Operator	Activity
Midcontinent	3.56%	Red Fork	Development
Midcontinent	3.32%	Eagle Exploration	Development
Midcontinent	3.22%	Plymouth	Development
Midcontinent	2.96%	Range Resources	Development
Midcontinent	2.37%	Chaparral	Development
Midcontinent	2.20%	Atlas Resource	Development
Midcontinent	2.03%	Primexx	Development
Midcontinent	1.76%	D & J Oil	Development
Midcontinent	1.30%	HighMount	Development
Midcontinent	1.29%	Enervest Operating	Development
Midcontinent	1.03%	Midstates	Development
Midcontinent	0.70%	Devon	Development
Midcontinent	0.60%	Comanche	Development
Midcontinent	0.08%	Equal Energy	Development
Midcontinent	0.07%	Wicklund	Development
Midcontinent	0.04%	Triad Energy	Development
Midcontinent	0.01%	Cisco	Development
Alaska	70.00%	Repsol E&P USA Inc	Exploration
Shenzi GOM	28.00%	BHPBilliton	Development
Buckskin GOM	12.50%	Chevron	Exploration
Key Largo	40.00%	Marathon	Exploration
Leon	60.00%	Repsol E&P USA Inc	Exploration
Tiger	12.50%	Chervron USA Inc.	Exploration
Iowa	75.00%	Repsol Louisina Corporation	Exploration
Spain			
Albatros	82.00%	Repsol Investigaciones Petrolíferas, S.A.	Development
Angula	54.00%	Repsol Investigaciones Petrolíferas, S.A.	Development
Barracuda	60.00%	Repsol Investigaciones Petrolíferas, S.A.	Production
Boquerón	62.00%	Repsol Investigaciones Petrolíferas, S.A.	Production
Casablanca	67.00%	Repsol Investigaciones Petrolíferas, S.A.	Development
Casablanca Unit	69.00%	Repsol Investigaciones Petrolíferas, S.A.	Development and Production
Chipirón	98.00%	Repsol Investigaciones Petrolíferas, S.A.	Production
Fulmar	84.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Gaviota I y II	82.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Montanazo	75.00%	Repsol Investigaciones Petrolíferas, S.A.	Production
Rodaballo	69.00%	Repsol Investigaciones Petrolíferas, S.A.	Production
Siroco	60.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Bezana Bigüenzo	40.00%	Petroleum Oil & Gas España, S.A.	Exploration
Rodaballo Concesión	65.00%	Repsol Investigaciones Petrolíferas, S.A.	Development
Canarias	50.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Indonesia			
Seram PSC	45.00%	Black Gold Indonesia LLC	Exploration and Production
East Bula PSC	45.00%	Black Gold East Bula LLC	Exploration and Production
Cendrawasih Bay III	50.00%	NIKO Resources (Cendrawasih Bay III) Limited	Exploration and Production
Cendrawasih Bay IV	50.00%	NIKO Resources (Cendrawasih Bay IV) Limited	Exploration and Production
Cendrawasih I bay block	30.00%	Black Gold Cendrawasih L.L.C.	Exploration
Iraq			
Piramagrun and Qala Dze Blocks	50.00%	Repsol Oriente Medio SA (Suc Kurdistan)	Exploration
Qala Dze	50.00%	Repsol Oriente Medio SA (Suc Kurdistan)	Exploration
Ireland			
Dunquin	25.00%	Exxon	Exploration
Newgrange	40.00%	Repsol Exploration Irlanda SA	Exploration
Liberia			
Block 10	10.00%	Anadarko	Exploration
Libya			
Epsa IV NC115	25.20%	Akakus Oil Operations	Exploration and Production
Epsa IV NC186	19.84%	Akakus Oil Operations	Exploration and Production
Epsa IV NC115 Exploration	40.00%	Repsol Exploracion Murzuq. S.A.	Exploration and Production
Epsa IV NC186 Exploration	32.00%	Repsol Exploracion Murzuq. S.A.	Exploration and Production
Pack 1	60.00%	Repsol Exploracion Murzuq. S.A.	Exploration and Production
Pack 3	35.00%	GDF	Exploration and Production
Area 137	50.00%	Sancor	Exploration and Production
Morocco			
Tánger Larrache	48.00%	Repsol Exploration Marruecos S.A.	Exploration
Mauritania			
TA09	70.00%	Repsol Exploration S.A.	Exploration
TA10	70.00%	Repsol Exploration S.A.	Exploration

Translation of a report originally issued in Spanish
In the event of a discrepancy, the Spanish language version prevails

Name	% Ownership interest ⁽¹⁾	Operator	Activity
Namibia			
Block 10	44.00%	Repsol Exploration Namibia PTY Ltd.	Exploration
Nicaragua			
Tyra	20.00%	Noble Energy Nicaragua LTD	Exploration
Isabel	20.00%	Noble Energy Nicaragua LTD	Exploration
Norway			
Licence PL528	6.00%	Centrica	Exploration
Licence PL529	10.00%	ENI Norge	Exploration
Licence PL541	35.00%	Repsol Exploration Norge	Exploration
Licence PL557	40.00%	OMV (Norge)	Exploration
Licence PL589	30.00%	Wintershall Norge	Exploration
Licence PL628	20.00%	Statoil	Exploration
Licence PL640	40.00%	Talisman	Exploration
Licence PL642	40.00%	Repsol Exploration Norge	Exploration
Licence PL644	20.00%	OMV (Norge)	Exploration
Licence PL656	20.00%	E.ON Ruhrgas	Exploration
Licence PL658	50.00%	Dong	Exploration
Licence PL692	40.00%	Repsol Exploration Norge	Exploration
Licence PL704	30.00%	E.ON Ruhrgas	Exploration
Licence PL705	40.00%	Repsol Exploration Norge	Exploration
Licence PL711	40.00%	Repsol Exploration Norge	Exploration
Licence PL721	20.00%	RWE Dea Norge	Exploration
Licence PL750	40.00%	RWE Dea Norge	Exploration
Licence PL763	40.00%	Repsol Exploration Norge	Exploration
Oman			
Zad-2	50.00%	RAK Petroleum	Exploration
Peru			
Batch 57	53.84%	Repsol Exploration Perú Sucursal del Perú	Exploration and Development
Batch 90	50.50%	Repsol Exploration Perú Sucursal del Perú	Exploration
Batch 56	10.00%	Pluspetrol Perú Corporation	Production
Batch 88	10.00%	Pluspetrol Perú Corporation	Production
Batch 76	35.00%	Hunt Oil Company of Perú LLC Sucursal del Perú	Exploration
Batch 103	30.00%	Talisman Petrolera del Perú LLC Sucursal del Perú	Exploration
Batch 109	70.00%	Repsol Exploration Perú Sucursal del Perú	Exploration
Batch 101	30.00%	Talisman Petrolera del Perú LLC Sucursal del Perú	Abandoned
Portugal			
Lagosta	90.00%	Repsol Exploration S.A. (sucursal Portugal)	Exploration
Lagostim	90.00%	Repsol Exploration S.A. (sucursal Portugal)	Exploration
Ostra	65.00%	Repsol Exploration S.A. (sucursal Portugal)	Exploration
Mexilhão	65.00%	Repsol Exploration S.A. (sucursal Portugal)	Exploration
Ameijoa	65.00%	Repsol Exploration S.A. (sucursal Portugal)	Exploration
Camarão	65.00%	Repsol Exploration S.A. (sucursal Portugal)	Exploration
Licence	70.00%	Repsol Exploration S.A. (sucursal Portugal)	Exploration
Romania			
Block 13 Targu Jiu	49.00%	OMV Petrom	Exploration
Baicoi 6000	49.00%	OMV Petrom	Exploration
Targoviste Piscuri Deep	49.00%	OMV Petrom	Exploration
Block 12 Pitesti	49.00%	OMV Petrom	Exploration
Sierra Leone			
SL6	25.00%	Anadarko S.L.	Exploration
SL7	25.00%	Anadarko S.L.	Exploration
Trinidad			
Block 5B	30.00%	BP	Exploration
Venezuela			
Yucal Placer	15.00%	Ypergas	Exploration and Production

NOTE: Does not include the joint ventures managed through the Gas Natural Fenosa Group. That information can be found in that Group's consolidated annual financial statements (www.portal.gasnatural.com)

(1) Corresponds to the shareholding that the ownership company holds of the asset involved in the operation.

(2) Activities or assets operated through YPFB Andina, S.A., joint control company with a participation of the 48.33%.

(3) Activities or assets operated through Repsol Sinopec Brasil, S.A., joint control company with a participation of the 60%.

(4) Activities or assets operated through Occidente de Colombia L.L.C., joint control company with a participation of the 25%.

APPENDIX II: Joint Operations for the year ended December 31, 2013

Name	% Ownership interest (1)	Operator	Activity
Angola			
Block 22	42.86%	Repsol Angola 22 B.V. (sucursal)	Exploration
Block 35	35.71%	ENI West Africa SPA	Exploration
Block 37	28.57%	ConocoPhillips Angola 37 Ltd	Exploration
Algeria			
TFT	30.00%	Groupement TFT	Exploration and production
Issaouane (TFR)	59.50%	Repsol Exploración Argelia - Sonatrach	Exploration and production
Reggane	26.25%	Groupement Reggane	Exploration and production
Sud Est Illizi	52.50%	Repsol Exploración Argelia S.A.	Exploration and production
Bolivia			
Block San Alberto (2)	50.00%	Petrobras Bolivia S.A.	Exploration, development and production
Block San Antonio (2)	50.00%	Petrobras Bolivia S.A.	Exploration, development and production
Block Monteagudo (2)	20.00%	Petrobras Bolivia S.A.	Exploration, development and production
Planta de Compresión de Gas Rio Grande (2)	50.00%	YPFB Andina S.A.	Exploration, development and production
Block Charagua	30.00%	Repsol E&P Bolivia S.A.	Exploration
Block Caipipendi	37.50%	Repsol E&P Bolivia S.A.	Exploration, development and production
Block Monteagudo	30.00%	Repsol E&P Bolivia S.A.	Exploration, development and production
Brazil (3)			
Albacora Leste	10.00%	Petrobras	Production
BM-C-33	35.00%	Repsol Sinopec Brasil S.A.	Exploration
BM-ES-21	10.00%	Petrobras	Exploration
BM-S-50	20.00%	Petrobras	Exploration
BM-S-51	20.00%	Petrobras	Exploration
BM-S-7	37.00%	Petrobras	Exploration
BM-S-9	25.00%	Petrobras	Exploration
Cabiunas	15.00%	Petrobras	Gas
Floating LNG	16.33%	Petrobras	Gas
Bulgaria			
Han Asparuh	30.00%	OMV Offshore	Exploration
Canada			
Canaport LNG Limited Partnership	75.00%	Repsol Canadá Ltd	LNG Regasification
Colombia			
Cravo Norte (4)	22.50%	OXYCOL	Production
Cosecha (4)	70.00%	OXYCOL	Production
Chipirón (4)	35.00%	OXYCOL	Production
Rondon (4)	35.00%	OXYCOL	Production
Capachos	50.00%	Repsol Exploración Colombia Sucursal	Abandoned
El Queso	50.00%	Repsol Exploración Colombia Sucursal	Abandoned
Guajira OFF-1	50.00%	Repsol Exploración Colombia Sucursal	Exploration
Cebucan	20.00%	PETROBRAS	Exploration
Catleya	50.00%	ECOPETROL	Exploration
Tayrona	30.00%	PETROBRAS	Exploration
RC11	50.00%	Repsol Exploración Colombia Sucursal	Exploration
RC12	50.00%	Repsol Exploración Colombia Sucursal	Exploration
Guadual	20.00%	PETROBRAS	Abandoned
Orquidea	40.00%	HOCOL	Abandoned
Cuba			
Block 25-29 y 35*36	40.00%	Repsol YPF Cuba S.A	Exploration
Ecuador			
Block 16	35.00%	Repsol Ecuador S.A.	Exploration and production
Block Tivacuno	35.00%	Repsol Ecuador S.A.	Exploration and production
Spain			
Albatros	82.00%	Repsol Investigaciones Petrolíferas S.A.	Development
Angula	53.85%	Repsol Investigaciones Petrolíferas S.A.	Development
Barracuda	60.21%	Repsol Investigaciones Petrolíferas S.A.	Producción
Bezana Bigüenzo (6)	100.00%	Petroleum Oil & Gas España S.A.	Exploration
Boquerón (5)	66.45%	Repsol Investigaciones Petrolíferas S.A.	Production
Canarias	50.00%	Repsol Investigaciones Petrolíferas S.A.	Exploration
Casablanca (5)	76.85%	Repsol Investigaciones Petrolíferas S.A.	Exploration and production
Casablanca Unit	68.67%	Repsol Investigaciones Petrolíferas S.A.	Development / Production
Chipirón (5)	100.00%	Repsol Investigaciones Petrolíferas S.A.	Production

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Name	% Ownership interest (1)	Operator	Activity
Fulmar	84.23%	Repsol Investigaciones Petrolíferas S.A.	Exploration
Gaviota I y II	82.00%	Repsol Investigaciones Petrolíferas S.A.	Exploration
Montanazo (5)	92.10%	Repsol Investigaciones Petrolíferas	Production
Rodaballo (5)	73.42%	Repsol Investigaciones Petrolíferas S.A.	Exploration and production
Rodaballo Concesión	65.42%	Repsol Investigaciones Petrolíferas S.A.	Development
Siroco	60.00%	Repsol Investigaciones Petrolíferas S.A.	Exploration
Indonesia			
Seram PSC	45.00%	Black Gold Indonesia LLC	Exploration and production
East Bula PSC	45.00%	Black Gold East Bula LLC	Exploration and production
Cendrawasih Bay II	50.00%	Repsol Exploracion Cendrawasih II B.V.	Exploration and production
Cendrawasih Bay III	50.00%	NIKO Resources (Cendrawasih Bay III) Limited	Exploration and production
Cendrawasih Bay IV	50.00%	NIKO Resources (Cendrawasih Bay IV) Limited	Exploration and production
Cendrawasih I bay block	30.00%	Black Gold Cendrawasih L.L.C.	Exploration
Iraq			
Piramagrun and Qala Dze Blocks	50.00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration and production
Ireland			
Dunquin	25.00%	Exxon	Exploration
Newgrange	40.00%	Repsol Exploración Irlanda SA	Exploration
Kenya			
L5	20.00%	Woodside Energy N.A.	Exploration
L7	20.00%	Woodside Energy N.A.	Exploration
Liberia			
Block 10	10.00%	Anadarko	Exploration
Block 15	27.50%	Anadarko	Exploration
Libya			
Epsa IV NC115	25.20%	Akakus Oil Operations	Exploración y Producción
Epsa IV NC186	19.84%	Akakus Oil Operations	Exploración y Producción
Epsa IV NC115 Exploración	40.00%	Repsol Exploracion Murzuq. S.A.	Exploración y Producción
Epsa IV NC186 Exploración	32.00%	Repsol Exploracion Murzuq. S.A.	Exploración y Producción
Pack 1	60.00%	Repsol Exploracion Murzuq. S.A.	Exploración y Producción
Pack 3	35.00%	GDF	Exploración y Producción
Area 137	50.00%	Sancor	Exploración y Producción
Morocco			
Tánger Larrache (5)	88.00%	Repsol Exploración Marruecos S.A.	Exploration
Mauritania			
TA09	70.00%	Repsol Exploración S.A.	Exploration
TA10	70.00%	Repsol Exploración S.A.	Exploration
Namibia			
Block 10	44.00%	Repsol Exploration Namibia PTY Ltd.	Exploration
Norway			
Licence PL512	25.00%	Det Norske	Exploration
Licence PL541	35.00%	Repsol Exploration Norge	Exploration
Licence PL557	40.00%	OMV (Norge)	Exploration
Licence PL356	40.00%	Det Norske	Exploration
Licence PL529	10.00%	ENI Norge	Exploration
Licence PL589	30.00%	Wintershall Norge	Exploration
Licence PL530	10.00%	GDF Suez E&P Norge	Exploration
Licence PL531	20.00%	Repsol Exploration Norge	Exploration
Licence PL642	40.00%	Repsol Exploration Norge	Exploration
Licence PL644	20.00%	OMV (Norge)	Exploration
Licence PL640	40.00%	Talisman	Exploration
Licence PL656	20.00%	E.ON Ruhrgas	Exploration
Licence PL658	50.00%	Dong	Exploration
Licence PL692	40.00%	Repsol Exploration Norge	Exploration
Licence PL705	40.00%	Repsol Exploration Norge	Exploration
Licence PL711	40.00%	Repsol Exploration Norge	Exploration
Licence PL704	30.00%	E.ON Ruhrgas	Exploration
Licence PL721	20.00%	RWE Dea Norge	Exploration

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Name	% Ownership interest (1)	Operator	Activity
Oman			
Zad-2	50.00%	RAK Petroleum	Exploration
Peru			
Batch 57	53.84%	Repsol Exploración Perú Sucursal del Perú	Exploration and development of I
Batch 39	55.00%	Repsol Exploración Perú Sucursal del Perú	Exploration of Hydrocarbons
Batch 90	50.50%	Repsol Exploración Perú Sucursal del Perú	Exploration of Hydrocarbons
Batch 56	10.00%	Pluspetrol Perú Corporation	Production of Hydrocarbons
Batch 88	10.00%	Pluspetrol Perú Corporation	Production of Hydrocarbons
Batch 76	50.00%	Hunt Oil Company of Perú LLC Sucursal del Perú	Exploration of Hydrocarbons
Batch 103	30.00%	Talisman Petrolera del Perú LLC Sucursal del Perú	Exploration of Hydrocarbons
Batch 109	70.00%	Repsol Exploración Perú Sucursal del Perú	Exploration of Hydrocarbons
Batch 101	30.00%	Talisman Petrolera del Perú LLC Sucursal del Perú	Exploration of Hydrocarbons (ab
Portugal			
Lagosta	90.00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Lagostim	90.00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Ostra	65.00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Mexilhão	65.00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Ameijoa	65.00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Camarão	65.00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Licence	70.00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Romania			
Block 13 Targu Jiu	49.00%	OMV Petrom	Exploration
Block 5 Baicoi	49.00%	OMV Petrom	Exploration
Block 6 Targoviste	49.00%	OMV Petrom	Exploration
Block 12 Pitesti	49.00%	OMV Petrom	Exploration
Sierra Leone			
SL6	25.00%	Anadarko S.L.	Exploration
SL7	25.00%	Anadarko S.L.	Exploration
Trinidad			
Block 5B	30.00%	BP	Exploration
Venezuela			
Yucal Placer	15.00%	Ypergas	Exploration and Production

NOTE: does not include the joint ventures managed by the Gas Natural Fenosa Group. This information can be found in the consolidated annual financial statements of that Group (www.portal.gasnatural.com).

- (1) Corresponds to the shareholding that the ownership company holds of the asset involved in the operation.
- (2) Activities or assets operated through YPFB Andina, S.A., joint control company with a participation of the 48.92%.
- (3) Activities or assets operated through Repsol Sinopec Brasil, S.A., joint control company with a participation of the 60%.
- (4) Activities or assets operated through Occidente de Colombia L.L.C., joint control company with a participation of the 25%.
- (5) Part of the participation over the activity or asset is operated by Gas Natural SDG S.A., joint control company with a participation of the 30.001%.

APPENDIX III: REGULATORY FRAMEWORK

The activities of Repsol, S.A. and its subsidiaries are subject to extensive regulation, whose key aspects are described below.

Spain

Spain currently has a legislation which implements a liberalization of the Oil Industry, an example of which is the Hydrocarbons Sector Law 34/1998 of October 7, which has been amended by several legislative acts, including the Law 12/2007 of July 2, and implemented through numerous royal decrees and ministerial orders. This Law establishes the criteria for allocating competencies among the General State and Regional Public Administrations.

Law 2/2011, of March 4, on Sustainable Economy, modified the Hydrocarbons Sector Law, establishing binding guidelines for energy planning under criteria designed to contribute to the creation of a safe, cost-effective, economically-sustainable, and environmentally-friendly energy system. It further establishes measures for cutting greenhouse gas emissions and provides for the creation of a carbon allowance trading fund as well as a broad spectrum of measures affecting nearly all segments of the energy sector.

On June 5, 2013 the Official State Gazette (BOE – “Boletín Oficial del Estado,” in Spanish) published Law 3/2013 of June 4, regarding the creation of the National Markets and Competition Commission (CNMC – “Comisión Nacional de los Mercados y la Competencia,” in Spanish) as an overseeing body, charged with the specific duties and tasks relating to supervision and control of regulated markets, which were previously supervised by various National Commissions, amongst them the National Energy Commission and the National Competition Commission.

The aforementioned Law 3/2013 substantially modified the regime controlling corporate transactions in the energy sector. The control function had formerly been part of what was known as the CNE’s public duty no. 14 (“Duty 14”). Law/2013 repeals this duty and assigns it to the Ministry of Industry Energy and Tourism (hereinafter, “Minetur”). The new law devises a new ex post regime with respect to certain transactions by either requiring the buyer to notify Minetur of the execution of certain transactions or by means of the ministry’s power to impose conditions on the business operations of the companies acquired, in so far as energy supply in Spain is deemed threatened.

A novelty of this new control regime is the assimilation of the liquid hydrocarbons sector with the sectors that previously fell under a control regime (electricity and gas). Where the liquid hydrocarbons sector is concerned, its scope encompasses companies that pursue refining activities, pipeline transportation, and storage of petroleum products (related activities), or companies that hold title to said assets. Such assets acquire the condition of strategic assets.

This control regime shall extend to both: (i) active transactions, in which the active subject of the transaction (the acquirer) is an entity from the above-listed energy sectors that is regulated directly or by assimilation, insofar as the transaction has a relevant impact or significant influence on the development of the business activities of the company notifying the transaction; and (ii) passive transactions in which the object or acquiree is an energy company that is regulated directly or by assimilation insofar as the transaction in question delivers “significant influence” over the acquiree’s management.

Within the sector’s regulation, the figures of ‘principal operators’ and ‘dominant operators’ are significant. Under Royal Decree-Law 5/2005, of March 11, the CNE is obliged to publish not only the list of principal operators but also the dominant operators in each market or sector. This duty has been vested in the newly-created CNMC.

Dominant operators are defined as those commanding a share of more than 10% of the corresponding

benchmark market. A principal operator, on the other hand, is the operator ranked among the top five players by market share in the following markets or sectors. Designation as a dominant operator, as far as prevailing legislation is concerned, implies certain regulatory restrictions in the Electricity Sector.

As for the principal operators, Article 34 of Royal Decree-Law 6/2000, of June 23, establishes a series of limitations related to the acquisition of voting rights in the equity of companies qualifying as principal operators and serving on their boards of directors. Specifically, it stipulates that any natural or legal person holding an equity interest of 3% or more in two or more companies that qualify as principal operators in a given market may not exercise the voting rights corresponding to their equity interests in excess of this threshold at more than one company. Nor may such persons appoint, directly or indirectly, members of the board of directors of another principal operator

Liquid hydrocarbons, oil, and petroleum derivatives

Hydrocarbon deposits and underground storage existing on Spanish territory and in the territorial marine subsoil and ocean bottoms which are under Spanish sovereignty are considered public properties.

Research permits are granted by national or regional governments, depending on whether autonomous areas are affected, and exclusive investigation rights are granted for periods lasting six years.

A concession for exploiting hydrocarbon reserves grants the owners exclusive exploration rights for 30 years, renewable for two successive ten-year periods, as well as the right to continue exploration activities in these areas and obtain authorization for stipulated activities, as well as to freely sell the hydrocarbon products they obtain.

Several of the activities falling within the scope of Law 34/1998 may be subject to prior authorizations, permits, and/or concessions. Law 25/2009, of December 22, modifies the Hydrocarbon Act, Law 34/1998 of October 7; this requires, among other aspects, the elimination of the need to obtain prior authorization for natural gas suppliers, LPG wholesalers, bulk LPG retailers, or petroleum product wholesalers, and also establishes the obligation for interested parties to sign a responsibility declaration and issue a notification prior to commencing business operations.

The construction and operation of refining, transportation, and fixed storage facilities is subject to receiving prior authorization, the granting of which requires meeting the relevant technical, financial, environmental, and safety requirements.

Third parties may 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 and non-discriminatory basis.

No physical or legal person may hold, directly or indirectly, ownership of more than 25% of the capital stock of CLH. The aggregate ownership interest in CLH of entities with refining capacity in Spain may not exceed 45% of CLH's capital.

Law 11/2013 of July 26, regarding measures to support entrepreneurs and to stimulate growth and job creation, introduces a number of measures in the wholesale and retail markets for petroleum products intended to increase effective competition in the sector.

In the retail side of the business, Law 11/2013 introduces certain changes to exclusive supply agreements for the distribution of vehicle fuel. Specifically, the term of these agreements is now limited to one year (from five years previously); they can be automatically rolled over for additional one-year periods, for a maximum of three years, if and only if the distributor so desires. The new legislation similarly bans clauses that set, recommend or influence, directly or indirectly, the price at which fuel is sold to the

public.

Lastly, Spanish Law 11/2013 limits growth in the number of fuel supply facilities on the part of wholesalers with provincial markets shares, measured by number of points of sale, of over 30% for a period of five years; the Spanish government may, however, revise this percentage or lift this ban when market trends or the sector business structure so warrants.

Petroleum derivative prices have been liberalized, with the exception of LPG, which is subject, in some cases, to maximum retail prices. The prices of bulk LPG and bottled LPG in cylinders with capacity of under 8 kilograms or over 20 kilograms are deregulated; Royal Decree-Law 8/2014 of July 4, and thereafter Lay 18/2014 of October 15, has also deregulated the prices of containers with a tare weight of no more than 9 kilograms other than containers of LPG mixes intended for use for fuel purposes.

Additionally, this legislation also consolidates users' right to home delivery of containers weighing between 8 and 20 kilograms by obliging the LPG wholesalers with the biggest market shares in the corresponding mainland and island territories to perform this home delivery service. The list of LPG wholesalers so obliged is determined by a resolution issued by the General Directorate of Energy Policy and Mining every three years. The Spanish government is entitled to revise the terms of this obligation every five years and has the power to remove it. The current list of mandatory home suppliers is as follows: Repsol Butano on the mainland and in the Balearics, DISA in the Canaries and Atlas in Ceuta y Melilla.

In the event that the LPG wholesalers subject to this supply obligation do not have containers with a tare weight of over 9 kilograms, the obligation to provide home delivery of LPG at maximum sales prices will extend to containers with a weight of less than 9 kilograms in the corresponding region.

The retail marketing of LPG cylinders may be carried out freely by any natural or legal person.

Natural Gas

Law 12/2007 of July 2, which amended Law 34/1998 on the hydrocarbon sector, and incorporated into Spanish Law the European Parliament Directive 2003/55, incorporates measures for achieving a completely liberalized market. This legislation establishes the framework for eliminating the tariff system and creates the role of the supplier of last resort with ultimate liability for supplying customers lacking sufficient bargaining power. Moreover, these suppliers are subject to a price cap ("last resort tariff"), which is set by Minetur. Business operations in the natural gas sector can be classified into: (i) regulated activities: essentially the transport (including storage, regasification and transport per se) and distribution of natural gas; and (ii) deregulated activities: production, acquisition and retailing of natural gas. The first require prior administrative authorization, their remuneration is regulated and are subject to specific obligations. On the contrary, the latter activities are not regulated, and are therefore not subject to administrative intervention.

Prevailing legislation stipulates functional unbundling (separation) obligations which imply accounting unbundling, in order to prevent cross subsidies and increase toll royalty and tariff calculation transparency, legal unbundling, by means of separate companies, and also separation of regulated activities by requiring them to operate independently of the other companies in their consolidated groups.

In accordance with European Union directives, the distribution of natural gas is fully deregulated in Spain, which means that all Spanish consumers are qualified consumers and are accordingly free to choose their natural gas provider since January 1, 2003. The construction, operation, modification and closing of basic network and carrier network facilities require prior government authorizations.

Enagás, S.A., the Natural Gas System Operator, is responsible for the coordinating and ensuring that the

system works properly. Law 12/2007 limits equity ownership interests in Enagás, S.A. to 5%, caps voting rights at 3% as a general rule, although this cap falls to 1% in the case of companies carrying out business activities related to the gas sector and; in any case, the aggregate ownership interest of shareholders whose business activities relate to the gas sector cannot exceed 40%.

Royal Decree Law 13/2012, of March 30, transposes into Spanish legislation Directive 2009/73/EC of the Parliament and of the Council of July 13, 2009, introduces the concept of separation of ownership of assets, which is understood to be a situation in which the network owner is appointed network controller and is separate from any company with interests in its production and supply.

The abovementioned Royal Decree Law also implements Directive 2009/28/EC of the Parliament and of the Council, of April 23, 2009, on the promotion of the use of energy from renewable sources and amends and repeals Directives 2001/77/EC and 2003/30/EC.

Minimum stock for security

Royal Decree 1766/2007, partially amending Royal Decree 1716/2004, regulates the obligation to maintain a minimum stock in the oil and natural gas sectors, the obligation to diversify the natural gas provisions and the activities of the Corporation of Strategic Reserves of Petroleum Products (CORES for its acronym in Spanish).

The obligation to maintain minimum stocks of oil and gas products for security reasons, excluding LPG, currently requires storing at all times an amount equivalent to 92 days of sales based on the sales during the previous 12 months. Repsol was obliged to maintain a stock corresponding to 50 days of sales, while the remaining stocks required to make up the difference with the abovementioned safety stock requirement are held by CORES on behalf of the various operators (strategic reserves).

Royal Decree-Law 15/2013, of December 13, introduces an amendment to the Hydrocarbon Sector Act, Law 34/1998, of October 7, bringing Spanish legislation into line with Council Directive 2009/119/EC of September 14, 2009. It also provides that, via regulation, administrative procedures and obligations needed to ensure, on an ongoing basis, a minimum safety buffer equivalent, at least, to the higher of the volume corresponding to 90 days of average net daily imports and 61 days of average internal daily consumption corresponding to the year of reference and measured in oil equivalent.

Spanish legislation does not require these reserves to be handled, measured or stored in any specific manner; indeed any products accounted for by the operators as part of their inventories in the ordinary course of their business operations qualify as strategic reserves to this end.

Electricity sector regulation in Spain

Deregulation of the Spanish electricity sector began in 1997 with the passage of Law 54/1997, of November 27, the Electricity Sector Act, which is implemented in Spanish Law Directive 96/92/EC concerning common rules for the internal market in electricity, as fleshed out by enacting regulations. The Electricity Sector Act was amended by Law 17/2007, of July 4, and more recently overhauled by the new Electricity Sector Act, Law 24/2013, of December 26 (the “New Electricity Sector Act”). The New Electricity Sector Act took effect on December 28, 2013.

Although the new sector Act contains many new provisions, the electricity system it regulates is broadly similar, insofar as generation and supply activities continue to be deregulated competitive businesses, while transmission, distribution and the system’s technical and financial management remain regulated activities. Power supply, for its part, is classified as a service of general economic interest.

More specifically, the commercialization business is based on the principles of the freedom of contract and choice of supplier by the end customer. As a deregulated activity, the commercialization of electricity is remunerated at amounts freely agreed among the parties. Power transmission and distribution and technical and economic system management continue to qualify as regulated activities insofar as pursuit thereof is subject to specific obligations and requires authorization from the authorities, while remuneration is regulated.

As regards power generation, Law 24/2013 eliminates the distinction between ‘ordinary’ and ‘special’ (aka renewable-CHP) regime generation. All electricity production facilities are now regulated as a whole, with certain idiosyncratic provisions for renewable facilities.

The electricity system has not been self-sufficient for several years; this phenomenon has given rise to an annual tariff deficit that has had to be financed by the sector players. Against this backdrop, Royal Decree-Law 6/2009, of April 30, established a series of measures designed to address the tariff deficit by creating a state-guaranteed securitization fund and introducing price reductions for household consumers meeting certain requirements in respect of consumption and purchasing power to be financed by the generators. However, these measures, intended to reduce and even eliminate the tariff deficit, failed, so that the deficit has increased in the meantime. The New Electricity Sector Act attempts to address this situation and provide the regulatory stability the sector needs, articulated around the principle of the economic and financial sustainability of the electricity system.

The System Operator in Spain is Red Eléctrica de España, S.A. (REE). REE’s key function is to guarantee electricity supply continuity and safety as well as the correct coordination of the generation and transmission system. Spanish Law 17/2007 generally caps interests in REE at 3% of share capital or voting; this limit falls to 1% in the case of parties engaged in electricity sector business activities. Moreover, the aggregate interests held by shareholders engaged in electricity sector business activities may not exceed 40%.

In recent years, the Spanish government has passed a series of laws with the aim of modifying and reducing the premium remuneration awarded to certain classes of power generation assets.

Spanish Royal Decree Law 1/2012, of January 27, 2012, eliminates the financial incentives for new generation plants under the special regime and for ordinary regime plants using technology akin to the technologies governed by the special regime.

Elsewhere, as foreshadowed by Law 24/2013, on June 6, 2014, the Spanish Cabinet approved Royal Decree 413/2014 (published in the Official State Journal, or BOE for its acronym in Spanish, on June 10) regulating the generation of electricity from renewable energy sources, co-generation and waste. The purpose of this piece of legislation is to regulate the legal and economic regime governing the generation of electricity from renewable energy sources. This regime affects the Repsol Group’s co-generation facilities, part of the now defunct ‘special’ regime and assimilated ordinary regime. The new regime is based on the necessary participation of these facilities in the market, complimenting the market-driven revenue with a specific regulated payment designed to enable them to compete on an even footing with the rest of the technologies in the marketplace, compensating owners for the costs that, unlike conventional generation technologies, cannot be recouped in the market in order to enable them to earn an adequate return on their investment by using metrics that are tailored for the various standard facilities.

To finalize the electricity sector reform work the Ministry of Industry, Energy and Tourism issued the Ministerial Order IET/1045/2014, of June 16 (published in the Official State Journal on June 20, 2014), enacting the standard facility remuneration parameters applicable to certain electricity-producing facilities that use co-generation, renewable energy sources or waste.

Bolivia

Bolivia's New Constitution took effect on February 7, 2009. It affected several aspects of the oil and gas sector, notably among which the designation of hydrocarbons as the inalienable and imprescriptible property of the Bolivian people, so that title to Bolivia's natural resources cannot be listed on securities markets or used to secure or securitize financial transactions. In addition, the New Constitution makes state-owned Bolivian company Yacimientos Petrolíferos Fiscales Bolivianos (YPFB) solely responsible for controlling and managing the hydrocarbon production chain and the sale of these products, stipulating that it may not transfer its rights or obligations in any way but empowering it to enter into service agreements with public, mixed-ownership or private companies, whether Bolivian or foreign, engaging such companies to perform certain production chain activities on its behalf in exchange for remuneration or payment for their services. YPFB may also form associations or mixed-ownership enterprises to carry out oil and gas related business activities, but must retain at least 51% of these companies' share capital.

The Bolivian oil and gas industry is regulated by Law 3,058 of May 19, 2005 (the "Hydrocarbons Law").

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

Subsequently, Law No. 466 of December 26, 2013 established that YPFB Andina take the legal form thereafter of a mixed-capital public limited company (SAM for its acronym in Spanish), to which end YPFB acquired 79,557 shares from Repsol Bolivia S.A. on August 4, 2014. YPFB currently holds 51% of the share capital of YPFB Andina, thereby complying with Law No. 466 and paragraph II of article 363 of the State's Political Constitution.

At the date of authorizing these financial statements for issue, Repsol Bolivia S.A.'s shareholding in YPFB stood at 48.33%.

Operating contracts

According to the Hydrocarbons Law and the Nationalization Decree, Repsol E&P Bolivia S.A. and its subsidiary YPFB Andina S.A. signed with YPFB the Operating Contracts establishing the conditions for the prospecting and production of hydrocarbons in Bolivia, effective as of May 2, 2007.

Regarding these Operating Contracts, significant legislation was issued in 2008 and 2009, which had the effect of: setting the conditions and parameters for the recognition and approval by YPFB of the Recoverable Costs within the framework of the Operating Contracts; amending the regulations governing the settlement of royalties and investments with the Bolivian Treasury; and regulating the tendering, contracting and purchase of materials, works, goods and/or services by Operating Contract Holders.

Further, in compliance with what is established in Ministerial Order 101/2009, the amended Development Plan corresponding to the Operating Contract governing the Caipipendi Area, and the Margarita and Huacaya Fields was presented. This Development Plan was approved by YPFB on March 8, 2010.

In respect of the Delivery Agreements, the Second Addendum to the Natural Gas Delivery Agreement corresponding to the Operating Agreement in Caipipendi was executed with YPFB on November 28, 2014, which has the effect of increasing the volume of natural gas to be supplied from the Margarita and Huacaya fields to the export markets of Brazil and Argentina, thereby enabling implementation of Phase III of the Caipipendi development with the corresponding increase in production.

Under prevailing Bolivian law, the allocation of oil and gas produced by YPFB must be made by field and market in conformity with the volumes committed to in the Delivery Agreements arranged with YPFB in accordance with the following order of priority: Gas Natural: (1) Domestic Market; and (2) Export Markets, in keeping with the chronological order established in the respective Natural Gas Sale-Purchase Agreements arranged by YPFB. Liquid Hydrocarbons: (1) Domestic Market; and (2) Export Market.

Brazil

Exploration and Production

The Constitution of the Federative Republic of Brazil states that the Federal Government is the holding company (state monopoly) devoted to the exploration, development, and production of oil, gas, and other liquid hydrocarbons, as well as their refining, importation, exportation, and transportation, and is able to engage private or government corporations to assume the above functions, in accordance with the conditions established in legislation.

Law 9,478/97, known as the Oil Act, introduced the first contractual model for exercising exploration activities and encompasses the following:

- It confirms the Brazilian government as the oil and gas monopoly and it creates: (i) the National Council on Energy Policy (CNPE), a body entrusted with establishing energy policies, which is subordinate to the President of the Republic, and (ii) the National Agency of Petroleum, Natural Gas and Biofuel (ANP), an independent regulatory agency which falls under the Mines and Energy Ministry and which is in charge of establishing upstream and downstream activity guidelines.
- It stipulates that concession contracts must be awarded through specific tenders, and sets minimum bid requirements.
- It also establishes minimum terms and conditions to be included in concession contracts covering the exploration, development, and production of hydrocarbons.
- It provides for the payment of the following amounts: (i) signature bonuses (paid at the signing of the contract); (ii) royalties (paid on a monthly basis, in amounts ranging from 5% to 10% of the oil and/ or natural gas production, depending on the terms set forth in the tender); (iii) a special participation (paid in situations involving a large volume of production); and (iv) occupation or retention payments.

Under the Concession Agreement, the Federal Government grants its concessionaires the right to explore, develop, and produce hydrocarbons in a certain area during a determined period of time established in the agreement; the exploration stage may last between three to eight years, and the production phase may last twenty-seven years, commencing on the date commercial viability is declared (and can be extended by obtaining ANP authorization).

The main rights of the concessionaires are as follows: (i) exclusive exploration, development, and production rights in a granted area; (ii) ownership of produced hydrocarbons; (iii) the right to commercialize the production; and (iv) the right to export hydrocarbons, taking into account the obligation to supply domestic production in the case of a state of emergency.

Concessionaires assume the following obligations as part of the agreement: (i) all the risks and costs related to the exploration, development, and production of hydrocarbons; (ii) compliance with the relative local content and demands; (iii) compliance with the demands related to the execution of minimal work; and (iv) payment of government take.

The production allocation regime for pre-salt areas for which concessions have not yet been awarded and areas of strategic potential, to be defined by the executive branch, was introduced in 2010 under Brazilian

Law 12,351/10. The aforementioned piece of legislation further establishes that:

- The exploration and production in areas contemplated in the above regimes (production allocation) must be directly granted to Petrobras, the company controlled by the Federal Government, in exclusive contractual terms, without the necessity of undergoing a bidding process;
- Should a tender protocol exist, Petrobras will always have a 30% minimum share of the winning consortium, and must be designated block operator;
- A new public company, Empresa Brasileira de Administração de Petróleo e Gás Natural S.A. – Pré-Sal Petróleo S.A. (PPSA), created by virtue of Law 12,304 in 2010 will manage the production sharing contracts, and in principle, participate in the consortium agreement signed with Petrobras or other entities involved, without assuming the risks or investments involved in exploration, evaluation, development, production, and installation dismantlement;
- Should oil reserves be found, the successful bidders will be allowed to recover in hydrocarbons the costs incurred during the above-mentioned stages (known as oil cost), and will also be entitled to the final production minus the cost of crude, royalties, and the participation of the Federal Government in the production (known as crude oil surplus);
- The winner of this regime's bid process will be the company or companies able to provide the largest oil reserves to the Federal Government;
- In relation with the financial compensation, the distribution regime of the production foresees the payment by the successful bidders in the form of: (i) royalties, and (ii) signature bonuses.

Natural Gas

In 2009, Law 11,909/09 (the Gas Act) was approved; it regulates certain activities within the natural gas industry, including transportation and commercialization (excluding the distribution of piped natural gas, which is the exclusive domain of state governments). The ANP continues to regulate the above activities while also granting concessions and authorizations, as applicable.

Ecuador

In accordance with the Constitution of 2008 and the Hydrocarbons Law of Ecuador, the nation's hydrocarbon fields and the associated substances are the inalienable, imprescriptible and unattachable property of the State. The State explores and operates the oil and gas fields directly through Petroecuador. Petroecuador, in turn, can perform this activity sub-contracting with third parties. It is also possible to incorporate mixed-ownership enterprises between local companies and renowned expert foreign companies that are legally established in Ecuador.

In accordance with the provisions set down in the amended legislation of the Hydrocarbons Law and the Internal Tax Regime Law, of July 27, 2010, the agreements for the exploration and exploitation of hydrocarbons under the various contractual forms must be modified to reflect the amended hydrocarbons exploration and exploitation services agreement model provided for in article 16 of the Hydrocarbons Law under which the contractor is obliged to perform, using its own financial resources, oil and gas exploration and exploitation services in the indicated areas, investing the capital and using the equipment and technology needed to this end. When there are, or the service provider discovers, commercially viable hydrocarbon reserves, it is entitled to payment of a set price per net barrel of oil produced and delivered to the state. This price, which constitutes the contractor's gross revenue, is contractually stipulated based on estimated depreciation schedules, cost/expense schedules and a reasonable profit in light of the risk incurred.

Repsol Ecuador, S.A. (Ecuador Branch), as the contractor and operator of Block 16, entered into a hydrocarbons (crude oil) exploration and exploitation service agreement covering Block 16 in the Ecuadorian Amazon region. The agreement was filed with the Hydrocarbons Register on December 23, 2010 and took effect on January 1, 2011.

In addition, on January 22, 2011, Repsol signed an agreement with the Ecuadorian State amending the services agreement covering the Tivacuno Block. This contract was filed with the Hydrocarbons Register on February 21, 2011.

The United States

Exploration y Production

The two government agencies responsible for offshore exploration and production are the Bureau of Ocean Energy Management (BOEM) and the Bureau of Safety and Environmental Enforcement (BSEE - previously called the Minerals Management Service, for its acronym “MMS”) of the U.S. Department of the Interior.

- i. The BOEM is in charge of responsibly ensuring the economic and environmental development of US offshore resources. Its functions include: offshore leasing, resources evaluation, review and administration of oil and gas exploration, development plans, renewable energies development, National Environmental Policy Act (NEPA) analyses, and environmental studies.
- ii. The BSEE is responsible for safety and environmental oversight of offshore oil and gas operations, including permitting and inspections of offshore oil and gas operations. Its functions include the development and enforcement of safety and environmental regulations, permitting offshore exploration, development, and offshore production, inspections, offshore regulatory programs, oil spill response and newly formed training and environmental compliance programs.

With regards to U.S. onshore exploration and production activities, the oil and gas industry is primarily regulated by the laws of the individual states. Oil and Gas production are considered mining activities, and therefore, cannot be governed by federal law.

Federal authorities have exclusive jurisdiction over the sale and transportation of gas and oil in interstate commerce for resale. The power to regulate the production or gathering of natural gas, which involves the physical acts of drawing gas from the earth and preparing it for the first stages of distribution, is reserved exclusively to the states.

At present, Repsol E&P USA Inc. has operations in Alaska, Kansas, Oklahoma and Louisiana and is therefore subject to the laws of those States. In Alaska, exploration and production activities are controlled by the Alaska Department of Natural Resources, Division of Oil and Gas. The Bureau of Safety and Environmental Enforcement is the body responsible for fully reviewing the environmental impact of a given project (whether exploration or development work) under the National Environmental Policy Act (NEPA).

Liquid Natural Gas

As for the Group's LNG business activities in the United States, under the Natural Gas Act, the Federal Energy Regulatory Commission (FERC) has the exclusive power to authorize the establishment of LNG import or export operations.

LNG imports and exports into and out of the United States require the approval of the federal

government, which approval is granted by the Office of Fossil Energy of the Department of Energy (DoE). This approval must be obtained by any party looking to market, exchange or use natural gas from overseas.

Peru

Regulation of the hydrocarbons market in Peru is included in its Constitution. The Constitution states that the government promotes the private initiatives, recognizing the economic pluralism, and having the state a subsidiary role in terms of business concerns. The Constitution establishes that private and public business activity must be treated equally under the law, and those national and foreign investments are subject to the same conditions.

The Constitution also states that natural resources are National heritage and by Organic Law establishes the conditions of their use and concession to private entities.

Exploration and Production

The Organic Law of Hydrocarbons (OLH), regulates this natural resource. To provide legal assurance to investors, it states that the contracts entered into under it shall be considered Contract-Law, and therefore can only be modified by written agreement between the two parties. To achieve these goals the OLH created PERUPETRO, a state-owned Limited Company organized in accordance with the General Corporate Law, to which the state, as owner of the hydrocarbons located in its territory, grants the right of ownership over the hydrocarbons, so that PERUPETRO can negotiate, execute and monitor exploration and/or exploitation contracts, with a licensee (Contractor) by means of License Agreements, Service Agreements and other forms of contracts authorized by the Peruvian Ministry of Energy and Mining.

The License Agreements grant Contractors the authorization to explore and exploit hydrocarbons within a determined area. The contractor has ownership over the extracted hydrocarbons and can commercialize them freely. By virtue of the Services Agreements, PERUPETRO grants the Contractor the right to perform hydrocarbon exploration and exploitation activities within the contracted area, and the Contractor receives retribution based on the final certified output. Under this type of agreement, PERUPETRO retains ownership over the extracted hydrocarbons, and therefore is free to arrange for its exportation or its refining and commercialization in the national market.

Article 14 of OLH states that national or foreign individuals or legal entities interested in entering into hydrocarbon exploration and/or exploitation contracts must receive prior authorization from PERUPETRO, which is granted based on their legal, technical, economic, and financial capacity to comply with all its contractual obligations.

Refining and commercialization of hydrocarbons

The OLH stipulates that any national or foreign individuals or legal entities may install, operate, and maintain petroleum refineries, plants for processing natural gas and condensed, natural asphalt, greases, lubricants, and petrochemicals, subject to the norms specifically established by The Mines and Energy Ministry. The OLH does not have established requirements for each activity, and therefore, it is necessary to refer to the Regulations for each of the abovementioned activities.

In Peru, the commercialization of hydrocarbon-derived products is subject to supply and demand, however, by virtue of Urgency Decree No. 010-2004, the Fuel Price Stabilization Fund ("The Fund") was created to cushion Peruvian consumers from the high volatility of prices of in the national oil markets. The Fund's equity is comprised of the contributions and discounts made by Producers and Importers on the price of each product, depending on whether the Export Parity Prices (EPP) are over or under the price range. Law No. 29552 made this Fund a permanent mechanism.

Law No. 28694 also regulated the sulphur content of diesel fuel, stipulating that from January 1, 2010 it is forbidden to sell diesel for domestic use with a sulphur content of over 50ppm, further banning the import of Diesel No. 1 and Diesel No. 2 fuel with a sulphur content of over 2500 ppm. This Law empowered the Ministry for Energy and Mining to establish, exceptionally, geographic regions in the interior of the country in which the sale of diesel with a higher sulphur content is permitted.

Law No. 29852 creates the Hydrocarbon Energy Safety System (SISE for its acronym in Spanish) and the Energy Social Inclusion Fund (FISE). The safety system, or SISE, encompasses the infrastructure required to ensure the safety of the energy system, and is therefore made up of networks of pipeline and storage facilities deemed strategic by the Peruvian state (infrastructure) and is remunerated by means of a tariff levied on the infrastructure comprising the national network of liquid oil and gas transportation and supply pipelines. The FISE sets up a Social Compensation and Universal Service scheme focused on the more vulnerable members of society, being remunerated by a series of surcharges levied on: i) deregulated users of interconnected electricity systems; ii) the supply of liquid products deriving from hydrocarbons and liquid natural gas, by levying every primary sale made by Producers and Importers, to be passed on to liquid hydrocarbons end prices; and iii) the monthly invoicing of tariff charges levied on users of the system for transporting natural gas by pipeline or ducts.

Regarding applicable law and jurisdiction regulating hydrocarbons in general, national or foreign individuals or legal entities that carry out hydrocarbon-related activities will be expressly subject to the laws of the Republic of Peru and waive all diplomatic claims. Claims arising during execution, compliance, and in general, all other hydrocarbons-related activities encompassed by this Law are subject to judicial authority or national or international arbitration.

The bodies in charge of supervising hydrocarbons are: the MINEM, which prepares, approves, proposes, and implements sector policies while establishing regulations complementary to those already in existence to keep them updated; the Dirección General de Hidrocarburos of the Ministry of Energy and Mines, which is in charge of monitoring regulatory compliance and application; the Organismo Superior de la Inversión en Energía y Minería (OSINERGMIN), which inspects and sanctions individuals or legal entities which perform activities related to electrical / hydrocarbon sub-sectors when they are not in compliance with MINEM and Perupetro's legal and technical obligations.

The OEFA (acronym in Spanish for the Environmental Assessment and Taxation Body) is the technical institution devoted to ensuring compliance with the standards, obligations and incentives laid down in prevailing environmental regulations.

Venezuela

The Constitution of the Bolivarian Republic of Venezuela stipulates that the mines and oil and gas fields, irrespective of their nature, located on national territory, under the territorial sea, in the exclusive economic zone or on the continental platform, belong to the Republic, are public-domain goods and are, therefore, inalienable and imprescriptible.

By virtue of organic law and to protect national interests, the Venezuelan State has reserved the Venezuelan oil and gas activities for itself. For reasons of economic and political sovereignty and for national strategic purposes, the State holds all of the shares of Petróleos de Venezuela, S.A. (or the entity that may be set up to run the oil and gas industry).

Venezuela's Hydrocarbons Organic Law regulates all matters regarding the exploration, operation, refining, industrialization, transportation, storage, sale and conservation of hydrocarbons, including related refined products and the works required to perform these activities.

Exploration and Production

The performance of the activities relating to exploration for hydrocarbon fields, the extraction of hydrocarbons in their natural form, and their collection, transportation and initial storage is reserved to the State, either conducted directly by the National Executive Power or by wholly-owned State companies. The State may also conduct these activities through mixed owned companies whose equity interest is over 50%.

The incorporation of Mixed Companies and the terms governing the performance of primary activities require prior approval from the National Assembly. Any subsequent amendment to these terms also requires the National Assembly approval. Accordingly, Mixed Companies are governed by law and specifically by the terms and conditions established by the Agreement approval of the National Assembly. These companies are also subject to the rules established in the Code of Commerce and other applicable regulations. Mixed Companies can be functioning for a maximum term of 25 years; this term can be extended for a period agreed upon by the parties of no more than 15 years.

The State is entitled to a thirty per cent (30%) participation in the hydrocarbon volumes extracted from any of its fields, notwithstanding the companies' requirement to pay all other applicable taxes.

The commercialization activities of natural hydrocarbons and of any derivative products indicated by the National Executive Power by Decree, may only be performed by wholly-owned State companies. As a result, the Mixed Companies that engage in primary activities may only sell the natural hydrocarbons they produce to companies that are wholly-owned by the State.

Pursuant to the Organic Gaseous Hydrocarbons Law, the following activities may be carried out by the state either directly or through state-owned entities or by private national or foreign bodies, with or without state ownership: (i) activities consisting of exploration for non-associated gaseous hydrocarbons and operation of these fields; (ii) the extraction, storage and use of the non-associated natural gas found at these fields and the gas produced in association with oil or other fossil fuels; and (iii) the processing, industrialization, transportation, distribution and domestic and foreign trading of such gases.

Activities to be carried out by private national or foreign bodies, with or without state ownership, does require a license or permit and must be associated with specific projects or uses linked to national development objectives.

A single party may not simultaneously perform or control in a given region two or more production, transportation or distribution activities.

The Mixed Companies agreements referred to in the Organic Hydrocarbon Act do not impose restrictions on this legal form of company in terms of transferring funds in the form of cash dividends, loan repayments or the redemption of shareholder advances in foreign currency (USD). A similar consideration applies to the permits awarded in conjunction with the Organic Gaseous Hydrocarbons Act to the extent as the licensee receives payment in currency in conjunction with the performance of its activities, whereas the funds received in Bolivares are subject to the exchange control regime.

In accordance with the prevailing exchange agreements both the Mixed Companies referred to in the Organic Hydrocarbon Act and license holders under the Organic Gaseous Hydrocarbons Act, may hold accounts overseas with banks and similar financial institutions for the purpose of making the payments they need to make outside the Bolivarian Republic of Venezuela. All sums of money from these accounts brought into the country have to be sold to the Venezuelan central bank at the official exchange rate.

Other countries

Repsol's operations are subject to an extensive variety of legislation and regulatory frameworks in the other countries in which it operates. All aspects of the activities performed, including among others, 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 another. These concessions, licenses, permits and agreements are generally awarded or jointly carried out with government bodies or state companies and occasionally with private sector organizations.

APPENDIX IV: ACCOUNTING POLICIES

1. *New standards issued for mandatory application in future years*

- A) The standards and amendments to standards that have been issued by the IASB and endorsed by the European Union and which will be mandatory in future reporting periods are listed below:

Mandatory application in 2015:

- IFRIC 21 *Levies*⁽¹⁾
- Improvements to IFRSs 2011-2013.

Mandatory application in 2016:

- Improvements to IFRSs 2010-2012⁽²⁾
- Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*⁽³⁾

⁽¹⁾ Interpretation of IFRIC 21 *Levies* was issued by the IASB with effect in annual periods beginning on or after January 1, 2014. This document was endorsed by means of Regulation (EU) 2014/634, effective in the EU for annual periods beginning on or after June 17, 2014, which, in the case of the Group, implies first-time application from January 1, 2015.

⁽²⁾ *Improvements to IFRSs 2010-2012* introduces amendments to several IFRSs. Some of these amendments have been issued by the IASB with effect from July 1, 2014, while others have been issued by the IASB effective for annual periods beginning on or after July 1, 2014. This document was endorsed by means of Regulation (EU) 2015/28, effective in the EU for annual periods beginning on or after February 1, 2015, which, in the case of the Group, implies first-time application from January 1, 2016.

⁽³⁾ *Amendments to IAS 19 Defined Benefit Plans: Employee Contributions* was issued by the IASB with effect for annual periods beginning on or after July 1, 2014. This document was endorsed by means of Regulation (EU) 2015/29, effective in the EU for annual periods beginning on or after February 1, 2015, which, in the case of the Group, implies first-time application from January 1, 2016.

The Group believes that application of the amended standards outlined in section A) above will not have a significant impact on its consolidated financial statements, with the exception of certain additional disclosure requirements.

- B) At the date of issuance of these consolidated financial statements, the standards and amendments that have been issued by the IASB but not yet endorsed by the European Union are the following:

Mandatory application in 2016:

- IFRS 14 *Regulatory Deferral Accounts*⁽¹⁾.
- Improvements to IFRSs 2012-2014.
- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*.
- Amendments to IAS 27 *Equity Method in Separate Financial Statements*.
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*.
- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortization*.
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*.
- Amendments to IAS 1 *Disclosure Initiative*.

Mandatory application in 2017:

- IFRS 15 *Revenue from Contracts with Customers*.

Mandatory application in 2018:

- IFRS 9 *Financial Instruments*

⁽¹⁾ This standard only applies to entities that carry out regulated activities and are applying IFRSs for the first time.

With regard to the other standards, interpretations and amendments outlined in the current section B), the Group is currently assessing the impact their application may have on the consolidated financial statements.

2. *Basis of consolidation*

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

Subsidiaries, which are those companies over which Repsol exercises direct or indirect control, are fully consolidated. The power to exercise control is generally evidenced by direct or indirect ownership of at least 50% of an investee's voting rights, giving the Group the current ability to direct its relevant activities and influence the amount of variable returns to which the Group is exposed as a result of its involvement with the investee.

The share of the non-controlling interests in the equity and profit of the Repsol Group's consolidated subsidiaries is presented under "*Minority interests*" within "*Equity*" in the consolidated balance sheet and "*Net income from continuing operations attributable to minority interests*" and "*Net income from discontinuing operations attributable to minority interests*" in the consolidated income statement.

The interests in arrangements over which Repsol has joint control by virtue of a shareholder agreement with third parties are structured as follows:

- Interest in joint operations that are structured through a Joint Operating Agreement (JOA) either via a consortium arrangement (UTE for its acronym in Spanish) or a similar separate vehicle that does not limit its rights to the assets and obligations for the liabilities relating to the arrangement. The Group has classified as joint operations certain joint arrangements structured through holding companies or similar vehicles in which, despite their legal form, the parties in the arrangement retain the rights to substantially all of the economic benefits of the assets held by the vehicle and the vehicle depends on the parties on a continuous basis for settling the liabilities related with the activity performed under the arrangement. All of these investments in joint operations are held by the Group through investments in fully-consolidated subsidiaries.
- Investments in joint arrangements in which Repsol has rights to the net assets of the arrangement (joint ventures) are accounted for using the equity method. The equity method consists of recognizing the Group's share of the joint venture's net assets and goodwill, if any, in a single consolidated balance sheet line item called "*Investments accounted for using the equity method*". The Group's share of the net profit or loss of these investees every year is recognized in the consolidated income statement within "*Share of results of entities accounted for using the equity method - after taxes*".

Repsol's investments in associates, investees over which it has significant influence (presumed to exist in the case of shareholdings of 20% or more), are also accounted for using the equity method described above.

Appendix I contains a list of the main consolidated subsidiaries, associates and most significant joint ventures in which Repsol, S.A. as of December 31, 2014, has direct and indirect ownership interests, which were included in the scope of consolidation, as well as the changes in the consolidation scope in 2014 and 2013.

The balances, transactions and profit or loss generated between the fully consolidated companies were eliminated on consolidation. The profit or loss on transactions between Group companies and joint ventures or associates was eliminated in proportion to the Group's share in these investees.

The accounting policies used by the Group's companies have been adjusted so that they are consistent with those applied by the parent and so that the consolidated financial statements are presented using uniform accounting policies for like transactions.

The financial statements of the investees whose functional currency differs from the presentation currency (see section 5) are translated as follows:

- The assets and liabilities in each of the balance sheets presented are translated applying the closing exchange rate on the balance sheet date.
- For practical reasons, income and expense are generally translated applying the average exchange rate for the period in which the transactions were performed. However, the transaction-date exchange rate is used to translate significant transactions or when exchange rates have fluctuated significantly during the reporting period.
- Any exchange differences arising as a result of the foregoing are recognized as "*Translation Differences*" under the caption "*Adjustments for changes in value*" of "*Equity*" heading.

The exchange rates against the euro of the main currencies used by the Group companies at December 31, 2014 and 2013 were as follows:

	December 31, 2014		December 31, 2013	
	Year - end rate	Cumulative Average Rate	Year - end rate	Cumulative Average Rate
American Dollar	1.21	1.33	1.38	1.33
Brazilian Real	3.22	3.12	3.23	2.87

3. *Classification of assets and liabilities into current and non-current*

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

4. *Offsetting of balances and transactions*

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 or interpretation and when offsetting better reflects the substance of the transaction.

5. *Functional currency and foreign currency transactions*

a) 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 functional currency of the Repsol Group's parent company and presentation currency of consolidated financial statements.

b) 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 applying the exchange rate prevailing at that date and the exchange rate differences arising from such measurement are recorded as "*Net exchange gains/(losses)*" within "*Financial result*" in the consolidated income statement in the year incurred. This does not apply to the accounting treatment of monetary items that qualify as hedging instruments (see section 24).

6. *Goodwill*

Goodwill represents the excess of the cost of a business combination over the acquirer's interest in the net fair value of the assets acquired and the liabilities assumed at the date of acquisition that meet the pertinent recognition criteria. Goodwill is recognized as a non-current asset in the corresponding intangible asset caption on the consolidated balance sheet on the date of acquisition.

Because goodwill has an indefinite useful life, it is not depreciated. Subsequent to initial recognition, it is measured at cost less any accumulated impairment losses (see Note 3).

7. *Other intangible assets*

The Repsol Group initially recognizes intangible assets at acquisition or production cost, except in the case of the emission allowances received for no consideration as described in section c) below. This cost is amortized on a straight-line basis over the assets' useful lives, except for assets with indefinite useful lives described below, which are not amortized but are tested for impairment at least annually, and whenever indicators of impairment are detected. At closing balance sheet date, these assets are measured at cost less accumulated amortization and any accumulated impairment losses.

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

a) Service/Gas stations association rights and other rights

This heading primarily includes the costs associated with the various forms of agreements for acquiring service station association rights, reflagging rights and image rights of publicity and the associated exclusive supply agreements. These costs are amortized over the related contract terms, which range from 1 to 50 years.

b) Exploration permits

The costs incurred to acquire stakes in exploration permits for a given period of time are capitalized under this heading at their purchase price. During the exploration and evaluation phase, these costs are not amortized, although they are tested for impairment at least once a year and whenever indications of

impairment are detected, in accordance with the guidelines set forth in IFRS 6 *Exploration for and evaluation of mineral resources*. Any impairment losses detected are recognized- or reversed -in profit or loss in accordance with the general rules established -IAS 36 *Impairment of Assets*. Once the exploration and evaluation phase is completed, if no reserves are found, the amounts previously capitalized are recognized as an expense in the consolidated income statement. If the exploration work does yield positive results, giving rise to commercially exploitable wells, costs are reclassified to “*Investment in areas with reserves*” (see section 8 c) at their carrying amount when this determination is made.

c) Carbon emission allowances

Emission allowances are recognized as an intangible asset and are initially recognized at acquisition cost.

Allowances received for no consideration under the emissions trading system for the period 2013-2020, are initially recognized at the market price prevailing at the beginning of the year in which they are issued, and a balancing item is recognized as a grant for the same amount as deferred income. As the corresponding tons of CO₂ are issued, the deferred income is reclassified to profit or loss.

The allowance rights are not amortized as their carrying amount equals their residual value and, therefore, the depreciable basis is zero. Emission allowances are subject to an impairment test (see Note 3). The fair value of the emission allowances is measured based on price of the benchmark contract in the futures market provided by the ECX-European Climate Exchange.

The Group records an expense under “*Other operating expenses*” in the income statement for the CO₂ emissions released during the year, recognizing a provision calculated based on the tons of CO₂ emitted, measured at: (i) their carrying amount in the case of the allowances of which the Group is in possession at year end; and (ii) the closing list price in the case of allowances of which it is not in possession at year end.

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

When carbon emission allowances are actively managed to take advantage of market trading opportunities (see Note 30), the trading allowances portfolio is classified as trading inventories.

d) Other intangible assets

This heading primarily includes the following items:

- i. Concessions and others: these are initially recognized at acquisition cost if they are acquired directly from a government or other public sector body, or at the fair value attributable to the concession if they are acquired as part of a business combination. They are subsequently measured at acquisition cost less accumulated amortization and impairment loss, if any. These concessions are amortized on a straight-line basis over the term of the concession agreements.
- ii. Development costs are capitalized only if all the conditions stipulated in the applicable accounting standard are met. Research costs incurred by the Group are expensed in the income statement as costs of the year.
- iii. Other costs, including those relating to software and industrial property, are amortized on a straight-line basis over their useful lives (which range between 3 and 20 years).

Trademarks and analogous intangible assets internally developed by the Group are not capitalized; and the related expenses are recognized in the consolidated income statement in the period in which they are incurred.

8. *Property, plant and equipment*

The Repsol Group uses the cost model by which items of property, plant and equipment are measured initially at acquisition cost.

a) Cost

The cost of property, plant and equipment includes their acquisition cost, all the costs directly related to the location of assets and all the costs to make them operational.

Additionally, if applicable, the costs “Property Plant and Equipment” elements would include 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 measurement of the dismantling obligations and related liabilities resulting from changes in the estimated cash flows and/or in the discount rate are added to or deducted from the asset’s carrying amount in the period in which they are incurred, except where the lower corrected value of the liability is greater than the carrying amount of the associated asset, in which case the surplus is recognized in the income statement.

Borrowing costs that are directly attributable to the acquisition or construction of assets that require more than one year to be ready for use are capitalized as part of the cost of these assets, in accordance with the limits established in the applicable accounting rules.

The costs of expansion, modernization or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalized, as long as the general capitalization criteria are met.

Repair, upkeep and maintenance expenses are recognized in the income statement as incurred. Furthermore, certain facilities require periodic reviews. In this respect, the assets subject to replacement are recognized specifically and are depreciated over the average term remaining until the next repairs are carried out.

This heading also includes investments relating to oil and gas exploration and production activities (see section c below) and the cost of assets held under finance leases (see section 21).

b) Depreciation

Property, plant and equipment, other than those items relating to oil and gas exploration and production activities (see section c below), 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. Estimated useful life of the main assets classified as Property, Plant and Equipment are as follows:

	Years of estimated Useful Life
Buildings and other structures	20-50
Machinery and plant:	
Machinery, fixtures and tools	8-25
Specialized complex plants:	
Units	8-25
Storage tanks	20-40
Pipelines and networks	12-25
Gas and electricity infrastructure and distribution facilities	12-40
Transport equipment	5-20
Other PP&E:	
Furniture and other PP&E	9-15

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 recognizes oil and gas exploration and production transactions using accounting policies based on 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 unproved reserves (including bonds, legal costs, etc.) are capitalized as incurred under “*Investments in areas with reserves*” associated with proven reserves or non-proven reserves, as appropriate when incurred.
- ii. *Exploration costs* (mainly geological and geophysical expenditures), excluding exploratory drilling expenditures, are registered in the income statement as incurred.
- iii. *Exploratory drilling costs*, including those relating to stratigraphic exploration wells, are recognized as assets under the heading “*Other exploration costs*” until it is determined whether proven reserves justifying their commercial development have been found. If no proven reserves are found, the capitalized drilling costs are registered in the income statement. In the event that reserves are found but remain under evaluation for classification as proven, their recognition depends on the following:
 - If the area requires additional investments prior to that start of production, the drilling costs remain capitalized only during the period in which the following conditions are met: (i) the amount of proven 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 recorded in the income statement.
 - In all other circumstances, the existence of reserves that can be classified as proven have to be determined within one year from the completion of the prospection work. Otherwise, the related drilling costs are recorded in the income statement.

Costs incurred in exploratory drilling work that has yielded a commercially exploitable reserve finding are reclassified to “*Investments in areas with reserves*.”

- iv. Development expenditure incurred in lifting proven 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 recognized as assets under *“Investments in areas with reserves”*.
- v. Future field abandonment and dismantling costs (environmental, safety, etc.) are estimated, on a field-by-field basis, and are capitalized at their present value when they are initially recognized under *“Investments in areas with reserves”* in assets in the balance sheet. This capitalization is recorded against the caption dismantling provision (see Note 15).

The investments capitalized as described above are depreciated as follows:

- i. Investments in the acquisition of proven reserves and certain associated items of property, plant and equipment are depreciated over the estimated commercial life of the field on the basis of the production for the period as a proportion of the proven reserves of the field at the beginning of the depreciation period.
- ii. Investments relating to non-proven reserves or fields under evaluation are not depreciated. These investments are tested for impairment at least once a year and whenever indications of impairment are detected.
- 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 period as a proportion of the developed proven 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 closing balance sheet date or whenever there are indications that the assets might have become impaired, their recoverable amount is compared to their carrying amount. Any impairment loss or reversal arising as a result of this comparison is recognized under *“Impairment losses and losses on disposal of non-current assets”* or, if applicable, *“Income from reversal of impairment losses and gains on disposal of non-current assets”* on the consolidated income statement (see Notes 3, 7, 8 and 22).

d) Environmental property, plant and equipment

Property, plant and equipment of an environmental nature, the purpose of which is to minimize environmental impact and to protect and improve the environment, are identified on the basis of the nature of the business activities carried on, based on the Group’s technical criteria, which are based on the guidelines relating to these matters issued by the American Petroleum Institute (API).

Environmental property, plant and equipment and the related accumulated depreciation are recognized in the balance sheet together with other property, plant and equipment, classified by their nature for accounting purposes.

Their cost, depreciation methods and the valuation adjustments to be performed are determined in accordance with the rules relating to these asset items, as explained in sections 8.a) and 8.b) of this heading.

9. *Non-current assets and liabilities held for sale and discontinued operations*

The Group classifies a non-current asset (or group of assets) as held for sale if the carrying amount of the asset(s) and associated liabilities 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 although this could take longer depending on regulatory requirements or similar circumstances.

These assets or group of assets are presented at the lower of carrying amount and fair value less costs to sell and, except for the ones mentioned in the paragraph below, are not depreciated as long as they are classified as held for sale or form part of a group of assets classified as held for sale.

In the specific case of financial assets, deferred tax assets, investment properties, and assets related to employee benefits, even when classified as "held for sale" these assets are measured according to their nature, irrespective of the fact that they are presented under this heading.

In addition, the Group classifies as discontinued operations any component (a cash-generating unit or a group of cash-generating units) that represents a separate major line of business or geographical area of operations, or has been sold or disposed of by other means, or that qualifies for classification as held for sale.

Non-current assets held for sale are presented in the consolidated balance sheet separately from other assets under the heading "*Non-current assets held for sale*", while the liabilities associated with assets qualifying for this classification are presented under "*Liabilities related to non-current assets held for sale*" described in the previous paragraphs. The after-tax profits or losses generated by discontinued operations are presented in a single heading "*Net income for the year from discontinued operations after taxes*".

The equity investment in shares of YPF S.A and YPF Gas S.A. subject to expropriation by Argentina's government was recognized under "*Non-current assets held for sale subject to expropriation*" at December 31, 2013 (further information on the measurement bases is provided in Note 4).

10. *Investments accounted for using the equity method*

See section 2 of this Appendix for a description of how these investments are initially recognized.

To determine whether it is necessary to recognize any impairment losses on investments in associates and joint ventures, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 as a single asset, including any goodwill that may be implicit within the investment, by comparing its recoverable amount with its carrying amount. The recoverable amount of an investment in an associate or a joint venture is evaluated individually, unless it does not generate cash inflows from continuing use that are largely independent of those generated by other Group assets or cash-generating units.

11. *Financial assets*

The Group classifies its investments in financial assets when they are initially recognized and reviews their classification at period end date. The assets are classified on the basis of the nature of the financial assets and the purpose for which those assets were acquired.

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

a) Financial assets at fair value with changes through profit or loss

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 which are not derivatives.

b) Financial assets available for sale

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

c) Loans and receivables

There are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for whose the Group does not intend to sell immediately or in the near term. They arise when the Group delivers goods or provides services or financing directly to a third party.

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 to the date of maturity.

A financial asset is initially recognized at fair value (see section 24). Transaction costs that are directly attributable to the acquisition or issuance of a financial asset are capitalized upon initial recognition of the asset, except in relation to assets designated as financial assets at fair value through profit or loss that are recognized in the income statement, as incurred.

Subsequent to initial recognition, all financial assets, except for “Loans and receivables” and “Held to maturity investments” are measured at fair value. Equity investments in unlisted prices whose fair value cannot be measured reliably are 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 recognized in the net profit or loss for the year. In the case of “Financial assets available for sale,” the gains and losses from changes in fair value are recognized 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 recognized in equity are recognized in the profit or loss for the year.

“*Loans and receivables*” and “Held to maturity investments” are measured at amortized cost, and the accrued interest income is recognized in profit or loss using the corresponding effective interest rate.

Accounts receivables which do not bear explicit interest are recognized at their face value whenever the effect of not discounting the related cash flows is not significant. In this instance, these assets are subsequently measured at face value also.

An impairment loss on financial assets at amortized cost is recognized 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 recognized in the consolidated income statement. The carrying amount of the asset is reduced through an allowance account.

If, in subsequent periods, the value of the financial asset is recovered, the previously recognized impairment loss shall be reversed. The reversal shall not exceed the carrying amount the financial asset prior to the initial recognition of the impairment loss. The amount of the reversal shall be recognized in the income statement for the period.

The Group derecognizes financial assets when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition.

12. *Inventories*

Inventories acquired for our own use are stated at the lower of cost and net realizable value. Cost, basically calculated as 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 realizable value of inventories at the end of each period and recognizes the appropriate write-down in profit or loss to the extent the carrying amount of inventories exceeds their net realizable value. When the circumstances that previously caused the impairment no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed.

Net realizable 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 products, it is not necessary to write down their carrying amount below cost as long as management expects to recuperate its value through the sale of the finished goods in which they will be incorporated when it will be sold above cost.

“Commodities” inventories for trading activities are measured at fair value less costs to sell and changes in fair value are recognized in income statement.

13. *Cash and Cash equivalents*

Repsol classifies under "Cash and cash equivalents" liquid financial assets, deposits or liquid investments needed to meet payment obligations in the short term 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.

14. *Earnings per share*

Basic earnings per share are calculated by dividing the profit for the period attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the period taking into account, where appropriate, any treasury shares held by the Group (see Notes 2. and 14).

15. *Treasury shares*

Treasury shares are measured at acquisition cost and are presented as a deduction from equity. Any related gains or losses are recognized directly in equity.

16. *Financial liabilities*

Unless they are part of a transaction qualifying for hedge accounting, non-derivative financial liabilities are initially recognized at fair value and are subsequently measured at amortized cost. Any difference between the financing proceeds received (net of transaction costs) and the repayment value is recognized in the consolidated income statement over the life of the debt instrument in question, using the effective

interest rate method.

Preference shares, which are detailed in Note 16 correspond to this liability category.

Trade payables and other payables are financial liabilities which do not bear explicit interest and which, are recognized at face value, when the effect of not discounting them is not material.

The Group derecognizes financial liabilities when the obligations are cancelled or expire.

17. *Provisions and contingent liabilities*

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 probable 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 measured with sufficient reliability or whose cancellation is not likely to give rise to an outflow of resources embodying future economic benefits.

Contingent liabilities are not recognized as provisions in the consolidated financial statements. Notwithstanding the above, whenever it is deemed as non-remote that settlement of such a liability will give rise to an outflow of resources, the existence of these liabilities is disclosed (see Note 29).

18. *Loyalty programs aimed at beneficiaries of the pluri-annual incentive plan and share acquisition plans*

Repsol holds loyalty programs and share acquisition plans (see detailed disclosures in Note 23).

The estimated cost of the shares to be delivered under those loyalty plans is recognized under the captions “*Personnel expenses*” and “*Other reserves*” to the extent that the plan beneficiaries’ rights to receive the shares vest.

19. *Defined contribution pension plans*

Repsol has recognized defined contribution pension plans for certain employee groups (see Note 23).

The annual cost of these plans is recognized under “*Personnel expenses*” in the consolidated income statement.

20. *Grants*

a) Grants related to assets

These are grants related to non-current assets and are measured at either: (i) the amount granted or face value; or (ii) the fair value of the assets received, if they have been transferred for no consideration. They are classified on the liability side of the balance sheet as deferred income when it is certain that they will be received.

These grants are recognized in profit or loss income statement on straight line basis over the useful life of the assets they are financing. The consolidated financial statements present the assets and the grants received separately.

b) Grants related to income

These are grants not related to non-current assets that become receivable by the entity and are recognized as income for the period in which they become receivable.

This heading also includes as deferred income the amounts associated with carbon emission allowances received free of charge (section 7c)).

21. *Leases*

Determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires, at inception date, the evaluation of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

The agreements classified as leases for accounting purposes include the following categories:

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 to leaseholder at the end of the lease term.

Leased assets are presented in the consolidated balance sheet according to the nature of the leased asset, and, simultaneously, recognize a financial liability within “*Other non-current liabilities*” of the balance sheet for the same amount. These assets are depreciated according to criteria applied to the items of property, plant and equipment that are owned or are depreciated over the lease term, whichever is lower, provided there is no reasonable certainty that the lessee shall be granted the ownership at the end of the lease term.

The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The resulting finance expense is charged to the heading “*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 costs are recognized under “*Other operating expense*” in the consolidated income statement as incurred.

When the Group acts as lessor, the resulting income is recognized under “*Other operating income*” in the consolidated income statement, as accrued.

22. *Income tax*

Repsol recognizes 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 recognized 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 recognized by applying to the temporary differences the tax rate that is expected to apply in the period when the asset is realized or the liability is settled.

Deferred tax liabilities are recognized for all taxable temporary differences, unless the temporary difference arises from the initial recognition of goodwill for which amortization 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 recognized 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 utilized. Additionally, deferred tax assets recognized for temporary differences can only be recorded 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 21).

“Income tax” in the accompanying consolidated income statement includes both the accrued income tax expense and the net provisions recognized in the year for income tax contingencies, insofar as latter relate to income tax.

Current and deferred taxes are recognized outside profit or loss account if they are related to items that are recognized outside profit or loss account. Those entries related to items recognized under “Adjustments for changes in value” are recognized under that heading and those recognized directly in equity are recognized within the equity heading in which the impact of the transaction was recognized.

23. *Revenues and expenses recognition*

Revenues are measured at fair value of the consideration received or receivable and represent the amounts receivable for the goods and services provided in the normal course of business, net of discounts and any amounts received on account of third parties, such as the Valued added tax.

In sales in which the Group acts as an agent, the Group does not recognize all the income and expenses associated with the transaction, recognizing as revenue only the margin received or pending to receive.

In order to minimize transport costs and optimize the Group's logistics chain, the Group arranges swaps of oil products of similar nature with other companies in a number of geographical locations. These transactions are not recognized in the income statement as separate purchases and sales (being recognized for the net amount).

Sales of goods are recognized when substantially all the risks and rewards have been transferred. Revenue associated with the rendering of services is also recognized 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 recognized when the shareholders' rights to receive payment have been established.

An expense is recognized when there is a decrease of economic benefits associated to 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 reflects as both revenue and expenses the excise and analogous duties levied specifically on consumption related to the production and/or sale of oil and gas products.

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 recognized for accounting purposes in accordance with the criteria indicated above.

24. *Financial Instruments-derivatives*

The Group arranges derivatives to hedge its exposure to 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 recognized at fair value at the contract date and are subsequently measured at fair value. The derivatives are recognized as an asset when their fair value is positive and as a liability when it is negative. The differences in fair value are recognized in the income statement, except for specific hedge accounting treatment, where applicable.

Long-term oil and gas sale and purchase firm commitments are analyzed with the aim to determine whether they correspond to the supply or marketing needs of the normal business activities of the Group or whether, on the contrary, these should be considered as a derivative instrument and be recognized in accordance with the criteria set forth in IAS 39 *Financial Instruments - Recognition and Measurement*.

The valuation methods and inputs used are detailed in Note 11 “*Financial assets*” and Note 16 “*Financial liabilities*”.

The valuation and recognition of derivative financial instruments in keeping with specific hedge accounting criteria are as follows:

a) Fair value hedges

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

The changes in the fair value of hedging derivatives and the changes in the fair value of the hedged items attributable to the hedged risk, are recognized in the income statement.

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 recognized asset or liability, a highly probable forecasted transaction or a firm commitment, if the risk hedged is foreign currency related; and (ii) could affect profit or loss for the period.

The portion of the changes in the fair value of the hedging instruments that is determined to be an effective hedge is recognized in equity and the ineffective portion of the gain or loss on the hedging instrument (corresponding to the excess, in absolute terms, between the cumulative change in the fair value of the hedging instrument with respect to the change in the fair value of the hedged item) is recognized in profit or loss. The gains or losses accumulated in equity are transferred to profit or loss in the periods in which the hedged items affect profit or loss or, when the transaction hedge results in the recognition of a non-financial asset or liability, are included in the cost of the related asset or liability.

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 recognized in “*Translation differences*” within equity in the accompanying consolidated balance sheet.

The cumulative amount of the translation differences are reclassified to the income statement, when the foreign operation subject to the hedge is sold or disposed of in any other way.

APPENDIX V: RESTATEMENT OF THE 2013 CONSOLIDATED FINANCIAL STATEMENTS

Repsol, S.A. and investees comprising the Repsol Group

Consolidated balance sheet at December 31, 2013 and January 1, 2013

ASSETS	Millions of euros			
	Stated		Restated ⁽¹⁾	
	31/12/2013	variation	31/12/2013	Initial balance ⁽¹⁾ 01/01/2013
Intangible Assets:	5,325	(3,596)	1,729	1,759
a) Goodwill	2,648	(2,158)	490	490
b) Other intangible assets	2,677	(1,438)	1,239	1,269
Property, plant and equipment	26,244	(10,218)	16,026	17,832
Investment property	24	-	24	25
Investment accounted for using the equity method	412	9,928	10,340	11,230
Non-current assets held for sale subject to expropriation	3,625	-	3,625	5,392
Non-current financial assets	1,802	86	1,888	1,505
Deferred tax assets	4,897	(818)	4,079	2,506
Other non-current assets	253	(193)	60	50
NON-CURRENT ASSETS	42,582	(4,811)	37,771	40,299
Non current assets held for sale	1,851	(159)	1,692	288
Inventories	5,256	(318)	4,938	5,175
Trade and other receivables	7,726	(2,791)	4,935	4,932
a) Trade receivables	5,621	(2,402)	3,219	3,556
b) Other receivables	1,634	(304)	1,330	1,043
c) Income tax assets	471	(85)	386	333
Other current assets	144	(3)	141	222
Other current financial assets	93	261	354	200
Cash and cash equivalents	7,434	(1,718)	5,716	4,108
CURRENT ASSETS	22,504	(4,728)	17,776	14,925
TOTAL ASSETS	65,086	(9,539)	55,547	55,224

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

Repsol, S.A. and investees comprising the Repsol Group
Consolidated balance sheet at December 31, 2013 and January 1, 2013

	Millions of euros			
	Stated		Restated ⁽¹⁾	Initial balance ⁽¹⁾
	31/12/2013	variation	31/12/2013	01/01/2013
LIABILITIES AND EQUITY				
NET EQUITY				
Issued share capital	1,324	-	1,324	1,282
Share premium	6,428	-	6,428	6,428
Reserves	259	-	259	247
Treasury shares and own equity instruments	(26)	-	(26)	(1,245)
Retained earnings and other reserves	19,785	-	19,785	20,526
Profit attributable to the equity holders of the parent	195	-	195	-
Dividends and remunerations	(232)	-	(232)	(184)
EQUITY	27,733	-	27,733	27,054
Financial assets available for sale	488	-	488	57
Other financial instruments	-	-	-	-
Hedge transactions	(60)	-	(60)	(210)
Translation differences	(954)	-	(954)	(199)
ADJUSTMENTS FOR CHANGES IN VALUE	(526)	-	(526)	(352)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	27,207	-	27,207	26,702
MINORITY INTERESTS	713	(470)	243	285
TOTAL EQUITY	27,920	(470)	27,450	26,987
Grants	66	(56)	10	10
Non-current provisions	3,625	(925)	2,700	1,367
Non-current financial liabilities:	13,125	(4,656)	8,469	9,877
a) Bank borrowings, bonds and other securities	13,053	(4,640)	8,413	9,675
b) Other financial liabilities	72	(16)	56	202
Deferred tax liabilities	3,352	(1,486)	1,866	1,509
Other non-current liabilities	2,179	(503)	1,676	2,981
NON-CURRENT LIABILITIES	22,347	(7,626)	14,721	15,744
Liabilities related to non-current assets held for sale	1,533	(76)	1,457	20
Current provisions	303	(54)	249	212
Current financial liabilities:	4,519	1,314	5,833	5,688
a) Bank borrowings, bonds and other securities	4,464	1,316	5,780	5,620
b) Other financial liabilities	55	(2)	53	68
Trade payables and other payables:	8,464	(2,627)	5,837	6,573
a) Trade payables	4,115	(1,527)	2,588	2,702
b) Other payables	4,056	(942)	3,114	3,724
c) Current income tax liabilities	293	(158)	135	147
CURRENT LIABILITIES	14,819	(1,443)	13,376	12,493
TOTAL EQUITY AND LIABILITIES	65,086	(9,539)	55,547	55,224

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

REPSOL, S.A. AND INVESTEEES COMPRISING THE REPSOL GROUP
Consolidated income statement for December 31, 2013 and January 1, 2013

	Millions of euros		
	Stated		Re-stated ⁽¹⁾
	12/31/2013	variation	12/31/2013
Sales	54,683	(8,594)	46,089
Services rendered and other income	1,063	(298)	765
Changes in inventories of finished goods and work in progress inventories	(228)	(13)	(241)
Income from reversals of impairment losses and gains on disposal of non-current assets	23	(4)	19
Allocation of grants on non-financial assets and other grants	13	(12)	1
Other operating income	744	(47)	697
OPERATING REVENUE	56,298	(8,968)	47,330
Supplies	(43,170)	4,731	(38,439)
Personnel expenses	(2,039)	368	(1,671)
Other operating expenses	(5,796)	1,186	(4,610)
Depreciation and amortization of non-current assets	(2,559)	1,039	(1,520)
Impairment losses recognised and losses on disposal of non-current assets	(163)	32	(131)
OPERATING EXPENSES	(53,727)	7,356	(46,371)
OPERATING INCOME	2,571	(1,612)	959
Finance income	162	(68)	94
Finance expenses	(963)	312	(651)
Changes in the fair value of financial instruments	(131)	2	(129)
Net exchange gains/ (losses)	98	27	125
Impairment and gains/ (losses) on disposal of financial instruments	79	-	79
FINANCIAL RESULT	(755)	273	(482)
Share of results of companies accounted for using the equity method after taxes	48	757	805
NET INCOME BEFORE TAX	1,864	(582)	1,282
Income tax	(947)	516	(431)
Net income for the period from continuing operations	917	(66)	851
Net income for the period from continuing operations attributable to minority interests	(38)	66	28
NET INCOME FOR THE PERIOD FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE PARENT	879	-	879
Net income for the period from discontinued operations after taxes ⁽¹⁾	(684)	-	(684)
NET INCOME FOR THE PERIOD FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO THE PARENT	(684)	-	(684)
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT	195	-	195

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

REPSOL, S.A. AND INVESTEEES COMPRISING THE REPSOL GROUP
Consolidated cash flow statement

	Millions of euros		
	Stated		Re-stated ⁽¹⁾
	31/12/2013	variation	31/12/2013
Net income before tax	1,864	(582)	1,282
Adjustments to net income:	3,639	(2,172)	1,467
Depreciation and amortization of non-current assets	2,559	(1,039)	1,520
Other adjustments to results (net)	1,080	(1,133)	(53)
Changes in working capital	(502)	227	(275)
Other cash flows from operating activities:	(1,005)	1,097	92
Dividends received	33	595	628
Income tax received / (paid)	(893)	468	(425)
Other proceeds from / (payments for) operating activities	(145)	34	(111)
Cash flows from operating activities ⁽¹⁾	3,996	(1,430)	2,566
Payments for investing activities:	(3,971)	1,636	(2,335)
Group companies, associates and business units	(183)	40	(143)
Property, plant and equipment, intangible assets and investment properties	(3,438)	1,446	(1,992)
Other financial assets	(350)	150	(200)
Proceeds from divestments:	683	(415)	268
Group companies, associates and business units	155	(11)	144
Property, plant and equipment, intangible assets and investment properties	102	(20)	82
Other financial assets	426	(384)	42
Otros flujos de efectivo	-	-	-
Cash flows used in investing activities ⁽¹⁾	(3,288)	1,221	(2,067)
Proceeds from/ (payments for) equity instruments:	1,014	-	1,014
Acquisition	(106)	-	(106)
Disposal	1,120	-	1,120
Proceeds from / (payments for) financial liabilities:	(1,325)	199	(1,126)
Issues	8,876	(1,735)	7,141
Return and depreciation	(10,201)	1,934	(8,267)
Payments for dividends and payments on other equity instruments	(528)	58	(470)
Other cash flows from financing activities:	(974)	(52)	(1,026)
Interest payments	(827)	236	(591)
Other proceeds from/ (payments for) financing activities	(147)	(288)	(435)
Cash flows used in financing activities ⁽¹⁾	(1,813)	205	(1,608)
Effect of changes in exchange rates	(54)	36	(18)
Net increase / (decrease) in cash and cash equivalents	(1,159)	32	(1,127)
Cash Flows from operating activities from discontinued operations	129	(19)	110
Cash Flows from investment activities from discontinued operations	2,319	59	2,378
Cash Flows from financing activities from discontinued operations	246	3	249
Effect of changes in exchange rates from discontinued operations	(4)	2	(2)
Net increase / (decrease) in cash and discontinued operations	2,690	45	2,735
Cash and cash equivalents at the beginning of the year	5,903	(1,795)	4,108
Cash and cash equivalents at the end of the year	7,434	(1,718)	5,716
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	31/12/2013		31/12/2013
Cash and banks	4,650	(739)	3,911
Other financial assets	2,784	(979)	1,805
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7,434	(1,718)	5,716

⁽¹⁾ Corresponds to cash flows from continuing operations.

⁽²⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “Basis of presentation”).

CONSOLIDATED MANAGEMENT REPORT

For the financial year 2014



REPSOL, S.A. and Investees comprising the Repsol Group

Translation of a report originally issued in Spanish.
In the event of a discrepancy, the Spanish language version prevails.

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1. MAIN EVENTS DURING THE PERIOD

The year 2014 was marked by events of great importance to the Group.

In January, the Group completed the divestment of LNG assets that began the previous year, which generated revenue of approximately \$4.300 million.

Subsequently, in May, following the resolution of the dispute that resulted from the expropriation of 51% of YPF, S.A. with the signing of an agreement with the Argentinean government, the Group received agreed compensation for the expropriation and sale of non-expropriated shares. This generated proceeds of \$6.313 million.

Revenues from these divestments have reinforced the financial solidity of the Group, which has been recognised in improvements in Repsol's credit rating and allowed the group to increase its remuneration to shareholders. It has also provided the group with the financial resources necessary to finance new opportunities for growth.

Thus, in December, the Group reached an agreement with Canadian company Talisman Energy to acquire 100% of its share capital for \$8.300 million. This operation will enable us to consolidate the current growth trend in exploration and production, with a portfolio that is more balanced in geographical terms and which contains high-quality productive assets, transforming Repsol into one of the world's largest private energy groups.

These milestones have combined with a business performance that, despite the complex environment characterised by the fall in the price of crude oil and losses resulting from disruptions in the production in Libya, saw a significant improvement on its results for the previous year.

1.1) RESULTS OF THE PERIOD

<i>Millions of euros</i>	2014	2013	Variation
Upstream	589	980	(40%)
Downstream	1,012	479	111%
Gas Natural Fenosa	441	458	(4%)
Corporate and adjustments	(335)	(574)	(42%)
Adjusted Net Income⁽¹⁾	1,707	1,343	27%
Inventory effect	(606)	(187)	(224%)
Non-recurring income	(86)	(277)	69%
Income from discontinued operations	597	(684)	-
Net Income	1,612	195	727%

In 2014, Adjusted Net Income⁽¹⁾ amounted to €1,707 million, 27% higher than in 2013. Better margins in its Refining and Chemicals *Downstream* businesses and the improvement in the financial result, mainly due to the reduction in its debt and the appreciation of the dollar against the euro, helped offset the poorer results of Upstream derived from disruptions to production in Libya and lower prices for crude oil, which were affected by the abrupt fall in international benchmark prices in the second half of the year.

⁽¹⁾ Taking into account the characteristics of its businesses and better comparability with companies in the sector, the Group uses "Adjusted Net Income" to measure the results of each business segment: Adjusted net income is the recurring result of continuing operations at replacement cost (CCS), net of taxes (Adjusted Net Income), i.e. Net Income for the year, excluding non-recurring income and including the cost of crude oil and products at replacement value. The figures for the period to December 31, 2013 have been modified for comparison purposes in respect of those contained in the Management Report for 2013. The reconciliation of the adjusted and loss statement with NIIF-EU is shown in APPENDIX I to this document.

Upstream businesses recorded net production of 355 kboe/d in 2014, 2.5% higher than in 2013. This increase was due to the connection of new wells in Sapinhoá (Brazil), the start of production at Kinteroni at the end of March 2014, the start of production of Phase II of Margarita in October 2013, and the development of the Syskonsininskoye field (SK) in Russia, as well as the continuous increase in production of the *Mid-continent* project in the United States, all despite lower production in Libya as a result of the conflicts and security problems and more frequent disruptions due to drilling and maintenance operations in Trinidad and Tobago. In 2014, strategic growth projects that began production in 2013 (Sapinhoá, in block BM-S-9 in Brazil, Phase II of Margarita-Huacaya, in Bolivia, and SK, in Russia) and in 2014 (Kinteroni, Lot 57 in Peru) contributed mean daily production of 39 kboe/d.

Furthermore, investment effort in exploration continues apace: during the year, 24 exploratory wells were carried out, of which 4 were positive results (León, in the United States; Gabi-1 and K3, in Russia; and Seat-2, in Brazil) and 6 are still being evaluated. Ten appraisal wells were also completed, of which 8 produced positive results (–Qugruk 5 and 7, in Alaska “*North Slope*”; 31P and 32P, in Russia; Buckskin 2, in the United States’ Gulf of Mexico; TB14, in T&T; and BQN-05 and RGD-99, in Bolivia).

In 2014, the company achieved a proven reserve replacement ratio of 118%, bringing the average ratio for the last three years to around 200%. At the end of the year, proven reserves stood at 1,539 Mbep.

Downstream, the 111% improvement in results for the period was due in the main to favourable movements in the margins of Refining and Chemicals operations, which in the case of the latter were boosted by measures contained in the Competitiveness Plan, as well as larger sales volumes and wider margins on gas in North America. These results continue to show the quality of the assets of the Group, even more so after the start-up of the large refinery projects in Cartagena and Bilbao, enabling Repsol to remain in leadership positions among its European rivals in terms of integrated margin for Refining and Marketing operations.

Gas Natural Fenosa’s contribution to the results of the Group fell 4% on the same period last year, mainly due to the impact of new electricity regulations and regulations in the gas sector and the depreciation of local currencies against the euro in its businesses in Latin America. Furthermore, the last quarter of 2014 was notable for the acquisition of Chilean company “*Compañía General de Electricidad, S.A. (CGE)*).

In 2014, the Group recorded a net income of €1,612 million, well above the €195 million recorded in 2013. The difference between adjusted net income and net income was mainly due to the following reasons:

- Inventory effect: This effect, which is associated with the valuation of crude oil and products at mean cost (MIFO), rather than at current cost of supply (CCS), has been negative as a result of the fall in prices during 2014 (€606 million after taxes).
- Non-recurring income: An after-tax loss of €86 million that corresponds to:
 - (i) Capital gains realised on the sale of non-expropriated shares in YPF S.A. (€287 million) and on the sale of its stake in Transportadora de Gas del Perú, S.A. (€57 million);
 - (ii) The impairment of certain assets and the accrual of provisions (€503 million), mainly in its *Upstream* business, due to the negative impact of evolution in the price of crude oil; and
 - (iii) The positive net effect of other non-recurring income (€73 million).
- Income from discontinued operations: €597 million, including income from the sale of Repsol Comercializadora de Gas, S.A. (€319 million) and income linked to the expropriation of YPF, S.A.

As at December 31, 2014, the net debt of the Group was €1,935 million, a decrease of 64% on the same period in 2013. Repsol also has substantial available funds equivalent to 7.6 times its gross short-term debt. The financial solidity of the Group has been recognised by the main international rating agencies, which have revised Repsol's credit rating upwards.

1.2) END TO THE CONTROVERSY ORIGINATED BY THE YPF EXPROPRIATION⁽¹⁾

On February 27, 2014, Repsol, S.A., Repsol Capital S.L. and Repsol Butano, S.A., on the one hand, and the Republic of Argentina, on the other, signed the agreement known as Agreement for the Amicable Settlement and Expropriation Compromise Agreement (hereinafter, the "*Agreement*"), designed to put an end to the controversy originated by the expropriation of 51% of the equity of YPF S.A. and YPF Gas S.A.

Under the terms of the Agreement, the Republic of Argentina recognized an irrevocable debt to Repsol of \$5,000 million as compensation for the expropriation of these shares. In payment of the compensation, the Republic of Argentina delivered to Repsol, a portfolio of sovereign bonds for a total par value of \$5,317 million. These bonds were subsequently sold in their entirety to J.P. Morgan Securities, for a total price of \$4,997 million, thus extinguishing the full debt recognised by the Republic of Argentina.

Moreover, the Group has sold its non-expropriated stake in YPF S.A., a 12.38%, mostly to foreign institutional investors, for the amount of \$1,316 million.

These divestments as a whole in YPF, S.A. e YPF Gas S.A. provided revenues of \$6,313 million for the Group.

1.3) TALISMAN ENERGY ACQUISITION

On December 15, 2014, following the unanimous approval by the Board of Directors of both companies, Repsol, S.A. and Talisman Energy Inc. ("*Talisman*") entered into an agreement (the "*Arrangement Agreement*") under which Repsol agreed to acquire 100% of the outstanding common shares of Talisman for cash consideration of \$8 per share and, all of Talisman's outstanding preferred shares for C\$25 cash per share plus accrued dividends not paid as of the closing date.

The aggregate purchase price amounts to \$8,300 million, plus assumed Talisman debt of \$4,700 million.

The transaction will be structured as a *Plan of Arrangement* regulated under the Canada Business Corporations Act. It is subject to approval by the Canadian courts and the shareholders of Talisman. The *Arrangement Agreement* contains a series of terms and conditions that are standard in transactions of this nature, including the requirement to obtain regulatory approval and consent from third party shareholders in certain Talisman assets. Talisman has also committed to paying Repsol an amount of \$270 million under certain circumstances if the transaction does not close.

Following provisional approval in the form of an *Interim Order* from the competent court (the Court of Queen's Bench of Alberta), Talisman held a special meeting of shareholders on February 18 at which its shareholders approved the transaction. The votes cast in favor represented holders of 99.4% of the common shares and 99.8% of the preferred shares present or represented at the meeting, thereby amply exceeding the approval threshold stipulated by the court (66.6%). On February 20, this Court finally approved the Plan of Arrangement, issuing the corresponding *Final Order*.

⁽¹⁾ For further information on the expropriation, signature of Amicable Settlement and Expropriation Compromise Agreement between Republic of Argentina and YPF S.A. and accounting treatment, see Note 4.1 "*Divestments of shares YPF S.A. and YPF Gas S.A.*" and Note 29 "*Contingencies, Commitments and Guarantees*" Consolidated Annual Accounts for 2014.

At the date of this document, the usual process in this type of transactions in order to obtain the pertinent regulatory approvals is still in course. It is expected to conclude in mid-2015.

Description of Talisman

Talisman is a Canadian company based in Alberta, Canada. Talisman is currently listed on the Toronto (TSX) and New York (NYSE) stock exchanges.

Its main business activities include the exploration, development, production, transportation and marketing of crude oil, natural gas and other natural gas liquids, focusing the most of its activity on two areas: America (United States, Canada and Colombia) and Asia-Pacific (Australia, Timor Leste, Indonesia, Malaysia, Papua New Guinea and Vietnam). Additionally, Talisman has activity in United Kingdom, Norway, Algeria and Kurdistan.

MAIN INDICATORS OF TALISMAN	2014	2013
Gross Proven Reserves before royalties (Mbep) ⁽¹⁾	n.a.	1,006
Proven Reserves Replacement Ratio (%) ⁽¹⁾	n.a.	121
Gross liquids production before royalties (kbb/d) ⁽²⁾	141	132
Gross gas production before royalties (\$/Mscf/d) ⁽²⁾	1,371	1,451
Average crude oil & liquids realization price (\$/bbl) ⁽²⁾	85.12	97.49
Average gas realization price (\$/kscf) ⁽²⁾	5.84	5.69
Total Revenue and other income ⁽²⁾	3,763	4,486
Net Income ⁽²⁾	(911)	(1,175)
Total Assets ⁽²⁾	17,330	19,161
Total Equity ⁽²⁾	7,405	8,555
Gross financial debt ⁽²⁾	5,064	5,239

Note: Indicators included in the table above have been obtained from Talisman public information, and in some cases they may have been elaborated using different criterion than those applied by Repsol. Information not available at the date of this document was identified as follows (n.a).

⁽¹⁾ Amounts corresponding to 2013 have been obtained from 2013 Talisman Energy Inc. Annual Report.

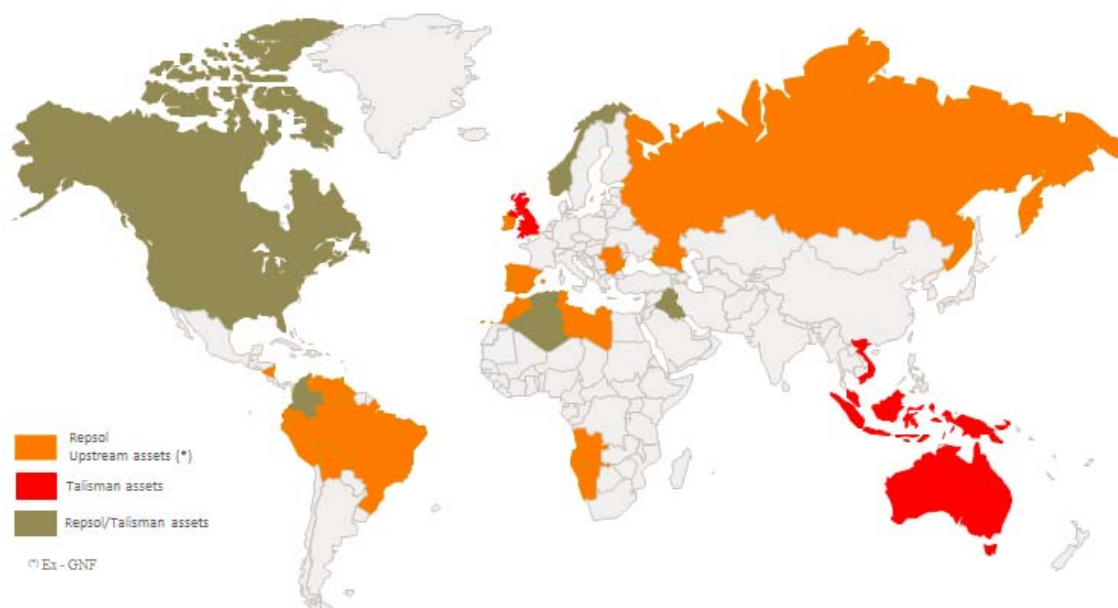
⁽²⁾ Figures and estimated indicators (not audited) corresponding to 2014, have been obtained from 6-K Form submitted to the United States Securities and Exchange Commission (SEC) on February 10, 2015 by Talisman.

Financing of the transaction

To Finance the acquisition Repsol intends to use its cash reserves obtained from the recovery of value from YPF pursuant to the agreement reached with the Argentinian government as well as other sources of liquidity as undrawn credit lines and a possible issuance of debt in the capital markets.

Transformational transaction

The transaction will transform Repsol into one of the energy groups, with more presence in OECD countries, incorporating reserves and production in politically stable countries. The transaction will allow Repsol to achieve global scale increasing its presence in the *Upstream* business, upgrade a broader portfolio together with a sound financial position which provides a better capacity to create value through portfolio management.



Talisman will contribute first class producing and exploration assets in North America (Canada and United States), South-East Asia (Indonesia, Malaysia and Vietnam) as well as Colombia and Norway, among others. Talisman will add a portfolio of complementary assets, in addition to significant knowhow in key areas that will benefit the future development of the company in areas including unconventional assets and offshore production.

Once the transaction is completed, North America's weight in the resulting company will increase to almost 50% of capital employed in exploration and production. Latin America's weight in capital employed will be reduced from 50% to 22%.

The incorporation of Talisman will increase the output of the Repsol Group by 76% over 680 thousand barrels of oil equivalent per day, and will boost proven reserves by 55% to 2,300 million barrels of oil equivalent.

The resulting group will be present in more than 50 countries with over 27 thousand employees, doubling its current staff in *Upstream* business.

1.4) OTHER EVENTS DURING THE PERIOD

At the corporate level, worthy of note is the appointment of Josu Jon Imaz San Miguel as the new Chief Executive Officer (CEO) to head up the new challenges and opportunities of the Group, the resignation as member of the Board of Directors of Pemex Internacional España, S.A.U. following the sale of most of its stake in Repsol, S.A. and the appointment in January 2015 of energy market expert J. Robinson West as Independent Outside Director.

On the other hand, on January 28, 2015 the new office was officially opened in Houston, in the United States, from where the *Upstream*, *Gas & Power* and *Trading* businesses are managed in North America, a key region for Repsol.

The Repsol Board of Directors approved the distribution of an extraordinary gross dividend of one Euro (€1) per share, charged to the results of the current financial year, which was paid out on June 6, 2014 and resulted in an expenditure of €1,325 million. In addition, in January and July the Company executed two share capital increases by means of which the "*Repsol flexible dividend*" programme was implemented, which allows shareholders to choose between receiving their payment, totally or partially, in newly-issued

shares or in cash. Repsol has therefore become one of the leading Spanish companies in compensation to its shareholders, which has meant an amount equivalent to €1.96/share during the 2014 financial year.

The Repsol share closed out the year with a decline in price below the average price of its European oil sector peers, which devalued by more than 16% on average. The safeguards afforded by the integration between Repsol's *Downstream* and *Upstream* activities have allowed the company to perform better in an environment of falling prices.

Finally, Repsol has maintained its commitment to society and its employees, hiring 5,077 new employees in 2014 (9% higher than the same period 2013) and investing more than €18 million in training. Additionally, 452 thousand tons of CO₂ equivalent were reduced in the atmosphere compared to the same period in 2013 assuming equivalent operating conditions. In relation to employees accident rates, the Total Frequency Rate decreased by 0.57.

1.5) MAIN FIGURES AND INDICATORS OF THE PERIOD

All indicators and figures of this document, unless otherwise stated, have been prepared in accordance with the new Group Reporting model (see Note 5 “*Segment Reporting*” of the Consolidated Financial Statements for 2014). The figures corresponding for the year ended December 31, 2013 have been modified with respect to the Consolidated Management Report for that period to enable a comparable analysis.

Results, financial overview and shareholder remuneration ⁽¹⁾	2014	2013	Our business performance ⁽¹⁾	2014	2013
Results			Upstream		
EBITDA	3,800	3,968	Proven reserves (Mboe)	1,539	1,515
Adjusted Net Income	1,707	1,343	Proven reserves replacement ratio (%)	118	275
Net Income	1,612	195	Net liquids production (kbbl/d)	134	139
Earnings per share (€/share)	1.17	0.14	Net gas production (kboe/d)	220	207
Capital employed from continuing operations	30,089	27,614	Net hydrocarbon production (kboe/d)	355	346
ROACE (%)	4.4	5.5	Average crude oil realization price (\$/bbl)	79.6	88.7
Financial overview			Average gas realization price (\$/Thousand scf)	3.8	4.0
Net financial debt ⁽²⁾	1,935	5,358	Adjusted Net Income	589	980
EBITDA ⁽²⁾ / Net financial debt (x times)	2.0	0.7	EBITDA	2,667	3,054
Shareholder remuneration			Operating investments	2,843	2,317
Total shareholder remuneration (€/share)	1.96	0.96	Downstream		
Main stock indicators	2014	2013	Refining capacity (kbbl/d)	998	998
Share price at close of financial year (€)	15.5	18.3	Conversion index in Spain (%)	63	63
Average share price (€)	18.4	17.5	Refining margin indicator in Spain (\$/Bbl)	4.1	3.3
Market capitalisation	20,990	23,861	Service station ⁽⁷⁾	4,649	4,604
Other ways of creating value	2014	2013	Oil product sales (kt)	43,586	43,177
People			Petrochemical product sales (kt)	2,661	2,337
Total employees ⁽³⁾	26,141	25,800	LPG sales (kt)	2,506	2,464
Number of new hires in the year ⁽⁴⁾	5,077	4,656	LNG sold in North America (TBtu)	274	184
Staff turnover rate (%)	7	7	Adjusted Net Income	1,012	479
Hours of training per employee	44	40	EBITDA	1,284	1,137
Safety and environmental management			Operating investments	702	672
Overall Frequency Rate of accidents ⁽⁵⁾	0.85	0.59	Gas Natural Fenosa		
Total Frequency Rate (IF) of accidents ⁽⁶⁾	2.38	2.95	Adjusted Net Income	441	458
Direct CO ₂ emissions (million t)	13.19	13.37	Macroeconomic environment ⁽⁸⁾	2014	2013
Annual CO ₂ emissions reduction (million t)	0.452	0.444	Brent (\$/bbl)	98.9	108.7
Number of spills	17	14	WTI (\$/bbl)	92.9	98.0
			Henry Hub (\$/Mbtu)	4.4	3.7
			Algonquin (\$/Mbtu)	8.1	7.0
			Average exchange rate (\$/€)	1.33	1.33

⁽¹⁾ Where appropriate, figures shown in millions of euros.

⁽²⁾ See a definition of these ratios in the section “*Results*”, in section 4 of the document.

⁽³⁾ Does not include those employees with annual working hours equal to or less than 20% of the hours set in the collective bargaining agreement.

⁽⁴⁾ These figures include new employees with fixed and temporary contract. In 2014, new fixed contracts represented 33% of the total (27% in 2013).

⁽⁵⁾ Overall frequency rate with sick leave: number of accidents leading to days lost or deaths recorded over the year, for every million hours worked.

⁽⁶⁾ Total frequency rate: number of accidents leading without days lost, to days lost and deaths recorded over the year, for every million hours worked.

⁽⁷⁾ Figures includes service stations controlled by Repsol and branded, respectively.

⁽⁸⁾ Average Annual Values.

2. OUR COMPANY

2.1) VISION AND VALUES

We aspire to be a global company that seeks individual welfare and believes in the construction of a better future through the development of intelligent energy. In Repsol, with effort, talent and enthusiasm, we move forward to offer the best energy solutions for society and for the planet. This vision is embodied in five core values for our company:

- *Integrity:* We look after people's well-being, the company and the environment in which we operate, and we act in accordance with the commitments that we make.
- *Responsibility:* We achieve our goals taking into account the global impact of our decisions and actions, people, our environment and the planet.
- *Flexibility:* Actively listening allows us to achieve our goals in a balanced and sustained way.
- *Transparency:* We work on the basis that all of our actions can be verified and are presented clearly and truthfully. We view information as a company asset that we share to create value.
- *Innovation:* We believe that the key to our competitiveness and evolution lies in our ability to generate ideas and implement them in an environment of continuous collective collaboration and learning.

2.2) BUSINESS MODEL

Repsol is an integrated energy company with extensive experience in the sector, which carries out activities in more than 35 countries worldwide.

Repsol Group's activities are divided into two business areas:

- *Upstream*, relating to the exploration and development of crude oil and natural gas reserves.
- *Downstream*, corresponding to (i) refining, trading and crude oil and product transportation, as well as commercialization of oil products, petrochemicals products and liquefied petroleum gas (ii) commercialization, transportation and regasification of natural gas and liquefied natural gas (LNG) and (iii) renewable energy power projects.

Additionally, Repsol has a stake of 30% in the Gas Natural Fenosa group, which mainly engages in natural gas distribution and marketing and the generation, distribution, and commercialization of electricity.

Value chain of our businesses:

Upstream

Exploration

→ Development →

Production

New areas	Exploration	Evaluation	On-shore	Off-shore	Gas	Crude oil
Acreage acquisition	Seismic and geophysics work, and drilling of exploration probes	Discovered resources definition and profitability estimation	Drilling of development wells and facilities to start producing reserves		Commercial use of hydrocarbons	



Net undeveloped acreage at December, 31st:

188,278
Km²

Finished wells in 2014:^(*)

34 Ended
11 Ongoing

Total proven reserves:

1,539 mboe
Replacement ratio:
118 %

Development wells drilled in 2014:

609 Gross

Active productive wells at December 31st:

3,158
Gross

Net production of hydrocarbons per day:

355
kboe/d

^(*) Includes finished exploration wells and evaluation/appraisal wells.

Downstream

Storage and transportation

→ Industrial Activities

→ Marketing

Gas & Power

Crude Oil	Oil products	Chemicals	LPG	Chemicals	Marketing	Natural Gas	Renewable generation
Trading and transportation of crude oil and products to refineries for processing	Refining and crude oil transformation into oil products	Elaboration of a wide variety of petrochemical products	Processing and distribution of LPG	Distribution and sale of the petrochemical products elaborated	Distribution and sale of the oil products obtained	Transport, marketing, trading and regasification of liquid natural gas	Identify opportunities of renewable generation



Processed crude oil in 2014:

39.5 million t

Refining capacity:

998 kbbl/d

Sale of oil products:

43,586 kt

Gross petrochemical capacity:

5,299 kt

Sale of LPG:

2,506 kt

Sale of petrochemical products:

2,661 kt

Number of service stations:

4,649

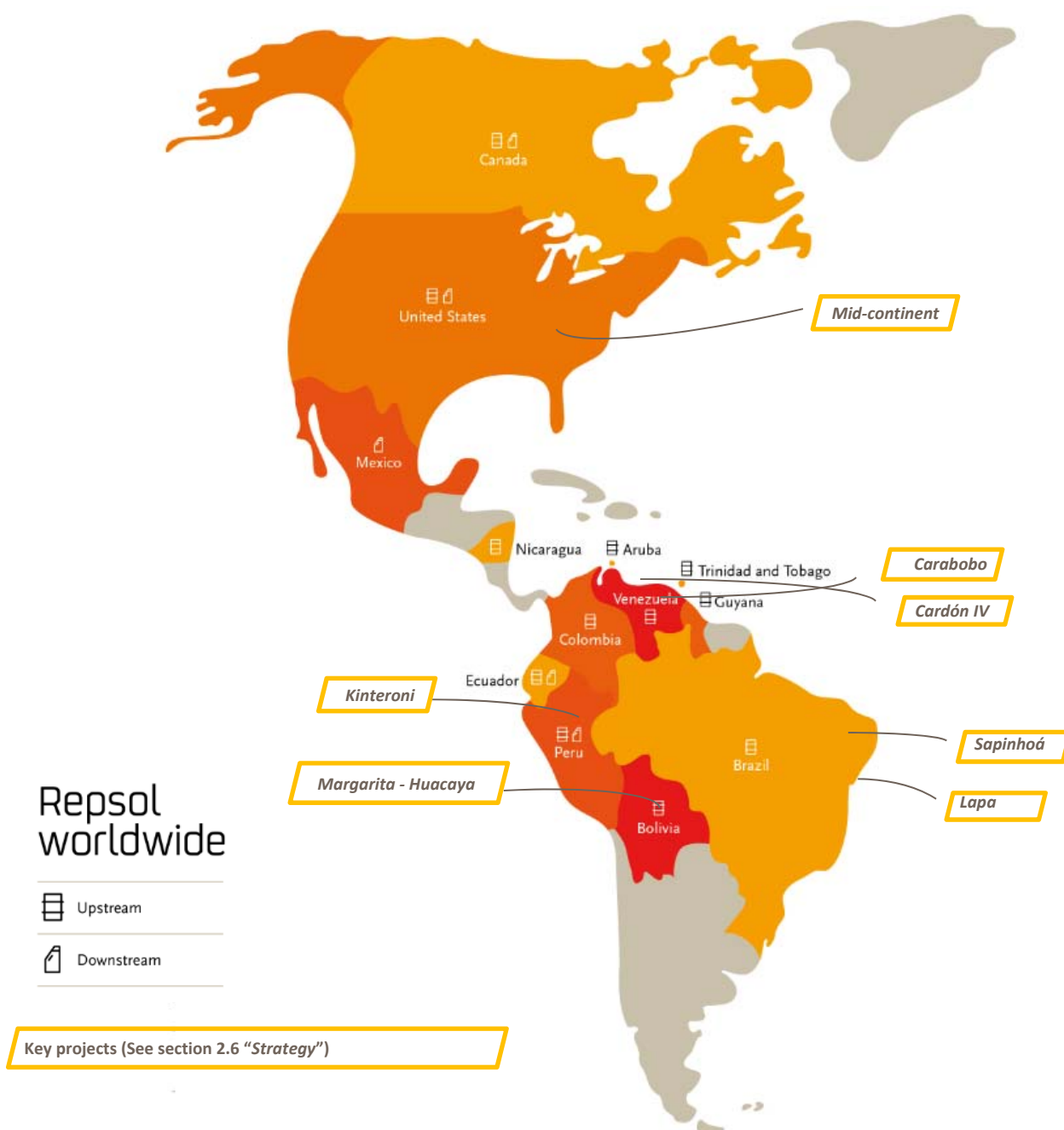
LNG sold in North America:

274 Tbtu

Consent capacity installed:

960 Mw

2.3) OUR OPERATING MARKETS



UPSTREAM

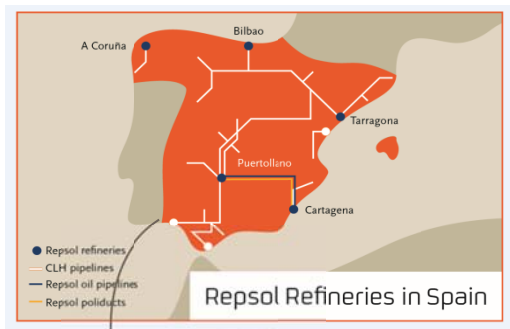
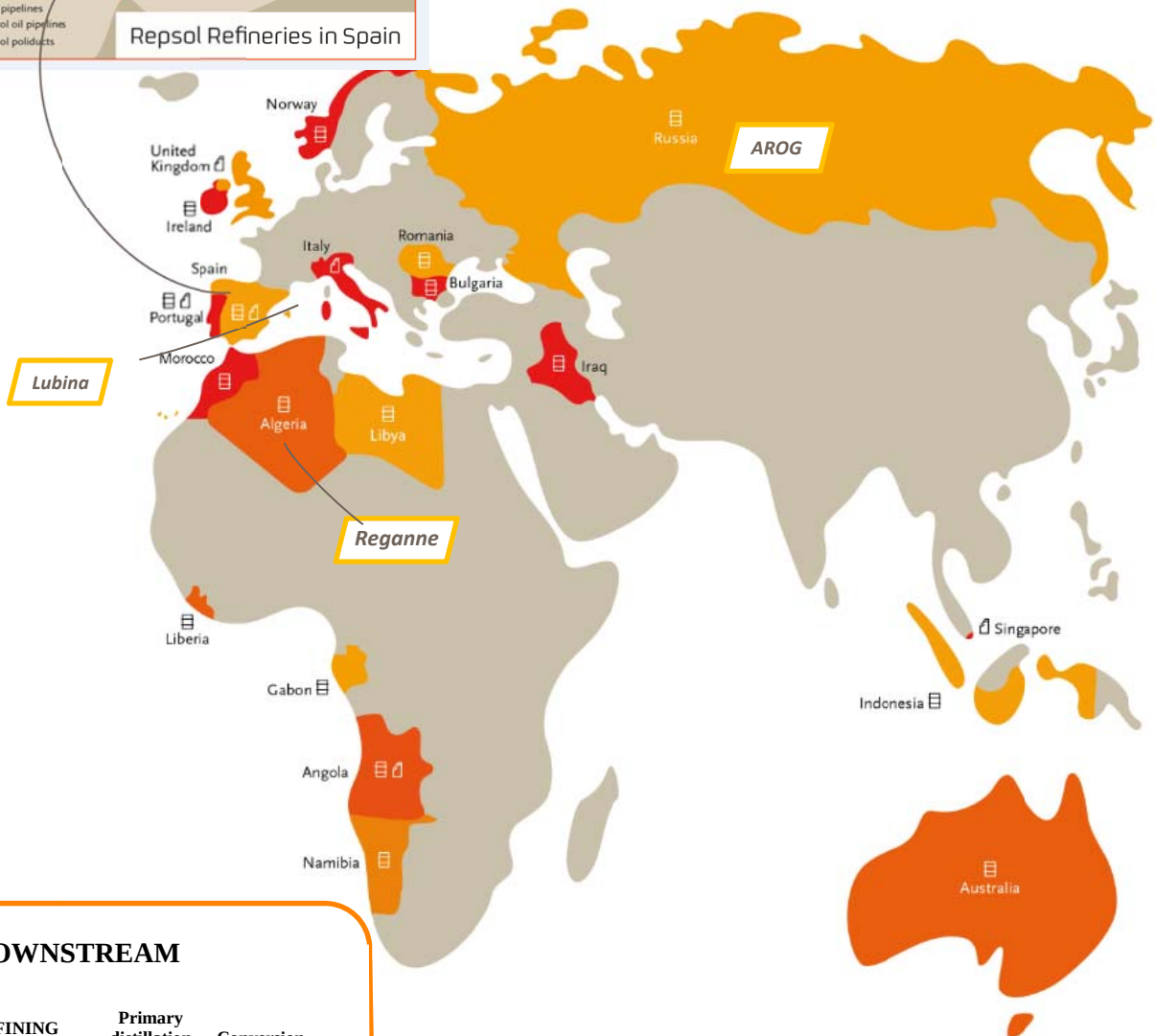
We participate in 695 oil and gas Exploration and Production blocks¹ in 29 countries, directly or through our affiliated companies.

There have been around 40 discoveries in the past 8 years, including eight of the major findings worldwide according to IHS.

Repsol's hydrocarbon production in 2014 was estimated at 355 kboe per day, representing an increase of 2.5% on the figures for 2013.

At year-end 2014 Repsol's proven reserves amounted to 1,539 Mboe, of which 441 Mboe (29%) corresponded to crude oil, condensate and liquefied gases, and the rest, 1,098 Mboe (71%) to natural gas.

⁽¹⁾ These figure does not include assets corresponding to unconventional resources projects the Group has an interest at.



DOWNSTREAM

REFINING capacity	Primary distillation (kbbbl/d)	Conversion index (%)
Spain		
Cartagena	220	76
A Coruña	120	66
Puertollano	150	66
Tarragona	186	44
Bilbao	220	63
Peru		
La Pampilla	102	24
Points of sale	Total	
Spain	3,585	
Portugal	440	
Peru	374	
Italy	250	



Sales volume of LPG (Thousands of tons)

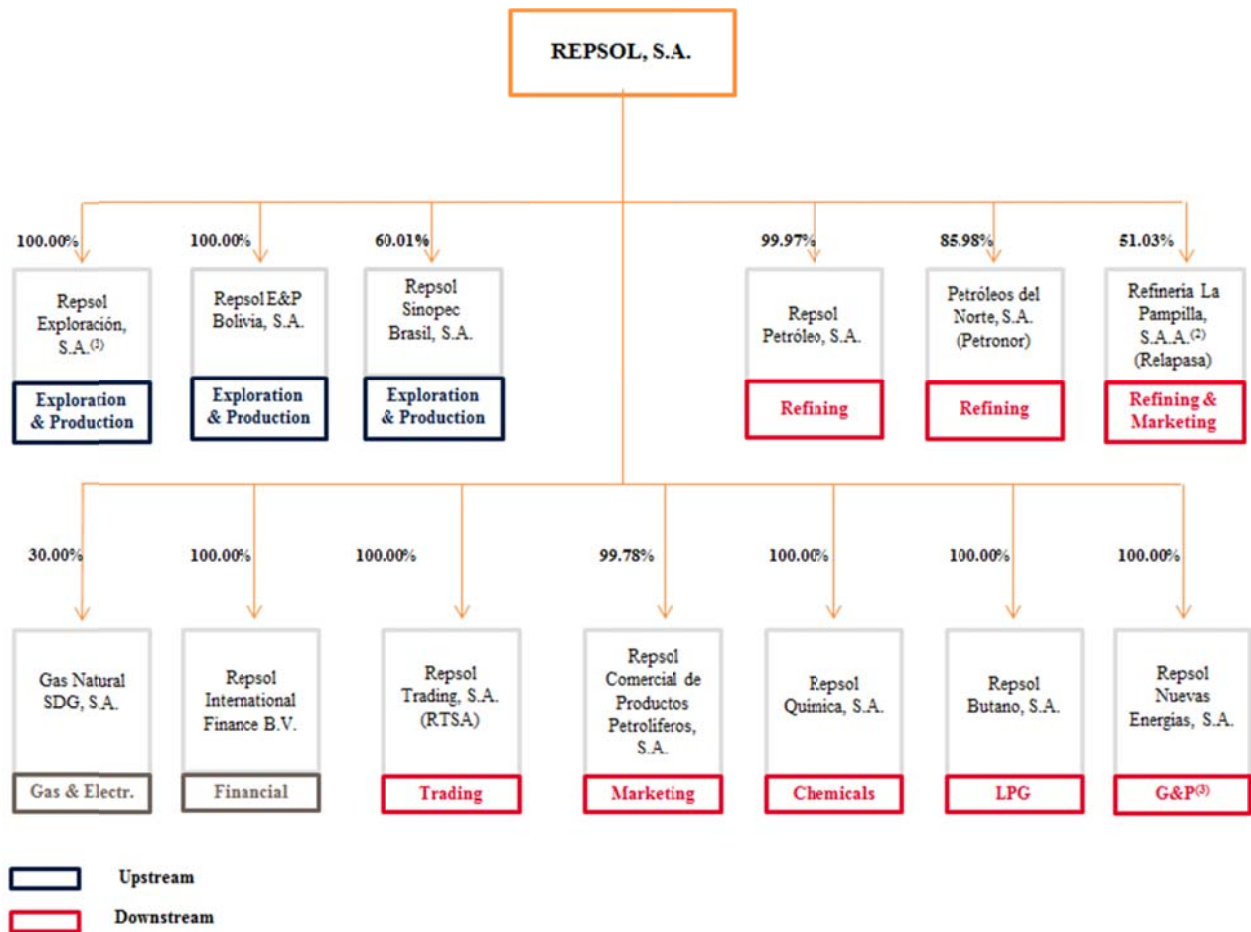
	2014	2013
Spain	1,343	1,281
Rest of Europe	131	131
Peru	634	665
Ecuador	398	386

Operating figures, Chemicals (Thousands of tons)

	2014	2013
Capacity		
Basic petrochemicals	2,808	2,808
Derivative petrochemicals	2,491	2,491

2.4) CORPORATE STRUCTURE

The corporate structure of the Repsol Group is shown below according to the major companies comprising the Group⁽¹⁾:



⁽¹⁾There is no difference between the percentage share capital owned and voting rights in the various companies

⁽²⁾Indirect Participation.

⁽³⁾The Gas & Power activities corresponding to transport, commercialization, trading and re-gasification of liquefied natural gas are performed through Repsol Exploración, S.A. subsidiaries and those corresponding to renewable generation via Repsol Nuevas Energías, S.A.

For more information on the main companies that make up the Repsol Group and the main changes in the year, see Appendix I and I b of the Consolidated Financial Statements for 2014.

2.5) CORPORATE GOVERNANCE

Repsol's system of corporate governance, which was established in accordance with best national and international practice and standards, guides the structure, organisation, and operation of its corporate bodies in the interests of the company and of its shareholders, and is based on the principles of transparency, independence, and responsibility. For more information on the internal regulations of the Repsol Group in terms of corporate governance, visit www.repsol.com.

The governance structure at Repsol adequately differentiates the governance and management functions of the Company from its oversight, control, and strategic definition functions.

Thus, the General Shareholders' Meeting is the sovereign corporate body through which shareholders intervene in the taking of essential decisions of the Company, with the Board of Directors (either directly or through its various Committees) responsible for the formulation of general policies, the strategy of the Company, and basic management directives, as well as general oversight and consideration of matters of special importance that are not reserved for the competence of the General Shareholders' Meeting.

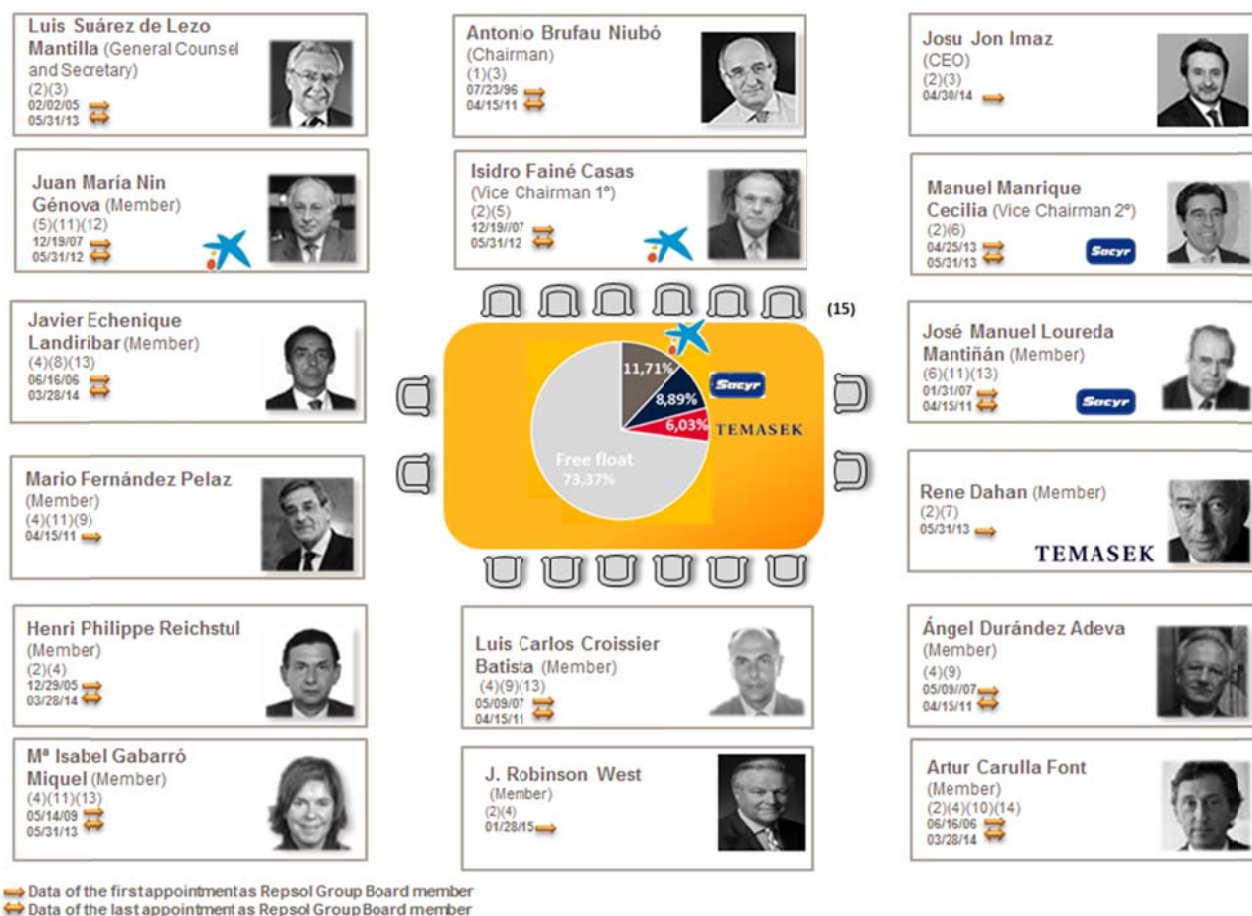
The Executive Committee and the management team, for their part, handle the day-to-day management of the business of the Company, via the implementation and monitoring of the general strategies and basic directives set by the Board of Directors.



NOTE: See the Annual Corporate Governance Report for more information on the General Meeting, the Board of Directors and its committees.

- (1) The Executive Committee: composed of the Chairman of the Board of Directors and eight Directors more belonging to all Director categories, maintaining a similar proportion to that existing in the Board of Directors. This Committee is permanently delegated with all the powers of the Board of Directors except those that are legally or statutorily non-delegable.
- (2) The Audit and Control Committee: composed of four Independent Outside Directors with knowledge and experience in accountancy, auditing or risk management matters. Its main function is to support the Board in its oversight duties, through the review of the preparation process of the financial-economic information, executive controls, supervision of the systems that record and control the hydrocarbon reserves, Internal Audits, the independence of the external auditor, and the compliance with all the legal provisions applicable to the Company. The Committee will be responsible for guidance of the Company's policies, objectives and guidelines in the environmental and safety fields.
- (3) The Appointments and Remuneration Committee: composed of five Outside Directors, composed with a majority of Independent Directors, while the President is also Independent. Its main functions are to proposing and reporting to the Board of Directors on the selection, appointment, reappointment and removal of Directors, the Managing Director, Chairman, Deputy Chairman, Secretary, Deputy Secretary, or the Board's remuneration policy and the Executive Directors and reporting on the appointment of senior executives and on the overall remuneration and incentives policies.
- (4) The Strategy, Investment and Corporate Social Responsibility Committee: composed of five Outside Directors, composed with a majority of Independent Directors. Its main function is reporting on the most important events milestones and revisions of the Strategic Plan and strategic decisions relevant. Its role also includes guiding the policy, objectives and guidelines of the Repsol Group on Corporate Social Responsibility.

The composition of the Board of Directors and of its committees as at the date of this document was approved was as follows:



NOTE: Updated information related to the profile of the Executive Committee members is available can be found at www.repsol.es/es_es/corporacion/accionistas-inversores/gobierno-corporativo/. Further information regarding to the Remuneration Policy, see “Annual Remuneration Policy Report of the Directors”.

- (1) President of the Delegate Committee.
- (2) Member of the Delegate Committee.
- (3) Executive Director.
- (4) Independent Outside Director.
- (5) Institutional Outside Director proposed by Caixabank, S.A
- (6) Institutional Outside Director proposed by Sacyr, S.A.
- (7) Institutional Outside Director proposed by Temasek.
- (8) Chairman of the Audit and Control Committee.
- (9) Member of the Audit and Control Committee.
- (10) Chairman of the Nomination and Compensation Committee.
- (11) Member of the Nomination and Compensation Committee.
- (12) Chairman of the Strategy, Investment and CSR Committee.
- (13) Member of the Strategy, Investment and CSR Committee
- (14) Lead Independent Director.
- (15) Percentage of share capital according to the latest information available at the date of this document. Information provided by “Compañía de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear)”, and the information submitted by the shareholders of the Company and the National Securities Market Commission (CNMV for its acronym in Spanish).

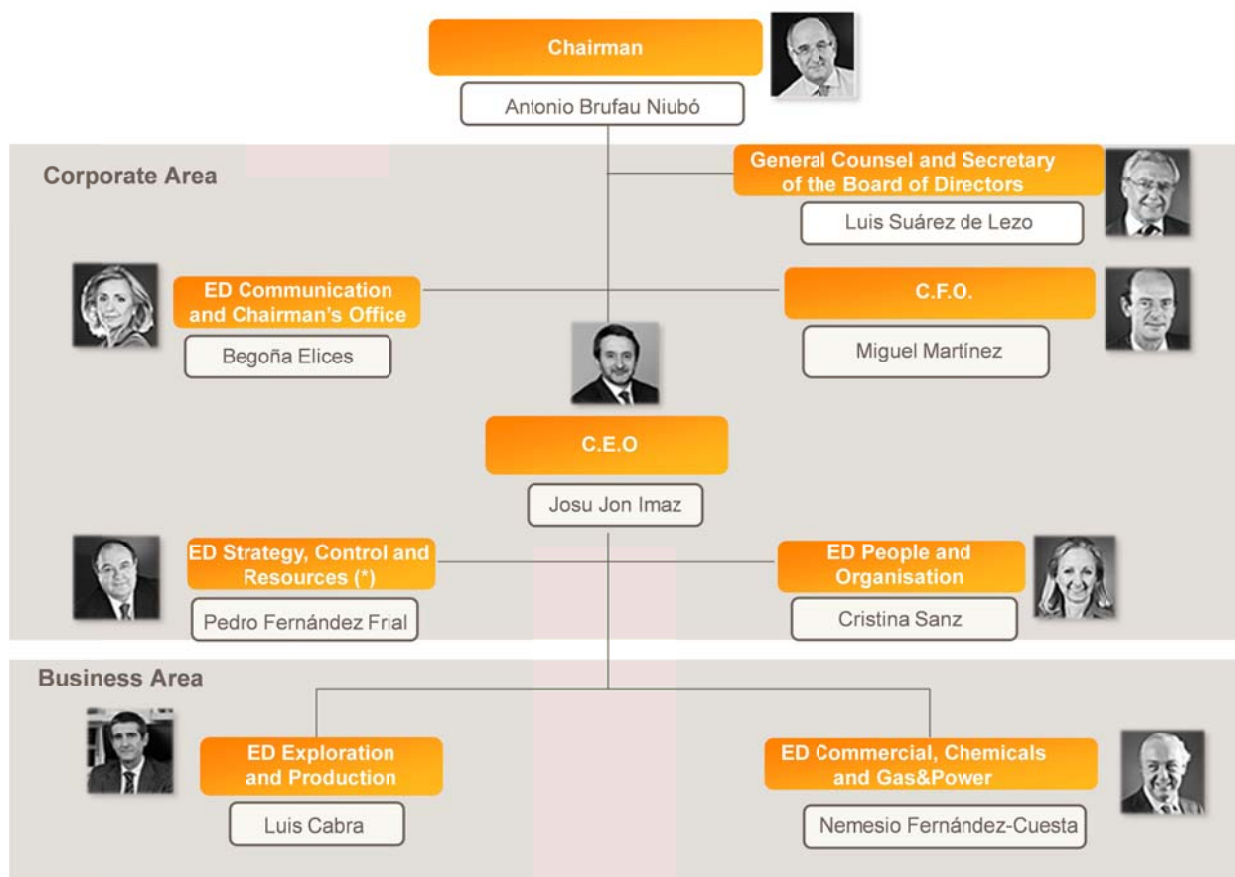
On April 30, 2014, the Board of Directors of Repsol, at the proposal of its Chairman, and with a favourable report issued by the Nominations and Remuneration Committee, approved a significant remodelling of the structure of the senior management team, in particular the appointment of Josu Jon Imaz San Miguel as Chief Executive Officer (CEO), who previously held the position of General Director of Industry and Trading.

On the same date, the Board accepted the resignation of Independent Board Member Paulina Beato Blanco, leaving a vacant position filled by the new Chief Executive Officer, who was also appointed member of the Delegate Commission.

On June 4, 2014, following the announcement by PEMEX of the sale of the majority of its share in Repsol, Pemex Internacional España, S.A.U. submitted its resignation as a member of the Board of Directors of Repsol, S.A. and of the Committees on which it sat (Delegate Committee and Strategy, Investment and Corporate Social Responsibility Committee).

On January 28, 2015, the Repsol, S.A. Board of Directors, at the proposal of the Appointment and Remuneration Committee, approved the appointment of J. Robinson West as Independent Outside Director and their inclusion on the Executive Committee.

As at the date of this document was approved, the composition of the Executive Committee was as follows:



(*) In Strategy, Audit and Reserves direct dependence to the Chairman

NOTE: ED: Executive Director. Updated information about the profile of the members of the Executive Committee is available on www.repsol.com. In Note 28, "Remuneration of the members of the board of directors and executives", in the Consolidated Annual Accounts corresponding to the year 2014 is included information about remuneration of the Executive Committee.

2.6) STRATEGY

Repsol's current Strategic Plan (2012-2016), which was issued following the confiscation of YPF, is based on four strategic pillars: *Upstream* growth, maximising returns on investment *Downstream*, financial strength, and attractive remuneration to shareholders. In 2012 and 2013, progress was made on achieving the main milestones of this plan, with a special focus on strengthening the financial position of the Company. The sale of non-strategic assets during these years achieved the sought-after strengthening of Repsol's financial position but reduced the size of the Company.

The resolution of the YPF dispute in the first half of 2014 and the resulting inflow of non-recurring income allowed Repsol to speed up the realisation of the first pillar of the Strategic Plan: *Upstream* growth.

Thus, on December 16, 2014 Repsol announced the agreement reached to purchase Talisman Energy (see section 1.3). This operation will turn Repsol into one of the world's largest private energy groups, providing it with a portfolio that is more balanced in geographical terms, reserves and production in OECD countries, high-quality productive assets, new exploration potential, and additional operating capacity and new platforms for future growth in North America, south-east Asia, and the North Sea. The acquisition of Talisman will consolidate the growth in exploration and production, allowing the group to set new goals and confirming this activity as the engine for growth of the Company.

Solid business position

The strategy performed by Repsol in the last year has allowed to develop new and attractive business lines, diversify our portfolio of assets and incorporate key projects that today underpin our position in the global energy sector.

The results of this continued effort are the major exploration discoveries over the last years, the investment projects to upgrade the refineries of Cartagena and Petronor, as well as the Repsol Sinopec Brazil joint venture.

One of the fundamental elements of Repsol's strategy is the integrated development of its *Upstream* and *Downstream* businesses. This integration translates into clear corporate and portfolio synergies and advantages:

- Provides Repsol with sufficient scale to be able to tackle its growth strategy, especially given the growing size and risk of major projects in the sector.
- Contributes to more stable profits, facilitating fulfilment of objectives for both financial stability and shareholder remuneration.
- Ensures greater risk diversification, given the specific risk profiles of the *Upstream* and *Downstream* businesses.
- Gives Repsol the cash flow for its strategic plan and investment program, taking into account the different investment and cash generation cycles of the *Upstream* and *Downstream* businesses.
- Allows Repsol to access a larger portfolio of investment opportunities allowing selecting the most attractive opportunities at any one time, thus optimizing capital assignment between businesses.

There are also many operational synergies and advantages arising from the integration of the *Upstream* and *Downstream* businesses, of which the most significant are:

- Commercial and technical synergies based on the growing operational convergence of technical capabilities and commercial synergies between the *Upstream* and *Downstream* projects.
- Possibility of sharing technical resources, maximising the use of human resource capabilities, enhancing technical talent and encouraging the transfer of experts between these two businesses.
- Development opportunities in which the know-how and presence of both businesses is valued.
- Significant cost savings in corporate and support functions, which optimise their expenses by providing joint services to the *Upstream* and *Downstream* businesses.

Upstream, driving growth

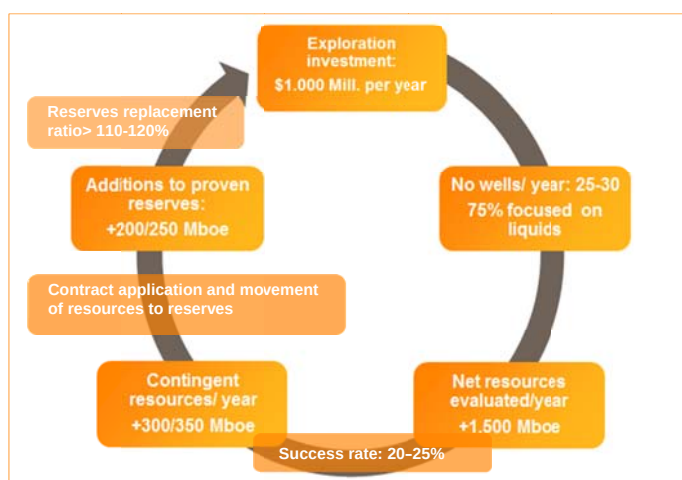
Upstream activities are the growth engine of Repsol. Through major investments and the attraction of talent and technology, Repsol has achieved great exploratory successes with a replacement rate of proved net reserves of around 200% on average in the last three years. The commitment to innovation has been the key to consolidating ourselves as a company with great exploratory success.

Many significant discoveries have been made in areas identified as priorities such as United States, Russia, Brazil, Peru, Algeria and Colombia. Close to 40 discoveries have been made since 2007 and they include eight major finds around the world, revealing Repsol's the exploration success and ensuring the creation of projects that will support this growth for years to come.

Estimated investment for *Upstream* business plan is an average of €2,900 million per year. This investment represents over 70% of the Group's total forecasted investments.

An average annual exploration investment of around \$1,000 million dollar will allow the drilling of 25 to 30 exploration wells per year.

The intense activity in the area of exploration and development will allow targets to reach in the period 2012-2016 a 7% annual growth in production, an average reserve replacement ratio of over 120% and an average annual addition to contingent resources of about 300/350 million boe.



To carry out this growth commitment we have focused on 10 key growth projects located in Brazil, United States, Russia, Spain, Venezuela, Peru, Bolivia and Algeria. The 10 major projects involve a total combined investment of €6,700 million.

Seven of them (Mid Continent, Margarita, Sapinhoá, Lubina-Montanazo, Rusia, Carabobo, Kinteroni) are already producing and contributing to the production growth target.



In addition to these key projects, the company will continue with the plans for its contingent resource discoveries, particularly in the United States (Alaska and Gulf of Mexico), Brazil y Peru. This work will enable these resources to culminate in new development projects that will be the company's growth engine in the coming years.

Downstream, operational excellence and margin optimization

The *Downstream* area, after the successful completion of the asset investments period, has again become a net cash generator.

In 2012 expansions were commissioned at Cartagena and Petronor, which have increased Repsol's conversion capacity and operational efficiency of the refining system. These expansions are expected to generate an improved refining margin between 2-3 dollars per barrel processed throughout Repsol's refineries in Spain, thus improving the efficiency of our assets.

The *Downstream* target is to maximize the built-in margin of all the business areas through the pursuit of excellence and improvement of processes.

The management priorities continue to be energy efficiency, safety in our operations and maximum respect for the environment. Energy-efficient products and services are developed through continuous technological development and improvement of processes.

The average investment stands at €750 per year, and essentially consists in the maintenance of industrial and commercial facilities and improvements in energy and operational efficiency, representing a reduction of 60% of the average annual investment over the 2008 -2011 period.

Competitive remuneration for shareholders

Repsol is committed to establish a competitive remuneration policy for its shareholders.

Financial strength allows us to offer shareholders competitive remuneration, thus continuing a policy of creating value for shareholders through dividends, supported by the Flexible Compensation Plan, with an expected pay-out (Shareholder Remuneration/Net Income) between 40 and 55%.

Solid financial position

Repsol's solid financial position is materialised by our commitment to maintain the credit rating, high liquidity and selective disinvestments during the period.

Revenue from the sale of LNG assets and from the monetisation of the compensation for the YPF expropriation, have reinforced the financial soundness of the company, which was recognised by the main international rating agencies. All this has led to improved financial ratios, improving the credit level and increasing the confidence of international investors.

Additionally, in order to maximise cash flow, a process of continuous optimisation of the Group's working capital was carried out.

This financial soundness has allowed us inorganic growth.

Acquisition of Talisman and new strategic plan

Repsol has reached an agreement with Talisman Energy for the acquisition of 100% of the share capital of the Canadian company as described in Section 1.3) of this report.

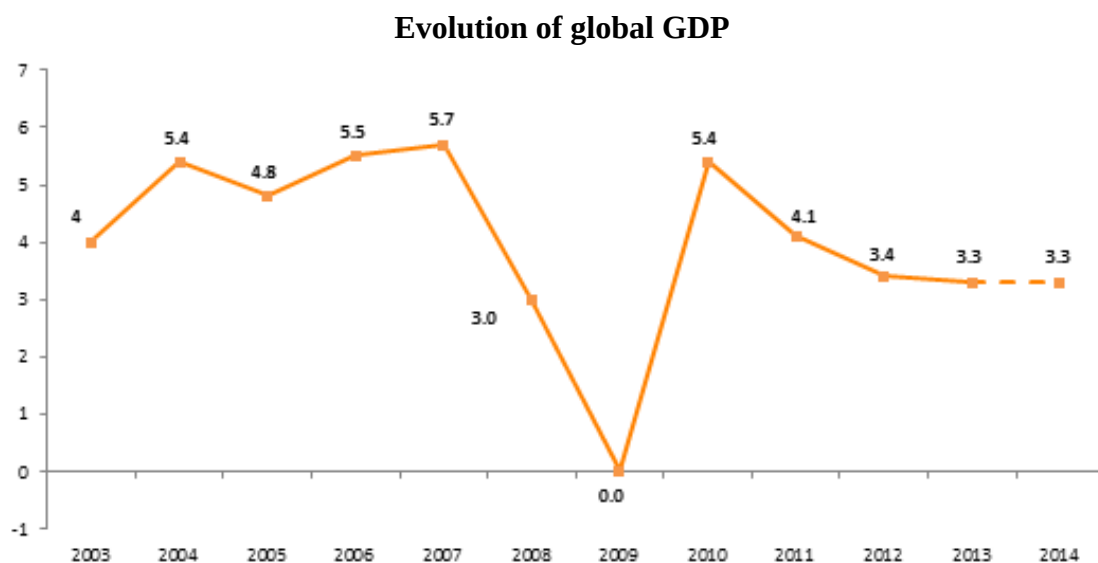
This transformational and inspirational transaction entails a major qualitative and quantitative leap for Repsol, turning it into one of the main private Oil&Gas companies in the world, and will allow it to grow as a company and to reinforce the nature of Repsol as an integrated power company with a solid and competitive project.

Following the culmination of this transaction, Repsol will present a new strategic plan.

3. **MACROECONOMIC ENVIRONMENT**

Recent economic developments

In 2014 the global economy continues to recover, although economic growth is weaker than expected, with anticipated global growth of 3.3% spread very unevenly across regions. Advanced economies are experiencing varying degrees of recovery, although their growth is being dragged down by a high volume of debt. At the same time, emerging economies are experiencing slowdown while their medium and long-term growth forecasts are being revised downwards.



Source: International Monetary Fund (IMF, WEO Update January 2015) and Repsol Technical Secretariat Dept.

Regarding the evolution of growth in the United States, a set of specific factors led to a contraction in growth in the first quarter of 2014, followed by acceleration in the third quarter to reach 5% and stabilising at 2.6% in the fourth quarter. Estimated annual growth will be around 2.4% and the conditions are in place by acceleration in 2015. Emerging economies are expected to grow at a rate of 4.4% continuing with the slowdown started after 2011, when growth stood at 6.7%. The weak productivity and lower growth potential of these economies leads to the conclusion that the high rates of growth of the past decade will not be repeated, although given their greater weight, their contribution to global growth will not fall.

The eurozone recorded economic stagnation in the second quarter of the year, although for 2014 as a whole, preliminary forecasts suggest annual average growth of 0.9%. Overall, periphery countries have mostly completed their adjustment programmes and progress has been made towards banking union. However, recovery is not without risks, particularly focussed on the evolution of the largest eurozone economies, with contraction of growth in Italy and economic weakness in France. Meanwhile Germany has growth in the last quarter at 1.6% coinciding with the overall yearly trend. With low growth perspectives for the eurozone and the anticipated drop in inflation as a result of falling crude oil prices, the European Central Bank (ECB) has been adopting an extensive package of conventional and non-conventional measures.

Throughout 2014 the Spanish economy has consolidated the path of positive growth initiated in late 2013, driven by improvements in financing conditions, higher sustained confidence of market agents and the favourable evolution of the labour market. The return to growth has been driven by various domestic demand components, the slowdown in international trade and its impact on national exports. However, the improvement of competitiveness of the Spanish economy has become apparent, with more favourable

sales abroad than other major eurozone countries. At year-end the Spanish economy continues on this path of recovery, with an average growth of 1.4% in 2014.

Evolution of exchange rate

Throughout 2014, the evolution of the euro has undergone two distinct stages. The first, from the new year until May is characterised by a strong euro against the dollar with an average value approaching 1.37, and the second phase, comprising from June to year-end, is marked by the strength of the US dollar and a loss in value of the euro, with an average rate of 1.29 in this period. Note that the EUR/USD exchange rate at year-end was 1.21, maintaining the trend characterized by the weakness of the euro, and that the average value for 2014 was 1.33.

Evolution of the EUR/USD exchange rate (monthly average)



Source: Bloomberg and Repsol Technical Secretariat Dept.

The first part of the year was characterised by the slowdown in US economic activity owing to the polar vortex, uncertainty about "shadow banking" in China, which contributed to the weakness of its economy, and the persistent inflation cuts in the European Monetary Union (EMU). In this context, the prudence of the American Federal Reserve (FED), the orthodoxy of the ECB and the lack of dynamism of credit within the eurozone – stemming partly from "global evaluation" process affecting banks before the ECB incorporated its banking supervision functions – have provided back-up for the euro. Additionally, sovereign bonds on the periphery of the eurozone became a very attractive asset for investors.

Starting from the second quarter, the US began to confirm its ability to generate employment and maintain a sustained GDP growth rate. China, meanwhile, through the control of credit and with the application of mini-stimulus packages, has been able to maintain growth above 7% with less reliance on the real estate sector. In contrast, Japan suffered a major slowdown after VAT increases, and the eurozone began to show signs of loss of traction in its growth, made worse by persistent low inflation. In addition, the conflict between Russia and Ukraine, which reached its peak with the downing of a commercial jet with 298 passengers, forced the European Union to approve economic sanctions that affected the growth of the common area.

This opposing economic context in some of the world's major economies led to divergence in terms of the approach to monetary policy. On one hand, the FED and BOE (Bank of England) concluded the purchase of financial assets to expand their balance sheets, and the rate of recovery of their economies allows them to consider a rise in interest rates over the medium-term. On the other hand, the ECB and the BOJ (Bank of Japan), besides rates at all-time lows and having no prospects of raising them, have announced intensive programmes to purchase different types of asset to increase their balance sheets and, in this way, target low inflation and underpin growth.

In this respect the ECB enabled various monetary policy measures to stimulate growth in the second half of 2014. Besides leaving benchmark interest rates at minimum levels it also implemented a series of unconventional policies. These measures that began in 2014 seek to expand the ECB's balance sheet by at least €1 trillion in the next 12 months; with the aim of lowering to medium and long-term interest rates and prompting investors to seek returns from riskier assets. Additionally, 2014 also saw the conclusion of the European banking transparency review (AQR and stress test) with which the channel of credit is expected to be restored in the region.

Given the limitations in terms of fiscal policy owing to the current high levels of indebtedness of these economies, the tone of the monetary policy and growth prospects are the factors that most influence the foreign exchange market. It is precisely these elements that have led to a strengthening of the dollar against other major currencies.

Recent developments in the energy sector

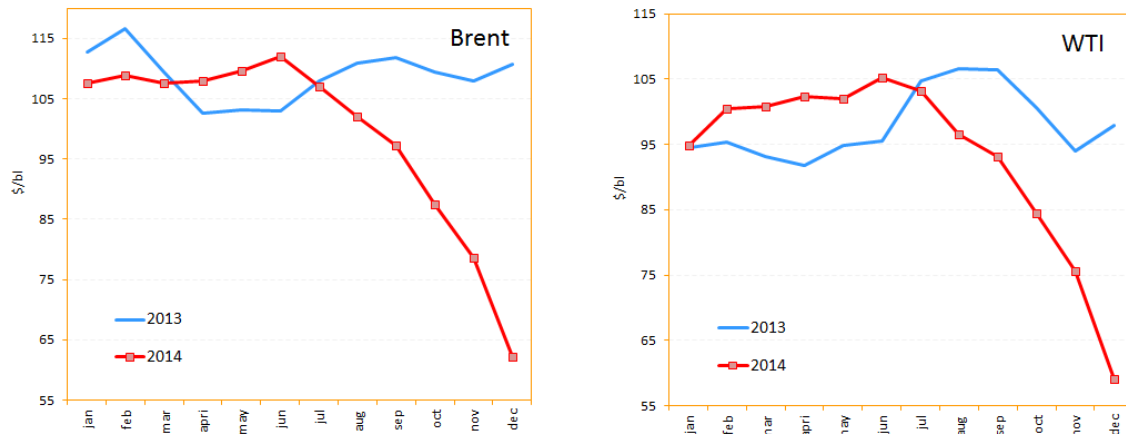
Between January and December the average price of Brent crude oil, the European benchmark, stood at 98.99 dollars per barrel (\$/bbl). Throughout 2014, the evolution of prices exhibited two different trends: the first half was marked by a slight upward trend, reaching an annual maximum of \$115 on June 19; and, from then on, the profile changed dramatically, losing more than 60% of its value by the end of December.

Moreover, the price of the West Texas Intermediate (WTI), the American benchmark, averaged \$92.9 per barrel in the same period, with a parallel decline that, unlike Brent, began on July 23, falling since then and until the end of December to 57% of its value. While the downward trend was common to both crude oil benchmarks, in the case of WTI, as oil produced without possibility of leaving the US and with a refining system mainly focused on the domestic market but now increasingly on exports, prices fared better until the end of July, coinciding with the start of the maintenance season in the US refining system.

This evolution of prices contributed to reducing the gap between Brent and WTI which stood on average for 2014 at \$6 per barrel, by late September the spread fell below \$1. The close in this gap stemmed from the breakthrough in connections between production areas and refining centres in the United States, increasing the capacity of distribution of oil by pipeline and rail.

The determining factors for this significant price fall were diverse, but acted together: both geopolitical and financial "*pluses*" were significantly reduced; a rather pessimistic shown than earlier this year on the fundamentals of demand; and surprises along the supply side.

Evolution of Brent and WTI prices per barrel



Source: Bloomberg and Repsol Technical Secretariat Dept.

With regard to demand, since June there was a continuous downward revision in the growth prospects published by government organisations, it led to an adjustment in demand outlook by energy agencies, significantly shifting their vision towards significantly lower growth in demand for oil in 2014. Considering the data from the International Energy Agency, average growth prospects for this year went down, between May and December, from 1.4 million bbl/day to 900,000 bbl/day.

With regard to supply, the three factors that influenced in the 2014 environment were:

- 1) positive surprises in US production, mainly from unconventional *shale oil*;
- 2) significant reduction of closed production capacity due to different events went down from an estimated 3.5 million bbl/day in May to 2.8 million bbl/day in December; and
- 3) the role of OPEC's response to this environment of oversupply and low prices, and particularly of Saudi Arabia, as an influential producer. Following the OPEC meeting of November 27, where no consensus was reached to cut the share of joint production and maintain prices, the strategy of some OPEC members seems to be to leave the market to find its natural balance, removing a certain number of high-cost barrels from the market, and supporting further growth in consumption. Prices above \$100 have provided many incentives for increasing production with high associated costs, such as *shale* or *offshore* deposits; and, simultaneously, fuel conservation, efficiency and substitution measures have been stimulated.

As for the financial markets, we must highlight the exit of *Managed Money* agents, associated with speculation and the changing behaviour of the Brent position over time. Between June and October *Managed Money* brokers reduced their net positions by more than 84% in the Brent futures and options market, which led to an over-reaction to the market downturn.

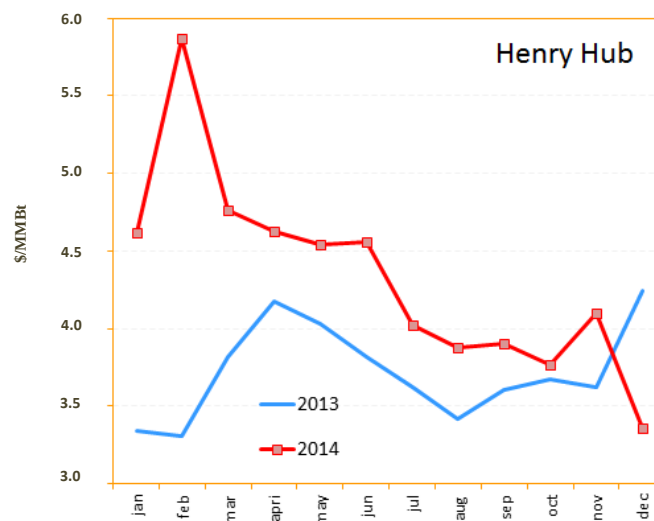
In terms of geopolitics, although the global geopolitical landscape in recent months has been very marked by conflicts in key oil producing countries, the situation is perceived by oil sector stakeholders as one of relative calm. In this sense, most analysts have announced that the major active conflicts have hardly influenced the price of oil, at least in the short term.

Gas Natural – Henry Hub

In 2014, Henry Hub gas spot prices averaged \$4.41/MMBtu, representing an increase of 17% compared to 2013. The biggest price increase was experienced in the first quarter due to the combination in the United States of a drop in supply (lower domestic gas production and inventory levels at 54% below the historical average) and increased demand owing to the cold wave that hit the country. This meant that in some US regions gas prices reached record highs: in the northeast of the country, which has gas infrastructures with bottlenecks in moments of great demand, local gas prices stood at \$120/MMBtu in early February. For its part, Henry Hub recorded a maximum in the vicinity of \$8/MMBtu (on February 5), a level not seen since September 2008.

Excluding this specific episode, the price increase was a result of a general rise in demand owing to more intensive gas use by industry.

Henry Hub Evolution



Source: Bloomberg and Repsol Technical Secretariat Dept.

Another important milestone in 2014 was the approval for the construction of four LNG export projects (Sabine Pass, Cameron, Cove Point and Freeport) with a combined export capacity of over 35 million tons per year. LNG exports from the United States are scheduled to begin in the first quarter of 2016.

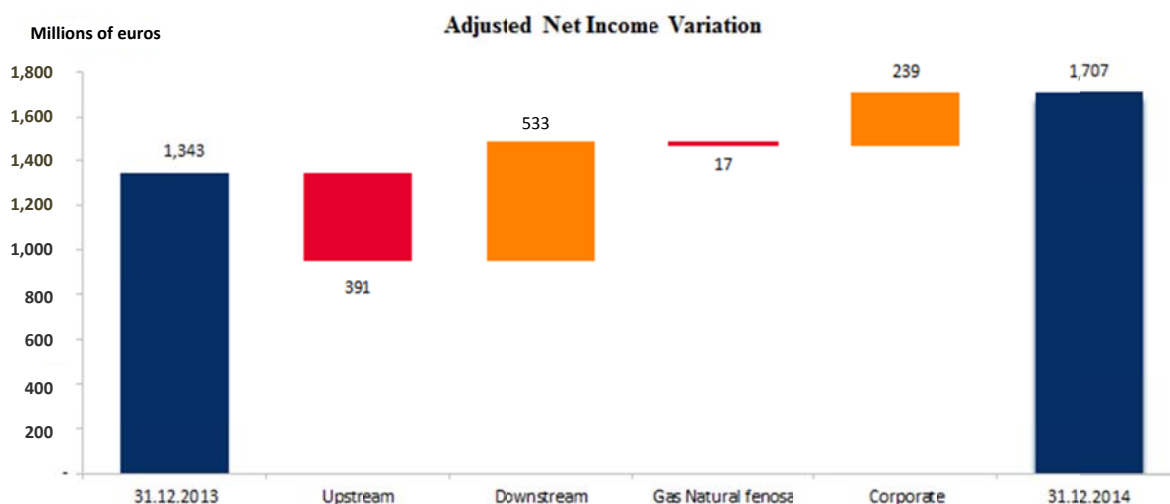
4. RESULTS, FINANCIAL OVERVIEW AND OUR SHAREHOLDER REMUNERATION

RESULTS ⁽¹⁾

Millions of euros	2014	2013	Variation
Upstream	589	980	(40%)
Downstream	1,012	479	111%
Gas Natural Fenosa	441	458	(4%)
Corporate and adjustments	(335)	(574)	(42%)
Adjusted Net Income	1,707	1,343	27%
Inventory effect	(606)	(187)	(224%)
Non-recurring income	(86)	(277)	69%
Income from discontinued operations	597	(684)	-
Net Income	1,612	195	727%

In macroeconomic terms, the main factors influencing the evolution of 2014 results have been the decrease of crude oil prices and appreciation of the Dollar against the, low interest rates and the still weak economic recovery.

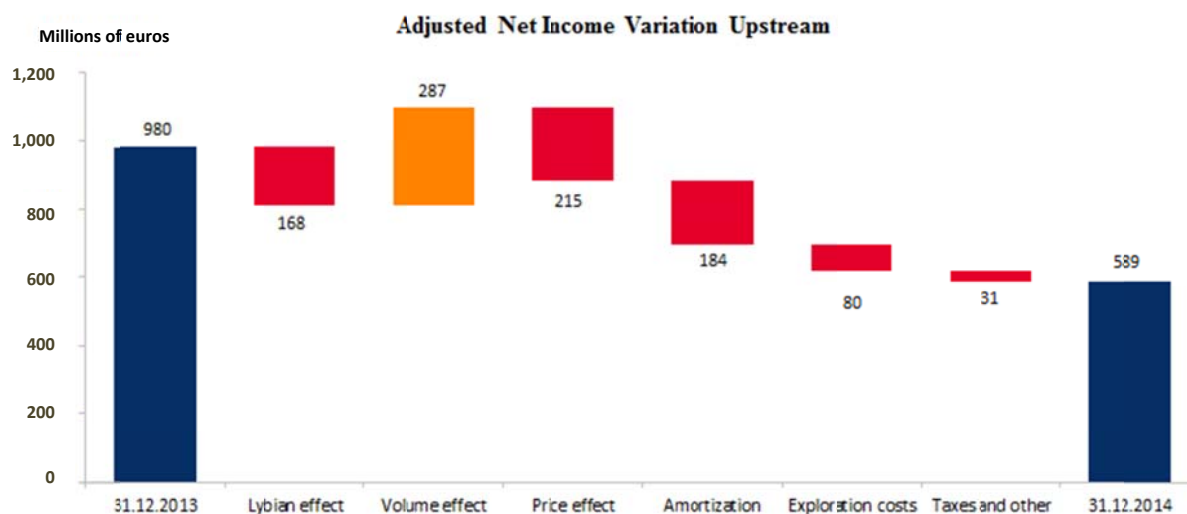
Adjusted Net Income for 2014 amounted to €1,707 million, 27% higher than in 2013. Due to a notable improvement in the results of the businesses of *Downstream* segment, influenced by a better international environment, and financial result as a consequence of reduction in net debt and the impact of the appreciation of the Dollar, which compensated the worst results from *Upstream* due to the fall in oil crude prices and interruptions in production in Libya. EBITDA amounted to €3,800 million compared to €3,968 million, a 4% decrease, on the same period of 2013.



⁽¹⁾Unless expressly stated otherwise, all information given in this section has been prepared in accordance with the Group's new reporting model described in Note 5 "Segment Reporting" of the Consolidated Annual Accounts for 2014. Figures corresponding for the period ended December 31, 2013 has been modified for comparative purposes with respect to the Consolidated Management Report issued corresponding to the year ended 2013. Appendix I and II in this document include a reconciliation between adjusted and IFRS figures adopted by the European Union.

Upstream

Adjusted net income from Upstream operations amounted to €589 million in 2014, compared with €980 million in 2013 (a reduction of 40% with respect to the same period in 2013).

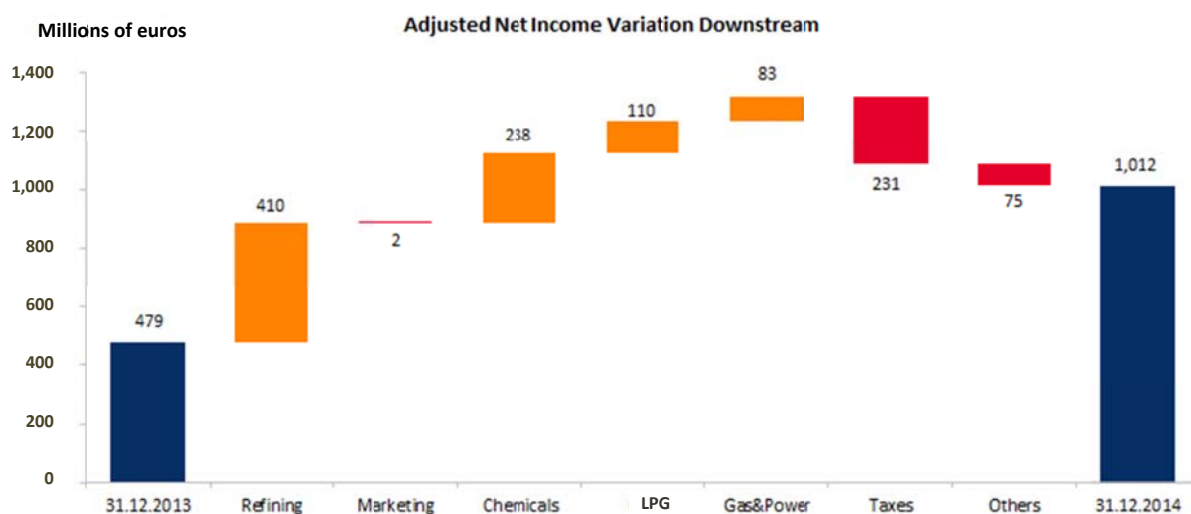


The main factors behind this reduction were:

- The negative effect due to the lower production in Libya as a result of conflicts and security problems.
- The increase of 24.2 Kboe/d in production to 341 Kboe/d (355 Kboe/d, including Libya, 2.5% higher than in 2013), due mainly to greater production in Brazil (new wells in Sapinhoá), the start of production of Phase II in Margarita, Bolivia (October 2013), the start-up of Kinteroni in Peru, the ramping-up of the Mid-Continent project in the United States, and the start of production of SK in Russia.
- The reduction in crude oil and gas production realization prices, net of royalties.
- Greater amortisation as a result of the start of production of key projects in the Strategic Plan.
- Exploration costs rose in 2014, due to a greater amortisation of exploratory bonuses and dry wells.

Downstream

Adjusted net income from *Downstream* operations was €1,012 million in 2014, a 111% increase on the same period of 2013.



This increase was mainly due to (i) improved margins in Refining operations as a result of larger differentials between prices for heavy and light crude oil and strengthening differentials in naphthas, gasolines and other products whose prices are not pegged to the price of crude oil, together with greater distillation; (ii) better results for the Chemicals business, due to efficiency and competitiveness measures implemented during the year, together with a more favourable international environment and an increase in sales volumes; (iii) an increase in income from gas businesses in North America, due to larger commercialized volumes and wider margins; and (iv) the positive impact of Court's sentences that recognise Repsol's right to compensation for losses resulting from the application of the price formula for bottled LPG. The results of the Marketing business were in line with those for the previous year.

Gas Natural Fenosa

Adjusted net income for 2014 was €441 million, compared to €458 million for the same period last year. Lower incomes in the Spain electricity business and the distribution of gas affected by the new regulation (RD-Ley 9/2013 y RD-Ley 8/2014, respectively) and of the impact of the depreciation of the local currencies against euro in Latin American business explain this decrease. Other incomes to be pointed out are the positive impact of the reduction in the rate at which income tax is applied under Law 27/2014 (€98 million), the gain from the sale of the telecommunications business (€56 million) and the impairment of Unión Fenosa Gas and Nueva Generadora del Sur assets (€-153 million).

Corporation and adjustments

In *Corporation and adjustments* in 2014, a net loss was recorded of €335 million, an improvement of 42% on the €574 million loss of the same period in 2013. This variation is mainly due to improved results related to the CO₂ rights trading, and the positive development of the financial result due to the reduction of debt and its average cost and the positive effect of the appreciation of dollar against the euro, partially offset by the effect of the early cancellation of the bonds issued in 2013 by Repsol, S.A.

Net Income

In 2014, the Group recorded a net income of €1,612 million, well above the €195 million recorded in 2013. The difference between adjusted net income and net income was mainly due to the following reasons:

- Inventory effect: This effect, which is associated with the valuation of crude oil and products at mean cost (MIFO), rather than at current cost of supply (CCS), has been negative as a result of the fall in prices during 2014 (€606 million after taxes).
- Non-recurring income: An after-taxes loss of €86 million that corresponds to:
 - (i) Capital gains realised on the sale of non-expropriated shares in YPF S.A. (€287 million) and on the sale of its stake in Transportadora de Gas del Perú, S.A. (€57 million),
 - (ii) The impairment of certain assets and the accrual of provisions (€503 million), mainly in its *Upstream* business, due to the negative impact of evolution in the price of crude oil (see Notes 8 and 15 of Consolidated Annual Account for 2014); and
 - (iii) The positive net effect of other non-recurring income (€73 million).
- Income from discontinued operations: €597 million, including income from the sale of Repsol Comercializadora de Gas, S.A. (€319 million) and income linked to the expropriation of YPF, S.A.

Main financial performance indicators for 2014 and 2013 are as follows:

PERFORMANCE INDICATORS	31/12/2014	31/12/2013
Return on average capital employed (ROACE) ⁽¹⁾ (%)	4.4	5.5
Earnings per share (€/share)	1.17	0.14

⁽¹⁾ ROACE: (MIFO recurrent net income after taxes + recurring results of investments) / (average capital employed for the period of continuing operations).

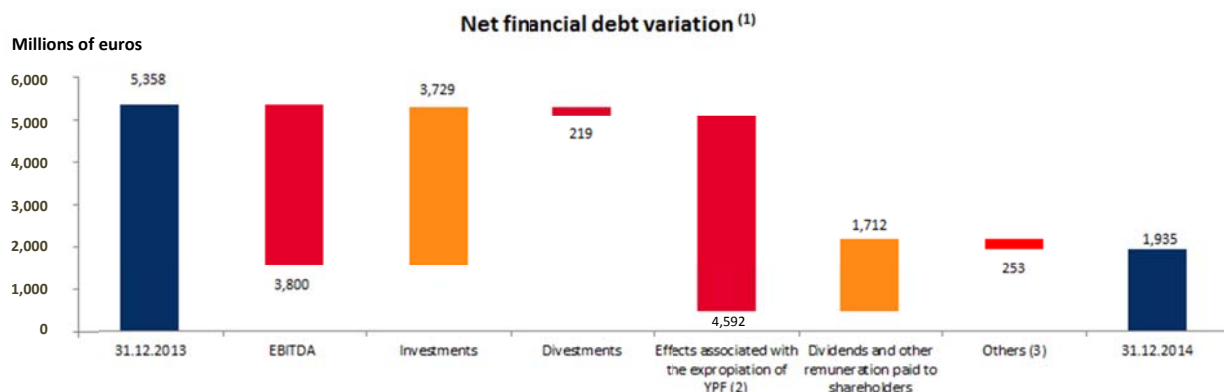
FINANCIAL OVERVIEW⁽¹⁾

In 2014, Repsol has continued its policy of financial prudence, which has allowed improved Repsol's financial foundation considerably. After the monetization of Argentinian bonds, the rating agencies improved Repsol's credit rating and subsequently, with the announcement of the Talisman buy-out agreement at the end of the year, they reviewed their outlooks, all while maintaining our ratings.

Indebtedness

The Consolidated Group's net financial debt at the end of 2014 was €1,935 million compared to €5,358 million at the end of 2013. The evolution of net financial debt in 2014 is described below:

⁽¹⁾ All of the information presented in this section, unless otherwise stated, has been prepared in accordance with the new reporting model for the Group as described in Note 5 ("Segment Reporting") of the Financial Statements for the period to December 31, 2014. The figures for the period to December 31, 2013 have been amended for comparison purposes in respect of those contained in the Management Report for 2013. APPENDICES I and II of this document contain the reconciliation of the adjusted figures and the figures contained in NIIF-EU financial information.



⁽¹⁾ See Appendix II where is shown the breakdown of the net financial debt and the reconciliation with the net financial debt in the IFRS financial statements.

⁽²⁾ Mainly includes the sale of the Argentinian bonds received as compensation for the expropriation of YPF and Sale of non-expropriated shares in YPF S.A (see section 1.2 “*End to the controversy originated by the YPF Expropriation*” in this document).

⁽³⁾ Mainly includes income tax payments, net interests and changes in working capital. It also includes changes by discontinued operations.

Main financing operations, maturity, and cancellations

The Group has the medium-term notes programme European Medium-Term Notes (“EMTN”). This programme, which is registered with the Luxembourg stock exchange, allows the Group to access capital markets more quickly and with greater flexibility, and to take advantage of opportunities for private investment under attractive conditions in terms of time frame and cost. Under this programme, the Group can issue debt of up to €10.000 million. The main financing operations carried out by the Group in 2014 were as follows:

SECURITY	ISSUER	CURRENCY	FACE VALUE (€ millions)	RATE	DATE	MATURITY DATE
Bonds	Repsol International Finance, B.V.	Euro	500	2.250%	December	12 years

Additionally the Group maintain a European commercial paper program (ECP) arranged by a maximum amount of €2 thousand million.

The following issues were made under the scope of this program in 2014:

PROGRAM	ISSUER	CURRENCY	FACE VALUE (millions)	AVERAGE RATE %	EQUIVALENT EURO
ECP	Repsol International Finance B.V.	Euros	1,239	0.331%	1,239
ECP	Repsol International Finance B.V.	Dollars	1,046	0.376%	790
ECP	Repsol International Finance B.V.	British pounds	5	0.668%	6
ECP	Repsol International Finance B.V.	Swiss franc	28	0.068%	23

The outstanding balances of issues made under this program at December 31, 2014, were €289 million, \$256 million and CHF5 million.

In the months of March and October, two bonds issued by Repsol International Finance B.V. dated March 27, 2009 and October 8, 2014 matured, for the sum of €1,000 million each. These bonds, with a coupon of 6.5% and 4.625%, as meant a reduction in current financial liabilities for the period, and cash outflow of €2,000 million.

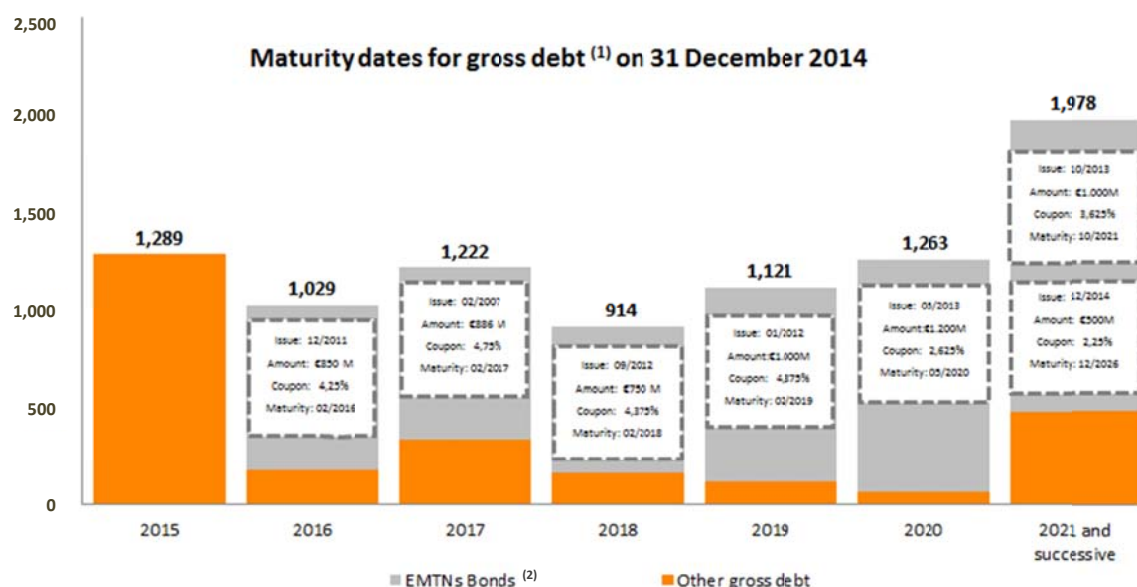
On July 1, 2014 Repsol, S.A. has cancelled ahead of maturity Simple Bonds Series I/2013 in the amount of €1,458 million, corresponding to principal (€500 per bond) and €13 million in respect of the ordinary gross coupon (€4.375 per bond).

In December 2014 Repsol International Capital Ltd redeemed early all of the Series B and Series C preference shares that had not been bought back pursuant to the 2013 repurchase offer for €84 million.

For additional information on the main issues, maturities and cancellations in 2014 and 2013, see Note 16 to the Consolidated Annual Accounts for the financial year 2014.

Maturity dates for gross debt.

The maturity date profile of the existing financial debt at year-end is as follows:



⁽¹⁾ Includes exchange rate derivatives and interest

⁽²⁾ Issues were made under the scope of “Euro 10,000,000,000 Guaranteed Euro Medium Term Note Programme” (EMTNs).

Financial prudence

Repsol maintains sufficient available cash resources and other liquid financial instruments, including undrawn lines of credit, to cover the debt maturities for at least the next six years, and covering 95% of its gross debt (112% if we include €1,504 million of immediately-drawable deposits classified as financial investments, in accordance with their maturity). The Group had €3,312 and €3,123 million in undrawn credit lines at year-end 2014 and 2013, respectively.

Net debt and net debt to capital employed ratio, in which capital employed refers to net debt plus net equity, provide a true and fair view of the volume of necessary borrowings and their relative weighting in the funding of capital employed in transactions.

INDICATORS OF FINANCE SITUATION	2014	2013
Net financial debt (millions of euros)	1,935	5,358
Net financial debt / Total capital employed ⁽¹⁾ (%)	6.4%	16.3%
EBITDA / Net financial debt (x times)	2.0	0.7

⁽¹⁾ In 2013 included capital employed corresponding to discontinued operations that was written-off as of December 31, 2014 owing to the monetization of the compensation received for the expropriation of 51% of YPF (see Section 1.2).

For additional information, see Note 17 “Financial Risk and Capital Management” to Consolidated Annual Accounts corresponding to December 31, 2014.

Credit rating

Repsol S.A.'s current credit rating is as follows:

TERM	STANDARD & POOR'S	MOODY'S	FITCH RATINGS
LONG-TERM	BBB-	Baa2	BBB
SHORT-TERM	A-3	P-2	F-3
OUTLOOK	STABLE	NEGATIVE	STABLE
LATEST DATA REVIEW	12/18/2014	12/19/2014	12/22/2014

Treasury shares and own equity investments

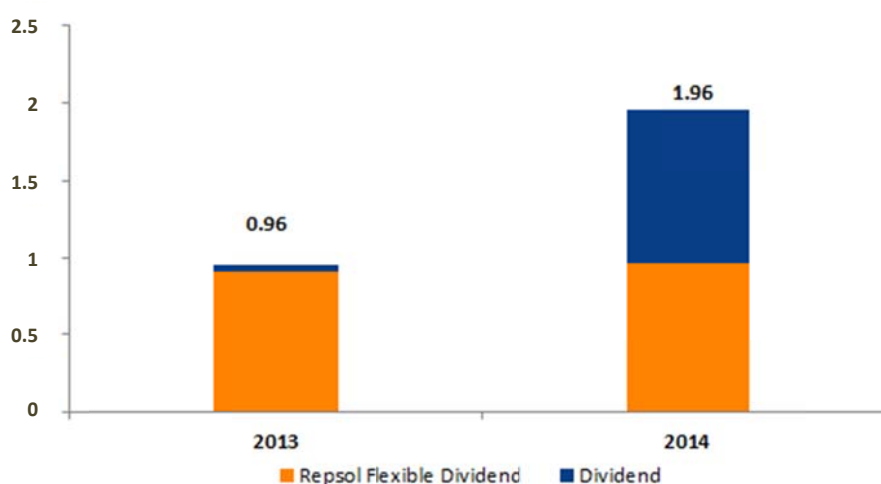
During 2014 no significant transactions have occurred with treasury shares and equity instruments. For further information on treasury shares and equity instruments, see Note 14 "Equity" of the Consolidated Annual Accounts corresponding to December 31, 2014.

SHAREHOLDER REMUNERATION

Repsol is committed to maintaining attractive remuneration for its shareholders in line with that of previous years, although this has not been formalised in a policy of dividend distribution. Nonetheless, shareholder return eventually agreed by Repsol will depend on various factors, including the evolution of its business and operating results.

In 2012 Repsol started a scrip dividend scheme under the "Repsol Flexible Dividend" program. Under this program, the Company's shareholders can choose to receive their remuneration in cash or paid-up shares. This program materializes in two bonus share issues along with an irrevocable commitment on the part of Repsol, S.A. to purchase the free-of-charge allocation rights deriving from the capital increase at a guaranteed fixed price.

Shareholder remuneration in 2014 and 2013, including cash dividend and script dividend under the "Repsol Flexible Dividend" program, was as follows:



The remuneration of 0.96€/share for 2013 includes the amount of the irrevocable commitment to purchase free of charge allocation rights made by Repsol in the two bonus share capital increase concluded in January and July 2013 (0.473 and 0.445 euros gross per right; respectively), under the "Repsol Flexible Dividend" program, and the cash dividend of 0.04 euros gross per share paid in June 2013. As a result, in 2013, Repsol

paid out a total of € 467 million to shareholders and distributed 46,293,180 new shares to shareholders, for an equivalent amount of € 833 million.

The remuneration of 1.96 €/share for 2014 includes 2014 includes the sum of the irrevocable purchase commitment of free of charge allocation rights assumed by in its two bonus share capital increase executed in January and July 2014 (0.477 and 0.485 euros per right, respectively), under the remuneration scheme called "*Repsol flexible dividend*" and an extraordinary interim dividend from results for the year 2014 of 1 euro per share. As a result, Repsol has paid a total amount of €1.712 million to its shareholders in 2014 and has delivered 47.800.482 new shares for an equivalent amount of €876 million.

Additionally, within the "*Repsol Flexible Dividend*" program, and to replace what would have been the dividend on account for the financial year, Repsol made a cash payment in January 2015 of €245 million (€ 0.472 gross per right) to those shareholders who chose to sell their free of charge allocation rights to the Company, and distributed 24,421,828 shares, for an equivalent amount of € 392 million, to those who chose to receive new shares in the Company.

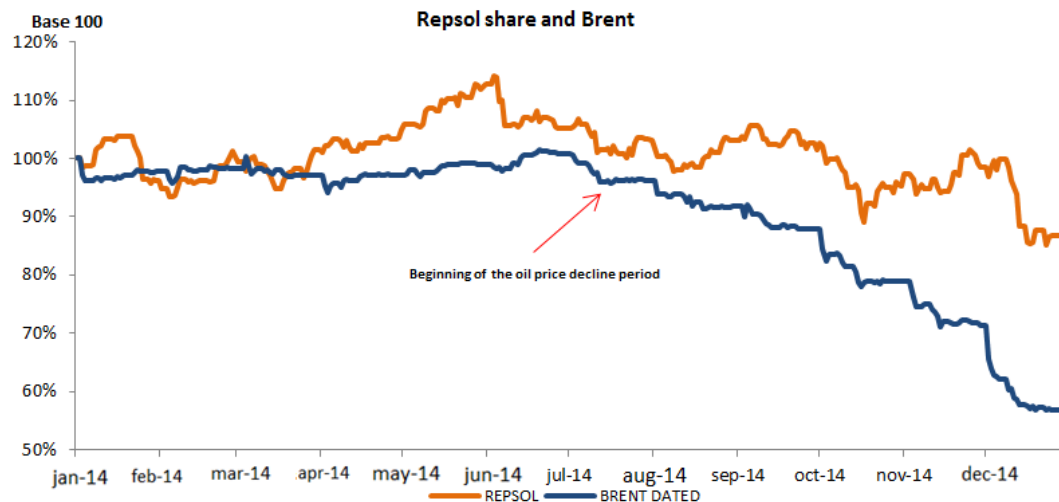
As at the date of these Annual Accounts, it is expected that the Board of Directors of the Company will propose to the next General Shareholders' Meeting a continuation of the "*Repsol Flexible Dividend*" programme, via a capital increase charged to voluntary reserves from retained earnings, on the dates the complementary dividend has traditionally been paid.

For additional information on the total remuneration received by shareholders, the aforementioned capital increases issued under the "*Repsol Flexible Dividend*" program, see sections 4 "*Shareholder remuneration*" and 1 "*Share Capital*" of Note 14 "*Equity*" of the Consolidated Annual Accounts corresponding to December 31, 2014.

OUR SHARE

During 2014 the behaviour of the main European markets was marked by volatility caused by macroeconomic uncertainty and crude oil price variations. The Ibex 35 index has closed on a gain of 3.7%, after losing 6.6% in the second half of the year.

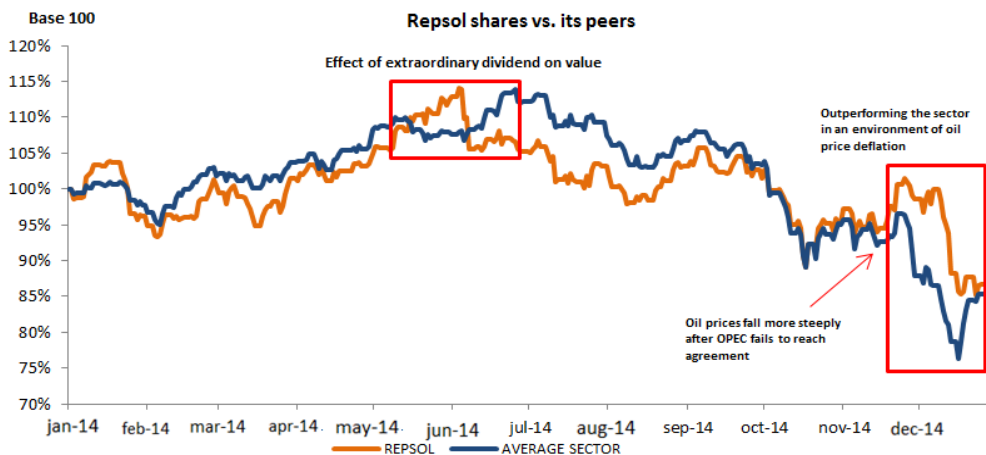
In 2014, Brent and WTI, major reference crudes oil, fell 44% and 46% respectively. This decline was emphasized after the OPEC meeting in November where the organisation decided to maintain current production quotas.



Note: Source Bloomberg, Brent OIL "spot" Price

The successful monetisation of the bonds received in exchange for YPF drove the Repsol share price during the first half of the year, and the company announced the payment of an extraordinary dividend of one Euro per share. During the second half, declining crude oil prices in the latter part of the year caused a drop in share prices for the sector.

Repsol closed the year with a fall of 15.1% meantime, its European oil sector peers were devalued by more than 16% on average. The resistance to more unfavourable price environments granted by the integration between Repsol's Downstream and Upstream activities has allowed the company to perform better in an environment of falling prices. In addition, the company stood among the best in the industry in terms of total shareholder returns, with the highest dividend yield among its peers.



Note: Industry average formed by BP, ENI, Total, Shell, OMV, Galp and Statoil

The main stock-exchange indicators of the Group during the years 2014 and 2013 are detailed bellow:

MAIN STOCK EXCHANGE INDICATORS	2014	2013
Shareholder remuneration (€/share) ⁽¹⁾	1.96	0.96
Share price at close of financial year ⁽²⁾ (euros)	15.55	18.32
Average share price (euros)	18.40	17.54
Maximum price for the period (euros)	20.91	19.78
Minimum price for the period (euros)	15.55	15.15
Outstanding shares at end of period (millions)	1,350	1,302
Market capitalization at end of period (million of euros) ⁽³⁾	20,990	23,861
PER ⁽⁴⁾	13.2	122.1
Dividend yield paid ⁽⁵⁾ (%)*	10.7	6.3
Book value per share ⁽⁶⁾ (euros)	20.69	20.89

⁽¹⁾ Shareholder Remuneration includes, for each year, dividends paid and the fixed price guaranteed by Repsol for free acquisition rights under the "*Repsol Flexible Dividend*" programme.

⁽²⁾ Quoted year-end price per share in the Continuous Market of the Spanish Stock Exchanges.

⁽³⁾ Trading price of the share at closing x number of outstanding shares

⁽⁴⁾ Trading price of the share at closing / Earnings per share attributed to the parent company.

⁽⁵⁾ Remuneration per share for each year / Quoted price at close of previous year.

⁽⁶⁾ Equity attributable to parent company / Number of shares outstanding at closing period.

5. PERFORMANCE OF OUR BUSINESS AREAS

5.1) UPSTREAM

Our activities

The Repsol *Upstream* Division includes oil and natural gas exploration and production, and the company manages its project portfolio in order to achieve profitable, diversified and sustainable growth with a commitment to safety and the environment. The exploration and production activities are:

- **New areas:** Identification and entry into new projects (organic or inorganic growth).
- **Exploration:** Geology, seismic and geophysical activities and drilling exploratory wells in the search for hydrocarbon resources.
- **Evaluation:** Appraisal wells, definition of the resources discovered and determination of their commercial viability.
- **Development:** Drilling production wells and implementing facilities for starting production of the reserves.
- **Production:** Commercial exploitation of hydrocarbons.

Main figures

	2014	2013
Net non-developed acreage (Km ²)	188,278	223,363
Net developed acreage (Km ²)	1,035	880
Reserves of crude oil, condensate and LPG (Mboe)	441	422
Natural Gas Reserves (Mboe)	1,098	1,093
Proven Reserves Replacement Ratio (%)	118	275
Reserve replacement cost (three-year average) (\$/boe) ⁽¹⁾	13.6	11.5
Net production of hydrocarbons day (boe/d)	355	346
Average crude oil realisation price (\$/bbl)	79.6	88.7
Average gas realisation price (\$/kscf)	3.8	4.0
Extraction cost ⁽²⁾ (net lifting cost - \$/Boe)	5.3	5.0
Finding cost (three-year average) (\$/boe) ⁽³⁾	8.4	6.0

- (1) Reserve replacement cost: Total Investment (ex. Gas Storage, Liquefaction, Regasification and Other Investments) / Addition of Net Reserves (without Reserves Sales)
- (2) Net Lifting Cost: Lifting Costs / Net Production
- (3) Finding cost: (Investments Acreage Acquisition+Exploration)/Discoveries and Extensions

Our performance in 2014

Millions of euros	2014	2013	Variation
North America and Brazil	145	90	61%
North Africa	25	227	(89%)
Rest of the world	419	663	(37%)
Adjusted Net Income	589	980	(40%)
EBITDA	2,667	3,054	(13%)
Operating Investments⁽¹⁾	2,843	2,317	23%
Operating Cost	734	654	12%
Tipo Impositivo Efectivo	49.8	46.7	7%

⁽¹⁾ Development investments represented 58% of the total and they were mainly performed in United States (26%), Venezuela (22%), Trinidad & Tobago (18%), Brazil (18%) and Bolivia (7%). Exploration investments represented 37%, of the total and they were mainly performed in United States (34%), Angola (17%), Spain (9%), Brazil (8%), Russia (5%), Rumania (4%), Namibia (3%) and Colombia (3%).

Main events of the period

- **Exploratory campaign:** in 2014 the drilling concluded in **24 exploratory wells**, 4 with positive results, 14 negative and 6 wells, that as of 31 December were still under evaluation. At year-end 2014, there were 10 ongoing exploration surveys. In addition, the **acreage** was expanded with 28 new exploration blocks that represent a total of new gross exploratory area of 38,218 km².
- At the end of January 2014 **a sale agreement was signed for Repsol's 10% share in the "Transportadora de Gas del Perú" (TGP) gas pipeline**. TGP is the company responsible for the transport of natural gas and liquids from the Camisea production field to the Peru LNG liquefaction plant located in Pampa Melchorita and on to the city of Lima.
- On January 8, 2014, the **service agreement in the Reynosa-Monterrey block in Mexico came to an end** as planned, and the facilities were returned to the state-owned company with all commitments fulfilled.
- At the end of March, **gas production in the Kinteroni field** (Block 57) in Peru, one of the ten key projects of the company's Strategic Plan for 2012-2016, **began**. Repsol is the project's operator and holds a 53.84% stake. Block 57 is located to the east of the Andes, one of the most prolific exploratory gas areas in Peru.
- Also in March 2014, **the Gabi-1 survey in the Karabashsky 1 block, Russia, concluded with a positive outcome**, which Repsol operates and owns fully. This important discovery **is in addition to the Gabi-3 survey in the Karabashsky block 2**, also fully owned and operated by Repsol. The blocks are located in Western Siberia, and show their great potential for hydrocarbons.
- The "Rowan Renaissance" rig a cutting edge drilling vessel for ultra-deep water, one of the world's most modern and secure and contracted for construction in 2012, **began drilling operations in April**.

- In Algiers on May 15, Groupement Reggane, a consortium formed by Sonatrach, Repsol, RWE Dea and Edison International, operator of the Reggane Nord project in Algeria, which includes the Reggane, Kahlouche, Kahlouche Sur, Azrafil Sureste, Sali and Tiouliline fields, **signed an Engineering, Procurement, Construction and Commissioning contact for the Project's Surface Facilities (EPCCS)**, located in the Algerian south-western Saharan region. This is an important milestone in the development work of what is a strategic project for the company, which foreseeably will begin gas production in the second quarter of 2017.
- In the second quarter of the year, an agreement was reached for the **entrance of Total (35%) and BG (30%) in the exploratory block in Aruba waters**. Repsol remains the operator of the block with a 35% stake.
- In July, as part of additional drilling works in the **TSP (Teak, Samaan and Poui) production asset, in the waters of Trinidad and Tobago**, the **discovery of additional hydrocarbon volumes** in the TB14 well was announced. This well is located to the north of the Teak field. In addition the **TB13 well began production** in June. Repsol is the operator of the project with a 70% stake.
- In the second quarter of 2014, **two appraisal wells were completed** on the North Slope in Alaska, **with positive results** (Qugruk-5 and Qugruk-7) as part of the appraisal and exploration works being carried out in the area.
- In mid-2014, the Brazilian authorities were informed of a **discovery** of a large **oil column** in block BM-C-33 with the exploratory well Seat-2 in the **deep waters** of the Campos basin. The well was perforated with the 7th generation drill ship "Ocean Rig Mylos". The block is operated by Repsol Sinopec Brazil (35%).
- The production test (DST) carried out in the first half of 2014 on the **Sagittarius discovery** in block BM-S-50 confirmed the **great potential of the deposit**, which is located in the deepwater pre-salt layer of the Santos basin in Brazil.
- As part of the plan to develop the **Sapinhoá field**, another major strategic project of the company located in block BM-S-9 in the deep waters of the Santos basin in Brazil, the fourth well began production in **July 2014**, allowing its production to "plateau" at **120 thousand boe/d in the south**, via the FPSO (Floating Production Storage and Offloading) "Cidade de São Paulo". Repsol Sinopec Brazil has a 25% stake in this important Brazilian project in the pre-salt layer, which is being carried out in association with Petrobras (45% and operator) and BG (30%).
- In August 2014, the Peruvian government approved the **sale of Repsol's 55% stake in block 39** to Perenco.
- In Russia in the third quarter of 2014, **3 exploration and appraisal wells were completed in the Karabashsky blocks, with positive results**. These were appraisal wells 31-P and 32-P and exploratory well K-3.
- In October 2014, the **important discovery of oil made in the León exploratory well** in the ultra-deep waters of the United States' Gulf of Mexico was announced. Repsol is the operator, with a 60% stake.
- In mid-November 2014, the first well in the **northern section of Sapinhoá** began **production** with FPSO "Cidade de Ilhabela" within the Sapinhoá megafield, in block BM-S-9, **in Brazil**. Production in this northern section is expected to plateau in late 2015 at 150 thousand boe/d.
- In November 2014, work began on the **drilling of the Sandía-1x exploratory well in blocks "Canarias 1-9"** with the rig "Rowan Renaissance". An analysis of the samples obtained confirmed the existence of gas, but not in sufficient volumes or of sufficient quality to consider possible extraction.
- In the last quarter of the year, work was completed on the **second appraisal well on the Buckskin discovery with positive results**, in deep waters of the **United States' Gulf of Mexico**.
- In early December 2014, an **exploratory discovery** in the deep waters of **Colombia** with well Orca-1, in the Tayrona block, in which Repsol has a 30% stake, was announced. The results obtained from the well are being assessed.
- Production in **Libya** experienced **unscheduled full and partial disruptions** in 2014 due to security concerns and blockages in the export line, due to instability in the country. These disruptions reduced production by 54% on 2013 levels.
- On December 15, the Board of Directors agreed to acquire **100% of shares in Talisman Energy Inc.**, a Canadian company. See section 1.3 ("Acquisition of Talisman Energy").

5.1.1. UPSTREAM MAIN ACTIVITIES

EXPLORATION AND DEVELOPMENT

At year-end 2014, Repsol's *Upstream* division was involved in oil and gas exploration and production blocks in 29 different countries, either directly or through investee companies. The company was the operator in 22 of these.

The tables below display information on Repsol's acreage and exploration and development activities by geographical area:

(km2)	Developed and non-developed acreage 2014			
	Developed (1)		Undeveloped (2)	
	Gross (3)	Net (4)	Gross (3)	Net (4)
Europe	22	17	64,743	28,736
Latin America	1,945	534	115,292	48,896
Brazil	121	11	3,164	432
Peru	197	26	27,743	11,966
Trinidad and Tobago	181	66	7,971	3,326
Venezuela	783	187	2,208	667
Other countries in South America	663	244	66,416	30,947
Central America	-	-	7,790	1,558
North America	1,907	172	29,439	9,140
Africa	803	204	93,712	56,052
Asia	221	108	55,043	39,807
Oceania	-	-	12,548	5,647
Total	4,898	1,035	370,777	188,278

- (1) Developed acreage is the area assignable to production wells. The amounts shown belong to the acreage, both in terms of exploration and development.
- (2) Non-developed acreage covers the surface area in which no wells have been drilled, or where wells have not been completed to the point of permitting oil and gas production in economically viable quantities, regardless of whether said area contains proven reserves.
- (3) Gross acreage is the area where Repsol owns a working interest.
- (4) Net acreage is the sum of the fractions of interest held in gross acreage.

Translation of a report originally issued in Spanish.
In the event of a discrepancy, the Spanish language version prevails.

	Acreage											
	No of blocks ⁽¹⁾				Gross acreage (km ²) ⁽²⁾				Net acreage (km ²) ⁽²⁾			
	Development		Exploration		Development		Exploration		Development		Exploration	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Europe	10	10	50	49	399	399	64,367	64,301	332	332	28,420	32,334
Latin America	52	51	20	20	17,547	17,294	99,690	103,642	5,759	5,724	43,671	55,531
Brazil	4	3	4	4	1,185	956	2,100	2,801	147	113	296	363
Peru	2	2	3	5	2,020	2,020	25,920	36,961	202	202	11,790	15,789
Trinidad and Tobago	7	7	1	1	5,579	5,579	2,574	2,574	2,363	2,363	1,030	1,030
Venezuela	8	8	-	-	2,990	2,990	-	-	853	853	-	-
Other countries in South America	31	31	10	10	5,773	5,749	61,306	61,306	2,194	2,193	28,997	38,349
Central America	-	-	2	-	-	-	7,790	-	-	-	1,558	-
North America	6	7	498	517	10,168	18,208	21,178	22,908	919	2,009	8,393	9,089
Africa	4	4	13	34	12,059	12,059	82,457	140,607	2,564	2,564	53,693	79,815
Asia	19	16	22	21	2,082	2,076	53,180	41,043	1,022	1,018	38,893	23,279
Oceania	-	-	1	1	-	-	12,548	12,548	-	-	5,647	12,548
Total	91	88	604	642	42,255	50,036	333,420	385,049	10,596	11,647	178,717	212,596

(1) The number of active blocks excludes unconventional Mississippian Lime assets in the United States.

(2) Gross acreage is the area where Repsol owns a working interest. Net acreage is the sum of the gross area in each acreage according to their respective working interests. Includes development and in production acreage.

	Finished and ongoing exploratory wells ⁽¹⁾									
	Positive		Negative		Under evaluation		Total		Ongoing	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Europe	-	-	1	4	1	-	2	4	3	-
Latin America	1	2	3	6	2	-	6	8	2	-
Brazil	1	1	1	4	-	-	2	5	1	-
Peru	-	-	-	-	-	-	-	-	1	-
Trinidad and Tobago	-	-	1	-	1	-	2	-	-	-
Venezuela	-	-	-	-	-	-	-	-	-	-
Other countries in South America	-	1	1	1	1	-	2	2	-	-
Central America	-	-	-	1	-	-	-	1	-	-
North America	1	3	1	1	1	-	3	4	2	-
Africa	-	2	7	3	2	-	9	5	2	2
Asia	2	1	2	1	-	-	4	2	1	2
Oceania	-	-	-	-	-	-	-	-	-	-
Total	4	8	14	15	6	-	24	23	10	4

(1) Evaluation / appraisals wells are not included. In 2014 were finished 10, 8 of them had a positive result. Furthermore one survey was ongoing.

	Finished development wells							
	Positive		Negative		Under evaluation		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Europe	-	-	-	-	-	-	-	-
Latin America	78	95	5	6	8	6	91	107
Brazil	9	4	-	-	-	-	9	4
Peru	1	1	-	-	-	-	1	1
Trinidad and Tobago	5	5	-	-	2	2	7	7
Venezuela	28	29	3	-	5	1	36	30
Other countries in South America	35	56	2	6	1	3	38	65
Central America	-	-	-	-	-	-	-	-
North America	471	406	1	-	1	1	473	407
Africa	8	23	-	-	-	-	8	23
Asia	34	31	3	2	-	6	37	39
Oceania	-	-	-	-	-	-	-	-
Total	591	555	9	8	9	13	609	576

PRODUCTION

Average net production for 2014 (355 Kboe/d) was 2.5% higher than in 2013 (346 Kboe/d). This increase was due to the connection of four additional productive wells in Sapinhoá in 2014, the start of production of Kinteroni at the end of March 2014, development drilling works at Mid-Continent, and the start of production of Phase II of Margarita and of SK in Russia in October and February 2013, respectively. The increase has in part been offset by the disruption to production in Libya for more than 220 days during the year.

Average production in Libya was 13.3 kboe/d in 2014, compared with 42.3 kboe/d in 2012, when there were no disruptions to production. Average daily production in Libya in 2013, when there were also disruptions to production, was 28.8 kboe/d. In other words, production in Libya fell by around 54% in 2014 compared with 2013, when production was not at its usual levels either.

	Net production of liquids and natural gas by geographical area						Productive Wells by geographical area			
	Liquids (Mbbbl)		Natural gas (bcf)		Total (Mbep)		Oil		Gas	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Europe	2	2	1	1	2	3	9	10	1	1
Latin America	27	24	412	395	101	94	1,113	1,098	199	180
Brazil	6	3	3	*	6	3	21	17	-	-
Peru	4	4	53	40	14	11	-	-	27	20
Trinidad and Tobago	4	4	244	253	49	49	101	97	55	47
Venezuela	5	5	48	47	13	13	367	366	27	25
Other countries in South America	8	8	64	54	19	18	624	618	90	88
North America	10	10	14	9	13	11	1,128	811	-	-
Africa	6	11	11	11	7	13	238	248	83	83
Asia	4	4	14	8	6	5	379	362	8	7
Oceania	-	-	-	-	-	-	-	-	-	-
Total	49	51	452	424	129	126	2,867	2,529	291	271

(*) Production value between 0 and 1.

Average realization price for crude oil and gas by geographical region

	At December 31, 2014		At December 31, 2013	
	Average crude oil realization price	Average gas realization price	Average crude oil realization price	Average gas realization price
	(\$/Bbl)	(\$/Boe)	(\$/Bbl)	(\$/Boe)
Europe	101.75	62.66	108.12	63.27
South America	76.27	21.65	82.18	22.41
North America	91.55	27.42	102.36	28.78
Africa	97.42	-	108.51	-
Asia	47.21	9.28	60.13	10.69
TOTAL	79.58	21.52	88.68	22.46

Main production concessions by country

The following table provides figures on the main production and development concessions for Repsol's *Upstream* division by country at December 31, 2014, likewise stating the percentage that Repsol holds in each of them.

	Main blocks	% Repsol	Productive /Development	Operated (O) / Not operated (NO)	Liquids (L) / Gas (G)
Europe					
Spain	Lubina	100%	Productive	O	L
Spain	Casablanca-Montanazo	68.67%	Productive	O	L
Spain	Boquerón	61.95%	Productive	O	L
South America					
Trinidad and Tobago	BP TT	30.0%	Productive	NO	L-G
Trinidad and Tobago	TSP	70.0%	Productive	O	L-G
Trinidad and Tobago	5B Manakin	30.0%	Development	NO	L-G
Brazil	BM-S-9 (Sapinhoá)	15.00%	Productive	NO	L-G
Brazil	BM-S-9 (Lapa)	15.00%	Development	NO	L
Brazil	Albacora Leste	6%	Productive	NO	L-G
Bolivia	Margarita - Huacaya	37.50%	Productive	O	L-G
Bolivia	Sabalo	24.46%	Productive	NO	L-G
Bolivia	San Alberto	24.46%	Productive	NO	L-G
Colombia	Cravo Norte	5.63%	Productive	NO	L
Colombia	Cosecha	17.50%	Development	NO	L
Ecuador	Bloque 16	35.00%	Productive	O	L
Ecuador	Tivacuno	35.00%	Productive	O	L
Peru	Bloque 56 (Camisea)	10.00%	Productive	NO	L-G
Peru	Bloque 88 (Camisea)	10.00%	Productive	NO	L-G
Peru	Bloque 57 (Kinteroni)	53.84%	Productive	O	L-G
Venezuela	Cardón IV (Perla)	50.00%	Development	O	G
Venezuela	Quiriquire (Gas)	60.00%	Productive	O	G
Venezuela	Yucal Placer	15.00%	Productive	NO	G
Venezuela	Barua Motatan	40.00%	Productive	O	L
Venezuela	Quiriquire	40.00%	Productive	O	L-G
Venezuela	Mene Grande	40.00%	Productive	O	L
Venezuela	Carabobo	11.00%	Productive	O	L
North America					
United States	Shenzi	28.00%	Productive	NO	L-G

United States	Mississippian Lime	8.78%	Productive	NO	L-G
Africa					
Algeria	Tin Fouyé Tabenkor (TFT)	30.00%	Productive	O	L-G
Algeria	Reggane	29.25%	Development	O	G
Libya	NC-115	20.00%	Productive	O	L
Libya	NC-186	16.00%	Productive	O	L
Asia					
Russia	SK	49.00%	Productive	O	L-G
Russia	YK	49.00%	Development	O	G
Russia	SNO	49.00%	Productive	O	L
Russia	TNO	49.00%	Productive	O	L

RESERVES

At year-end 2014, Repsol's proven reserves, estimated in accordance with the US Securities and Exchange Commission (SEC)'s conceptual framework for the oil and gas industry, and in accordance with the criteria envisaged under the Petroleum Reserves Management System of the Society of Petroleum Engineers (PRMS-SPE), amounted to 1,539 Mboe, of which 441 Mboe (29%) relate to crude oil, condensate and liquefied gases, and the remaining 1,098 Mboe (71%) to natural gas.

<i>Millions of barrels of oil equivalent</i>	Proven reserves	
	2014	2013
Europe	3	4
South America	1,311	1,287
North America	60	46
Africa	125	139
Asia	40	39
Oceania	-	-
TOTAL	1,539	1,515

In 2014, the development of these reserves was positive, with a total incorporation of 153Mboe, mainly from the extensions and discoveries in Peru and Brazil, and review of the previous estimation in Trinidad & Tobago, United States and Brazil. In 2014, the company achieved a proven reserves replacement ratio (measuring total additions of proven reserves over the period relative to production for the period) of 118% (2013 275% y 2012 204%) for crude oil, condensate, LPG and natural gas (139% for crude oil, condensate and LPG, and 106% for natural gas), in line with the long-term objectives, incorporating resources which significantly strengthen the future growth.

5.1.2. ACTIVITIES IN THE MAIN GEOGRAPHIC LOCATIONS

NORTH AMERICA

United States

Repsol's diversified portfolio of projects in the United States, which includes assets in production and large exploratory projects (in both basins, both onshore and offshore), makes the United States one of Repsol's main strategic areas for growth. Repsol has a stake in 497 blocks in the United States, as well as an interest in the unconventional assets of Mississippian Lime.

In the first quarter of the year, the Bureau of Ocean Energy Management (BOEM), as part of Lease Sale 231 of the Gulf of Mexico, awarded block Walker Ridge 557 to the consortium comprised of Repsol (40%) and Marathon (60% and operator).

- On the North Slope in Alaska, two appraisal wells were completed in the second quarter of 2014, with positive results (Qugruk-5 and Qugruk-7). As part of the appraisal and exploration of the area, exploratory well Tuttu-1 was also drilled in 2014; this is currently being assessed. The positive results obtained to date following the three discoveries made in 2013 and the information that will be obtained during the next drilling campaign will allow the group to set out a first plan to develop the resources found on Alaska's North Slope.

In 2014, 16 new exploratory blocks were added to Repsol's Acreage on North Slope in Alaska, where Repsol is the operator with a 70% stake.

- In October 2014, an important discovery of high-quality oil with the León exploratory well, in the ultra-deep waters of the United States' Gulf of Mexico, was announced. Repsol, which has a 60% stake, is the operator in the area. León is one of the deepest wells operated by Repsol (9,684 metres), and is evidence of Repsol's deepwater technological capability. The well uncovered net pay of oil more than 150 metres thick in a column of more than 400 metres under some 1,900 metres of water.
- In the fourth quarter of the year, the second appraisal well of the Buckskin discovery was completed, with positive results. Buckskin was discovered in 2009, and the positive results both of this second well and of the first appraisal well which took place in 2011 are evidence of the great potential of the deposit. The drilling of the Buckskin North well was completed at the end of 2014, with negative results.
- In the areas of unconventional resources in the Mississippian Lime deposit, between the states of Kansas and Oklahoma, in which Repsol holds a stake after an agreement ratified in 2012 with US oil firm Sand Ridge Energy, operations continued in 2014 with the intense drilling campaign of more than 400 producing wells drilled during the year, increasing the production obtained from these areas and offsetting the natural decline seen in this type of unconventional productive asset.

Canada

- Block EL-1111, which is operated by Husky and in which Repsol had a 33% stake, was returned in the first quarter of 2014.

LATIN AMERICA

Brazil

The exploratory discoveries made in Brazil in recent years, the development projects in progress, and the alliance formed between Repsol (60%) and China's Sinopec (40%) to create Repsol Sinopec Brazil, have reinforced the strategy of the company in offshore areas of Brazil, one of the areas experiencing the fastest growth in hydrocarbons reserves in the world and one of the keys to growth in Repsol's *Upstream* operations. In Brazil, the company has a large and diversified portfolio of assets, which includes the productive fields of Sapinhoá and Albacora Leste and blocks BM-S-9, BM-C-33, and BM-S-50, where major discoveries have been made in recent years.

- Three new wells in the southern section of the Sapinhoá field, in block BM-S-9 in the deepwater pre-salt layer of the Santos basin, started production in 2014. Commercial exploitation of Sapinhoá began in January 2013, when the first productive well started to produce. The second well began to produce in mid-February 2014, while the third and fourth wells began to produce in July 2014. The start of production of the fourth well in July 2014 saw the wells achieve their maximum production capacity of 120 thousand bbl/d of the first FPSO (floating production storage and offloading), "*Cidade de São Paulo*". In mid-November 2014, production began in the northern section of Sapinhoá with the FPSO "*Cidade de Ilhabela*". It is expected that by the end of 2015, this northern section of the Sapinhoá megafield in block BM-S-9 will also see its production plateau at 150 thousand bbl/d.
- In June, the National Agency for Oil, Natural Gas, and Biofuels of Brazil (ANP) was presented with the plan for the development of the north-east of the other large discovery in Block BM-S-9, Lapa, formerly known as Carioca. It is estimated that production in Lapa will start at the end of 2016.
- In mid-2014, the ANP was informed of the discovery of an important oil column with exploratory well Seat-2 in the deep waters of the Campos basin (block BM-C-33), with the appraisal plan for the three discoveries made to date (Pão de Açúcar in 2012, Gávea in 2011, and Seat in 2010). The well was drilled with the 7th generation drill ship "*Ocean Rig Mylos*". The three deposits represent one of the largest discoveries made to date in the pre-salt layer of the Campos basin. Block BM-C-33 is operated by Repsol Sinopec Brazil (35%), in collaboration with Statoil (35%) and Petrobras (30%).

In January 2015, the ANP was informed of the positive preliminary results of the first appraisal well in the Pão de Açúcar discovery in block BM-C-33. The appraisal well is in the final drilling phase.

- In the first half of 2014, a production test was carried out on the Sagittarius well in block BM-S-50, with very positive results that confirmed the great potential of the deposit, which is located in the deepwater pre-salt layer of the Santos basin in Brazil.
- In the Albacora Leste productive field, in which Repsol-Sinopec has a 10% stake, the national authorities (ANP) were at the end of the year presented with an application for an extension of the Concession Agreement for the field for an additional 27 years (from 2025 to 2052).

Bolivia

- In 2014, Margarita-Huacaya, the important strategic growth project, recorded peak gas production levels of 16.5 million cubic metres per day (Mm³/d), above the 15 Mm³/d recorded since January 2014. The production level of 14 Mm³/d initially scheduled for October 2014 was achieved in October 2013, i.e. a year earlier than expected. Approval has also been given for Phase III, which will see total production rise to 18 Mm³/d in the first quarter of 2016. The project is operated by Repsol, which has a 37.5% stake.

Peru

- At the end of March, production at the Kinterini gas field in Block 57 in the Ucayali-Madre de Dios basin to the east of the Cordillera de los Andes, one of the most prolific gas areas in terms of exploration in Peru. Kinteroni was discovered in January 2008, and was one of the largest finds in the world that year. Repsol is the project operator and has a 53.84% stake, and in 2012 recorded another large find in this area (the Sagari well). At the end of the year, CNPC acquired an interest in the remaining exploratory area of Block 57, with the resulting recovery of past costs. CNPC has a 46.16% stake.
- In the first quarter of 2014, Repsol signed an agreement with Enagás for the sale of its 10% of the pipeline operated by Transportadora de Gas del Perú (TGP), the company that transports natural and liquid gas from the Camisea production field to the Peru LNG liquefaction plant located in Pampa Melchorita and to the city of Lima. Repsol sold its stake in the liquefaction plant as part of the sale LNG assets.
- Also in the first quarter, Peru's Ministry for Energy and Mines (MEM) approved Pluspetrol's entry into block 76, with a 30% stake. This block is in its third exploratory phase. Following the acquisition of a stake by Pluspetrol, block 76 is now held by Hunt Oil (35% and operator), Repsol Exploración (35%), and Pluspetrol (30%).
- In August 2014, the Peruvian government approved the sale of Repsol's 55% stake in block 39 to Perenco. The block is now held by Perenco (55% and operator), JV Petrovietnam (35%), and Reliance (10%).
- In 2014, the supply of natural gas to the Peru LNG liquefaction plant from the Camisea region, where Repsol has a stake of 10% in blocks 56 and 88, continued as per normal. Production from these blocks is used to supply the local market, as well as Peru LNG. Production in the Mipaya field (block 56) started in March 2014.

Venezuela

- In the major gas development project in the Cardón IV block, in the Gulf of Venezuela, the consortium (Repsol 32.5%, ENI 32.5%, and PDVSA 35%) continued to progress in 2014 on the development of the important Perla gas field. The plan to develop this key project consists of three phases, depending on the volumes of non-associated natural gas to be produced (150, 450, and 800 Mscf/d). In addition, there are plans for a final phase to achieve production of 1,200 Mscf/d. It is expected that the first phase (150 Mscf/d) will start production in the second quarter of 2015.
- During 2014, preparations to position installations on land were completed and works began to install the plant to process 150 Mscf/d, while progress was made on the construction of the gas pipelines and pipelines for earth condensates. Activities for the installation of underwater production lines from platforms to the earth (main gas pipeline) and underwater flow lines were completed. In the fourth quarter, the target depth in offshore well Perla 6 was achieved and the jackup drill will continue to drill throughout 2015.
- In 2014, progress was also made on the development of Carabobo, a heavy crude oil project that is key to growth in Venezuela and in which Repsol has an 11% stake. In 2014, the FEED (Front End Engineering Design) of permanent *Upstream* installations and the seismic campaign were completed, while work continued on the campaign to drill stratigraphic wells in order to obtain geological data on deposits.

At the end of December 2012, the start of production of the first well specified in the accelerated development plan for the Carabobo field was announced. At the end of December 2014, gross production of extra-heavy crude oil reached 12 thousand bbl/d.

Trinidad and Tobago

- In July 2014, Repsol announced a new hydrocarbons discovery in the marine productive block TSP, in the Teak field. The find was made with appraisal well TB14 and will result in an extension to the north of Teak field. Repsol is the operator of TSP, with a stake of 70%. The TB14 appraisal well was in addition to the start-up of the TB13 development well in June.
- Also in 2014, a new discovery was made with well Arima-2 in TSP. This discovery is currently being evaluated.
- In August, the launch of the Juniper offshore gas project in the asset owned by bpTT, a company owned by BP (70% and operator) and Repsol (30%), was announced. Production in this project is expected to start in 2017.
- In 2014, there were scheduled disruptions to production on bpTT assets, due to drilling and maintenance operations.

Other countries in Latin America

- In **Colombia** in August, as part of the licensing round for 2014, the National Hydrocarbons Agency (ANH) awarded Repsol a 33.34% stake and the role as operator for exploratory block COL-4. It is expected that the block will officially become part of the Repsol's Acreage in the first half of 2015.

In the third quarter of the year, it signed an agreement with Statoil to acquire a 10% stake in the Tayrona offshore block and 20% of Guajira Offshore-1. Repsol has a 20% stake in the Tayrona block, which is operated by Petrobras, and a 30% stake in the Guajira Offshore-1 block, which is operated by Repsol.

In early December 2014, a gas discovery in the deep waters of the Caribbean off Colombia, in the Tayrona block, was announced. Exploratory well Orca-1 reached a depth of 4,240 metres at a depth of 674 metres underwater. Partners in the block will analyze the results of the drill and seismic information obtained to determine the gas potential and economic viability of the block.

- In **Ecuador**, in blocks 16 and Tivacuno, where Repsol is the operator under a services agreement, production continued as per normal in 2014. In December 2013, the agreement to amend Block 16 was signed with the Secretary for Hydrocarbons. This amendment allowed the Wati field to become part of Block 16 and extended the contractual period on December 31, 2022. The agreement to amend to Tivacuno block was also finalised in 2014.
- In the first half of 2014, Repsol became a part of the offshore project of Total (a 35% stake) and BG (30%) in **Aruba**. Repsol with a stake of 35%, it remains the operator of the project. In the second half of the year, a 3D seismic campaign was carried out which, once it is processed in 2015, will determine the possible location of the first exploratory well scheduled for 2016.
- In **Mexico**, the Services Agreement with Pemex in the Reynosa-Monterrey block ended on January 8, 2014 and the installations were delivered.

AFRICA

Repsol has a presence in northern Africa, in Algeria and Libya. It is also present elsewhere on the continent, in Angola, Morocco, Liberia, Namibia, and Gabon.

Libya

- In 2014, there were unscheduled intermittent partial or total disruptions to production on more than 220 days that affected fields on blocks NC-115 and NC-186 in the Murzuq basin, mainly due to problems with security and blockages in the export line, due to instability in the country.

- As a result of the deterioration in security conditions, expatriate personnel at Repsol's offices in Tripoli were evacuated on July 15, while field personnel were evacuated on July 30, 2014.
- Three exploratory wells were completed in 2014 (Khaima, Sanam and Agrub), with negative results.
- As at the start of 2015, operations in Libya continued to be affected by the security situation in the country.

Algeria

- In the second quarter of the year, an important step was taken towards the start of production at the important gas development project of Reggane Nord, a strategic growth project for Repsol: the Reggane Group, the consortium operating the project which made up of Sonatrach, Repsol, RWE Dea, and Edison International, signed the engineering, procurement, construction, commissioning, and start-up agreement (EPCCS) for surface installations. The agreement includes the provides for the construction of a gas treatment plant with a nominal capacity of 8 million cubic metres per day, the collection network for producing wells, and the gas line that will connect the plant to trunk gas pipeline GR-5. It is expected that these works will take 36 months to complete, and that gas production will start in the second quarter of 2017. Drilling began in January 2015. Repsol has a 29.25% stake in the project, operating jointly with Algerian state-owned firm Sonatrach (40%), Germany's RWE Dea AG (19.5%), and Italian firm Edison (11.25%).
- In April 2014, a 3D seismic information campaign to improve resolution and the information on deposits was completed at Reggane. It is expected that the information obtained will be processed in 2015.
- In October, the contract for the exploration and exploitation of the Boughezoul exploratory block, which was secured at the 4th ALNAFT licensing round, was signed with the Algerian government in Algiers. Repsol will operate the block with a 51% stake in the exploration phase (25% in the development phase).

Angola

- The drilling of two exploratory wells in the pre-salt layer of Angolan waters was completed in 2014: Locosso-1 (block 22), where Repsol is the operator with a 30% stake, and Ombovo-1 (block 35), in which Repsol has a 25% stake. To drill Locosso-1, "Rowan Renaissance", the latest-generation ultra deepwater drill ship, was used. This rig was one of the two (together with the "Ocean Rig Mylos") Repsol hired in 2012 to boost its offshore operations.

The results of the two wells are being assessed.

Other countries in Africa

- In **Liberia** in the second quarter of the year, its partners decided not to proceed with the next exploration phase in block LB-15, which is operated by Anadarko and in which Repsol had a 27.5% stake.

In block LB-10, in which Repsol has a 10% stake, two exploratory wells (Iroko and Timbo) were completed in the third quarter of 2014. These were declared not commercially viable.

- In **Namibia**, the drilling of exploratory well Welwitschia-1 was completed in the second quarter of 2014, with negative results. The well was drilled using the "Rowan Renaissance".
- In **Morocco**, the contract for the exploration licence for the "Gharb" offshore block, which had been requested from the Moroccan authorities in mid-2013, was officially signed in April 2014.

In 2014, following the recognition studies conducted in 2012 and 2013, a request was made with the ONHYM (*“the National Office for Hydrocarbons and Mines”*) for a licence to conduct exploration activities in the Boudenib area.

In 2014, partners in the offshore block of Tanger-Larache, in the Gharb basin, decided to return to the area due to its lack of potential.

- In the second half of 2014, Repsol and the government of Gabon signed the exploration and production contract for block E-13 (Luna Muetse) in deep waters north of the Kwanza basin, in Gabon. Repsol has an 80% stake in the block, which had been awarded in October 2013, while the Gabonese government has a 20% stake.

EUROPE

Norway

In recent years, Repsol has consolidated a broad portfolio of projects in this Scandinavian country, in accordance with its strategy of geographical diversification and a desire to increase its presence in OECD countries. In December 2014, Repsol had a stake in 20 licences for exploration in Norwegian waters, in which it was the operator in 7.

- At the 2013 tendering process (APA), the government of Norway awarded Repsol (Repsol Exploration Norge AS) 3 new exploration licences (one of which was as the operator): PL658B (the Barents Sea), PL750 (the Norwegian Sea) and PL763 (the Norwegian Sea).
- In the first quarter of 2014, the drilling of the Tastaveden well in block PL-628, which is operated by Statoil, was completed, with negative results.
- In August, Atlantic Petroleum Norge AS announced that it had accepted Repsol's proposal to accept a 6% stake in licence PL528/528b in Norway. The consortium would consist of Centrica (40% and operator), Statoil (35%), Rocksource (10%), Atlantic (9%), and Repsol (6%). The agreement is pending Government approval.
- Three licences were returned in 2014 (PL 512, PL 529 and PL 531).

Spain

- In the first quarter of 2014, the Ministry for Industry, Energy, and Tourism granted Repsol the *"Medusa"* licence to prospect for hydrocarbons in the Mediterranean Sea, off the coast of Tarragona.
- In the last quarter of the year, the Ministry for Agriculture, Food, and the Environment approved the Environmental Impact Statement (EIS) for 3D seismic information projects in the Casablanca area and authorised the drilling of exploratory wells Fulmar 1 and Pelicano-1.
- Once all of the relevant permits had been obtained, the drilling of the Sandia-1x exploratory well in blocks *"Canarias 1-9"* began in November 2014 with the *"Rowan Renaissance"*. This latest-generation drill ship for ultra-deep waters is one of the safest and most modern in the world, and one of the two drill ships Repsol hired in 2012 to boost its offshore operations. In these Canarias blocks, Repsol is the operator, with a 50% stake. The drilling of Sandia-1x was completed in January 2015. Following the preliminary analysis of the samples obtained, it has been decided that the gas found is not present in sufficient volume or of sufficient quality for commercial exploitation.
- Following the completion of works, the Rodaballo-1 well, in the Rodaballo field operated by Repsol in the Casablanca area, resumed production of crude oil Rodaballo-1 in early February 2015.

Portugal

- In 2014, the exploration blocks in Algarve (Lagosta and Lagostim), progress was made on preliminary works for the first exploratory well, which is scheduled for completion in late 2015. Repsol has a 90% stake and operates in these blocks.
- In 2014, an agreement was reached with company Kosmos to acquire a stake in offshore blocks Mexilhao, Ameijoa, Ostra, and Camarao, via the transfer of part of Repsol's stake in the block where it is the operator.

Other countries in Europe

- In the third quarter of 2014, work began on the drilling of two exploratory wells (Piscuri and Baicoi) in the blocks located in the Carpathian fold and thrust belts in **Romania**, where Repsol entered in 2013 following the agreement reached with OMV Petrom to explore the depths of this area. Repsol has a 49% stake, while OMV is the operator.

ASIA

Russia

- In June 2014, Repsol announced that the recoverable resources discovered with wells Gabi-1 and Gabi-3, in the Ouriyinskoye field, in blocks Karabashsky 1 and 2 (100% Repsol), in western Siberia, had been certified by the appropriate body of the Ministry for Natural Resources and the Environment at 240 million barrels of oil equivalent, a find that would represent a considerable increase in Repsol's current resources in Russia. According to the Minister for Natural Resources and the Environment of the Russian Federation, it was the largest hydrocarbons discovery in Russia in the last two years. In mid-2013, the exploratory discovery was made with the Gabi 3 well in block Karabashsky-2 and, in early 2014, the Gabi 1 well in the Karabashsky-1 block was completed with very positive results, results which were confirmed with the production tests carried out in 2014.
- In the third quarter three drills in the Karabashsky blocks were completed, with positive results. Two of them (31-P and 32-P) are appraisal wells, while the third is exploratory well K-3.
- Among the assets held by AR Oil & Gas (AROG), which is owned by NNK (51%) and Repsol (49%), studies to optimised production and reduce operating costs at Saneco continued in 2014, as did the drilling campaign at TNO-Tafneteodacha, producing better-than-expected production ratios, while work began on technical studies designed to optimise production. At SK, the 2014 drilling campaign was completed as scheduled and works to be completed in 2015 were set out.

Other countries in Asia

- In mid-2014, an agreement was reached with the company Niko in **Indonesia** whereby said firm transferred its 50% stake in the Cendrawasih Bay II block to Repsol.
- In **Iraq**, in the second quarter of 2014, Repsol completed the drilling of two exploratory wells (Binari Serwan-1, in the Qala Dze block, and Zewe in the Piramagrun block) in Iraqi Kurdistan. Both were declared not commercially viable.

OCEANIA / Australia

- In the second quarter of the year, Repsol acquired an interest in the WA-480-P exploratory block held by BHP Billiton Petroleum Australia, with a 55% stake. Repsol was awarded 100% of this offshore block by the Australian government in 2012.
- In April, the processing of the existing 3D seismic campaign was completed and a 2D seismic campaign was completed in July.

5.2) DOWNSTREAM

Our businesses

The Repsol Group *Downstream* business embraces the supply and trading of crude oil and other products, oil refining, commercialization of oil products and the production and commercialization of chemicals.

- **Refining:** production of fuel and other oil-derived products.
- **Marketing:** commercialization and sale of the company's products.
- **Trading & Transport:** supply of crude oil and products to the Refining system, and the trading of crude oil and own products outside the system.
- **Chemicals:** production and commercialize of a wide variety of products, ranging from basic petrochemicals to derivatives.
- **LPG:** production, distribution and retailing of LPG.
- **Gas & Power:** mainly transportation, commercialization, trading and regasification of liquefied natural gas in North America and Spain, as identification of renewable energy power opportunities.

Main figures

	2014	2013
Refining capacity (kbbbl/d)	998	998
Europe (including stake at ASES)	896	896
Rest of the world	102	102
Conversion index (%)	59	59
Crude oil processed (million t)	39.5	38.1
Europe	36.2	35.0
Rest of the world	3.3	3.1
Refining margin indicator (\$/Bbl)		
Spain	4.1	3.3
Peru	4.8	0.8
Number of service stations	4,649	4,604
Europe	4,275	4,250
Rest of the world	374	354
Oil product sales (kt)	43,586	43,177
Europe	39,315	39,066
Rest of the world	4,271	4,111
Petrochemical product sales (kt)	2,661	2,337
Europe	2,221	2,023
Rest of the world	440	314
LPG sales (kt)	2,506	2,464
Europe	1,474	1,412
Rest of the world	1,032	1,051
LNG sold in North America (Tbtu)	274	184
LNG regasified (100%) in Canaport (Tbtu)	18	37

Our performance in 2014

Millions of euros	2014	2013	Variation
Europe	784	363	116%
Resto of the world	228	116	96%
Adjusted net income	1,012	479	111%
Inventory effect	(606)	(187)	(224%)
MIFO recurrent net income	406	292	39%
EBITDA	1,284	1,137	13%
Operating Investments⁽¹⁾	702	672	4%
Effective Tax Rate	31.5	34.9	(9.7)%

⁽¹⁾ In 2014, most investments of the period were destined to operative, facilities and fuel quality improvements, as well as security and environmental matters.

Main events of the period

- Under the framework of the agreement to sell Shell some of the LNG assets and businesses, On January 1, 2014, having obtained the necessary authorisations, the sale of the share in **Repsol Comercializadora de Gas S.A., was completed**, which mainly activity was commercialization, transports and trades natural gas.
- On April 3, the Spanish Markets and Competition Commission authorised Repsol's **purchase of 45% of Petrocat from CEPSA**, which is subject to the fulfilment of commitments offered by Repsol, which were authorized by CNMV on December 16, data in which acquisition was fulfilled.
- On July 4, Royal Decree 8/2014 was passed, on urgent measures for growth, competition and efficiency, which, **with respect to bottled LPG, liberalises the pricing** of bottles with an empty weight of less than 9 kg. Additionally, the Royal Decree includes measures on energy efficiency which include the creation of the Energy Efficiency Fund, to which gas and electricity companies must make an annual financial contribution, as must wholesale oil product operators and wholesale liquid gas operators, thus affecting LPG and fuels.

- **The “Client Plan” was unveiled** on October 27. The aim of this plan was to ensure that each client who uses the Repsol petrol station network is satisfied with the experience, thus generating a differential value in service that allows the group to maintain its competitive advantage in future.
- In the last quarter of 2014 was started up, as it was planned, the **new cutting edge lubricant bases production plan** in Cartagena (facility owned jointly by Repsol with the Korean company SKL) with a capacity of processing 630 thousand annual tons for the production of lubricants bases type II and III.
- In 2014, Repsol and the Port Authority completed the administrative formalities required in order for **the transfer** of the activity on the wharves of the **A Coruña refinery to the external port of Punta Langosteira**, where it will have 60% of its traffic before April 2018, to commence.
- In 2014, progress was made on works at the **La Pampilla refinery to adapt** it to new fuel quality specifications in Peru.
- During the period have been notified several favourable sentences awarding Repsol's right to compensation for damages caused by the application of a price cap formula on **regulated bottled LPG** arising from Order ITC 2608/2009, in force between October 2009 and September 2012.
- Continuing its **AutoGas business expansion policy**, Repsol has increased the number of service stations offering the product in Spain by 40. In addition, this business has benefitted from the **momentum** provided by the approval given by the government in December for the PIMA Aire 4 Plan, whereby assistance (subsidies) can be given for the purchase of these vehicles, as well as discounts at parking meters set by Madrid City Council.
- During the year, **Trading finalised a number of agreements** that will enable the group to take advantage of opportunities in the market, optimise and diversify its range of crude oil products, and strengthen the position of the Group in certain markets.
- In 2014, Repsol requested from the Canadian authorities the relevant permits to build a **gas liquefaction plant with a capacity of 5 MT/year in Canaport**, using the location of current regasification assets to its advantage.
- During the year, Scottish authorities awarded permission to build and operate **marine wind energy projects** in the concessions of Inch Cape, Moray Firth, and Beatrice, in which Repsol has stakes of 51%, 33% and 25%, respectively. The Beatrice project has received from the government an offer to participate in the inaugural contracts for difference (CFD), which will guarantee electricity prices for fifteen (15) years. Also in the United Kingdom, and with regards to the wind power project at Inch Cape, authorisation has been received to build and operate the wind farm.
- During the first six months of the year, the Group has maintained its policy of **associations with the market's leading companies**:
 - Repsol and **El Corte Inglés** have expanded their collaboration, to now have up to 100 Supercor Stop & Go shops in Repsol Service Stations.
 - Repsol and **Renault** have reached an agreement to promote sales of Renault and Dacia cars fuelled by **AutoGas**.
 - Repsol and **Michelin** continue to have a strategic agreement in place to **stimulate the distribution and sale of their respective products**.
 - **AIMIA**, the international leader in loyalty programmes, has bought a stake in Air Miles, a company partly owned by Repsol, which manages the **Travel Club** programme.
- Repsol has acquired a **shareholding of 5.13% in “Iberian Gas Hub”**, a company that promotes the development of an organised market for natural gas on the Iberian Peninsula. The creation of a liquid Iberian hub will create a transparent benchmark price, making it easier for consumers such as Repsol to acquire gas at competitive prices in Spain.

5.2.1. MAIN DOWNSTREAM ACTIVITIES

REFINING

Current situation

The year was marked by the effects of the international economic crisis. In the first half of the year, margins on Refining activities in Europe remained low, due to weak demand and excess refining capacity. In addition, imports of oil products from the United States (in particular middle distillates) resulting from high levels of use at its refineries, which is turn is the result of low prices for crude oil and energy costs derived from the use of unconventional resources) and the Middle East, where new, large, more efficient complexes are coming on-stream, have squeezed refining margins. For this reason, closures of refineries were announced in Europe over the course of 2014. In the second half of 2014, margins improved mainly as a result of lower energy prices due to the fall in the international price of crude oil; another factor in this improvement was the scheduled shutdown of refineries and the change in specifications of the bunker in ECAs (emission control areas) from January 1, 2015, which will result in a greater use of distillates rather than heavy fuel for maritime navigation purposes.

In the short-term, it is expected that margins will remain at these levels due to the reasons explained above, while in the medium- and long-term margins will depend on changes in demand for oil products and the supply of refining capacity. The restructuring of the sector, which is expected to continue in the coming years, with the closure of less complex and less competitive facilities, will allow a better adjustment of supply to demand, which will no doubt lead to a recovery in margins, particularly at refineries geared towards the production of medium distillates and with capacity to process heavy crude oils, as it is the case of Repsol.

Our activity

The Repsol Group owns and operates five refineries in Spain (Cartagena, A Coruña, Bilbao, Puertollano and Tarragona), with a combined distillation capacity of 896 thousand barrels of oil per day (including, in the case of the Tarragona refinery, the share in Asfaltos Españoles S.A.). Installed capacity at La Pampilla refinery (Peru), in which Repsol holds a 51.03% stake and is the operator, is 102 thousand barrels of oil per day.

The refining margin in Spain stood at 4.1 dollars per barrel in 2014, higher than 2013 (3.3 dollars per barrel). In Peru, the annual refining margin came in at 4.8 dollars per barrel, in comparison to the 0.8 dollars per barrel seen in 2013.

The following table shows the refining capacity of the plants in which Repsol had an interest on December 31, 2014:

Refining capacity ⁽¹⁾	Primary distillation	Conversion index ⁽²⁾	Lubricants
	(thousand barrels per day)	(%)	(thousand barrels per year)
Spain			
Cartagena	220	76	155
A Coruña	120	66	-
Puertollano	150	66	110
Tarragona	186	44	-
Bilbao	220	63	-
Total Repsol (Spain)	896	63	265
Peru			
La Pampilla	102	24	-
Total Repsol	998	59	265

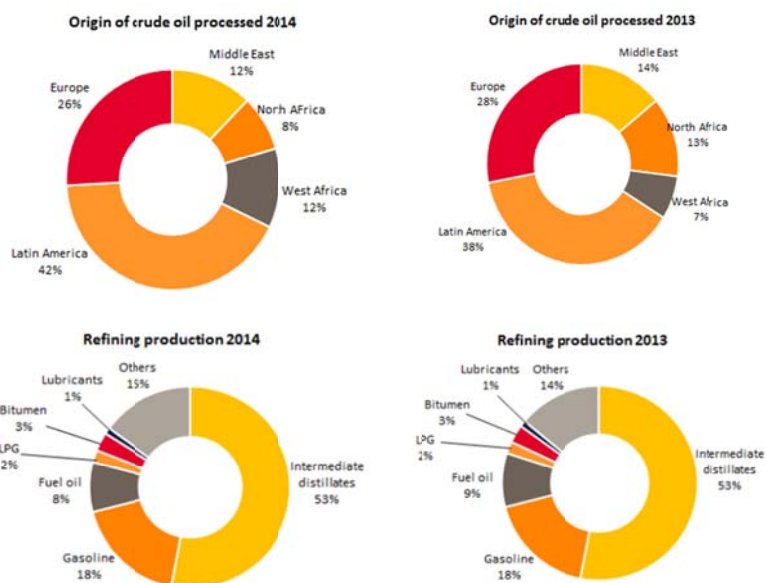
⁽¹⁾ Information submitted in accordance with the Repsol Group's reporting criteria: all the refineries cited are fully integrated in the Group's financial statements. The reported capacity in Tarragona includes the shareholding in ASES.A.

⁽²⁾ Defined as the ratio between the equivalent capacity coefficient of Fluid Catalytic Cracking (FCC) and primary distillation capacity.

In this context, the Repsol refineries managed by the *Downstream* division processed 39.5 million tons of crude oil, representing an increase of 3.7% compared to 2013. The average use of refining capacity was 80.8% in Spain, higher than the 78.1% recorded in the preceding year. In Perú, refinery use was also higher than in 2013, from 60% to 64.4% in 2014.

The table below provides a breakdown of refinery production, by main products:

Refinery intake	2014	2013
<i>Thousands of tons</i>		
Crude oil	39,480	38,074
Other refinery intake	8,163	7,312
Total	47,643	45,386
Refining production		
<i>Thousands of tons</i>		
Intermediate distillates	23,673	22,299
Gasoline	7,985	7,587
Fuel oil	3,521	3,555
LPG	930	929
Bitumen ⁽¹⁾	1,152	1,080
Lubricants	203	232
Other (except petrochemicals)	6,847	6,059
Total	44,311	41,741



⁽¹⁾ Includes 50% of the Asfaltos Españoles S.A. (ASESA) bitumen production, in which Repsol and Cepsa own 50% shares. Repsol commercialize 50% of ASESA's products.

OIL PRODUCTS SALES

<i>Thousands of tons</i>	2014	2013
Sales by geographic area		
Sales in Europe	39,315	39,066
Own marketing	19,530	19,170
Light products	16,846	16,587
Other products	2,684	2,583
Other sales ⁽¹⁾	7,329	6,734
Light products	6,927	6,484
Other products	402	250
Exports ⁽²⁾	12,456	13,162
Light products	4,466	4,583
Other products	7,990	8,579
Sales rest of the world	4,271	4,111
Own marketing	2,074	2,209
Light products	1,909	1,979
Other products	165	230
Other sales ⁽¹⁾	1,271	1,144
Light products	1,097	893
Other products	174	251
Exports ⁽²⁾	926	758
Light products	390	283
Other products	536	475
TOTAL SALES	43,586	43,177
Sales by distribution channel		
Own marketing	21,604	21,379
Light products	18,755	18,566
Other products	2,849	2,813
Other sales ⁽¹⁾	8,600	7,878
Light products	8,024	7,377
Other products	576	501
Exports ⁽²⁾	13,382	13,920
Light products	4,856	4,866
Other products	8,526	9,054
TOTAL SALES	43,586	43,177

⁽¹⁾ Includes sales to oil product operators and bunker sales.

⁽²⁾ Expressed from country of origin.

The course of action for the Refining businesses continues mainly focusing on optimising production and improving efficiency. In this respect, a large number of measures are being implemented to improve energy efficiency, as the most significant vector of optimizing, maintaining and operating costs and improving the competitiveness of the business line, managing markets and the logistics of access to those markets, and the relationship with the business environment, all based on the appropriate management of human resources in an active policy of safety, environment and innovation.

In the four quarter of 2014 was started up, as it was planned, , a new production plant for next-generation lubricants in Cartagena, a joint facility with the Korean company SKL, with a capacity of processing 630 thousand annual tons for the production of lubricant bases type II and III. The plant, adjacent to the refinery in Cartagena, has involved an investment of €250 million. The Tarragona and Cartagena refineries provide the raw materials for the plant.

The base oils produced are needed in the manufacture of advanced lubricants and contribute to a major reduction in emissions and consumption in the most modern engines.

MARKETING

Repsol commercialize its range of products through an extensive network of service stations. In addition, Marketing includes other sales channels and the commercialization of a wide range of products, such as lube oils, bitumen, coke, and derivatives.

Total marketing sales were 21,604 thousand tons in 2014, an increase of 1% compared with the same period in 2013. In 2014 a recovery of the domestic consumption is noticed, along with the international growth and new business opportunities.

In this regard, emphasis is placed on the opening of new product marketing lines abroad, the maintenance of petrol and diesel market shares in Spain and Portugal.

The management of commercialization margins and credit risk enabled positive results to be obtained both in the service stations channel and in direct sales to the end consumer.

At year-end 2014, Repsol had a network of 4,649 service stations in countries where the *Downstream* division operates. In Spain, the network comprised 3,585 points of sale, 71% of which had a strong concessionary link to the network, while 29% were company operated. Service stations in other countries were spread throughout Portugal 440, Italy 250 and Peru 374.

The *Downstream* had the following points of sale (service stations and supply units) as of December 31, 2014:

Points of sale	Controlled by Repsol ⁽¹⁾	Branded ⁽²⁾	Total
Spain	2,521	1,064	3,585
Portugal	261	179	440
Peru	112	262	374
Italy	87	163	250
Total	2,981	1,668	4,649

⁽¹⁾ Owned or controlled by Repsol under long-term commercial agreements or other types of contractual relations that ensure direct long-term control over these points of sale.

⁽²⁾ “*Branded*” refers to service stations owned by third-party dealers with whom Repsol has entered into a new branding agreement, entitling Repsol to (i) be the sole supplier of these service stations and (ii) to use its brand at the service station.

In Spain, Repsol commercialize its fuels under the Repsol, Campsa, Petronor and Petrocat brands, with the following distribution as of December 31, 2014:

Brand	Points of sale
Repsol	3,157
Campsa	123
Petronor	283
Petrocat	19
Other	3
Total	3,585

Law 11/2013 of July 26 introduced a number of measures aimed to ensure fuel price stability and to increase competition in the sector (see APPENDIX III of the Consolidated Annual Account for the financial year 2014 for further information on Law 11/2013). In this new context, Repsol, as a market

leader and with a wide geographical coverage, works to efficiently meet the new challenges posed by this legislation.

Growth and consolidation

The company maintains its partnerships policy with market leaders such as El Corte Inglés, with a joint promotional campaign to offer discount vouchers for purchases of a certain value, both in Repsol service stations and its own chain of stores. Repsol has also strengthened its strategic alliance with Burger King.

In 2014, several key projects have been launched in various segments, enhancing brand value and product quality through innovation, operational excellence and a committed team.

In line with Repsol's policy of monitoring changing market trends, the Company has piloted a business model based on increasing point of sale automation. In 2014, there are 27 points of sale with this new business model with the Campsa Express brand.

In 2014, Repsol has continued with its international expansion commercializing green fuel grade coke 61% of the sales have been made in foreign markets, reaching a total of 21 countries mainly in Europe and North Africa. Furthermore this year also saw the initiation of a strategy for growth in the sale of this product through trading operations and long positions have been taken in the United States' Gulf of Mexico and in Saudi Arabia, which have enabled us to reach new markets, such as Asia.

In line with this idea of growth and consolidation, “*Servicios Logísticos de Combustibles de Aviación*” (SLCA), in which Repsol holds a 50% interest, starts in-plane refueling operations in Spain's two main airports: Madrid-Barajas and Barcelona-El Prat. Consequently SLCA has become the second largest operator in Spain by number of airports and business volume.

Following the strategic policy of the company to consolidate its market position in Portugal, the Boa Nova and Sines logistics projects have been launched, enabling Repsol to achieve a better supply foothold in the country.

Confirming the growth and consolidation strategy, over 52% of the Lubricants, Bitumen and Specialties sales are made in the international market, operating in over 90 countries and with 60 international distributors of lubricants. Strengthening its international presence, a new commercial office was opened in Colombia in November, 2014. Notice also the start-up of the third generation lubricant bases production plant, with a production capacity of 630 thousand of tons.

True to its social commitments, in 2014 Repsol maintained its policy for the employment and integration of people with disabilities and advanced in its commitment to sustainability, respect for the environment and safety of people, developing environmentally friendly products at the Repsol Technology Centre, as Bio Repsol Telex 68 oil and green bitumen.

LIQUEFIED PETROLEUM GAS (LPG)

Repsol is one of the leading retail distributors of LPG in the world, ranking first in Spain and Peru, and maintaining top positions in Portugal and Ecuador. In 2014, the company operated in four different European and Latin American countries.

LPG sales in 2014 amounted to 2,506 thousands of tons. Meanwhile, total sales in Spain increased 4% year on year, primarily due to higher retail sales in the petrochemical sector, offsetting the decline of the retail demand. Repsol distributes bottled, bulk, and piped LPG in Spain through the collective distribution and Autogas networks, with over 6 million active customers. Bottled LPG sales accounted for more than 63% of total retail LPG sales in Spain in 2014, through a network of 215 distribution agencies.

Sales volume of LPG by geographical area (Thousands of tons)	2014	2013
Europe	1,474	1,412
Spain	1,343	1,281
Rest of Europe ⁽¹⁾	131	131
Latin America	1,032	1,051
Peru	634	665
Ecuador	398	386
Total	2,506	2,464
Sales volume of LPG by product		
Bottles	1,281	1,354
Bulk, piped and other ⁽²⁾	1,225	1,110
Total	2,506	2,464

⁽¹⁾ Portugal.

⁽²⁾ Includes sales to the automotive market, LPG operators and others.

In Spain, prices continue to be regulated for piped LPG and bottles between 8 and 20kg, excluding bottled mixtures for using LPG as fuel.

In the case of bottled LPG, prices have been regulated by Royal Decree Law 29/2012 and Order IET/463/2013 of March 21, updating the system for the automatic determination of the maximum sales price, before taxes, of bottled liquefied petroleum gas, and its subsequent resolutions.

Royal Decree-Law 8/2014, of 4 July, has freed up the sale price of containers of between 8 and 20kg with a tare weight equal to or less than 9 kg, except for wholesale LNG operators, with an obligation to supply households, which do not have containers with a tare weight of more than 9 kg, in the relevant territory. The traditional containers sold by Repsol weight more than this tare weight; as a result, the price of this product remains regulated. Repsol is working on a new, light, more modern container that will meet the conditions for sale at unregulated prices.

In Portugal, Repsol distributes bottled, piped and bulk LPG and Autogas to end customers while also supplying other operators. Sales in 2014 reached 131 thousands of tons, making the company the third largest operator with a 20% market share.

In Latin America, Repsol commercialize bottled, bulk, piped and automotive LPG in the home, commercial and industrial markets of Peru and Ecuador with sales of 1,032 thousands of tons.

AutoGas (LPG vehicles) is the most widely used alternative fuel in the world, with over 21 million vehicles (eight million in Europe). Although it has yet to make any meaningful impact on the Spanish market, sales grew by 18% in 2014 which confirms an increase in the demand for this economic fuel that also helps to improve air quality within cities.

Repsol, fully aware of the growing interest in this alternative fuel, had 863 service stations equipped with AutoGas pumps at year-end 2014, 552 service stations, of which over 305 are in Spain. Additionally there are already 311 supply points at customer sites.

In Peru the Energy Social Inclusion Fund (FISE) continues to operate, which, among other measures, established the distribution of discount vouchers worth 16 soles per 10kg bottle of LPG, allowing the more impoverished sectors of society to access and consume LPG, thus substituting other sources such as kerosene and firewood.

For further information on Spain and Peru regulatory framework, see APPENDIX III in the Consolidated Annual Accounts for the financial year 2014.

CHEMICALS

The Chemicals division produces and commercializes a wide variety of products, and its activities range from basic petrochemicals to derivatives. Its products are commercialized in over 90 countries, leading the market on the Iberian Peninsula.

Production is concentrated at three petrochemical complexes located in Puertollano, Tarragona (Spain) and Sines (Portugal), where there is a high level of integration between basic and derivative chemicals, as well as with refining activities, in the case of the Spanish facilities. Repsol also has a number of subsidiary and affiliate companies, through which the company produces styrene derivatives, chemical specialties and synthetic rubber at special plants, being the latter produced through Dynasol, a 50% partnership with the Mexican KUO group, with plants in Mexico and Spain and another one under construction in China with local partner Shanxi Northern Xing'an Chemical Industry.

In the next table is shown the production capacity in 2014 and 2013 of the main petrochemical products of the Group:

PRODUCTION CAPACITY <i>(Thousands of tons)</i>	2014/2013
Basic petrochemicals	2,808
Ethylene	1,362
Propylene	904
Butadiene	202
Benzene	290
Methyl tert-butyl ether / Ethyl tert-butyl ether	50
Derivative petrochemicals	2,491
Polyolefins	
Polyethylene ⁽¹⁾	883
Polypropylene	520
Intermediate products	
Propylene oxide, polyols, glycols, and styrene monomer	937
Acrylonitrile / Methyl methacrylate	-
Rubber ⁽²⁾	115
Other ⁽³⁾	36
⁽¹⁾ Includes ethylene vinyl acetate (EVA) and ethylene butyl acrylate (EBA) copolymers.	
⁽²⁾ Includes 55 thousand tons of production capacity in Mexico.	
⁽³⁾ Includes specialties.	

The chemicals division saw an improvement in its results in 2014 compared with a year earlier due to better conditions, both in terms of demand and margins and important measures to improve efficiency.

In 2014, sales to third parties totalled 2.6 million tonnes, compared with 2.3 million tonnes in 2013, an increase of 13.9 %. This greater volume was achieved thanks to a recovery of sorts in the polyolefin market, Repsol's main market, and the great efforts made to boost exports.

With regards to margins, the year was marked by great volatility in the price of crude oil and naphtha. As a result, prices in the fourth quarter rose to their highest levels in recent years.

In addition, special mentioned must be made of improvements in margins in 2014 as a result of greater flexibility in the sourcing of raw materials to crackers and the implementation of important investments in energy efficiency in the cracker of Tarragona following the long-term suspension that occurred at the end of 2013 that continued into the first few months of 2014.

The year also saw the consolidation of income from the sale of technology to the Chinese business group “Jilin Shenmue Group” for the construction of a flexible polyols plant of 185,000 t/year and two polymer polyols plant of 24,000 t/year each that Jilin Shenmue will build in China. This operation confirms Repsol's position as a forerunner in this manufacturing process.

<i>Thousands of tons</i>	2014	2013	Variation
Sales by type of product			
Basic petrochemicals	874	718	21.7%
Derivative petrochemicals	1,787	1,619	10.4%
TOTAL	2,661	2,337	13.9%
Sales by region			
Europe	2,221	2,023	9.8%
Rest of the world	440	314	40.1%
TOTAL	2,661	2,337	13.9%

As for investments, these have been mainly destined to the improvement and optimization of existing assets, efficiency boost, cost reduction, differentiation and improvement of quality, safety, and environmental compatibility standards.

Similarly, it is also worth noting the disbursement made in the cracker optimisation project in Puertollano that will adapt ethylene production to suit the needs of the industrial complex, also entailing significant energy savings, as well as the adaptation of the High Density Polyethylene plant in Tarragona plant to produce metallocene grades to expand the product range. The startup of the first project mentioned is scheduled for 2015 to coincide with the multiannual shutdown of the Puertollano facility.

Finally, with respect to the Dynasol growth project in Asia, through a joint venture in China for the installation of a 100 ktn year synthetic rubber plant with a local partner “Shanxi Norther Xing'an Chemical Industry”, during this construction has moved forward, nevertheless have been delayed the start-up of the plant until 2015.

GAS & POWER

Gas & Power activities include the transportation, commercialization, trading and regasification of liquefied natural gas as well as renewable energy power projects.

During 2013 and early 2014, Repsol sold part of the LNG assets and businesses, namely its investments in liquefaction plants (Trinidad and Tobago and Peru), and the power generation plant of Bahía Bizkaia Electricidad (BBE), as well as the assets associated to commercialization, transport and trading. (See Note 4 of the Consolidated Annual Accounts for the financial year 2014).

On December 31, 2014, the Group maintains its regasification and transport assets and its marketing businesses in North America, as their main assets of LNG business, the regasification plant in Canaport and its pipelines in Canada and USA.

International reference prices	2014	2013	Variation
Henry Hub (\$/Mbtu)	4.4	3.7	18.9%
Algoquin (\$/Mbtu)	8.1	7.0	15.7%
Natural Gas in North America	2014	2013	Variation
LNG regasified (TBtu) in Canaport (100%)	18	37	(51%)
LNG sold in North America (TBtu)	274	184	48.9%

In 2014, Repsol began the process to request from the Canadian authorities permission to increase the optionality of the gas liquefaction plant with a capacity of 5Mt/year in Canaport, using the location of current regasification assets to its advantage.

In terms of renewable energy projects, in 2011 Repsol acquired 100% of British firm Sea Energy Renewables, which was later renamed Repsol Nuevas Energías U.K., this firm promotes and develops offshore wind farms, and is based in Scotland. With this acquisition, Repsol secured the right to develop three offshore wind farms off the Scottish coast (Moray Firth, Inch Cape and Beatrice).

As part of this operation, Repsol reached an agreement with EDP Renováveis to jointly develop *Moray Firth* and *Inch Cape*, in which Repsol has a stake of 33% and 51%, respectively (in the case of the latter, it is the project leader). Meanwhile, Repsol has a 25% stake in the Beatrice wind farm, while Copenhagen Infrastructure Partners (CIP) has a 25% stake and Scottish and Southern Energy Renewables (SSE) is the project leader, with the remaining 50%.

In March 2014, Scottish authorities have granted permits to build and operate Moray Firth and Beatrice with a maximum installed capacity of 1,116 MW and 750 MW, respectively. The Beatrice project is one of five offshore wind energy projects in the United Kingdom, and the first in Scotland, for which the British government awarded an investment contract that guarantees revenues for fifteen (15) years in April 2014.

In October 2014, Scottish authorities gave permission to build and operate Inch Cape, which will have a capacity of up to 784 MW and no more than 110 turbines. Moray Firth and Inch Cape projects participate in the round for the award of investment contracts that began in October 2014. Both met the requirements established by the DECC (Department of Energy and Climate Change) to participate in this round.

As at December 31, 2014, Repsol had in its shareholding the right to develop, build, and operate 959.6 MW of offshore wind power in the United Kingdom. These projects will allow Repsol to apply its technological capacity in offshore operations, as well as its experience in large engineering projects.

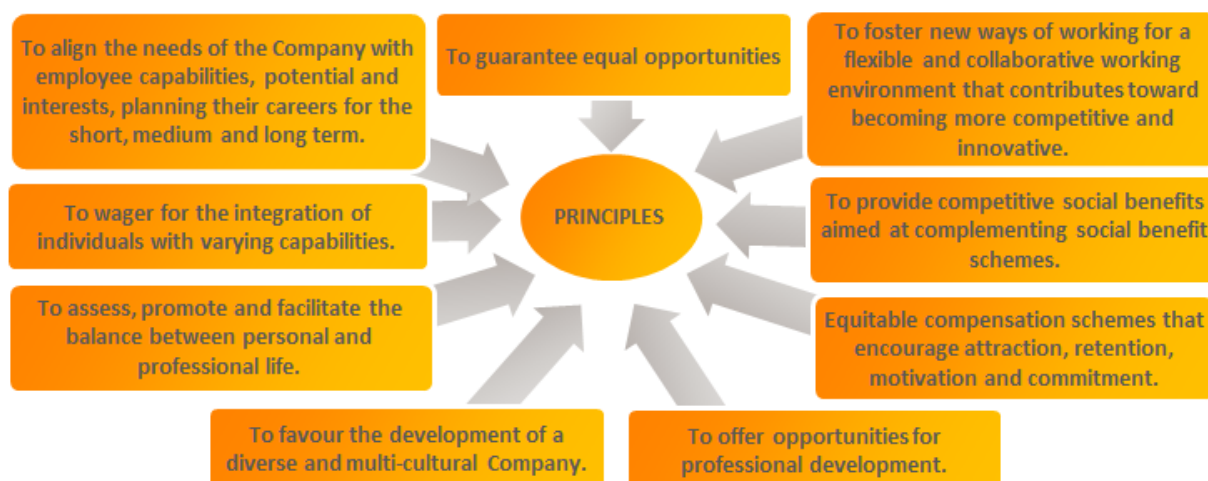
During the development of the projects, which will be completed in 2015 or 2016, the preliminary studies required before the construction and operations of the installations, which will commence operations from 2018 onwards, will be carried out. It is expected that the final decision as to whether or not to invest in the projects will be made in 2016.

6. OTHER WAYS OF CREATING VALUE

6.1) PEOPLE ⁽¹⁾

At Repsol we believe that our competitive advantage lays in the people within the Company, hence the strategic value of the management of our employees and the various teams. This is an organization that is distinguished by having a team of multidisciplined, skilled and committed professionals.

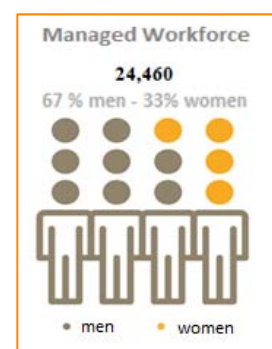
The principles stated in the “*Employee Management Policy*” reflect the management style and are the subject of monitoring, systematic assessment and improvement. Some of these principles are:



6.1.1) PEOPLE MANAGEMENT

On December 31, 2014, a total of 24,460 employees formed part of entities whose *People management* was directly managed by Repsol, and all the figures included in this section are exclusively referred to them, unless the contrary is specified. Managed workforce increased by 246 people, compared to 2013.

STAFF	2014	2013
Total Workforce at December 31, 2014	26,141	25,800
Managed Workforce ⁽¹⁾	24,460	24,214
Non-Managed Workforce	1,681	1,586
Accumulated average managed workforce	24,335	24,068
Number of new hires in the year ⁽²⁾	5,077	4,656

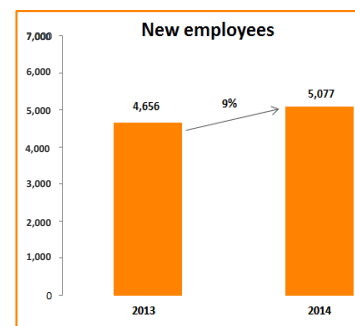
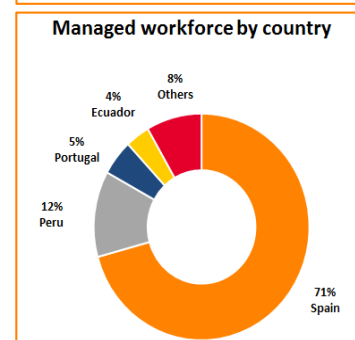


⁽¹⁾ The data provided exclude those employees with annual working hours equal to or less than 20% of the hours set in the collective agreement as well as employees of partially-owned companies in which Repsol does not have management control of its employees.

⁽²⁾ The data includes new hires from fix and temporary employment, corresponding to fix contracts in 2014 and 2013, 33% and 27% respectively.

⁽¹⁾ All information provided in this chapter has been prepared corresponding to December 2014 in accordance with the new Group reporting model (see section 5 “*Segment Reporting*” of the Consolidated Annual Accounts 2014). Figures corresponding for the period ended December 31, 2014 have been modified for comparative purposes with respect to the Consolidated Management Report issued corresponding to the year ended 2013.

TOTAL MANAGED WORKFORCE	2014	2013
MANAGED WORKFORCE BY COUNTRY		
Total workforce in Spain	17,303	17,193
Total workforce in Peru	2,996	2,872
Total workforce in Portugal	1,237	1,247
Total workforce in Ecuador	891	931
Total workforce elsewhere in the world	2,033	1,971
MANAGED WORKFORCE BY BUSINESS		
Total workforce in Corporation	2,521	2,539
Total workforce in <i>Downstream</i>	18,693	18,478
Total workforce in <i>Upstream</i>	3,246	3,197
MANAGED WORKFORCE BY JOB CATEGORY		
Executives	306	292
Technical Managers	2,065	1,967
Technical workers	11,972	11,776
Administrative workers	1,044	1,086
Manual workers	9,073	9,093



6.1.2) ATTRACTING TALENT

Repsol offers different ways to recruit, motivate and commit talented individuals, promoting the development of a culture of a multinational corporation, open to diversity and multiculturalism, employing in each case the recruitment sources and methods to approach the market that are most consistent with the profiles required at any given time.

To do this we have directed our effort at strengthening our brand as employer, and at providing new approaches, that allow us to identify key talent to ensure the growth of the Company.

One of the initiatives implemented in 2014 is the “*Employee Value Proposition*” Project, that allows us in-depth knowledge of the labour markets where our greatest growth is concentrated, with special attention to countries with growth of the *Upstream* business.

We have continued to promote our presence in social networks and in employment forums targeted at various profiles, participating in 14 forums and supporting ourselves on varying methodologies such as working breakfasts, group dynamics, conferences, on-line encounters and professional workshops.

We continue to wager for the young talent joining our Company, and continue with our Master, University Internship and Professional Training programmes, reflecting our commitment to facilitate their integration into the labour market.

INITIATIVES	2014	2013
Hiring of New Repsol Professionals ⁽¹⁾	49	97
University Internship agreements to boost Training ⁽²⁾	391	680
Medium and Higher Level Vocational Training Internships ⁽³⁾	147	52

⁽¹⁾ Program to incorporate young talent, educating through any of the three Masters programs offered by Repsol (Hydrocarbon Exploration and Production, Refining, Petrochemicals and Gas, and Energy Management). The reduction on 2013 was due to a change in the start dates of two of the Masters programmes.

⁽²⁾ Repsol has adapted to the needs of the new European Curriculum of the Bologna Accords, receiving university students with curricular working experience, postgraduates and final-year students.

⁽³⁾ These include students from Medium and Higher Level vocational training cycles, with a high percentage of these joining Repsol through different job vacancies. In 2014, the commitment acquired by Repsol with the FP Dual program stands out.

6.1.3) MANAGEMENT TALENT

Repsol's ability to retain talent continues evidenced by the low rates of voluntary employee turnover and the high retention rate among its management staff.

RETAINING TALENT	2014	2013
Total staff turnover rate ⁽¹⁾	7%	7%
Total voluntary staff turnover rate ⁽²⁾	3%	3%
Executive rotation rate ⁽³⁾	4%	4%

⁽¹⁾ Corresponds to the total fixed staff turnover, regardless of the % of occupancy, calculated as the total number of staff leaving from the total permanent staff at year-end.

⁽²⁾ Corresponds to the total voluntary fixed staff turnover, calculated as the total number of staff voluntarily leaving from the total permanent staff at year-end.

⁽³⁾ Corresponds to the total executive rotation, calculated as the total number of executives leaving from the total executives at year-end.

The Company has several tools to retain talent and manage its workers' development: compensation with flexible salary packages, training and development with programmes that are suited to each employee once their needs have been identified and internal and international mobility programs.

Remuneration

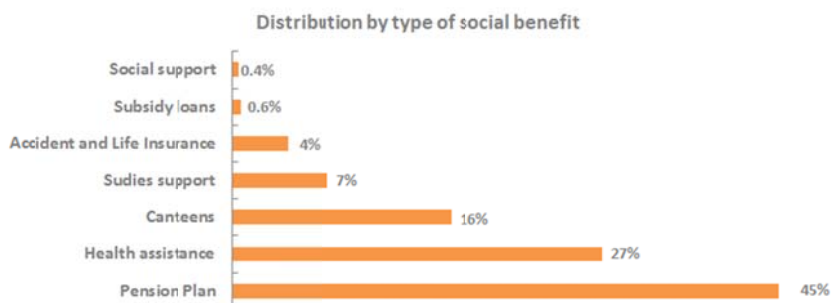
Remuneration is an element designed to make it easier to attract, retain, motivate, and commit professionals who provide their skills to the Organisation. Schemes vary to provide employees with greater opportunities for flexibility.

The focus of remuneration is focused on promoting individual performance and the recognition of individual merit, as well as cooperation and team work, ensuring external competitiveness and internal fairness within a global environment.

COMPENSATION	2014	2013
Average personnel costs per employee (euros) ⁽¹⁾	67,217	65,490

⁽¹⁾ Corresponds to the heading of personnel expenses (including social security expenses and others except indemnities and travel expenses) in the consolidated average accumulated workforce.

In 2014 the total spending on social benefits for employees of the managed workforce amounted to 97.8 million, compared to 93.9 million in 2013.



We continued with the flexible remuneration programme in 2014. This programme is a personalised remuneration system in which employees voluntarily decide how they would like to receive part of their

annual remuneration. Employees see an increase in their net remuneration, thanks to a lighter tax burden as a consequence of choosing products such as day care, IT equipment, more medical insurance, shares, and additional Pension Plan contributions.

The Share Plan is opened to all permanent employees in Spain who are resident in Spain for tax purposes. Having been introduced in previous years for those who are not permanent employees of the Group, the other products are being made available to all other employees and, in 2014, permanent employees of companies that have signed their trade union agreement were able to request products.

There are also other flexible systems for our employees in Scotland and the United States.

For more information regarding to pension plans, medium-and long-term incentives for employees and share-based employee compensation plans, see Note 23 to the Consolidated Financial Statements for the financial year 2014. In relation to the remuneration of the members of the Board of Directors and senior management, see Note 28 to the Consolidated Annual Accounts and the Annual Corporate Governance Report.

Training

Repsol is a company that values, promotes and facilitates staff training as the key driver behind their personal and professional development.

TRAINING	2014	2013
No. of training actions	10,447	10,989
Total investment in training (€ million)	18	20
Investment per employee (€)	717	812
Total Training Hours / year	1,083,033	978,751
Average hours / year per employee	44	40
Dedication Rate ⁽¹⁾	2.63%	2.40%
% of Employees receiving training	92.4%	78.2%
No. of Attendances	120,990	107,014
No. of People	22,612	18,939



⁽¹⁾ Corresponds to the % of annual working hours dedicated to training. It is calculated over the accumulated average workforce.

In 2014, we have continued to integrate training for new university graduates through professional Master's degree programs in the areas of *Upstream*, Refining, Petrochemical and Gas, and Management, for a total of 137 students, including guests to *Upstream* Master, have attended these programs, with the internationalisation of the management programme having started with a blended face-to-face/online edition for Peru. In 2014, a new programme aimed at new team leaders was implemented.

In the *Upstream* business, the number of training courses available online across all disciplines of the business has risen to almost 200. In commercial businesses there has been a consolidation of the "Business School", which has been formally certified by prestigious Spanish universities and which contains general skills for the oil industry, as well as training in sales, products, services, management, and skills. The chemicals sales team has been included, and a training platform has been developed and put into operation for all employees in collaborating businesses (Business to Consumer).

In 2014 stands out the increase in the number of hours of foreign language instruction, emphasising the effort and resources dedicated to strengthening the international culture of the Company.

Development and evaluation performance

Repsol offers all of its employees opportunities for professional development. The focus of development is the acquisition and/or improvement of skills and knowledge, enabling people to face greater challenges associated with changes in the Company.

We have a framework for professional advancement that enables the best-prepared individuals with the profile and skills required to assume roles that are more complex and entail greater responsibility, in accordance with the needs of the company. Promotion is the mechanism for recognition that accompanies professional advancement.

JOB CLASSIFICATION CHANGES	2014	2013
Number of people	1,932	1,941
% Women	35%	31%

The main company's tools for the evaluation of potential and planning of development actions is called *People Review*.

PEOPLE REVIEW ASSESSMENTS INDICATORS	2014	2013
People tested by <i>People Review</i> ⁽¹⁾	2,426	2,329

⁽¹⁾ This program provides a detailed assessment of people, generating a shared vision of each of them: their strengths, areas of improvement and professional profile.

In 2014, we introduced new external contrast tests in the Development Plans Programme for potential senior managers. The aim of this programme is to identify a group of high-performing individuals with great potential who we wish to assist in their development, formulating a plan whereby they can visualise their career according to future business opportunities. Since its inception, 21 people have participated in this programme.

In the area of businesses and corporate areas, our focus has been on planning. In this regard, of particular note are our efforts in relation to *Upstream*, where we implemented a strategic skills plan in 2014 to ensure that the business has the people, knowledge, and skills required to develop its Strategic Plan through the design of, or improvements to, plans and process for planning a workforce, attracting talent, the professional development of employees, and the retention of key professionals.

Furthermore, continuing with the annual process of evaluation performance, in 2014 a total of 15,418 employees underwent performance assessments, 11,322 of them, are employees in Spain.

Internal mobility and internationalization

Mobility is part of Repsol's culture, and is key both to the growth and sustainability of the company and to the development of people, promoting the acquisition of experience and knowledge in new and/or more complex environments and roles.

International mobility contributes to this professional development, ensuring a global response to the company's needs and thus nurturing a corporate culture with international scope and integrated management.

MOBILITY AND INTERNATIONAL CAREER	2014	2013
Number of Migrations	2,881	3,012
% of women (of No. Migrations)	33	40
No. of employees on international assignment	690	674
Incorporation of professionals to international workforce	145	162

6.1.4) LABOUR RELATIONS

LABOUR RELATIONS	2014	2013
No. of employees with fixed employment contract	22,248	21,993
No. of employees with temporary contract	2,212	2,221
Absenteeism rate ⁽¹⁾	3.31%	2.87%

⁽¹⁾ Corresponds to the rate of absenteeism among collective agreement staff in Spain, calculated as the comparison between the days they should have worked compared to the days they actually worked owing to absenteeism caused by common illnesses.

In 2014 has been signed the VII Framework Agreement with Spain unions, which regulates the working conditions of Repsol Group's workers in Spain. Furthermore this year has been signed the VII Union Agreements in Campsared, y the collective agreement of RIPSA (Repsol Investigaciones Petrolíferas S.A.).

In the international field, agreements have been signed in Peru, Portugal and Trinidad & Tobago.

The European Workers Committee met on November 25 and 26, 2014. COFESINT, FIEQUIMETAL, CC.OO and UGT attended.

6.1.5) BALANCING PERSONAL AND PROFESSIONAL LIFE, DIVERSITY AND EQUAL OPPORTUNITIES

In 2014, we continued to promoting changes to the way we work, ensuring equality of opportunity and promoting and facilitating a balance between work and home life.

Our aim is to ensure a working environment that is ever more flexible, promotes cooperation, and helps create a company that is increasingly competitive, innovative, modern, and adapted to the new needs and lifestyle of the societies in which it operates.

One of the most notable of the measures designed to achieve this work-home life balance is the telework programme, the work-home life programme held in highest regard by employees, as reflected in the results of the working environment survey conducted in 2014.

HOMEWORKING INDICATORS	2014	2013
Number of Homeworkers Worldwide	1,411	1,222
Number of Homeworkers in Spain	1,328	1,148
Number of Homeworkers rest of the world	83	74

Repsol is widely recognised as one of the best employers in Spain, due, among other aspects, to its firm commitment to a good work-home life balance. In this regard, in its study entitled '*Situación de la Conciliación en España*' (the work-home life situation in Spain), the International Institute for Political Sciences (IICP) puts us at the top of the rankings as the company with the most advanced strategies for promoting a good work-home life balance.

Some of the achievements include flexible hours worldwide, adapted to the habits and customs of each country.

Repsol has an integration plan for disabled people, which integrates these employees in every area of the organization. In 2014, we continued with our commitment to training as the door to the labour market, both through occupational training programmes, scholarship and internship programmes, and access to our Masters programmes. A 5% of new professionals recruited are disabled.

As at December 31, 2014 we had 674 disabled employees, or 2.8% of our workforce.

In Spain in 2014, we exceeded requirements in recruitment of disabled persons under the LGD (General Law on the Rights of Persons with Disabilities and their Social Inclusion), with 4.0% of employees hired that year being disabled 613 were hired directly, while the equivalent of another 150 people were hired through other channels.

INTEGRATION	2014	2013
No. of employees with disabilities in Spain	541	549
No. of employees with disabilities in Ecuador	35	40
No. of employees with disabilities in Peru	42	47
No. of employees with disabilities in Portugal	35	17
No. of employees with disabilities in Venezuela	12	9
No. of employees with disabilities in Brazil	8	9
No. of employees with disabilities in Italy	1	0
Total number of disabled employees	674	671

Of particular relevance in 2014 was the receipt of the Certificación Bequal PLUS, which constitutes recognition of our business policy, with its Company emphasis on equality of opportunity, and the model we use to manage the integration of persons with disabilities.

Repsol is present in nearly thirty-six countries with over 1,500 employees working in countries other than their own, and their contribution to the value of a multicultural environment can be felt in all areas of the Company.

The following table shows the countries with the most different nationalities among employees (excluding the country in question):

Destination	2014	2013	Destination	2014	2013	Destination	2014	2013
Spain	64	59	Lybia	11	15	Colombia	7	5
United States	22	18	Norway	10	11	Irak	7	10
Brazil	20	23	Peru	9	9	Canada	6	4
Algeria	16	10	Venezuela	9	8	U.K.	6	5
Portugal	16	17	U.A.E.	8	4	Bolivia	5	6
Trinidad & Tobago	13	14	Ecuador	8	7	Netherlands	4	4
Russia	12	10	Angola	7	8	Indonesia	3	4

Repsol continues to increase naturally the percentage of women participating throughout all the groups and businesses.

Gender indicators	2014	2013
No. of Women in the workforce	8,117	7,857
No. of Women managers	47	43
% of women in management positions in Spain ⁽¹⁾	27	26
% of women in management positions rest of the world ⁽¹⁾	23	23

⁽¹⁾ Includes categories of Executives and technical managers excluded of collective agreement.

Similarly, the percentage of women in the company has increased in almost every age section.

	2014			2013		
	Women	Men	% women	Women	Men	% women
Aged under 20	88	81	52	85	61	58
Aged 21-30	1,503	1,981	43	1,582	2,125	43
Aged 31-40	3,492	5,526	39	3,433	5,620	38
Aged 41-50	2,087	4,361	32	1,918	4,221	31
Aged 51-60	889	3,963	18	795	4,017	17
Older than 60	58	431	12	44	313	12
Total	8,117	16,343	33	7,857	16,357	32

Repsol has developed a methodology to analyze fairness in various aspects of the management of people (development, remuneration, performance, etc.), with four factors taken into account: age, gender, nationality, and disability. In 2014, the application of this new methodology to this remuneration of employees in Spain was verified with Universidad Carlos III and the Foundation for Advanced Social Research.

Repsol is one of the companies recognised with “*Equality in the Workplace*” seal of distinction awarded by the Spanish Ministry for Health, Social Services. The seal was validated in 2014 for three years.

This seal is a mark of excellence in equality as recognition for companies that have a commitment to equality and which stand out for their application of policies that promote equality of treatment and of opportunities in conditions of employment, organisation models, and other areas such as company services, products, and advertising.

In January 2014, the Company signed a Collaboration Agreement with the Ministry to reinforce the commitment to foster a balance between men and women in positions of great responsibility, including on Executive Committees.

6.2) SAFETY AND ENVIRONMENT ⁽¹⁾

Through its strategy and policies, Repsol publicly and voluntarily assumes its commitment to safety and the environment as crucial issues for the Company. Repsol works towards being not only a safer and more environmentally responsible company, but also to be sustainable and therefore more competitive and profitable in the short, medium and long term.

The major challenges faced by society and energy companies include climate change, impacts on biodiversity and environmental accidents. We perform a periodic diagnosis that allows us to identify our major challenges and opportunities, taking into account the expectations of our stakeholders, industry trends, anticipated potential regulation and, in particular, the Company's global strategic plan.

This diagnosis allows us to identify the most relevant issues for action and is materialised, with the commitment of senior management, in the definition of targets and work plans.

The Executive Committee establishes the safety and environmental objectives and strategic guidelines, which are the basis for drawing up objectives and plans of action for all of the company businesses. Additionally, the duties of the Board of Directors' Audit and Control Committee include learning and orienting the company's safety and environmental policy, directives and objectives.

Established objectives and plans include actions that are necessary for a continuous improvement of management, investments and associated costs and the actions required to adapt to the new legislative requirements.

Repsol's main lines of action on Safety and Environment issues include:

- Risk management
- Operational efficiency
- Cultural change in safety and environment

The safety and environment goals are part of the annual targets set for Repsol employees earning variable remuneration based on performance assessment and constitute between 10% and 15% of their bonus.

Furthermore, the incorporation of environmental and safety criteria in our activity is articulated through the safety and environment management system, based on a set of rules, procedures, technical guidelines, tools and indicators applicable to all the Company's activities and facilities.

RISK MANAGEMENT

Repsol's approach is based on a rigorous risk management system associated with industrial processes and assets where process safety is the mainstay.

Risk analysis is performed throughout the entire lifecycle of the company's assets, applying the highest international standards the designing stage and implementing strict operation and maintenance procedures, all aimed at preventing incidents associated with the industrial processes involved.

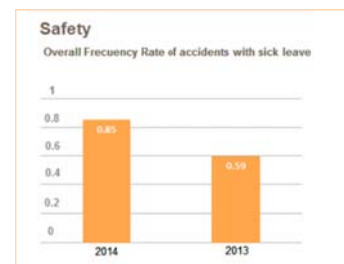
⁽¹⁾ Figures and indicators of this section have been calculated according to a new Corporate rule set common methodology and criteria in Safety and Environmental, including companies of the Repsol Group which were fully consolidated (control) and with responsibility of operation.

Process safety allows Repsol to address its main safety-related challenges. It facilitates the management of each risk, encompassing even those less likely to materialise but that could have significant consequences for people, the environment, the facilities or the reputation of the Company.

Repsol tracks its performance following the definitions established by OGP¹, API² and CCPS³, international benchmarks in this field. Also in 2014, progress was made towards defining the Company's baseline criteria for these types of accidents.

Furthermore Repsol has a series of injury indicators that form part of the annual targets of Repsol employees with variable remuneration and the performance assessment of the remaining personnel.

OCCUPATIONAL SAFETY INDICATORS ⁽¹⁾	2014	2013
Overall lost time injury frequency (IF) rate of accidents ⁽²⁾	0.85	0.59
Lost time injury frequency rate (own employees)	0.92	0.60
Lost time injury frequency rate (contractors' employees)	0.78	0.55
Total integrated injury frequency rate of accidents (IFT) ⁽³⁾	2.38	2.95
Number of fatal accidents own personnel	-	-
Number of fatal accidents contractors' personnel	-	-



⁽¹⁾ For processing safety indicators, Repsol has a corporate rule that establishes common criteria and methodology for recording incidents in the company, accompanied by a guide for the management of safety indicators.

⁽²⁾ Integrated lost time injury frequency rate; number of accidents leading to lost time or fatal accidents recorded over the year, for every million hours worked.

⁽³⁾ Total frequency rate: number of computable accidents without lost time, with lost time and total fatal accidents per year, for every million hours worked.

As may be seen in the above table, in 2014 the IF increased by 44% with respect to the year 2013, and the IFT decreased by 19%. In spite of this increase in IF, it should be emphasised that we continue on the path to reduction established in 2013 in order to position ourselves within the first quartile of companies in the sector and attain the zero accident goal in 2020. In 2014 an IFT goal was established for the first time, which we attained.

We also employ indicators of a preventive nature and establish objectives that allow us to anticipate and avoid situations that could trigger incidents in the future, such as for example, those aimed at investigating incidents.

Furthermore, and due to the road traffic is a major cause of accidents among our employees and contractors, Repsol has as one of the main lines of the company's work is to improve transport safety. Repsol has implemented improvement plans with positive results in countries where a higher frequency of this type of accident was detected.

We are convinced that achieving the goal of zero accidents is possible and requires the involvement of all those involved in our activities. Whatever their position or geographic location, all of Repsol employees are responsible for their safety as well contributing to the safety of those around them.

We must be able to anticipate ourselves to ensure the safety of people, processes and facilities, keeping in mind our goal of zero accidents.

¹ The International Association of Oil & Gas Producers

² American Petroleum Institute

³ Centre for Chemical Process Safety

Furthermore, Repsol works in different lines of action to prevent and respond to environmental accidents, including spill prevention and early detection mechanisms and the management of major risks in the construction of wells.

In 2014 we had four relevant spills⁽¹⁾: two in Peru, one in Ecuador and another in Angola. When an accident like this occurs, we activate our emergency response mechanisms, and subsequently establish new preventive actions to avoid a re-occurrence.

The emergency response mechanisms are a critical element at Repsol, essential for minimise impacts on the environment and people. One example is our intensive work in developing response capabilities against large marine spills, as part of our Global Critical Management Programme (global prevention, preparedness, response and impact recovery for major exploration and production accidents).

SPILLS	2014	2013
Number of spills > 1 barrel that have reached the environment	17	14
Oil spills that have reached the environment (tons) ⁽¹⁾	316	15

(1) Figures corresponding to spills over than one barrel.

OPERATIONAL EFFICIENCY

Repsol is continually seeking to minimise the environmental impact generated by its activities by promoting a low carbon strategy, optimising water management, considering biodiversity as a key element and improving waste management.

Reducing energy and carbon intensity in our value chain

Repsol promotes a low carbon strategy, fostering initiatives that reduce energy intensity throughout the entire lifecycle of our products and therefore avoid greater emissions of greenhouse gases into the atmosphere.

This commitment is articulated through Repsol's carbon strategy and the goal of reducing CO₂ by 1.9 million tons for the period 2014-2020. The plan includes reducing energy intensity and emissions by continuing to search for sustainable business opportunities related to renewable generation and electric mobility. During 2014 Repsol has demonstrated its commitment to continuous improvement and has promoted actions that have reduced 452 kt of CO₂ equivalent.

We believe the way forward involves operational excellence in energy terms, making it crucial to measure and track our carbon inventories and energy maps. Each year we verify our greenhouse gas inventories through an outside company to meet the most demanding in quality and accuracy standards. In 2014 progress was made in CO₂ emissions inventories, verifying more than 98% of these emissions according to international standard ISO 14064.

Repsol continues to implement an Energy Management System at its facilities according to the requirements of the international standard ISO 50001. During 2014 the *Upstream* asset in Ecuador block 16 has been certified, bringing the number of facilities currently certified to seven, while work continues on the progressive implementation of the system in all our different business units. This allows the company's energy policy and vision to be formalised, as well as establishing and tracking short, medium and long-term goals and objectives, as part of a continuous improvement process.

⁽¹⁾A relevant spill is deemed (on the basis of the quantity spilled and the sensitivity of the area) as any that has reached the environment and that fulfils any of the following conditions: greater than 100 bbls, greater than 10 bbls and occurring in a sensitive area or any spill of another non-hydrocarbon substance, that is greater than 10 bbls with environmental relevance due to its high levels of salinity, acidity, toxicity, lack of biodegradability, etc.

Elsewhere, Repsol is working on understanding and reducing the greenhouse gas emissions of its products. In this vain, it is developing initiatives to quantify and verify carbon footprints under the ISO 14067 technical standard.

During 2013 the agroindustrial LPG facility in Peru was the first Company product which obtained positive carbon footprint verification. In 2014 we have continued promoting this way of working with new verifications.

Our commitment to sustainability is likewise reflected in numerous pioneering R+D+i projects in the industry. One of these projects is green bitumen, whose threefold objective is to recycle used tires for new bitumen used in more ecological highways; recycling highway bitumen that is already worn from use and, lastly, the manufacture of lower-temperature mixtures for greater respect of the environment.

Evolution towards a strategic vision of water

At Repsol, we believe that water is a strategic resource. We have developed a proprietary tool, Repsol Water Tool, which incorporates aspects of the Global Water Tool¹ and Local Water Tool², the two main methodologies developed and adapted to the oil and gas industry for identifying and assessing water-related impacts and threats. This tool has allowed us to prepare a water management map and, from this, during 2014 we have worked on a company baseline scenario to define an action plan for improving water management from 2015-2020.

Protection and conservation of biodiversity

In Repsol we are aware that it is crucial to understand, avoid and minimise any adverse impacts on biodiversity and ecosystem services. Repsol was the first Oil and Gas company to apply the IPIECA Biodiversity and Ecosystem Services (BES) Management Ladder methodology, used to analyze the current situation of existing Exploration and Production assets, and identify the next steps to be implemented. As a result, 153 lines of work have been established on which Repsol is working to maintain and/or improve the biodiversity of the environment where we are located. We furthermore participate actively in industry forums such as IPIECA, OGP, Cross-Sector Biodiversity Initiative or the Proteus consortium with the UNEP-WCMC³.

Furthermore, in 2014 the first Ecosystem Services Review conducted by Repsol was carried out in Peru, with the aim of understanding the dependencies and impacts of communities as well as the Company on the services provided by nature (ecosystem services). This study will make it possible to gain greater knowledge of the setting in which we operate, to better plan our activity, avoiding and minimising potential impacts.

In addition, it is worthy to note that we are developing sensitivity maps for the coasts of our offshore operations, and we are avoiding and minimising the potential impact of our seismic explorations by means of programmes for the identification of biologically-sensitive areas or by monitoring indicator species (for example sea turtles during the offshore seismic exploration in Aruba).

¹ Global Water Tool: tool developed by WBCSD (World Business Council for Sustainable Development) and adapted to the oil and gas sector by IPIECA (International Petroleum Industry Environmental Conservation Association). Its objective is the location of facilities on water scarcity maps and the calculation of key water management indicators at global corporate level. Repsol has participated in the development of this tool through the IPIECA Water Task Force.

² Local Water Tool: tool developed and adapted to the oil and gas sector by GEMI (Global Environmental Management Initiative). It is useful for identifying and assessing the water-related risks and impacts of facilities at local level, covering aspects such as availability, quality and ecosystems associated with bodies of water affected by the facility; the future availability of water; regulatory aspects and economic and social aspects. Repsol has collaborated with GEMI in the adaptation of this tool to the oil and gas industry.

³ United Nations Environment Programme's World Conservation Monitoring Centre.

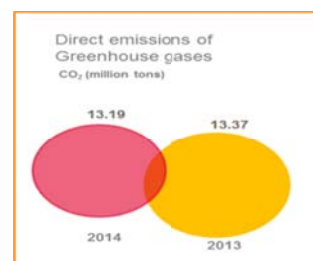
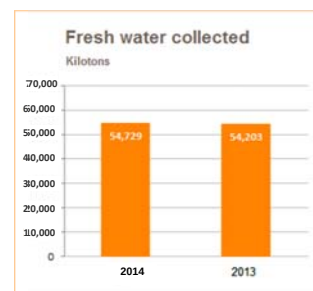
Improvement in waste management and minimization

We are working on optimising waste management throughout the entire lifecycle of our processes. To do this, in 2103 the company's waste map was redesigned to adapt our reporting criteria to industry best practices and for the first time defining a quantitative reduction target, whose compliance has been verified by an independent third party.

Thanks to the efforts made by the different business areas, this target has been widely surpassed, achieving a reduction of 29 kilotons in 2014. Owing to this success the Company has decided to revise the reduction potential by setting a new more ambitious goal: 50 kilotons of waste in the period 2015-2020.

In addition to this quantitative goal, qualitative waste management improvement actions have been defined. Repsol has established improvement targets in its Exploration and Production business through the implementation of the Company's Environmental Performance Practices. These guidelines are a set of common standards regardless of the geographical area of the operations and the specific legislation of each country.

OPERATIONAL EFFICIENCY INDICATORS	2014	2013
ENERGY AND CARBON MANAGEMENT⁽¹⁾		
Energy consumption (10 ⁶ GJ) ⁽²⁾	178.40	176.80
Direct emission of CO ₂ (million tons) ⁽³⁾	13.19	13.37
Direct emissions of CH ₄ (million tons)	0.019	0.029
Direct emissions of N ₂ O (million tons) ⁽⁴⁾	0.63	0.64
Direct emissions of CO ₂ eq (million tons) ⁽³⁾	13.78	14.17
CO ₂ emissions reduced (million tons) ⁽³⁾	0.452	0.444
WATER MANAGEMENT		
Fresh water withdrawn (kilotons) ⁽⁵⁾	54,729	54,203
Water Reused (kilotons)	9,945	9,473
Water discharged (kilotons)	35,920	38,965
Hydrocarbons in water discharged (tons)	199	460
Solids in Suspension in water discharged (tons)	1,385	1,265
Chemical demand of oxygen in water discharged (tons)	8,318	7,944
WASTE MANAGEMENT⁽⁶⁾		
Hazardous waste (tons)	66,430	66,315
Non-hazardous waste (tons)	167,200	182,693
OTHER ATMOSPHERIC EMISSIONS		
SO ₂ (tons)	29,800	34,263
NO _x (tons) ⁽⁵⁾	35,399	33,858
COVNM (tons) ⁽⁵⁾	45,851	41,667



⁽¹⁾ Figures on December 31, 2014 corresponding to energy management and carbon emissions are subject to an independent verification process that will conclude after this report has been drafted, the definitive values will be available on the website repsol.com.

⁽²⁾ The calculation of energy consumption has been made according to our guidelines for the Application of Environmental Parameters (APA) that considers all fuels burned at the facility in order to generate the energy required by processes (both external fuel, usually natural gas, and internal fuel generated at the facility), as well as the net balance of imports and exports of electricity and steam.

⁽³⁾ The data corresponding to 2013 has been modified with respect to the 2013 Management Report as a result of subsequent verifications.

⁽⁴⁾ Includes emissions of N₂O that will be tested according to Standard ISO14064.

⁽⁵⁾ Figures corresponding to 2013 have been modified compared to Management Report for 2013.

⁽⁶⁾ Data on waste corresponding to 2014 may experience some changes when the annual waste declaration is submitted to the Public Authorities. Additionally, the waste associated with drilling muds should be considered:

2014	2013
105.469 tons	115.978 tons

CULTURAL CHANGE IN SAFETY AND ENVIRONMENT

At Repsol, we understand that developing a safety and environment culture shared by the entire Company is crucial for achieving our goals. To do this we work on projects that raise the awareness of all our employees and partners. This year the DuPont Safety Perception Survey was conducted with an improvement of 29% with respect to the survey carried out in 2010.

From 2012, the Company has worked on a leadership Plan with the aim of improving the culture of safety and environment through its leaders. In 2014, we took a step further by expanding our training programmes to other levels such as middle management and sales forces. A clear example is the launch of the EOS Programme (Excellence in Operations and Sustainability), aimed at E&P employees and that reinforces the need to position the requirements of safety and environmental protection as a priority when making in business decisions.

At the same time, Repsol has defined its seven attributes of safety and environmental protection culture that will be key to the development of new projects. The company is also working on an internal diagnostic methodology that will allow us to go forward in the implementation of a safety and environmental protection culture based on excellence.

6.3) TAXATION

Policy and tax strategy of Repsol

Repsol's tax policy is in line with the company's mission and values, and with the long term business strategy. As a result, Repsol is committed to applying best taxation practices when managing its tax affairs and to offering solutions with a global vision, with the aim of ensuring that the Company is recognised for applying responsible tax policies and for promoting cooperative relationships with governments and the different stake holders.

In its operations and business models, efficiency for the company is studied and, where applicable, tax positions are taken on the basis of solid business and financial reasons and/or commonly accepted practices, while always complying with both the letter and spirit of applicable legislation and avoiding financial or reputational risks and unnecessary conflicts. Repsol considers that this balanced and respectful approach will result in the long-term sustainability of its operations.

In the management of its business, the Repsol Group does not use opaque company structures in order to conceal or reduce the transparency of its activities to the tax authorities or any other interested parties.

Since 2010 Repsol has followed the Code of Best Tax Practices which was prepared in Spain by the Large Businesses Forum of the Spanish Tax Authority. The purpose of this initiative, which is being endorsed by the Spanish government, is to promote transparency, good faith, and cooperation with the Spanish Tax Authority in business tax practice, as well as legal security in the application and interpretation of tax laws.

Due to its commitment to transparency, Repsol is a signatory (as one of its founders) to the Extractive Industries Transparency Initiative (EITI).). This initiative aims to strengthen governance through enhancements in transparency about payments made by extractive industries to governments and entities associated with them, and in cooperative relationships with the authorities. Repsol undertakes hydrocarbon exploration and production activities in several countries that are recognised as "EITI Compliant" or "EITI Candidate" (Peru, Norway, Liberia, Mauritania, Iraq, Trinidad and Tobago, Kazakhstan, the United States, Colombia, Sierra Leone, , Indonesia, etc.).

The Board of Directors, through the Audit and Control Committee, periodically reviews the tax policies applied.

Impact of taxation on company's profits

The Repsol Group is subject to the various taxes on profits applicable in the countries where it operates. Each tax has its own structure and rates. The applicable tax rates to profits obtained from hydrocarbon production (*Upstream*) are, in general, higher than those generally applicable. On some occasions, these profits are not only taxed in the country in which they are obtained but also in the country where the companies that own the operations or their parent companies are domiciled (double taxation).

Additionally, the Group is also subject to other taxes which reduce its profits and, specifically, its operating profits. This is the case of taxes on the production of hydrocarbons (royalties and similar), local rates and taxes, social insurance payments, etc.

In 2014, the total tax burden of the net income from continuing operations attributable to controlled and jointly controlled entities, excluding Gas Natural Fenosa, is as follows:

Taxation on profits impact

Amounts in millions of euros

Item	2014		2013	
	Repsol Group		Repsol Group	
	Amount	Rate (**)	Amount	Rate (**)
Income tax	553	54.6%	807	68.4%
Total tax burden (*)	1,370	74.9%	1,708	82.1%

(*) Income tax + taxes and contributions that reduce the operating income.

(**) Corporate tax / net income from continuing operations before taxes, excluding GNF.

Tax burden / net income from continuing operations before taxes on profit and other taxes, excluding GNF.

Tax contribution by countries

Repsol is aware of its responsibility to the economic development of the societies in which it operates. The taxes paid represent a significant part of its financial contribution to the countries in which it operates. Repsol therefore places high priority on fulfilling its obligation to pay the taxes which are due in each territory, in accordance with applicable regulations and principles.

Taxes paid by the Repsol Group has considerable economic importance and implies a major effort to comply with the required formal obligations and the obligations of informing and collaborating with the Authorities and entails significant liabilities in order to comply with such obligations.

In order to monitor and analyze the Group's fiscal contribution, we distribute the taxes paid into those which are an effective expense to the company and reduce its result (for example, corporate income tax, tax on production, social insurance payable by the company, etc.) and those which do not reduce profits because they are withheld or are passed on to the final tax payer (for example, value added tax, tax on the sale of hydrocarbons, withholding taxes, etc.). The former are called "*Tax Burden*" and the latter are "*Taxes Collected*".

To measure the tax contribution, only taxes effectively paid are included, and, for example, income taxes which are due, but which will be paid in the future, are not included. By this criterion, it should be emphasised that in 2014, Repsol fulfilled more than 32,000 tax declarations and paid €12,674 million in taxes and associated public charges.

The breakdown of taxes paid by the Group by country (controlled entities and with joint control, excluding Gas Natural Fenosa), is as follows:

Taxes effectively paid by country ⁽¹⁾

Millions of euros

PAIS	Taxes paid		Tax burden						Taxes collected ⁽²⁾							
			Corporate Tax		Others		Total		VAT		Tax on hydrocarbons		Others		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Spain	9,145	8,812	340	188	308	276	648	465	3,145	3,200	4,919	4,825	433	322	8,497	8,347
Portugal	1,129	1,143	12	16	7	11	19	27	421	428	672	669	17	19	1,110	1,116
Italy	357	389	1	2	1	1	2	3	60	51	294	334	1	1	355	386
Russia	79	89	13	13	47	60	60	73	17	11	0	0	2	5	19	16
Lybia	241	566	215	512	24	53	239	565	0	0	0	0	2	1	2	1
Algeria	30	39	25	34	1	1	26	35	0	0	0	0	4	4	4	4
T&T	319	465	179	301	148	164	327	465	-15	-9	0	1	7	8	-8	0
Venezuela	150	67	89	35	48	20	137	55	7	7	0	0	6	5	13	12
Colombia	27	25	18	18	1	1	19	19	0	0	0	0	8	6	8	6
Bolivia	106	91	74	56	3	8	77	64	24	22	0	0	5	5	29	27
Peru	778	815	49	77	106	120	155	196	420	425	187	175	16	19	623	619
Brazil	108	75	33	27	56	35	89	62	1	2	0	0	18	11	19	13
Ecuador	56	39	30	21	10	2	40	24	11	10	0	0	5	5	16	15
USA	78	4	3	1	55	0	58	1	0	0	0	0	20	3	20	3
Rest	71	26	38	7	2	4	40	11	2	-2	0	0	29	17	31	15
TOTAL	12,674	12,645	1,119	1,308	817	757	1,936	2,065	4,094	4,145	6,072	6,004	574	432	10,738	10,580

⁽¹⁾ Only includes payments effectively made in the financial year. Does not include amounts now due but to be paid in the future, nor collections for previous financial years. Taxes paid due to the transfer of business units during the period are also included.

⁽²⁾ Includes amounts paid through logistics operators that act as substitutes.

Management of fiscal risk

The Group has a map of risks in which the fiscal risks are specifically identified, whether they derive from the taxation policies applied, from possible non-compliance, from eventual discrepancies concerning the interpretation or application of law to specific cases or from the instability of the legal taxation and contractual framework.

Management of fiscal risk is part of the Group's Integrated Risk Management policy, whose approval is under the Board of Directors. This policy requires a scrupulous and ongoing process of risk identification, analysis and evaluation, as well as the periodic review of the efficiency of internal control and risk management systems by the Audit Committee.

Specifically, investment and divestment projects and the company's significant operations all involve studying their taxation implications before decisions are taken allowing the Group to identify those investments and operations that pose a special fiscal risk.

When defending itself in taxation litigation and conflicts, Repsol prioritises amicable solutions and behaves transparently in its dealings with tax authorities, willingly providing the information on the business activities carried out by the Group that these authorities consider necessary. Repsol considers that, in the current international tax framework, which is characterised by growing complexity and uncertainty, it is important to make an effort to reduce the number of conflicts and to promote legal

certainty and the stability of the taxation framework, as these are fundamental for the development of economic activity.

Tax havens

In keeping with its tax policy, the Company has expressly undertaken to avoid opaque structures for tax or concealment purposes. Therefore, its guidelines in relation to tax havens are as follows:

- Presence in tax havens justified by ground business reasons.
- Strict compliance with tax legislation, not only the Spanish one, but also the local legislation, relative to the exercise of the business activities undertaken.
- Full transparency and cooperation with the affected administrations to furnish any information they deem necessary in relation to the business activities undertaken.
- Application of general criteria and procedures for administration and management control of the Group.
- Supervision of the exercise of activities in tax havens and authorisation for the establishment of companies in these by the Board, by means of the Audit and Control Committee.

The Company undertakes active management that seeks to reduce its already limited presence in territories classified as tax havens or that are deemed as not cooperating with tax authorities. For these purposes, the list of tax havens prepared by the OECD and Spain are used as reference. Over the past ten years, Repsol has significantly reduced its presence in these territories, from more than 40 companies to not having any active company under its control, as described below.

Repsol has no presence in territories included in the list of non-cooperating tax havens prepared by the OECD in 2012 under the approach of a "lack of information transparency". The Company is monitoring the process conducted by the OECD with special interest, within the so-called "Transparency Forum" for the review of practical compliance with the standards of transparency and exchange of tax information by member countries.

Focusing on the Spanish list of tax havens, Repsol currently has no active companies controlled in such territories either. There are nevertheless four companies that are inactive and/or in a winding-up process⁽¹⁾. In turn, Repsol has a company that, while not incorporated in a tax haven, does undertake its activity (hydrocarbon exploration) in a territory of such characteristics, Liberia, by means of a permanent establishment that is subject in such country to the extractive industry regime itself (may we recall that Liberia is a complying member state of the aforementioned "EITI" initiative, which promotes transparency in the extractive industry).

Furthermore, Repsol has a minority stake in three active companies located in tax havens:

- i) Oil Casual Insurance (4.4%; Bermuda) and Oil Insurance, Ltd (1.09%; Bermuda): mutual insurance companies of the oil&gas sector, that cover Group risks from Bermuda, jurisdiction where insurance companies covering international risks from the oil activity are generally located;
- ii) OCP, Ltd (29.66%, Cayman Islands): company that includes an international association agreement (joint venture), in a jurisdiction that is generally used for such purposes, for the stake in an Ecuadorian operating company that manages oil activity infrastructures (heavy crude oil pipelines).

⁽¹⁾ Greenstone Assurance Ltd (Bermudas) (in "run off" status), Hunt Pipeline Co. Of Peru, Ltd. (Cayman Islands), Repsol International Capital, Ltd (Cayman Islands) and Repsol Exploration Services, Ltd, (Cayman Islands)

The Group's presence in these territories is not for the purpose of limiting the transparency of its activities or applying undesirable –much less illegal– practices, but instead corresponds to appropriate purposes and adapts to conventional standards in the sector.

It should be emphasised, in any event, that the incorporation or acquisition of stakes in undertakings with registered offices in countries or territories deemed as tax havens should be notified to the Repsol Board of Directors, by means of the Audit and Control Committee.

6.4) RESEARCH, DEVELOPMENT AND INNOVATION (R+D+i)

Repsol, by means of research, development and innovation, seeks to develop solutions to meet the technological challenges facing the energy industry. In doing so we propel ourselves based on the talent of our teams and on cooperation, networking with scientific groups of excellence, in Spain and abroad.

The Repsol Technology Centre (CTR) located in Móstoles, which opened in the year 2002, is the scientific and technological heart from where the companies centralises its R+D+i activities. It is the largest private research centre in Spain and its mission is to create its own value and know-how by means of R+D+i. Top-level research is conducted in this 56,000 square metre complex, in *Upstream*, Refining, Fuels, Chemicals and Alternative Energies, recognised on an international level. Over 400 researchers and technicians work in it, with collaboration on some projects from universities and external technological centres, always for the purpose of reaching maximum efficiency and quality.

In 2014, Repsol invested €82 million in R&D activities carried out directly in the CTR, and a further €8 million in projects undertaken in the company's different business units (in 2013, these amounted to €83 and €6 million, respectively). Repsol maintains an active policy of collaboration with technology centres, public and private universities and companies in Spain and abroad. The investment earmarked for these types of agreements was more than €24 million. Repsol participates in R&D financing projects run by different government authorities. In 2014, the Technology Centre participated in 13 projects promoted by the Spanish Administration and 8 European Union projects (in 2013, they were 12 and 3 projects, respectively), as well as on one project for international cooperation with Chile.

OPERATIONAL INDICATORS	2014	2013
R+D Investment (millions of euros) ⁽¹⁾⁽²⁾	90	89
No. of external scientific collaboration agreements	105	122
Projects promoted by the Spanish Administration	13	12
Projects promoted by the EU	8	3
International projects	1	1

⁽¹⁾ Indicator calculated in accordance with the Group's new reporting model described in Note 5 "*Segment Reporting*" of the Consolidated Annual Accounts corresponding to December 31, 2014.

⁽²⁾ Amounts calculated using the guidelines established in the Frascati Manual of the OECD and the EU Industrial R&D Investment Scoreboard presented annually by the European Commission.

Upstream R+D Programmes

Some of the Strategic Research Projects have concluded in 2014, in line with the objectives set in the 2011-2015 *Upstream* Strategic Technology Plan, and the activities of the rest of the Plan have made significant progress.

At the start of the year, the project for the generation of models and tools specific to Optimisation of site Development Plans concluded. A set of data collection and simulation technologies were developed for this, based on various custom algorithms that enable significant improvements in the results of the optimisation and opportunity assessment. At present, the Company already has several successful application pilots of this tool.

Within the rest of the key technology areas, the set of projects continues to develop according to the defined plans. Among these are the projects whose purpose is to view the subsoil by advanced geophysical technologies, to improve the definition of prospects and optimize the placement of the appraisal. Another set of projects focuses on understanding the characteristics of reserves by means of the development of tools and methods for the analysis and modelling of the rocks and fluids they contain, that in the long term make it possible to decrease costs for hydrocarbon exploration, development and production. Lastly, progress has been made on projects focusing on the most specific characterisation of fluids during their extraction and transport, likewise addressing the assurance of the flow and potential corrosion problems. The tools developed by means of these projects are already being applied in various Company assets.

Relevant activities are being carried out on improved recovery projects with significant future potential in various sites and research activities in nanotechnology applications to various fields, among them drilling. Technologies are also under development regarding unconventional hydrocarbons, from extra-heavy oils to *shale gas/oil*.

In collaboration with an important international technology partner, a research project commenced in 2014 for the development of the first application of Cognitive Computational Systems to the oil industry. This is an ambitious challenge that, by means of the application of the new era of intelligent computation systems, makes it possible to optimise the access and extraction of information from enormous amounts of data ("*Big data*") on the industry and the taking of decisions on our *Upstream* assets.

Lastly, tasks have been carried out for the optimisation of the tool for surveillance and early detection of hydrocarbon spills (HEADs) in an aquatic environment developed in 2013. This tool is capable of automatically identifying very small quantities under any atmospheric or light condition. The development has already been implemented in the Tarragona dock and the Casablanca platform (opposite the Tarragona coast) and its placement in other settings and countries is being analyzed. This project is an obvious example of Repsol's commitment to the environment.

Downstream R+D Programmes

During the year 2014, the technology activity for Downstream businesses concentrated on improving operating and energy efficiency, product diversification and care of the environment.

In Refining, the most relevant activities focused on the area of operating efficiency, incorporating new mathematical developments into production programming models and the design and implementation of comprehensive models for the operation of conversion plants, for the purpose of increasing their margin.

This year the activity of technology in product diversification has had an application in almost all *Downstream*. Worthy of mention is the development of eco-efficient products and processes related to bitumens that contribute to differentiation and to their international expansion. Specifically, new exportable product formats were developed, capable of long-distance transportation without loss of performance, as well as the design of special emulsions for their use in the full recycling of pavements at

low temperatures, a technology that constitutes one of the most eco-efficient options in the highway sector. Progress has also been made in research to obtain unlabelled extender oils through the use of alternative oils and new processes.

Basing ourselves on lines of collaboration existing with international institutions, extensive experimentation has been developed to demonstrate the Fuel Economy potential of lubricant formulas, for engines as well as transmissions and differentials.

With regard to automotive LPG, one of the most successful projects in 2014 was the ability to prove that Autogas in direct injection engines in the liquid phase complies with the stringent Euro 6c emissions regulations, that will be in force as of 2017, in terms of gas emissions (CO, HC and NOx), as well as the number of particles, without the need for particle filters. The decrease of CO₂ emissions attained is almost 15% with respect to gasoline, which would make it possible in 2015 to achieve the target for CO₂ emissions proposed for the year 2020. Two European patent applications have been filed as a result of this project.

The Chemical technology activity continued in 2014 by further improving the competitiveness of the business, and whose fundamental fields of action were efficiency and differentiation in the form of (i) projects and action plans to decrease specific consumptions and operating improvements in its own processes, (ii) the decrease in costs and environmental impact of the products by means of new catalysts and/or raw materials, and (iii) the development of new products with more advanced features, whether through improvements in the technology itself or through the incorporation of new technologies under development.

Emerging businesses (NNEE)

Repsol promotes and manages new initiatives in emerging areas that may generate technology-based business opportunities and that will enable the development of the company strategy, beyond its traditional businesses. To do so it has three tools:

1. Corporate Venture Capital: its goal is to capture and capitalise on external innovation by means of investments in technology-based *start-ups* with great potential for development, in traditional or emerging areas of the Company. These stakes are made through Repsol Energy Ventures, S.A., a 100% subsidiary of the Repsol Group.
2. Emerging Business Generation: its goal is the generation of long-term sustainable businesses that, in the future, will enable their integration with other Repsol areas/businesses, contributing to the vision and global strategy of the Company.
3. Technology valuation: to market all intellectual property generated in the area of Technology that may be appraised, as well as those technologies developed or acquired by Repsol that should be valorized externally.

Development of the projects continued in 2014, adapting to the portfolio of investee companies, comprised of:

- Principle Power Inc., in whose capital we hold a 24.7% stake, it is the world's leading company with the ability to design, install and operate a semi-submersible floating structure for offshore wind-power generation. The first real scale prototype, WindFloat, equipped with a 2MW Vestas turbine, has produced 12 GWh since its placement into operation at the end of 2011.

- Graphenea, in whose capital we hold a 5.2% stake since 2013, within the scope of the INNVIERTE programme ⁽¹⁾, is one of the main producers of graphene in Europe. It is the partner of Graphene Flagship, the largest research programme launched by the European Union.
- IBIL, a company 50% owned and by means of which Repsol continues to undertake the activity for the supply of energy for electric mobility, has approximately 450 operational charging points, in the public as well as the private sector, and continues to consolidate the high-speed charging infrastructure network in service stations of the Repsol Group. Thanks to the IBIL electric mobility programme, for the second consecutive year Repsol Nuevas Energías, S.A. was able to accredit a decrease in CO₂ emissions and was chosen for the third consecutive year by the Ministry of Agriculture, Food and the Environment, within the call for CLIMA 2014 Projects.
- Scutum Logistic, S.L., a company in whose capital we acquired a 16.7% stake in 2014, within the scope of the INNVIERTE programme, devoted to the design, production and sale of electric platforms and battery removal systems for electric motorcycles.

New Technologies

Repsol's wager for research in new energy technologies is distinguished by three areas of research:

- Biotechnology, for the development of technological capabilities in synthetic biology applied to the energy sector by means of the consolidation of a research group that places Repsol in a leadership role in this new field. To this regard, a micro-organism was designed and is currently under development from a new synthetic metabolic pathway, unidentified in nature until now, for the generation of advanced novel biofuels. Additionally, a prospecting study was carried out that has made it possible to identify interesting biotechnology opportunities in response to problems in different links of the oil industry value chain, which is focusing the biotechnology activity on bioprospecting aspects, oil upgrading and improved recovery.
- CO₂ valuation; that consists of converting CO₂ into value added products, the Transforma CO₂ project concluded, which was conducted in collaboration with universities, companies and technology centres, to address the study of the most promising technologies identified on an exploratory and competitive basis. In conclusion, the technology of greatest interest was selected, known as Artificial Photosynthesis, which allows the transformation of solar energy into chemical energy using CO₂ as the raw material.
- Storage of electric energy for transportation; consolidated by means of Repsol's participation in international consortia, where battery technologies are researched with the greatest potential for surpassing the limitations of current electric vehicles. Several models of electric vehicles and high-speed charging solutions have likewise been evaluated and researched for the purpose of understanding and improving aspects such as charging speed and its impact on the battery of the vehicle.

Innovation

Repsol wagers for innovation as a key factor of our competitiveness, where the capacity lies to generate ideas and put them into practice within a setting of ongoing collective collaboration and learning.

⁽¹⁾ The INNVIERTE Programme forms part of the 2013-2020 Spanish Science, Technology and Innovation Strategy, approved by Resolution of the Council of Ministers, February 1, 2013.

In the year 2014, its main activity focused on:

- Promotion and support of cross-sectorial teams for the definition of challenges, identification of new solutions and the development of opportunities around the main innovation challenges of our Company: energy efficiency, the differentiation of our chemical business, the contribution of value to the client via digital technologies, the development of our values and the search for transversal opportunities among businesses.
- Deployment of Lean Management⁽¹⁾ as a lever of transformation for the continuous and sustainable improvement of our operations, focusing this year on the optimisation of the Chemical supply chain, the reliability of our industrial complexes, the management of technical information, the packaging of lubricants and several corporate services.
- First edition of the Innovation Award, which recognises successfully implemented initiatives as well as those that did not obtain results but that generated relevant collective knowledge. Of the more than 500 initiatives presented, the winners were chosen by the organisation by means of a collective process in which approximately 25% of the staff participated.

During this year more than 800 professionals performed some type of educational action, in person or virtually, that we developed and placed at the disposal of the organisation to develop innovation know-how and attitudes.

Following several years of promoting and boosting the innovation culture in the Company, we ended this year with the definition of the main initiatives and responsible areas that allow us to make a qualitative leap in the structured and systematic deployment of innovation in the Company.

6.5) SOCIETY

CORPORATE RESPONSIBILITY

Repsol is strengthening its business strategy with the search for better energy solutions that contribute to sustainable development. This is possible thanks to a forward-looking vision that is based on corporate responsibility environment as one of its key attributes.

Through its model of corporate responsibility, the company responds to the current and future needs of its stakeholders. Repsol makes daily efforts to be able to identify and understand their expectations at global and local level, both in countries and operational centres, with a proactive attitude.

Throughout 2014, the company has continued to expand the implementation of its corporate responsibility coordination system, with the creation of new Corporate Responsibility Committees, the development of studies for identifying expectations and the publication of sustainability plans.

Two new corporate responsibility committees were set up this year; one in Trinidad and Tobago and the other at the Petronor operations centre. These committees join those already existing at national level in Spain and Portugal, Bolivia, Brazil, Colombia, Ecuador, United States, Peru and Venezuela and the operating centres of A Coruña, Cartagena, Puertollano and Tarragona. The members of each committee meet at least twice a year to analyze the expectations of stakeholders in each country, and integrate them in the decision-making process by proposing, as a result of this feedback, the corresponding sustainability plans comprising actions to be taken towards improving the company's ethical, social and environmental performance and to respond to the expectations of those involved.

⁽¹⁾ Simple, in-depth and effective working methodology, aimed at increasing productive efficiency in all processes as of the implementation of the ongoing improvement management philosophy in time, space, waste, inventory and defects, directly involving the employee.

With regard to Repsol's sustainability plans, these make up a tangible response to the demands of society, represented by the stakeholders in the company, whose concerns and expectations are reflected by the commitments embodied in these plans through concrete and measurable actions.

This year saw the publication of the 2014 annual sustainability plans for Brazil and the operational centres of A Coruña, Cartagena, Puertollano and Tarragona. These plans were incorporated to the eight biennial sustainability plans for 2013-2014 already in place that were published in 2013. One covers the Corporate area and the other seven are country plans (Spain and Portugal, Bolivia, Colombia, Ecuador, United States, Peru and Venezuela).

Overall in the last two years, Repsol has publicly committed to implement 574 actions of which 86% were linked to variable remuneration, including all the sustainability plans published, aimed at maximizing positive impacts and preventing negative impacts of the company's activities.

Having a model that integrates the corporate responsibility expectations of our stakeholders in the company's decision-making processes allows us to work towards the constant generation of long-term value. This effort is internationally recognised, and as vouched for by our continued presence in the FTSE4Good and Dow Jones sustainability indices, acknowledging companies with the best sustainability performance.

For more information regarding to Corporate Responsibility see the *"Corporate Responsibility Report 2014"* on Repsol's website.

SHAREHOLDERS AND INVESTORS

Repsol has an Investor Relations Division, created with the mission of serving Repsol shareholders, both institutional investors and minority shareholders, in addition to the analysts who follow the company, in all matters concerning access to the company's financial and operational information along with any events that may affect share values.

During 2014, the Investor Relations Division has not only kept track of Repsol's major institutional investors, but has also made headway in opening new unexplored markets in order to broaden our shareholder base. For this purpose it has visited potential new investors in Brazil, South Africa and Poland, among others. In addition, roadshows were held where senior management explained the agreement for the potential acquisition of Talisman Energy to investors and analysts.

With regard to information for non-institutional shareholders, in 2013 the *"Repsol in Action"* scheme was created as a relationship model with minority shareholders based on corporate governance and transparency best practices. As a key communication tool, a special area has been developed in the Investor section of the corporate website dedicated to Repsol shareholders in order to keep them informed of major events happening in the company. During 2014, Repsol in Action held 90 events with shareholders. Noteworthy events included roadshows for shareholders, during which the results, strategy and other corporate milestones were explained in detail to shareholder groups in their home cities.

Additionally, Repsol has a customer service office for minority shareholders and a call centre with a toll free number and permanent service during business hours to provide customers with information or answer questions they may have.

During 2014, the Investor Relations Division consolidated its customer service model for socially responsible institutional investors – increasingly numerous among Repsol's shareholding. This area focussed on investors with appraisal criteria that include ethical, social and environmental issues, was created in 2013. Actions taken include the first *"Repsol Sustainability Day"*, an event aimed at this type of investor, where the most relevant Sustainability measures implemented by the different Repsol divisions were revealed. Communication with such investors was likewise consolidated through attendance at specific roadshows and conferences, one with senior corporate management.

A report of interaction with socially responsible investors is published annually, featuring the most relevant issues raised by them during these events.

Finally, investors and shareholders can use an application to access corporate financial information through mobile devices (tablets and smartphones). This application can be downloaded for free on Repsol's website.

Below is a summary of the key indicators that support the company's interaction with investors and the financial community through the different communication channels established:

SHAREHOLDER AND INVESTOR INFORMATION	2014	2013
Calls answered by the Shareholder Information Office (OIA) ⁽¹⁾	41,000	34,000
Access to Repsol website ⁽²⁾	459,000	443,000
Consultations via email	~10,000	~10,000
Roadshows institutional investors (cities) ⁽³⁾	31	37
Roadshows socially responsible institutional investors ⁽³⁾	8	8
Roadshows minority shareholders ⁽³⁾	21	11
Events for minority shareholders	90	64
Members of "Repsol in Action" community	39,000	23,000
Institutional investors contacted	>800	>800

⁽¹⁾ Shareholder Information Office (OIA) serves minority shareholders, both current and potential. Includes calls answered by the Call Centre.

⁽²⁾ Total visits to Shareholders and Investors section (Spanish and English versions).

⁽³⁾ Roadshows are trips to different cities to visit institutional investors or minority shareholders. Includes roadshows with socially responsible investors.

REPSOL ON THE INTERNET

The company's Internet presence is mainly channelled through the corporate website repsol.com, which is a cross-platform communication and marketing tool for the different business lines. Repsol's website is a reference in terms of content, transparency and accessibility of information.

In the last eleven years, the repsol.com portal has positioned itself among the top European websites, according to the periodic study conducted by international consultancy company Comprend. In this ranking, the corporate site has always occupied the first position in Spain and has been among the top in its sector. Additionally, in 2014 it has been positioned as the second one in the Oil&Gas sector.

In addition, Repsol has other assets of particular relevance -such as the website guiarepsol.com- completely renewed and applications for mobile devices. Moreover, the company's presence in social networks -especially Facebook, Twitter and LinkedIn- has gained special significance with over 340 thousand followers jointly so far.

MAIN INDICATORS ON INTERNET ACTIVITY		2014	2013
	Visits (monthly average)	2,900,000	2,800,000
	Unique users (monthly average)	1,793,000	1,600,000
	Facebook followers	146,000	127,000
	LinkedIn followers	112,000	50,000
	Twitter followers	80,000	56,000
	Keywords positioned in the Google Top 20 ⁽¹⁾	16,000	5,500

⁽¹⁾ In 2014 and 2013 estimated value amounted to €650,000 and €210,000, respectively.

ADVERTISING, SPONSORSHIP AND PUBLIC RELATIONS

Throughout 2014, advertising campaigns have been made that have served to highlight the company's strategic projects have also transmitted Repsol's commitment on issues of great importance to society, such as the ability of Repsol to create jobs or support entrepreneurship and its training, among others. On the commercial front, there have been numerous advertising and promotional campaigns that have served to highlight the quality of our products and Repsol's commitment with their customers.

As a responsible brand, we are concerned with the rigorous standards of our advertising campaigns. Accordingly, we continue to adopt voluntary codes and mechanisms that guarantee transparency and accuracy in all such communications (such as membership of the Association for Advertising Communication Self-Regulation or adherence to the Code of Self-Regulation regarding Environmental Claims in Advertising and Marketing).

Again this year, our sponsorship and public relations programmes have helped generate awareness for the Repsol brand and strengthen our corporate image as a leading and innovative company in the commitment to society.

During the 2014 season, Marc Márquez won his second MotoGP world championship, being the youngest rider to win two consecutive titles in this category and along with his teammate Dani Pedrosa, they gave the Repsol Honda Team yet another World Championship team title. Without doubt, this sponsorship programme contributes to making the company a household name globally, thus opening the way for its international expansion. Furthermore, the acquired experience in the development of products for top motor competitions enables Repsol to remain a leader in research and thus be capable of fulfilling its customers' highest expectations. In 2014 also saw continued support for the Repsol FIM CEV¹ programme and the scholarship grants to the Monlau Repsol Technical School, favouring the generation of opportunities and the adequate training of young riders and professionals.

In line with Repsol's strong commitment to the future of energy and respect for the environment, once again this year the company has compensated the CO₂ emissions corresponding to its participation in MotoGP, its Annual General Meeting and its participation in the XXI Moscow World Petroleum Congress.

¹ Junior international motorcycling championship where young drivers are trained, of which Repsol is the main sponsor.

7. OUTLOOK AND PROSPECTS

7.1 MACROECONOMIC OUTLOOK

The prospects for world economic growth, while positive, are systematically lower than expected three months ago. In 2014 fears increased that weak recovery will persist over time.

Forecasts for the world economy indicate that by 2015 the rate of growth will recover with respect to 2014, to reach 3.5%. Of this growth, although most comes from emerging economies, their contribution is more balanced with respect to the leaps experienced in recent years. In advanced economies, recovery will settle down with real GDP growth of 2.4% in 2015, 0.6 higher than 2014, and it is fundamentally explained by the progress of North American economy.

Growth in emerging and developing economies is expected to be 4.3% in 2015 and that to pick up very slightly the following years, driven primarily by domestic demand in these economies and the external sector. While in many cases growth forecasts have been revised downward, by making the appropriate structural reforms many economies could restore their growth potential.

In the case of the Spanish economy, forecasts suggest a growth path for 2015. The International Monetary Fund (IMF) puts the figure at 2% and the European Commission at 2.3%, although risks continue to persist due to the worsening of the prospects for the global economy by the IMF, it must be acknowledged that, in recent weeks, these risks have decreased as a result of lower crude oil prices and the announced purchase of bonds by the ECB. Repsol's forecasts placed GDP growth for 2015 at 2.6%, in line with forecasts by the main national analysts.

After a sharp recession and a series of deep structural reforms, including the labour reform and the financial balance cleansing process, the Spanish economy is showing unmistakable progress, with domestic demand spearheading economic growth in the coming months. However, the reform process has not concluded and the bearish dynamics of prices is a trend that must be monitored, facing the risk of a prolonged period of low prices.

Macroeconomic forecasts, main figures

	GDP (%)		Average inflation (%)	
	2014	2015	2014	2015
World economy	3.3	3.5	3.8*	3.9*
Advanced economies	1.8	2.4	1.4	1.0
Spain	1.4	2.0	-0.03*	0.6*
Emerging economies	4.4	4.3	5.4	5.7

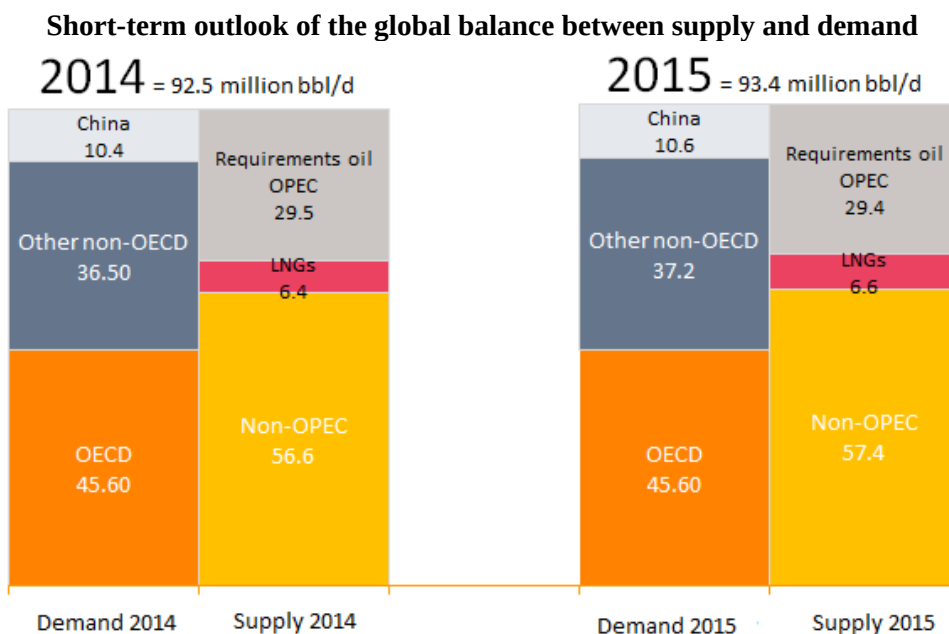
Source: IMF (World Economic Outlook Oct. 2014 and Update January 2015) and Repsol Technical Secretariat Dept.

*These figures were not updated by the IMF in the update of the WEO for January 2015

Energy sector outlook

In the short term, according to the International Energy Agency (IEA), the oil supply-demand balance will be determined by a new anticipated rise in production from non-OPEC countries in 2015 approaching 800 thousand barrels per day, of which more than 90% will come from the United States.

Meanwhile, increased demand will continue to be driven by non-OECD countries, reaching an expected 900 thousand barrels per day in 2015. This outlook implies an increase of 100 thousand barrels per day for OPEC crude oil needs and changes in inventories for 2015, which between 2013 and 2014 decreased by 1.4 million barrels, pushing down prices.

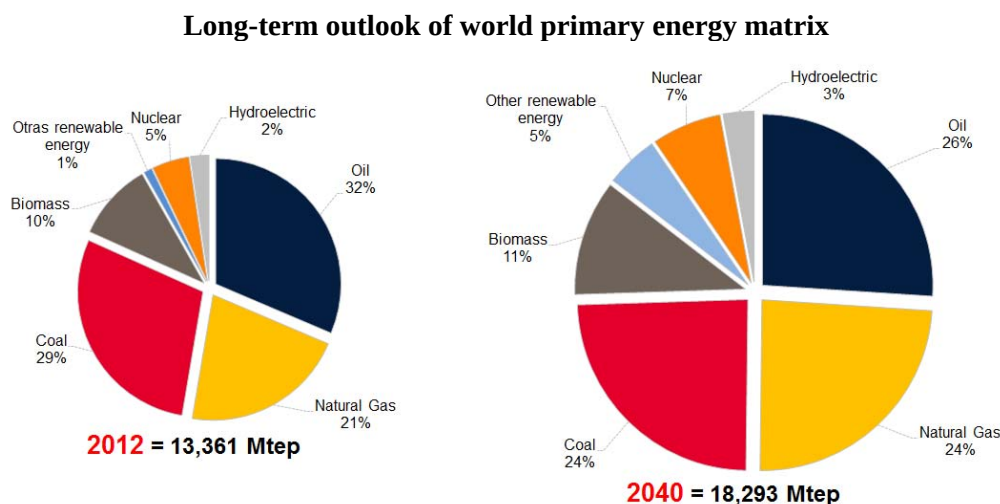


Source: IEA and Repsol Technical Secretariat Dept.

With regard to the evolution of prices in the short term, market consensus points to a significant recovery from the levels reached at the end of 2014, with forecasts often exceeding 80 dollars per barrel during 2016. The main source of uncertainty is the time it will take for the supply and demand adjustment mechanisms to reflect its effects on the price. According to past experience, in a context of low prices clear consumption incentives are generated on the demand side, while significant falls in investment on the supply side mark the first step towards a slowdown and subsequent fall in production.

In the longer term, the increase in energy demand put forward by the International Energy Agency (IEA) in the base scenario of its *World Energy Outlook 2014* report, stands at 33% from 2011-2034, equivalent to an average annual growth of 1.13%, with most of this growth, 93%, concentrated in non-OECD countries, owing to their strong economic and population growth.

Fossil fuels will remain the world's main driving force, given that in 2040 these three sources (oil, natural gas and coal) will supply more than three-quarters of the energy demand. Even so, oil will reduce its share, from 32% in 2011 to 26% in 2040.



Source: IEA and Repsol Technical Secretariat Dept

7.2 FUTURE OUTLOOK FOR OUR BUSINESSES

The process for acquisition of 100% of the share capital of the Canadian company Talisman is currently concluding, a transformational and inspirational transaction that will turn Repsol into one of the most important players of the international energy sector and that will make it possible to reinforce its capacity as an integrated energy company, with a solid and competitive project. Once the transaction has culminated, a new strategic plan will be presented, integrating Talisman into Repsol.

With respect to the businesses that currently comprise the Group, progress will continue along the strategic lines established in the 2012-2016 Strategic Plan, focusing on the growth of the *Upstream* business and on the operational excellence of *Downstream*, maintaining competitive remuneration for the shareholder and sound financial ratios.

In the year 2015, in the *Upstream* business and within an unstable environment of oil prices, Repsol continues to wager for profitable and sustainable performance over time. Investment efforts will focus on high value-added projects, whereby 70% of the investments planned for 2015 will be devoted to this area. The investments will concentrate on three projects for the development, drilling and construction of installations, mainly in Brazil, United States, Venezuela, Trinidad, Algeria and Bolivia, as well as on exploratory wells.

The growth commitment of the 2012-2016 Strategic Plan continues to be driven by 10 major projects, which were already in production in 2014, Russia, Lubina-Montanazo, Margarita, Mid-Continent, Sapinhoá, Carabobo and Kinteroni. Cardón IV in Venezuela is estimated to enter operation in 2015, and development of the aforementioned projects will continue, as well as Lapa and Reggane whose placement into operation is scheduled for 2016 and 2017.

In the *Downstream* business the completion of the major Cartagena and Petronor projects, and the operational excellence targets are enabling the Company to overcome the environment of economic crisis in Spain and Europe. The objectives established for next year will be:

- Continuing to improve the competitiveness of the Refining and Chemical facilities, thus leading to continuous improvements in margins.
- Maximising the value of the Marketing business and consolidating a competitive position within the new legal framework in view of the stabilisation in demand for fuel in Spain following six years of constant decline and a slight growth in sales of petrochemical and LPG products.
- Efficiency improvement policy, with a strict containment of costs, barring growth projects.

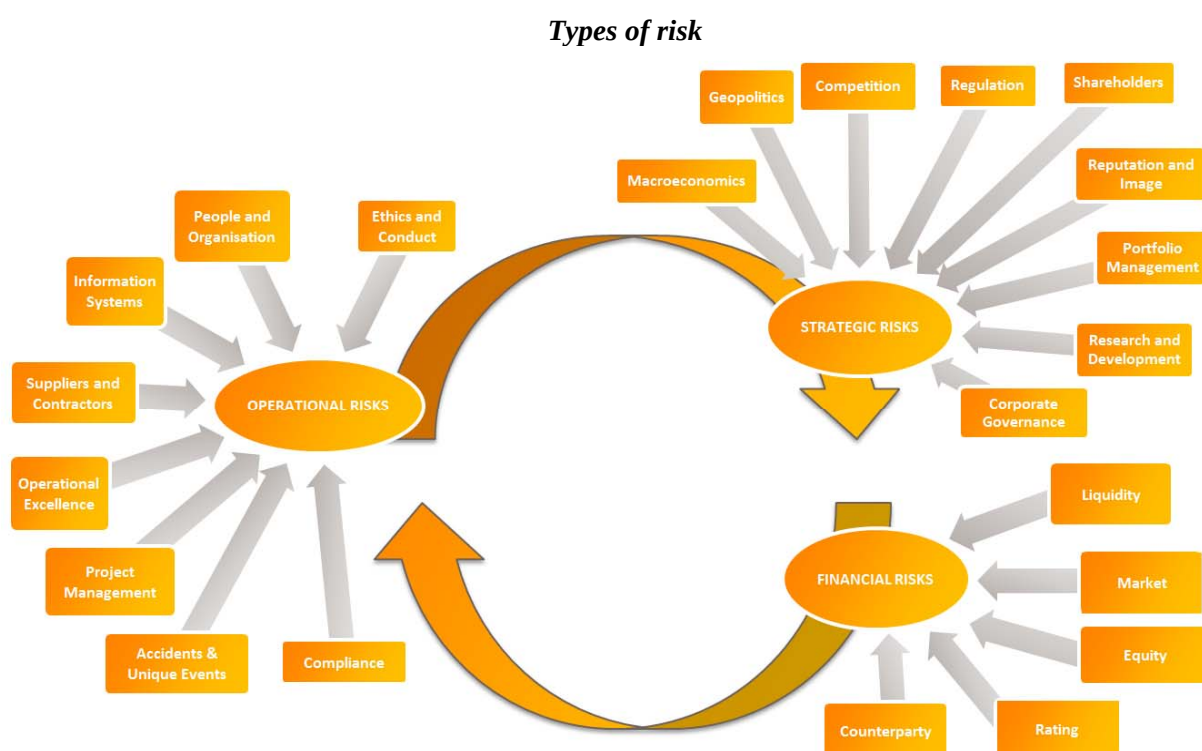
In the forecast environment, the Group will maintain its financial strength to perform the required investments while maintaining its credit rating and shareholders competitive returns.

8. RISK MANAGEMENT

8.1 RISK MANAGEMENT MODEL

The Repsol Group operates in many different countries under multiple conditions and environments, and at all stages of the energy business value chain. Accordingly, it is exposed to risks of different natures (strategic, operational and financial) that may affect the future performance of the organisation and must be mitigated as effectively as possible.

For this reason, the Company has an organisation, procedures and systems that allow it to reasonably manage the risks to which the group is exposed. Risk management is an integral part of the Group's decision-making processes, both in the field of the corporate governance bodies and in business management.



Additionally, in 2013 Repsol decided to move towards an integrated management model in order to globally anticipate, manage and control risks. To do this, the Risk Department within the Strategy, Control and Resources Department has the mission of coordinating and promoting the existing risk management system, giving it a more comprehensive focus, through the implementation of Repsol's Integrated Risk Management System ("*Sistema de Gestión Integrado de Riesgos de Repsol – SGIR*").

Repsol's commitment to implementing the SGIR is reflected in its Risk Management Policy and its principles are specified in the new Integrated Risk Management Standard approved by the Company's Board of Directors. This new management model is based on the ISO31000 international reference standard and the Three Lines of Defence Model.

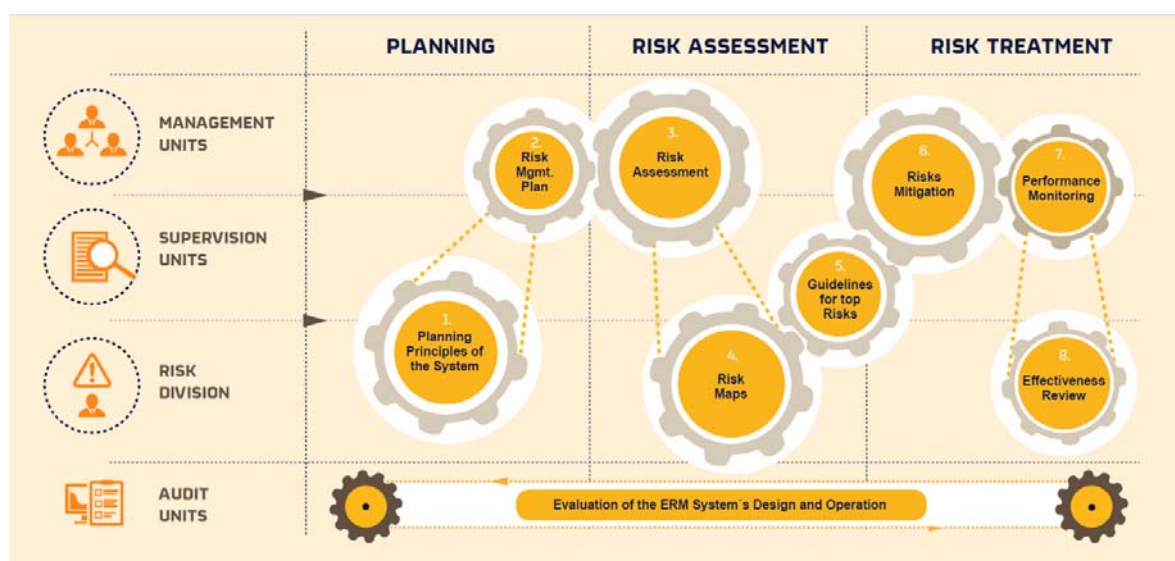
The fundamental pillars of the SGIR are:

- Senior Management Leadership.

- Common risk management model that is built into all of the management processes and activities of the company, and which ensure that all risks are managed according to a common process for identification, assessment, and treatment.
- Businesses and Corporate areas play a role in the implementation of the model, becoming units with different levels of responsibility and specialisation (risk management units, supervisory units, and audit units), as does the Risk Department, which will coordinate and provide governance for the integrated management system.

Repsol's Senior Management sees the SGIR not only as tool to define corporate strategy, but also to improve operations and approach critical situations with flexibility while coming out stronger.

Repsol's Integrated Risk Management System – (SGIR)



For further information on risk management see section 6.2 “*Safety and Environment Risk Management*” and 6.3 “*Management of fiscal risk*”.

8.2 RISK FACTORS

Repsol’s operations and results are subject to risks as a consequence of changes in the competitive, economic, political, legal, regulatory, social, industrial, business and financial conditions, such as those listed below.

STRATEGIC AND OPERATIONAL RISK

Uncertainty in the current economic context

Global economic growth is still weak and more fragile than expected, although the latest IMF⁽¹⁾ forecasts estimate an expected global growth of around 3.3% in 2014 and 3.5% in 2015. Nonetheless, concerns about persistent low and uneven growth have risen over the past six months. Since the summer of 2014, the growth and inflation outlook worsened in the Eurozone, China and Latin America, while it has improved in the United States and the United Kingdom which shows greater dynamism.

⁽¹⁾ Source: World Economic Outlook January 2015.

Due to the differences in the rate of growth it is clear that central banks are in different monetary paths. First, there are those who seek to combat low inflation and stimulate growth by expanding their balance sheets. This is the case of the Bank of Japan and the European Central Bank which has announced the purchase of sovereign and corporate bonds for a total of €60 billion per month to strengthen balance expansion programmes initiated in 2014. Second, the Bank of England and the Federal Reserve have put an end to their expansionary policies, supported by firm macroeconomic data, and are now considering the appropriate moment to start raising interest rates. The timing of the Federal Reserve interest rate decision is perceived by the market as a key issue for global risk. For the time being, the increase in global risk perceptions has diminished after the last Federal Open Market Committee (“FOMC”)⁽¹⁾ of the United States made it clear that they will be “patient” as regards increasing interest rates. This action is thought to guarantee a non-contractionary monetary policy at least for the first half of 2015, leading to a reduction in current and expected volatility.

Against this background, the significant decline in oil prices has changed the outlook for growth and inflation. On the one hand, certain oil exporting countries are going through a period of low growth and heightened risks of a balance of payment crisis, including Russia, among others. On the other hand, importing countries are expected to grow more than previously forecast due to the income transfer from oil exporters. Furthermore, emerging countries are believed to benefit more than advanced countries due to their high energy intensity. The IMF’s viewpoint is that a fall in the oil price by \$30 per barrel will translate into a 0.8% growth in the global economy in 2015. However, some experts argue that such a positive effect will not be felt due to the low levels of interest rates and the decrease of the inflationary pressures in most countries.

Geopolitical risks remain latent in Ukraine and the Middle East, with the former being more relevant to the markets. Geopolitical developments could impact markets through an increase in volatility and adjustments in asset prices. Finally, the economic-financial situation could have a negative impact on third parties with whom Repsol does or could do business. Any of the factors described above, whether in isolation or in combination with each other, could have an adverse effect on the financial position, businesses, or results of operations of Repsol.

Fluctuations in international prices and demand of crude oil and reference products owing to factors beyond Repsol’s control

World oil prices have fluctuated widely over the last ten years and are driven by international supply and demand factors over which Repsol has no control.

International product prices are influenced by the price of oil and the demand for products. Therefore, international prices of crude oil and products affect the refining margin. International oil prices and demand for crude oil may also fluctuate significantly during economic cycles.

Reductions in oil prices negatively affect Repsol’s profitability, the value of its assets and its plans for capital investment. Likewise, any significant drop in capital investment could have an adverse effect on Repsol’s ability to replace its crude oil reserves.

Regulatory and tax framework of Repsol’s operations

The oil industry is subject to extensive regulation and intervention by governments in matters such as the award of exploration and production permits, the imposition of specific drilling and exploration obligations, restrictions on production, price controls, divestments of assets, foreign currency controls, and the nationalisation, expropriation or cancellation of contractual rights.

Likewise, oil refining and petrochemical activities, in general, are subject to extensive government regulation and intervention in matters such as safety and environmental controls.

⁽¹⁾ Federal Reserve Agency responsible for establishing monetary policy and supervising of open market operations.

Finally, the energy sector, particularly the oil industry, is subject to particular taxation. In *Upstream* activities there are often energy taxes on profit and production, while in *Downstream* activities taxes on consumption products are common.

Repsol cannot predict changes to such laws or regulations or their interpretation, or the implementation of certain policies. Any such changes could have an adverse impact on the business, financial position and results of operations of the Repsol Group.

Repsol is subject to extensive environmental and safety legislations and risks

Repsol is subject to extensive environmental and safety legislations and regulations in all the countries in which it operates, which regulate, among other matters affecting Repsol's operations, environmental quality standards for products, air emissions and climate change, energy efficiency, water discharges, remediation of soil and groundwater and the generation, storage, transportation, treatment and final disposal of waste materials and safety.

In particular, and due to concerns over the risk of climate change, a number of countries have adopted, or are looking into adopting, new regulatory requirements to reduce greenhouse gas emissions, such as carbon taxes, increasing efficiency standards, or adopting emissions trading schemes. These requirements could make Repsol's products more expensive as well as shift hydrocarbon demand toward relatively lower-carbon sources, such as renewable energies. In addition, compliance with greenhouse gas regulations may also require Repsol to upgrade its facilities, monitor or sequester emissions or take other actions that may increase the cost of compliance.

These requirements have had, and will continue to have, an impact on Repsol's business, financial position and results of operations.

Operating risks related to exploration and exploitation of oil and gas, and reliance on the cost-effective acquisition or discovery of, and, thereafter, development of, new oil and gas reserves

Oil and gas exploration and production activities are subject to particular risks, some of which are beyond the control of Repsol. These activities are exposed to production, equipment and transportation risks, errors or inefficiencies in operations management and purchasing processes, natural hazards and other uncertainties relating to the physical characteristics of oil and natural gas fields. In addition to this, some of the Group's development projects are located in deep waters and other difficult environments, such as the Gulf of Mexico, Alaska, Brazil and the Amazon rainforest, or in complex oilfields, which could aggravate these risks further. Also, the transportation of oil products, by any means, always has inherent risks: during road, rail or sea transport, or by pipeline, oil and other hazardous substances could leak. This is a significant risk due to the potential impact a spill could have on the environment and on people, especially considering the high volume of products that can be carried at any one time. Should these risks materialise, Repsol may suffer major losses, interruptions to its operations and harm to its reputation.

Moreover, Repsol must replace depleted oil and gas reserves with new proven reserves enabling subsequent production to be economically viable. Repsol's ability to acquire or discover new reserves is, however, subject to a number of risks. For example, drilling may involve negative results, not only with respect to dry wells, but also with respect to wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs are taken into account. In addition, Repsol generally faces intense competition in bidding for exploratory blocks, in particular those blocks offering the most attractive potential reserves. Such competition may result in Repsol's failing to obtain the desirable blocks, or acquiring them at a higher price, which could render subsequent production economically unviable.

If Repsol fails to acquire or discover, and, thereafter, develop new oil and gas reserves in a cost-effective manner, or if any of the aforementioned risks were to materialise, its business, financial position and results of operations could be adversely affected.

Location of reserves

Part of the oil and gas reserves of Repsol is located in countries that are or could be economically or politically unstable.

Reserves in these areas as well as related production operations may be exposed to risks, including increases in taxes and royalties, the establishment of limits on production and export volumes, the compulsory renegotiation or cancellation of contracts, the nationalisation or denationalisation of assets, changes in local government regimes and policies, changes in business customs and practices, payment delays, currency exchange restrictions and losses and impairment of operations due to the actions of insurgent groups. In addition, political changes may lead to changes in the business environment. Economic downturns, political instability or civil disturbances may disrupt the supply chain or limit sales in the markets affected by such events.

If any of the aforementioned risks were to materialise, it could have an adverse impact on Repsol's business, financial position and results of operations.

Oil and gas reserves estimation

In estimating proven oil and gas reserves, Repsol relies on the guidelines and the conceptual framework of the Securities and Exchange Commission's (SEC) definition of proven reserves and on the criteria established by the Petroleum Reserves Management System of the Society of Petroleum Engineers ("PRMS-SPE"). In the estimation of non-proven oil and gas reserves, Repsol relies on the criteria and the guidelines established by the PRMS-SPE.

The accuracy of these estimates depends on a number of different factors, assumptions and variables, such as exploration and development activities including drilling, testing and production. After the date of the estimate, the results of activities may entail substantial upward or downward corrections in the estimate based on the quality of available geological, technical and economic data used and its interpretation and valuation. Moreover the production performance of reservoirs and recovery rates, depend significantly on available technologies as well as Repsol's ability to implement them.

As a result of the foregoing, measures of reserves are not precise and are subject to revision. Any downward revision in estimated quantities of proven reserves could adversely impact the results of operations of the Repsol Group, leading to increased depreciation, depletion and amortisation charges and/or impairment charges, which would reduce net income and shareholders' equity.

Projects and operations carried out through joint ventures and partnerships

Many of the Repsol Group's projects and operations are conducted through joint ventures and partnerships. If Repsol does not act as the operator on those projects or operations, its ability to control and influence the performance and management of the operations and to identify and manage risk is limited. Additionally, there is a possibility that if any of Repsol's partners or members of a joint venture or associated company fails to comply with their financial obligations or incur any another breach, that could affect the viability of the whole project.

Repsol may engage in acquisitions, investments and disposals as part of its strategy

As part of Repsol's strategy, Repsol may engage in acquisitions, investments and disposals of interests. There can be no assurance that Repsol will identify suitable acquisition opportunities, obtain the financing

necessary to complete and support such acquisitions or investments, acquire businesses on satisfactory terms, or that any acquired business will prove to be profitable. In addition, acquisitions and investments involve a number of risks, including possible adverse effects on Repsol's operating results, risks associated with unanticipated events or liabilities relating to the acquired assets or businesses which may not have been disclosed during due diligence investigations, difficulties in the assimilation of the acquired operations, technologies, systems, services and products, and risks arising from provisions in contracts that are triggered by a change of control of an acquired company.

Any failure to successfully integrate such acquisitions could have a material adverse effect upon the business, results of operations or financial condition of Repsol. Any disposal of interest may also adversely affect Repsol's financial condition, if such disposal results in a loss to Repsol.

Repsol's current insurance coverage may not be sufficient for all the operational risks

Repsol holds insurance coverage against certain risks inherent in the oil and gas industry in line with industry practice. Insurance coverage is subject to deductibles and limits that in certain cases may be materially exceeded by the losses and/or liabilities incurred. In addition, Repsol's insurance policies contain exclusions that could leave the Group with limited coverage in certain circumstances or even indemnities cannot be totally or partially recovered in case of insolvency of the insurers. Furthermore, Repsol may not be able to maintain adequate insurance at rates or on terms considered reasonable or acceptable to Repsol, or be able to obtain insurance against certain risks that could materialise in the future. If Repsol were to experience an incident against which it is not insured, or the costs of which materially exceed its coverage, it could have an adverse effect on its business, financial position and results of operations.

Repsol's natural gas operations are subject to particular operational and market risks

Natural gas prices tend to vary between the different regions in which Repsol operates as a result of significantly different supply, demand and regulatory circumstances, and such prices may be lower than prevailing prices in other regions of the world. In addition, excess supply conditions that exist in some regions cannot be utilised in other regions due to a lack of infrastructure and difficulties in transporting natural gas.

In addition, Repsol has entered into long-term contracts to purchase and supply natural gas in various parts of the world. These contracts have different price formulas, which could result in higher purchase prices than the price at which such gas could be sold in increasingly liberalised markets. Furthermore, gas availability could be subject to the risk of counterparties breaching their contractual obligations. Thus, it might be necessary to look for other sources of natural gas in the event of non-delivery from any of these sources, which could require payment of higher prices than those envisaged under the breached contracts.

Repsol also has long-term contracts to sell and deliver gas to customers, which present additional types of risks to the Group as they are pegged to existing proven reserves in these countries. Should available reserves in these countries prove insufficient, Repsol might not be able to satisfy its obligations under these contracts, some of which include penalty clauses for breach of contract.

The occurrence of any of these risks would have an adverse impact on the business, financial condition and results of operations of the Repsol Group.

Cyclical nature of the petrochemical activity

The petrochemicals industry is subject to wide fluctuations in supply and demand, reflecting the cyclical nature of the chemicals market on a regional and global scale. These fluctuations affect the prices and profitability of petrochemicals companies, including Repsol. Repsol's petrochemicals business is also subject to extensive governmental regulation and intervention in matters such as safety and environmental

controls. Any such fluctuations or changes in regulation could have an adverse effect on the business, financial position and results of operations of the Repsol Group.

Repsol Group's strategy requires efficiency and innovation in a highly competitive market

The oil, gas and petrochemical industry operates in the context of a highly competitive energy sector. This competition influences the conditions for accessing markets or following new business leads, the costs of licenses and the pricing and marketing of products, requiring the Group's attention and continuous efforts towards improving efficiency and reducing unit costs, without compromising operational safety or undermining the management of other strategic, operational and financial risks.

The implementation of the Group's strategy requires a significant ability to anticipate and adapt to the market and continuous investment in technological advances and innovation.

The Repsol Group is subject to the effects of administrative, judicial and arbitration proceedings

The Repsol Group is subject to the effects of administrative, judicial and arbitration proceedings arising in the ordinary course of business. Repsol could become involved in other possible future lawsuits in relation to which it is unable to predict the scope, subject-matter or outcome. Any current or future dispute inevitably involves a high degree of uncertainty and any adverse outcome could adversely affect the business, financial position and results of operations of the Repsol Group.

Misconduct or violations of applicable legislation by our employees can damage the reputation of the Repsol Group

Repsol's Ethics and Conduct Regulations, which are mandatory for all Group employees regardless of their geographic location, area of activity or professional level, establish the overall guidelines for the conduct of the Group and all its employees in performing their duties and in their commercial and professional relationships, in line with the principles of corporate loyalty, good faith, integrity and respect for the law and the ethical values defined by the Group. The different compliance and control models of the Group include controls aimed at preventing, detecting and mitigating relevant compliance aspects of the Ethics and Conduct Regulations. The occurrence of any management misconduct or breach of any applicable legislation could cause harm to the Group's reputation, in addition to incurring sanctions and legal liability.

Information technology and its reliability and robustness are a key factor in maintaining our operations

The reliability and security of the Group's information technology (IT) systems are critical to maintaining the availability of its business processes and the confidentiality and integrity of the data belonging to the Group and third parties. Given that cyber-attacks are constantly increasing, the Repsol Group cannot guarantee that it will not suffer economic or/and material losses in the future as a result of such attacks.

FINANCIAL RISKS

Repsol has in place a risk management structure and systems that enable it to identify, measure and control the risks to which the Group is exposed. Note 19 "*Financial risk and capital management*" in the Group's audited Consolidated Annual Accounts analyzes the exposure to those risks and measures the impact they may have on the financial statements.

The main financial risks are described below:

Liquidity risk

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

In the case that Repsol were unable to meet its needs for liquidity in the future or needed to be required to incur increased costs to meet them, this could have an adverse effect on the business, financial position and results of operations of the Repsol Group.

Credit risk

Credit risk is the risk of a third party failing to carry out its contractual obligations resulting in a cost or loss to the Group.

The exposure of the Group to credit risk is mainly attributable to commercial debts from trading transactions, which are measured and controlled in relation to customers or individual third parties, and whose amounts are reflected in the balance sheet net of allowances for impairment provisions. To this end, the Group has, in line with best practices, its own systems for the permanent credit evaluation of all its debtors and the determination of risk limits with respect to third parties.

As a general rule, the Group establishes a bank guarantee issued by financial entities as the most suitable instrument of protection from credit risk. In some cases, the Group has taken out credit insurance policies to transfer partially the credit risk related to the commercial activity of some of its businesses to third parties. Additionally, the Group is exposed to counterparty risk derived from non-commercial contractual transactions that may lead to defaults. In these cases, the Group analyzes the solvency of counterparties with which the Group has or may have non-commercial contractual transactions. Any breach of payment obligations by Repsol's customers and counterparties, in the agreed time frame and form, could result in an adverse effect on Repsol's business, results or financial position.

Market risks

Exchange rate fluctuation risk: Fluctuations in exchange rates may adversely affect the results of transactions and the value of Repsol's equity.

In general, this exposure to fluctuations in currency exchange rates stems from the fact that the Group has assets, liabilities and cash flows denominated in a currency other than the functional currency of the Repsol Group, being of particular importance:

- Cash flows generated by oil, natural gas and refined product sales are generally denominated in United States dollars or are otherwise affected by dollar exchange rates.
- Value of the Repsol's financial assets and investments, predominantly those denominated in United States dollars.

In addition, it should be taken into consideration that:

- Cash flows from transactions carried out in the countries where Repsol conducts its activities are exposed to fluctuations in currency exchange rates of the respective local currencies against the major currencies in which the raw materials used as reference for the fixing of prices in the local currency are traded.
- Repsol's financial statements are expressed in euros and, consequently, the assets and liabilities of subsidiary investee companies with a different functional currency are translated into euros.

In order to mitigate this risk, and when considered appropriate, Repsol performs investing and financing transactions, using the currency for which risk exposures have been identified. Repsol can also carry out

hedging transactions by means of financial derivative instruments for currencies that have a liquid market, with reasonable transaction costs.

Note 17 “*Financial risk and capital management*” and Note 18 “*Derivative transactions*” in the Group’s audited Consolidated Annual Accounts for the financial year ended December 31, 2014 include additional details on the financial risks to which the Repsol Group is exposed.

Commodity price risk: In the normal course of operations and trading activities, the earnings of the Repsol Group are exposed to volatility in the price of oil, natural gas, and related derivative products (see the risk factors titled “*Fluctuations in crude oil and reference products international prices and demand owing to factors beyond Repsol’s control*” and “*Repsol’s natural gas operations are subject to particular operational and market risks*” above). Note 18 “*Derivative transactions*” in the Group’s audited consolidated financial statements for the financial year ended December 31, 2014 include additional details on the financial risks to which the Repsol Group is exposed.

Interest rate risk: The market value of the Group’s net financing and net interest expenses could be affected as a consequence of interest rate fluctuations which could affect the interest income and interest cost of financial assets and liabilities tied to floating interest rates, as well as the fair value of financial assets and liabilities tied to a fixed interest rate.

Although, when considered appropriate, Repsol may decide to hedge the interest rate risk by means of derivative financial instruments for which there is a liquid market, these hedging mechanisms are limited and, therefore, could be insufficient. Consequently, changes in interest rates could have an adverse effect on the Repsol Group’s business, results and financial position.

Note 17 “*Financial risk and capital management*” and Note 18 “*Derivative transactions*” in the Group’s audited consolidated financial statements for the financial year ended 31 December 2014 include additional details on the financial risks to which the Repsol Group is exposed.

Credit rating risk: Credit ratings affect the pricing and other conditions under which the Repsol Group is able to obtain financing. Any downgrade in the credit rating of Repsol, S.A. could restrict or limit the Group’s access to the financial markets, increase its new borrowing costs and have a negative effect on its liquidity.

See credit rating table in section 4 “*Financial Overview*” in this document.

ABOUT THIS REPORT

Users of this report should be aware that the forward-looking information contained in this document reflects the plans, forecasts or estimates of the Group's managers, which are based on assumptions that are considered reasonable, and that cannot be considered as a guarantee of the entity's future performance, in the sense that such plans, forecasts or estimates are subject to numerous risks and uncertainties, meaning that the future development of the Group will not necessarily coincide with what was initially planned. Such risks and main uncertainties are described in section 2.6 "*Risk Management*".

For the preparation of this report consideration was given to the recommendations contained in the "*Guidelines for the preparation of listed company Management Reports*" by the National Commission on Markets and Competition (Comisión Nacional del Mercado de Valores – CNMV) published in 2013.

APPENDIX I: RECONCILIATION OF ADJUSTED RESULTS WITH IFRS-EU RESULTS

Millions of euros	DECEMBER 2014					
	ADJUSTMENTS					IFRS-EU RESULTS
	Adjusted Result	Joint arrangements reclassification	Non-recurring items	Inventory Effect	Total adjustments	
Operating Income	2,421	(733)	(663)	(947)	(2,343)	78
Financial Result	(273)	(50)	475	-	425	152
Income from equity affiliates	467	376	49	-	425	892
Net Income before tax	2,615	(407)	(139)	(947)	(1,493)	1,122
Income tax	(886)	407	52	281	740	(146)
Net income from continuing operations	1,729	-	(87)	(666)	(753)	976
Income attributed to minority interests	(22)	-	1	60	61	39
Net income from continuing operations attributable to the parent	1,707	-	(86)	(606)	(692)	1,015
Income from discontinued operations						597
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT	1,707	-	(86)	(606)	(692)	1,612

Millions of euros	DECEMBER 2013					
	ADJUSTMENTS					IFRS-EU RESULTS
	Adjusted Result	Joint arrangements reclassification	Non-recurring items	Inventory Effect	Total adjustments	
Operating Income	2,170	(722)	(205)	(283)	(1,210)	960
Financial Result	(476)	21	(27)	-	(6)	(482)
Income from equity affiliates	505	325	(26)	-	299	804
Net Income before tax	2,199	(376)	(258)	(283)	(917)	1,282
Income tax	(872)	376	(19)	84	441	(431)
Net income from continuing operations	1,327	-	(277)	(199)	(476)	851
Income attributed to minority interests	16	-	-	12	12	28
Net income from continuing operations attributable to the parent	1,343	-	(277)	(187)	(464)	879
Income from discontinued operations						(684)
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT	1,343	-	(277)	(187)	(464)	195

APPENDIX II: RECONCILIATION OF OTHER ECONOMIC DATA WITH IFRS ADOPTED BY THE EUROPEAN UNION

NET FINANCIAL DEBT (Millions of euros)	Net financial debt of arrangement ventures	Join Arrangement reclassification ⁽¹⁾	Net financial debt according to financial statements
Non-current financial instruments (assets)	284	248	532
Other current financial assets	1,708	805	2,513
Cash and cash equivalents	5,027	(389)	4,638
Non-current financial liabilities	(7,613)	1	(7,612)
Current financial liabilities	(1,532)	(2,554)	(4,086)
Net mark-to-market valuation of financial derivatives (excluding exchange rate) ⁽²⁾	191	-	191
TOTAL	(1,935)	(1,889)	(3,824)

⁽¹⁾ Mainly corresponding to the financing contributed by Repsol Sinopec Brasil which is detailed in the following captions: "Cash and cash equivalents" amounting to €15 million; "Current financial liabilities" for intragroup loans amounting to €2,535 million; and €37 million in loans with third parties.

⁽²⁾ This caption does not consider net market value of financial derivatives other than exchange rate ones

OTHER ECONOMIC DATA AT DECEMBER 31, 2014 (Millions of euros)	According to net debt evolution	Joint Arrangement adjustments ⁽²⁾	Financial Investments / Divestments	According to Cash Flow Statements
EBITDA	3,800	(1,268)	-	2,532
Investments	(3,729)	1,052	(1,523)	(4,200)
Divestments ⁽¹⁾	4,811	(19)	-	4,792

⁽¹⁾ Includes €219 million corresponding to divestments and €4,592 million corresponding to the effects associated to the monetization of the bonds related to the agreement over the expropriation of YPF and the sale of the non-expropriated YPF shares (included in "Effects associated with the expropriation of YPF" in the Net debt evolution graph of the caption "Financial Overview" in Note 4).

⁽²⁾ Includes the Repsol Group Sinopec Brasil (RSB) participation, €242 million corresponding to EBITDA, €430 million corresponding to Investments and €2 million corresponding to Divestments.

APPENDIX III: CONVERSION TABLE AND GLOSSARY

			OIL				GAS		ELECTRICITY
			Litres	Barrels	Cubic metres	toe	Cubic metres	Cubic feet	kWh
OIL	1 barrel ⁽¹⁾	bbl	158.99	1	0.16	0.14	162.60	5,615	1.7x10 ⁶
	1 cubic metre ⁽¹⁾	m ³	1,000	6.29	1	0.86	1,033	36,481	10,691.5
	1 ton of oil equivalent ⁽¹⁾	toe	1,160.49	7.30	1.16	1	1,187	41,911	12,407.4
GAS	1 cubic metre	m ³	0.98	0.01	0.001	0.001	1	35.32	10.35
	1,000 cubic feet=1.04x10 ⁶ Btu	ft ³	27.64	0.18	0.03	0.02	28.3	1,000	293.1
	1 megawatt hour	MWh	93.53	0.59	0.10	0.08	96.62	3,412.14	1,000

⁽¹⁾ Reference measurement: 32.35 °API and relative density 0.8636

			Metre	Inch	Foot	Yard
LENGTH	metre	m	1	39.37	3.281	1.093
	inch	in	0.025	1	0.083	0.028
	foot	ft	0.305	12	1	0.333
	yard	yd	0.914	36	3	1
			Kilogram	Pound	Ton	
MASS	kilogram	kg	1	2.2046	0.001	
	pound	lb	0.45	1	0.00045	
	ton	t	1,000	22.046	1	
			Cubic feet	Barrel	Litre	Cubic Metres
VOLUME	cubic foot	ft ³	1	0.1781	28.32	0.0283
	barrel	bbl	5,615	1	158.984	0.1590
	litre	l	0.0353	0.0063	1	0.001
	cubic metre	m ³	35.3147	6.2898	1,000	1

Term	Description	Term	Description	Term	Description
bbl / bbl/d	Barrel/ Barrel per day	kbbl	Thousand barrels of oil	Mm³/d	Million cubic metres per day
bcf	Billion cubic feet	kbbl/d	Thousand barrels of oil per day	Mscf/d	Million standard cubic feet per day
bcm	Billion cubic meters	Kboe	Thousand barrels of oil equivalent	kscf/d	Thousand standard cubic feet per day
boe	Barrels of oil equivalent	kboe/d	Thousand barrels of oil equivalent per day	MWe	Million electric watts
Btu/MBtu/mmBtu	British thermal unit/ Thousand Btu/million Btu	km²	Square kilometre	MWh	Million watts per hour
LPG	Liquefied Petroleum Gas	Kt/Mt	Thousand tons/Million tons	TCF	Trillion cubic feet
LNG	Liquefied Natural Gas	Mbbl	Million barrels	toe	Ton of oil equivalent
Gwh	Gigawatts per hour	Mboe	Million barrels of oil equivalent	USD / Dólar	US dollar

APPENDIX IV: ANNUAL CORPORATE GOVERNANCE REPORT

It is included as Appendix to this document, and is part of the whole document, the Annual Corporate Governance Report for 2014, as it is required by Article 538 to the Spanish Companies Act ("*Ley de Sociedades de Capital*").

ANNUAL CORPORATE GOVERNANCE REPORT

LISTED COMPANIES

DETAILS OF ISSUER

DATED END OF YEAR

2014

TAX REGISTRATION NUMBER: A78374725

Name: REPSOL, S.A.

Registered office: C/ Méndez Álvaro, 44 28045 Madrid

**ANNUAL CORPORATE GOVERNANCE REPORT
LISTED COMPANIES**

Read the instructions at the end of this report to correctly understand and complete the form.

A OWNERSHIP STRUCTURE

A.1 Complete the following table on the capital of the company:

Date latest modification	Capital (€)	Number of shares	Number of voting rights
07-07-2014	1,350,272,389	1,350,272,389	1,350,272,389

Indicate whether there are different classes of shares with different associated rights:

Yes ☐ No ☒

A.2 Give details on the direct and indirect holders of significant interests in your company at year-end, excluding directors:

Name of shareholder	Number of direct voting rights	Indirect voting rights		Interest / total voting rights (%)
		Direct holder of the interest	Number of voting rights	
Sacyr , S.A.	0	Sacyr Participaciones Mobiliarias, S.L.	122,208,433	9.05
Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona	0	CaixaBank,S.A.	160.675.452	11,899
Temasek Holdings (Private) Limited	0	Chembra Investments Pte. Ltd	82,949,191	6.37
Blackrock, Inc.	0	Subsidiaries Blackrock	49,939,119	3.091

Indicate the principal movements in the shareholding structure during the year:

Name of shareholder	Date of transaction	Description of the transaction
Blackrock, Inc	14/04/2014	Interest raised to over 3% of the capital
Blackrock, Inc	30/05/2014	Interest lowered to below 3% of capital
Blackrock, Inc	20/06/2014	Interest raised to over 3% of the capital
Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona	14/10/2014	Interest raised to over 10% of the capital
HSBC Holdings, PLC	29/05/2014	Interest raised to over 5% of the capital
HSBC Holdings, PLC	03/06/2014	Interest lowered to below 3% of capital
JP Morgan Chase & Co.	06/06/2014	Interest raised to over 3% of the capital
JP Morgan Chase & Co.	12/06/2014	Interest lowered to below 3% of capital
Petróleos Mexicanos	04/06/2014	Interest lowered to below 3% of capital

A.3 Complete the following tables on directors' voting rights corresponding to shares in the company:

Name of director	Number of direct voting rights	Indirect voting rights		Interest / total voting rights (%)
		Direct holder of the interest	Number of voting rights	
Antonio Brufau Niubó	330,155	M ^a Isabel López-Marín Pérez	924	0.025
Isidro Fainé Casas	280	-	-	0.000
Manuel Manrique Cecilia	113	Cymofag, S.L.U.	987	0.000
Josu Jon Imaz	34,773	-	-	0.000
Artur Carulla Font	57,914	-	-	0.004
Luis Carlos Croissier Batista	1,395	Affidavit Imagen y Comunicación, S.L.	571	0.000

Rene Dahan	10,810	-	-	0.001
Ángel Durández Adeva	6,744	-	-	0.000
Javier Echenique Landiribar	0	Bilbao Orvieto, S.L.	20,025	0.001
Mario Fernández Pelaz	4,657	-	-	0.000
María Isabel Gabarró Miquel	9,745	Francisco Miró-Sans Balcells	1,451	0.001
		Amtrak, S.L.	3,103	
José Manuel Loureda Mantiñán	61	Prilou, S.L.	31,673	0.002
Juan María Nin Génova	280	0		0.000
Henri Philippe Reichstul	50	0		0.000
Luis Suárez de Lezo Mantilla	30,282	0		0.002

Total % of voting rights held by board members	0.04
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Complete the following tables on directors with stock options in the company:

Name or corporate name of the director	Number of direct stock options	Indirect options		Equivalent number of shares	% of total stock options
		Direct holder	Number of options		

A.4 Indicate family, commercial, contractual or corporate relationships among controlling shareholders known to the company, if any, except any that are insignificant and those deriving from ordinary commercial business:

Name of related parties	Type of relationship	Brief description

A.5 Indicate commercial, contractual or corporate relationships between controlling shareholders and the company and/or its group, if any, except any that are insignificant and those deriving from ordinary commercial business:

Name of related parties	Type of relationship	Brief description
Caja de Ahorros y Pensiones de Barcelona	Corporate	Repsol and Fundació Bancaria Caixa d'Estalvis i Pensions de Barcelona (controlling shareholder of Caixaholding Bank, S.A.U. and CaixaBank, S.A.) participate in Gas Natural SDG, S.A., which has as business purpose, among other activities, supply, production, piping and distribution of any type of combustible gas. Repsol and Fundació Bancaria Caixa d'Estalvis i Pensions de Barcelona have also signed an agreement in relation to Gas Natural SDG, S.A., considered by both entities as a concerted action of which the Comisión Nacional del Mercado de Valores (CNMV) has been duly notified.

A.6 State whether the company has been notified of any shareholders' agreements that may affect it pursuant to the Companies Act articles 530 and 531. If any, describe them briefly and list the shareholders related by the agreement:

Yes ☐ No ☒

Parties to shareholders' agreement	% of capital affected	Brief description of agreement

Indicate and describe any concerted actions among company shareholders of which the company is aware:

Yes ☐ No ☒

Parties to concerted action	% of capital affected	Brief description of arrangement

Expressly indicate any change or break-up of those agreements or concerted actions, if any, that has taken place during the year:

A.7 Indicate any individuals or entities that exercise or may exercise control over the company in pursuance of section 4 of the Securities Market Act:

Yes ☐ No ☒

Name

Comments

A.8 Complete the following tables on the company's treasury stock:

At year-end:

Number of direct shares	Number of indirect shares (*)	Treasury stock/capital (%)
8,191	7,681,180	0.56

(*) Through:

Name of direct holder of the shares	Number of direct shares
Repsol Tesorería y Gestión Financiera, S.A.	7,681,180
Total:	7,681,180

Give details on any significant variations during the year, according to the provisions of Royal Decree 1362/2007:

Date of communication	Total direct shares acquired	Total indirect shares acquired	% of capital

A.9. Indicate the term and conditions of the authorisation granted by the General Meeting to the Board to issue, buy back or sell own shares.

The Annual General Meeting of Shareholders of Repsol, S.A. held on first call on March 28, 2014, adopted the following resolution under item twenty on the Agenda:

"First. To authorize the Board of Directors for the derivative acquisition of shares of Repsol, S.A., by sale, purchase, exchange or any other onerous legal business modality, directly or through subsidiaries, up to a maximum number of shares, that added to those already own by Repsol, S.A. and its subsidiaries, not exceeding 10% of the share capital and for a price or equivalent value that may not be lower than the nominal value of the shares nor exceed the quoted price on the stock market.

The authorization includes the acquisition of shares that, if any, may be disbursed among the employees and directors of the Company and its Group or used to satisfy the exercise of option rights that such persons may hold.

This authorization, which is subject to the compliance of all other applicable legal requirements, shall be valid for 5 years, counted as from the date of the present General Shareholders Meeting, and leaves without effect the authorization granted by the Ordinary General Shareholders Meeting held on April 30, 2010 under the sixth point on the Agenda.

Second. To authorize the Board of Directors to delegate, pursuant to the provisions of article 249.2 of Companies Act, the delegated powers contemplated in section first of these resolutions.””

A.10 State whether there are any constraints on the transferability of shares and/or any restrictions on voting rights. In particular, indicate the existence of any type of constraint or limitation that may hamper takeover of the company through the acquisition of its shares on the market.

Yes ☒ No ☐

Description of constraints
<p>Article 34 of Royal Decree-Law 6/2000 establishes certain constraints on the exercise of voting rights in more than one principal operator in any one market or sector. Among others, it lists the fuel production and distribution, liquefied petroleum gas production and supply and natural gas production and supply markets. The principal operators are the entities holding the five largest shares of the market in question.</p> <p>These constraints are as follows:</p> <ul style="list-style-type: none">– Individuals or entities directly or indirectly holding more than 3% of the capital or voting rights of two or more principal operators on the same market may not exercise the voting rights corresponding to the excess over that percentage in more than one of such operators.– No principal operator may exercise the voting rights corresponding to an interest of more than 3% in the capital of another principal operator on the same market. <p>These constraints shall not be applicable to parent companies that are principal operators in respect of their subsidiaries that are in the same position, provided this structure is imposed by law or the result of a mere redistribution of securities or assets among group companies.</p> <p>The Comisión Nacional de los Mercados y Competencia, regulator of the energy market, may authorise exercise of the voting rights corresponding to the excess provided this does not favour the exchanging of strategic information or imply any risks of</p>

coordination of their strategic actions.

- A.11** Indicate whether the General Meeting has resolved to apply the breakthrough rule against a takeover bid, under Act 6/2007:

Yes ☐ No ☒

If yes, explain the measures approved and the terms on which the restrictions will become ineffective:

- A.12** State whether the company has issued any shares that are not traded on an EU regulated market:

Yes ☒ No ☐

If yes, indicate the different classes of shares and, for each class, the rights and obligations conferred.

At 31 December 2014, Repsol shares in the form of *American Depositary Shares* (ADSs) are listed on the OTCQX market.

In addition, the shares in Refinería La Pampilla, S.A. are listed on the Lima Stock Exchange.

B

GENERAL MEETING

- B.1** Indicate whether there are any differences between the quorums established for General Meetings and the minimums stipulated in the Companies Act and, if any, explain:

Yes ☐ No ☒

	% quorum differing from that stipulated in the Companies Act article 193 for ordinary resolutions	% quorum differing from that stipulated in the Companies Act article 194 for special resolutions
Quorum required on 1st call		
Quorum required on 2nd call		

Description of the differences

- B.2** Indicate whether there are any differences in respect of the system stipulated in the Companies Act for adopting corporate resolutions and, if any, explain:

Yes ☒ No ☐

What differences exist in respect of the system stipulated in the Companies Act?

	Larger majority than that established in the Companies Act article 201.2 for cases contemplated in article 194.1	Other cases requiring a larger majority
% established by the company for adopting resolutions		75%
Describe the differences		
<p>On both, first and second call the favourable vote of 75% of the voting capital attending the general meeting is required to validly adopt resolutions on the following matters:</p> <ul style="list-style-type: none"> • Alteration of Articles 22A and 44A of the Articles of Association on related party transactions and directors' prohibition from competing, or paragraph I) of Article 15 regarding transactions designed to produce or producing the effect of dividing or liquidating the Upstream and/or Downstream businesses. • Authorisation of related party transactions in the cases contemplated in Article 22A of the Articles of Association. • Releasing of a director from his obligation to not compete, pursuant to Article 44A of the Articles of Association. • The transformation of the Company; • The merger, division and global assignment of assets and liabilities, unless they are operations of the company with other companies in the Group headed by Repsol; • Moving of the registered office abroad; • Any transaction designed to produce or producing the division or liquidation of the Upstream and/or Downstream businesses in the sense of Article 15(I) of the By - Laws. • To amend this special regulation. 		

B.3 Indicate the rules to amend the company's Articles of Association. In particular, indicate the majorities stipulated for amend the Articles of Association and the rules, if any, protecting shareholders' rights in any amendment of the articles.

The Articles of Association of Repsol do not establish different conditions for altering articles of association from those set down in the Companies Act, except as provided in Article 22, which provides that to alter Articles 22A ("Related party transactions"), 44A ("No competition obligation"), paragraph I) of Article 15 and the special rule on alteration of the Articles of Association set out in Article 22, which requires the favourable vote of seventy-five per cent (75%) of the voting capital attending the general meeting on both first and second call.

Article 22 provides that annual and extraordinary general meetings must be attended on first call, in person or by proxy, by shareholders holding at least fifty per cent (50%) of the voting capital in order to adopt valid resolutions to alter the Articles of Association. On second call, the attendance of twenty-five per cent (25%) of that capital will be sufficient.

If a general meeting is attended by less than fifty per cent (50%) of the voting capital, resolutions altering the articles may only be validly adopted with the favourable vote of two-thirds of the capital present or represented at the general meeting.

B.4 Give details of attendance of general meetings held during the year of this report and the previous year:

	Details of Attendance				
Date General Meeting	% in person	% by proxy	% distance voting		Total
			Electronic vote	Others	
31-05-2013	15,33	42,42	0	6,82	64,57
28-03-2014	30.62	31.20	0	2.50	64.31

B.5 Indicate if there are any restrictions established in the articles of association requiring a minimum number of shares to attend general meetings

Yes ☐ No ☒

Number of shares required to attend general meetings	
--	--

B.6 State whether it has been ruled that certain decisions which entail a structural modification of the company (spin-offs, sale and purchase of essential operating assets, transactions equivalent to liquidation of the company...) are to be laid before the general meeting for approval even though this is not expressly required under commercial law.

Yes ☒ No ☐

B.7 Indicate the address and the way to access to the company's website, and where to find information on corporate governance and other information on general meetings that must be made available to shareholders through the company's website.

The contents of corporate governance and other information about the last general meetings are directly accessible through the corporate website of Repsol, S.A., www.repsol.com, in the section "Information for shareholders and investors, Corporate Governance", http://www.repsol.com/es_en/corporacion/accionistas-inversores/gobierno-corporativo/default.aspx.

C MANAGEMENT STRUCTURE OF THE COMPANY

C.1 Board of Directors

C.1.1 State the maximum and minimum numbers of directors stipulated in the articles of association:

Maximum number of directors	16
Minimum number of directors	9

C.1.2 Give details of the board members:

Name of director	Representative	Position on Board	Date first appointment	Date latest appointment	Election procedure
Antonio Brufau Niubó		Chairman	23-07-1996	15-04-2011	Vote at General Meeting
Isidro Fainé Casas		Deputy-Chairman	19-12-2007	31-05-2012	Vote at General Meeting
Manuel Manrique Cecilia		Deputy-Chairman	25-04-2013	31-05-2013	Vote at General Meeting
Josu Jon Imaz		CEO	30-04-2014	30-04-2014	Cooptation
Artur Carulla Font		Member	16-06-2006	28-03-2014	Vote at General Meeting
Luis Carlos Croissier Batista		Member	09-05-2007	15-04-2011	Vote at General Meeting
Rene Dahan		Member	31-05-2013	31-05-2013	Vote at General Meeting
Ángel Durández Adeva		Member	09-05-2007	15-04-2011	Vote at General Meeting
Javier Echenique Landiribar		Member	16-06-2006	28-03-2014	Vote at General Meeting
Mario Fernández Pelaz		Member	15-04-2011	15-04-2011	Vote at General Meeting
María Isabel Gabarró Miquel		Member	14-05-2009	31-05-2013	Vote at General Meeting
José Manuel Loureda Mantiñán		Member	31-01-2007	15-04-2011	Vote at General Meeting
Juan María Nin Génova		Member	19-12-2007	31-05-2012	Vote at General Meeting
Henri Philippe Reichstul		Member	29-12-2005	28-03-2014	Vote at General Meeting
Luis Suárez de Lezo Mantilla		Member & Secretary	02-02-2005	31-05-2013	Vote at General Meeting

Total Number of Directors	15
----------------------------------	----

Indicate any retirements from the board during the reporting period:

Name of director	Type of director at time of retirement	Date of retirement
Paulina Beato Blanco	Independent	30/04/2014
Pemex Internacional España, S.A.	Proprietary	04/06/2014

C.1.3 Complete the following tables on the types of board members:

EXECUTIVE DIRECTORS

Name of Director	Committee that informed on appointment	Position in company's organisation
Antonio Brufau Niubó	Nomination and Compensation Committee	Chairman
Josu Jon Imaz	Nomination and Compensation Committee	CEO
Luis Suárez de Lezo Mantilla	Nomination and Compensation Committee	Director, Company Secretary and Secretary of the Board

Total number of executive directors	3
% of board	20

NON-EXECUTIVE PROPRIETARY DIRECTORS

Name of Director	Committee that informed on appointment	Name of controlling shareholder represented or that proposed appointment
Isidro Fainé Casas	Nomination and Compensation Committee	CaixaBank, S.A.
Juan María Nin Génova	Nomination and Compensation Committee	CaixaBank, S.A.
Manuel Manrique Cecilia	Nomination and Compensation Committee	Sacyr, S.A.
José Manuel Loureda Mantiñán	Nomination and Compensation Committee	Sacyr, S.A.
Rene Dahan	Nomination and Compensation Committee	Temasek Holdings (Private) Limited

Total number of proprietary directors	5
% of board	33.33

NON-EXECUTIVE INDEPENDENT DIRECTORS

Name of director	
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	Profile
Artur Carulla Font	Graduate in Economics. He has been Executive Director of Arbora & Ausonia, S.L. and Managing Director of Agrolimen, S.A. Currently, he is Chairman of Agrolimen, S.A. and its participated companies; Affinity Petcare, S.A., Preparados Alimenticios, S.A. (Gallina Blanca Star), Biocentury, S.L., The Eat Out Group, S.L. and Roger Goulart, S.A.; Member of the Regional Board of Telefónica in Catalonia, member of Advisory Board of EXEA Empresarial, S.L. and member of Advisory Board of Roca Junyent. He is also Vice-Chairman of Círculo de Economía, Vice-Chairman of Foundation ESADE, Member of Foundation Carulla, Member of IAB (International Advisory Board) of the Generalitat de Catalunya, Member of the Management Board of Instituto de la Empresa Familiar, Member of Foundation MACBA (Museo de Arte Contemporaneo de Barcelona) and Member of FUOC (Fundació per a la Universitat Oberta de Catalunya).
Luis Carlos Croissier Batista	He has been the professor in charge of economic policy of the Universidad Complutense of Madrid. During his long professional tenure, amongst other positions, he was Subsecretary of the Ministry of Industry and Energy, President of the National Institute of Industry (Instituto Nacional de Industria, I.N.I.), Minister of Industry and Energy and President of Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores). Currently he is Director of Adolfo Dominguez, S.A., Testa Inmuebles en Renta, S.A. and Sole Director of Eurofocus Consultores, S.L.
Mario Fernández Pelaz	Graduate in Law at Deusto University in 1965. He has been Professor of Mercantile Law in the Faculty of Law of Deusto University and in the Faculty of Business Science at the same University, and Professor of different Masters at Deusto

	<p>University. In his long professional career, he has served, among other charges, as Minister and later Vice-president of the Basque Government, Chairman of the Central Administration-Basque Government Transfers Mixed Committee, Chairman of the Basque Financial Council, Chairman of the Economic Committee of the Basque Government, Member of the Arbitration Committee of the Basque Autonomous Community. He was also Executive Director of BBVA Group and member of the Executive Committee from 1997 to 2002, and Main Partner of Uría Menéndez from that date to June 2009. From July 2009 to November 2013 he has been Chairman of BBK. He has been Executive Chairman of Kutxabank, S.A. Chairman of Chairman of its Risk Delegate Committee and Chairman of its Executive Committee, and Vicechairman of Confederación Española de Cajas de Ahorros (CECA). He is also Consul of the Bilbao Consulate and Illustrious of Bilbao. He has also published on mercantile and financial matters</p>
Ángel Durández Adeva	<p>BA Economics, Professor of Commerce, chartered accountant and founding member of the Registry of Economic Auditors. He joined Arthur Andersen in 1965 where he was Partner from 1976 to 2000. Up to March, 2004 he headed the Euroamerica Foundation, of which he was founder, entity dedicated to the development of business, political and cultural relationships between the European Union and the different Latin American Countries. Currently he is Director of Mediaset España, S.A., Director of Quantica Producciones, S.L., Director of Ideas4all, S.L., Member of the Advisory Board of FRIDE (Foundation for the international relations and the foreign development), Chairman of Arcadia Capital, S.L. and Información y Control de Publicaciones, S.A., Member of the Advisory</p>

	Boar of Foundation Germán Sánchez Ruipérez and Foundation Independiente and Vicepresident of Foundation Euroamérica.
Javier Echenique Landiribar	Ba Economics and Actuarial Science. Former Director-General Manager of Allianz-Ercos and General Manager of BBVA Group. Currently Vice chairman of Banco Sabadell, S.A., Director of Telefónica Móviles México, Actividades de Construcción y Servicios (ACS), S.A., Grupo Empresarial Ence, S.A. and Delegate of the Board of Telefónica, S.A. in the Basque region, Member of the Advisory Board of Telefónica Spain, Member of Foundation Novia Salcedo, Foundation Altuna and Member of the Círculo de Empresarios Vascos.
María Isabel Gabarró Miquel	Graduate in Law at the University of Barcelona in 1976. In 1979 she joined the Bar of Notaries. She has been a board member of important entities in different sectors: financial, energy, telecommunications, infrastructure and also property, where she was also a member of the Nomination and Compensation Committee and of the Audit and Control Committee. Currently, she is registered on the Bar of Notaries of Barcelona, since 1986, and is a member of the Sociedad Económica Barcelonesa de Amigos del País.
Henri Philippe Reichstul	Ba Economics, University of São Paulo and Phd at Hertford College, Oxford. Former Secretary of the State Business Budget Office and Deputy Minister of Planning in Brazil. From 1988 to 1999 he held the position of Executive Vice President of Banco Inter American Express, S.A. From 1999 to 2001 he was Chairman of Brazilian State Oil Company Petrobrás. He is Member of the Advisory Board of Lhoist do Brasil Ltda., Member of the Advisory Board of AES Brasil, Member of the Supervisory Board of Peugeot Citroen, S.A., Member of the Supervisory Board of Fives Group, Member of the International Board of UTC, Member of the Board of Directors of LATAM Airlines Group, Member of the Board of Directors of

	Semco Partners and Vice-Chairman of the Board of the Brazilian Foundation for Sustainable Development.
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Total number of independent directors	7
% of board	46.67%

State whether any director qualified as independent receives from the company or any other company in the same group any sum or gain other than directors' emoluments, or has or has had a business relationship with the company or any other company in its group during the past year, in his/her own name or as controlling shareholder, director or senior executive of a company which has or has had such a relationship.

If appropriate, include a reasoned statement by the board explaining why it considers that the director in question can perform his/her duties as an independent director.

Name of director	Description of relationship	Reasoned statement

OTHER NON-EXECUTIVE DIRECTORS

Name of director	Committee that proposed his/her appointment

Total number of other non-executive directors	
% of board	

Explain why they cannot be considered proprietary or independent directors and their relationships, with the company or its executives or with the shareholders:

Name of director	Reasons	Company, executive or shareholder with which the director is related

Indicate any variations during the reporting period in the type of each director:

Name of director	Date of change	Previous type	Present type

C.1.4 Complete the following table with details of the number of female directors over

the past 4 years and the type of female directors:

	Number of female directors				Female directors / total directors of each type (%)			
	Year t	Year t-1	Year t-2	Year t-3	Year t	Year t-1	Year t-2	Year t-3
Executive	-	-	-	-	-	-	-	-
Proprietary	-	-	-	-	-	-	-	-
Independent	1	2	2	2	14.28%	25%	25%	25%
Other non-executive	-	-	-	-	-	-	-	-
Total	1	2	2	2	6.66%	12.5%	13.3%	12,5%

C.1.5 Explain any measures taken to endeavour to include in the board a number of women to give a balanced composition of men and women directors

Explanation of measures
<p>Article 32 of the company's articles of association stipulates that both the general meeting and the board, exercising its power to propose tot he board and cooptation to fill vacancies, shall endeavour to apply policies of professional, international and gender diversity suited to the company's activity from time to time in respect of the composition of the board.</p> <p>The Regulations of the Board also include this provision and also expressly assigns to the Nomination and Compensation Committee the duty to oversee that when filling new vacancies or appointing new directors, the selection procedures are not implicitly biased against the selection of female directors and a conscious effort is made to include women with the target profile among the candidates, reporting to the Board on the initiatives taken in this regard and the outcome.</p> <p>In the latest selection processes, the Nomination and Compensation Committee has ensured that there are no implicit biases that may hinder the access of women to the vacancies. It evaluated the skills, knowledge and expertise of all the candidates according to the needs of the governing bodies at any time, assessing the dedication necessary to be able to suitably perform their duties in the light of the principles contained in the Board Regulations.</p>

C.1.6 Explain any measures agreed by the nomination committed to ensure that the selection procedures are not implicitly biased against the selection of female directors and that a conscious effort is made to include women with the target profile among the candidates:

Explanation of measures
<p>See previous section above.</p> <p>In 2012 the Nomination and Compensation Committee submitted a proposal to the Board to alter the Articles of Association and Regulations of the Board to incorporate diversity policies as a guideline to be followed by the Board</p>

when selecting new candidates, both to fill vacancies by cooptation and to propose the appointment of new directors to the general meeting. The institutionalisation of a policy which promotes professional, international (nationality) and gender while taking account of the business requirements of Repsol from time to time helps to enrich the internal culture of the company and decision-making processes by contributing new experiences and points of view.

If, despite the measures taken, if any, there are few or no female directors, explain the reasons that justify this situation:

Explanation of reasons
See section above.

C.1.7 Explain the form of representation on the board of shareholders with significant interests.

All controlling shareholders with the right to proportional representation are represented on the Repsol board of directors.

C.1.8 Explain, if appropriate, why proprietary directors have been appointed at the request of shareholders holding less than 5% of the capital:

State whether any formal requests for presence on the board have been rejected from shareholders holding interests equal to or greater than others at whose request proprietary directors have been appointed. If appropriate, explain why such requests were not met.

Yes ☐ No ☒

Name of shareholder	Explanation

C.1.9 State whether any director has retired before the end of his/her term of office, whether said director explained the reasons for such decision to the Board and through what means, and if the explanations were sent in writing to the entire Board, explain below at least the reasons given by the director:

Name of director	Reason for retirement
Pemex Internacional España, S.A.	Sale by Pemex Group of its holding in Repsol
Paulina Beato Blanco	Professional reasons

C.1.10 Indicate the powers delegated to the Managing Director(s), if any:

Name of director	Brief description
Josu Jon Imaz	All powers of the Board except those that are legally or statutory non delegable.

C.1.11 Name Board members, if any, who are also directors or executives of other companies in the same group as the listed company:

Name of director	Name of Group company	Position
Josu Jon Imaz	Petróleos del Norte, S.A.	Chairman
Josu Jon Imaz	Repsol Petróleos, S.A.	Chairman
Josu Jon Imaz	TAPBC AQUISITION INC	Director

C.1.12 Name the company directors, if any, who are on the Boards of non-group companies listed on stock exchanges, insofar as the company has been notified:

Name of director	Listed company	Position
Antonio Brufau Niubó	Gas Natural SDG, S.A.	Deputy Chairman
Isidro Fainé Casas	Abertis Infraestructuras, S.A.	1 st Deputy Chairman
Isidro Fainé Casas	Telefónica, S.A.	Deputy Chairman
Isidro Fainé Casas	CaixaBank, S.A.	Chairman
Isidro Fainé Casas	The Bank East of Asia, Limited	Director
Isidro Fainé Casas	Banco Português de Investimento, S.A.	Director
Isidro Fainé Casas	Suez Environnement Company	Director
Manuel Manrique Cecilia	Sacyr, S.A.	Chairman and CEO
Manuel Manrique Cecilia	Testa Inmuebles en Renta, S.A. (Grupo Sacyr)	Director
Luis Carlos Croissier Batista	Adolfo Domínguez, S.A.	Director
Luis Carlos Croissier Batista	Testa Inmuebles en Renta, S.A.	Director
Ángel Duráñez Adeva	Mediaset España, S.A.	Director
Javier Echenique Landiríbar	Banco Sabadell, S.A.	Deputy Chairman
Javier Echenique Landiríbar	Actividades de Construcción y Servicios (ACS), S.A.	Director
Javier Echenique Landiríbar	Grupo Empresarial ENCE, S.A.	Director
José Manuel Loureda Mantiñán	Testa Inmuebles en Renta, S.A.	Director
Juan María Nin Génova	Gas Natural SDG, S.A.	Director
Henri Philippe Reichstul	LATAM Airlines Group	Director
Henri Philippe Reichstul	PSA Peugeot Citroen	Director

Luis Suárez de Lezo Mantilla	Gas Natural SDG, S.A.	Director
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C.1.13 Indicate and, where appropriate, explain whether the company has established rules on the number of directorships its directors may hold:

Yes ☒ No ☐

Explanation of the rules
<p>Article 17 of the Board of Directors Regulations provides in its section 5 the following:</p> <p><i>“Directors may not hold more than four (4) other mandates in other listed companies different from Repsol, S.A. To these effects:</i></p> <p><i>a) It will be considered as one single mandate all those mandates held in companies belonging to the same group as well as those Board memberships held as proprietary director proposed by a company of said group although the stock held in the company or the level of control may not qualify to consider said company as part of the group; and</i></p> <p><i>b) Board memberships in holding companies or companies ancillary to the development of the professional services of the own Director, the spouse, persons having equivalent emotional ties or closest family.</i></p> <p><i>Exceptionally and due to reasons properly justified, the Board may waive the Director from this prohibition. In addition, the Director shall inform the Nomination and Compensation Committee of any other professional obligations they may have and any material changes in their professional situation, as well as any that may affect the nature or condition by virtue of which they have been appointed Director.”</i></p>

C.1.14 Indicate the company policies and general strategies that must be approved by the full Board:

	Yes	No
Investment and financing policy	X	
Definition of the structure of the group of companies		X
Corporate governance policy	X	
Corporate social responsibility policy	X	
Strategic or business plan, annual management objectives and budget	X	

Pay policy and performance rating of senior executives	X	
Risk management and control policy and regular monitoring of internal reporting and control systems	X	
Dividend policy, treasury stock policy and, in particular, the limits established	X	

C.1.15 Indicate the overall remuneration of the board:

Remuneration of the board (thousand euros)	12,829
Amount of the overall remuneration corresponding to the vested rights of directors in pension schemes (thousand euros)	
Overall remuneration of the board (thousand euros)	12,829

C.1.16 Name the members of top management who are not executive directors and indicate the aggregate remuneration accrued in their favour during the year:

Name or corporate name	Position/s
Josu Jon Imaz San Miguel	General Manager Industrial Area&Trading until April 30, 2014
Nemesio Fernández-Cuesta Luca de Tena	ED Commercial, Chemicals and Gas & Power
Miguel Martínez San Martín	CFO
Pedro Fernández Frial	ED Strategy, Control and Resources
Cristina Sanz Mendiola	ED People & Organisation
Begoña Elices García	ED Communication & Chairman's Office
Luis Cabra Dueñas	ED Exploration & Production
Isidoro Mansilla Barreiro	Group Manager Audit and Control

Total remuneration top management (thousand euros)	12,512
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C.1.17 Name any board members who are also on the boards of companies holding significant interests in the listed company and/or in companies of its group:

Name of director	Name of related controlling shareholder	Position
Isidro Fainé Casas	Fundación Bancaria Caixa d'Estalvis y Pensions de Barcelona	Chairman
Isidro Fainé Casas	CaixaBank, S.A.	Chairman
Isidro Fainé Casas	Criteria CaixaHolding, S.A.U	Chairman
José Manuel Loureda	Valoriza Gestión, S.A (Grupo	Chairman

Mantiñán	Sacyr)	
José Manuel Loureda Mantiñán	Sacyr, S.A.U. (Grupo Sacyr)	Director
José Manuel Loureda Mantiñán	Testa Inmuebles en Renta, S.A. (Grupo Sacyr)	Director
José Manuel Loureda Mantiñán	Somague S.G.P.S., S.A. (Grupo Sacyr)	Director
Manuel Manrique Cecilia	Sacyr, S.A.	Chairman & CEO
Manuel Manrique Cecilia	Testa Inmuebles en Renta, S.A. (Grupo Sacyr)	Director

Describe the significant relationships other than those contemplated above of the board members with the controlling shareholders and/or companies in their group:

Name of related director	Name of related controlling shareholder	Description of relationship
Luis Carlos Croissier Batista	Sacyr , S.A.	Director of Testa Inmuebles en Renta, S.A.
José Manuel Loureda Mantiñán	Sacyr , S.A.	Indirect holder of 7.81% of the capital of Sacyr, S.A. through Prilou, S.L. and Prilomi, S.L.
José Manuel Loureda Mantiñán	Sacyr , S.A.	Representative of Prilou, S.L. on the board of Sacyr Vallehermoso, S.A.
Manuel Manrique Cecilia	Sacyr , S.A.	Indirect holder of 5.272% of the capital of Sacyr Vallehermoso, S.A. through Cymofag, S.L.U.

C.1.18 State whether any modifications have been made during the year to the Regulations of the Board:

Yes ☒ No ☐

Description of modifications
On February 25, 2014, the Board of Directors resolved to amend Articles 17 and 18 of the Regulations of the Board in order to develop and concrete the loyalty duty of Directors and to extend their confidentiality duties.

In the same meeting, the Board also resolved to amend Article 10 of the Regulations of the Board to reinforce the approval regime of any kind of structural modification and any other transaction with similar effects.

Subsequently, on April 30, 2014 the Board resolved to amend paragraph 1 of Article 25 of the Board's Regulations to eliminate the obligation of the Chairman to be the CEO.

C.1.19 Describe the procedures for selection, appointment, re-election, assessment and removal of directors. Indicate the competent bodies, the formalities and the criteria to be followed in each of these procedures.

Selection: The Nomination and Remuneration Committee, which is exclusively composed by External Directors, assesses the knowledge, expertise and experience required on the Board and defines accordingly the duties and skills required in the candidates who are to fill each vacancy and assess the time and dedication necessary for them to perform their duties adequately.

In turn, that committee must ensure that, whenever new vacancies arise or when appointing new directors, the selection procedures are not implicitly biased and involve no discrimination whatsoever, and that a conscious effort is made to include women with the target profile among the candidates, reporting to the Board on the initiatives taken in this respect and the results obtained.

Appointment: Board members are appointed by the General Meeting, without prejudice to the right of the Board to nominate shareholders to fill any vacancies that arise, up to the next succeeding General Meeting.

Within its powers of proposal to the General Meeting or appointment by cooptation, the Board may not propose as candidates or appoint as Directors any persons affected by any of the incompatibilities or prohibitions established in law, the Articles of Association or regulations or any persons, companies or entities in a situation of permanent conflict of interest with the company, including competitors of the company or their directors, executives or employees, or any persons related to or proposed by them.

Directors shall be persons who, apart from meeting the requirements stipulated for the position in the law and the Articles of Association, have recognised prestige and sufficient professional experience and expertise to perform their duties as such.

Furthermore, those persons indicated in section 2 of Article 13 of the Board's Regulations may not be nominated or appointed as Independent Directors. In addition, External Proprietary Directors who lose this status when the

shareholder they represent sells its shares in the Company may only be re-elected as External Independent Directors when the shareholder they represented up to that time has sold all of its shares in the Company.

A Director who holds a shareholding interest in the Company may be appointed as External Independent Director, provided he meets all the conditions established in this article and does not hold a significant interest.

Nominations for the appointment of directors submitted by the Board to the General Meeting and appointments made by cooptation must be approved by the Board (i) upon proposal of the Nomination and Compensation Committee, in the case of Independent Directors, or (ii) subject to a report by said Committee for other directors.

Any Director affected by proposals for appointment, re-election or retirement shall abstain from participating in the discussions and voting of such matters and the voting shall be by secret ballot.

Re-election: Directors shall hold office for a maximum of four years, after which they shall be eligible for re-election for one or several periods with an equal duration. Directors appointed by cooptation shall hold office up to the first General Meeting following their appointment, at which their appointment shall be subject to ratification.

The Nomination and Compensation Committee shall be responsible for assessing the quality of their work and dedication of the directors proposed during their previous term in office.

Proposals to the General Meeting for the re-election of Directors shall be approved by the Board (i) upon proposal of the Nomination and Compensation Committee, in the case of Independent Directors, or (ii) subject to a report by said Committee for other directors.

Assessment

At least once a year, the Board of Directors shall assess its functioning and the quality and efficiency of its work. It shall also annually assess the work of its Committees, based on the reports they submit to it.

The Chairman shall organise and coordinate this regular assessment of the Board with the Chairmen of the Committees.

The Board shall commission an external assessment of its performance to an independent specialized firm at least once every three years.

Cessation

Directors shall retire from office upon expiry of the term for which they were appointed and in all other cases stipulated in law, the Articles of Association and the Regulations of the Board of Directors.

The Board shall not propose the removal of any Independent Director before the end of the period for which he was appointed, unless it has justified reasons for doing so, based on a report by the Nomination and Compensation Committee. In particular, such a proposal shall be justified if the Director (i) has defaulted the duties corresponding to his position; (ii) is in any of the situations described in section C.1.21 below; or (iii) falls into any of the circumstances by virtue of which he may no longer be considered an Independent Director.

The removal of Independent Directors may also be proposed following takeover bids, mergers or other similar corporate operations causing a change in the shareholding structure of the Company, insofar as may be necessary to establish a reasonable balance between Proprietary Directors and Independent Directors.

Directors shall also tender their resignations in any of the circumstances defined in section C.1.21.

C.1.20 Indicate whether the board has made any assessment of its activity during the reporting period.

Yes ☒ No ☐

If yes, explain to what extent the self-assessment has given rise to major changes in its internal organisation and the procedures applicable to its activities:

Description of modifications
According to the provisions of Article 45ter of the Bylaws and Article 11.2 of the Regulations of the Board, the independent firm Egon Zhender has conducted an external evaluation of the functioning of the Board of Directors of Repsol, S.A. and its Committees during fiscal year 2014. The report containing the conclusions of this evaluation will be presented at the meeting of the Board scheduled for March.

C.1.21 State the events in which directors are obliged to step down.

Directors shall tender their resignations and step down from the Board, should the latter consider this appropriate, in the following events:

- a) If they fall into circumstances of incompatibility or prohibition contemplated in law, the Articles of Association or applicable regulations.

- b) If they receive a serious warning from the Nomination and Compensation Committee or the Audit and Control Committee for defaulting their obligations as directors.
- c) If, in the opinion of the board, in view of a report by the Nomination and Compensation Committee:
 - (i) Their remaining on the Board could jeopardise the interests of the company or adversely affect the functioning of the Board or the standing and reputation of the Company; or
 - (ii) If the reasons why they were appointed disappear. Directors shall find themselves in this position, particularly in the following cases:
 - External Proprietary Directors, when the shareholder they represent or that nominated them directors transfers its entire shareholding interest. They shall also offer their resignation and, should the Board deem fit, step down from the Board, in the corresponding proportion, if the shareholder reduces its shareholding interest to a level requiring a reduction in the number of its External Proprietary Directors.
 - Executive Directors, when they cease to hold the executive positions outside the board to which their appointment as director was linked.

C.1.22 Explain whether the Chairman of the Board is the highest executive of the company. If so, state what measures have been adopted to limit the risks of any single person having unfettered powers:

Yes ☐ No ☒

Measures for limiting risks

Indicate and if appropriate explain whether rules have been established authorising one of the independent directors to request the calling of a board meeting or the inclusion of new items on the agenda, to coordinate and echo the concerns of non-executive directors and to direct the assessment by the board.

Yes ☒ No ☐

Explanation of the rules
The Board of Directors of Repsol, in its meeting held on February 23, 2011, agreed to amend its regulations to, among other matters, incorporate into Company's system of corporate governance the figure of Lead Independent Director. According to current Article 25,5 of the Regulations of the Board of Directors:

"When the Chairman of the Board of Directors holds the role of CEO, the Board shall appoint, upon proposal by the Nomination and Compensation Committee, an independent director who, under the name of Lead Independent Director, may perform the following tasks:

a) Request to the Chairman of the Board, when he deems appropriate, the calling of the Board.

b) Request the inclusion of items on the Board's meetings agenda according to Article 9.3 of these Regulations.

c) Coordinate and give voice to the concerns of external directors.

d) Lead the Board's evaluation of the Chairman.

e) Call and chair meetings of independent directors as he deems necessary or desirable."

Additionally, Article 9 of the Regulations of the Board of Directors provides that *"The Chairman may call additional Board meetings whenever he deems appropriate. The call shall be mandatory when requested by the Lead Independent Director or by at least one-quarter of the directors, without prejudice to the provision of Article 17.2.e) of these Regulations. The Chairman shall draw up the agenda for meetings, although any of the directors may, prior to call, request the inclusion of any business they consider ought to be transacted at the meeting. Such inclusion is mandatory when the request has been made 48 hours prior to the date specified for the meeting."*

C.1.23 Are special majorities differing from those stipulated in law required for any type of decision?

Yes ☒ No ☐

If yes, describe the differences:

Description of the differences
The proposal to carry out any operation (including division, spin - off to third parties or disposal) designed to produce or producing the effect where the Company ceases to be an integrated hydrocarbons company through the spin - off or division of the Upstream and/or Downstream businesses or liquidation of all or substantially all the assets assigned to one or other of those businesses, shall be submitted to the General Shareholders Meeting and will require for its approval the favourable vote of three-quarters of the members of the Board.
In addition, the alteration of Articles 19 and 22 of the Regulations of the Board regarding the no competition obligation and related party transactions,

respectively, requires the favourable vote of three-quarters of the board members.

The favourable vote of two-thirds of the members not involved in a conflict of interest is required to authorise the directors to provide counselling or representation services to the company's rivals, subject to a favourable report by the Nomination and Compensation Committee.

The favourable vote of two-thirds of the members not involved in a conflict of interest is also required to release from disqualification due to conflict of interest in respect of a proposal put to the general meeting or an appointment of candidates or directors by cooptation.

Finally, the favourable vote of two-thirds of the members not involved in a conflict of interest is also required to authorise related party transactions of the company with directors, controlling shareholders represented on the board or persons related to them for a sum exceeding 5% of the Group's assets according to the latest consolidated annual accounts approved by the general meeting, in respect of strategic assets of the company, involving the transfer of significant technology of the company, intended to establish strategic alliances and which are not mere agreements of action or execution of existing alliances. This is conditional upon the transaction being fair and efficient for the interests of the company, the Nomination and Compensation Committee having issued a favourable report after obtaining the corresponding report from a reputed independent financial expert indicating that the related party transaction will be made on reasonable, arm's length terms and if it is considered unadvisable to wait for the next general meeting to obtain authorisation, for reasons of opportunity.

C.1.24 Are there any specific requirements, other than those established for directors, to be appointed Chairman of the Board of Directors?

Yes ☐ No ☒

Description of requirements

C.1.25 Does the Chairman have a casting vote?

Yes ☒ No ☐

Matters on which there is a casting vote
According to Article 36 of the Articles of Association, save where greater majorities have been specifically established, resolutions of the Board shall be approved by the absolute majority of directors attending, and in the event of a tie, the Chairman or acting chairman shall have the casting vote.

C.1.26 Do the Articles of Association or Regulations of the Board establish an age limit for directors?

Yes ☐ No ☒

Age limit Chairman ☐

Age limit managing director ☐

Age limit director ☐

C.1.27 Do the Articles of Association or Regulations of the Board establish a limited term of office for independent directors other than as stipulated in law?

Yes ☐ No ☒

Maximum number of years in office	

C.1.28 Do the Articles of Association or Regulations of the Board establish specific rules for the delegation of votes at board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may hold, and whether it is compulsory to delegate to a director of the same type? If yes, include a brief description.

Without prejudice to the directors' duty to attend the meetings of the bodies they belong to or, if they are unable for justified reasons to attend the meetings to which they have been called, to issue the appropriate instructions to the director who is to represent them, if any, each Board member may grant a proxy to another member, with no limit on the number of proxies that may be held by any director for attendance of Board meetings.

Absent directors may grant proxies by any written means, including telegram, telex or telefax addressed to the Chairman or Secretary of the Board.

C.1.29 State the number of meetings held by the Board of Directors during the year, indicating, if appropriate, how many times the Board has met without the Chairman. Proxies made without specific instructions shall be considered non-attendance:

Number of board meetings	11
Number of board meetings held without the chairman	0

Indicate the number of meetings held by the different Committees of the Board:

Number of meetings of the Executive Committee	6
Number of meetings of the Audit Committee	8
Number of meetings of the Nomination and Remuneration Committee	3

C.1.30 State the number of meetings held by the Board during the period attended by all its members. Proxies made with specific instructions will be considered attendances:

Attendance of directors	11
% attendance over total votes during the year	100%

C.1.31 Are the separate and consolidated annual accounts submitted to the Board for approval previously certified?

Yes ☒ No ☐

If yes, name the person(s) who certify the separate or consolidated annual accounts of the company before they are approved by the Board:

Name	Position
Antonio Brufau Niubó	Chairman
Josu Jon Imaz San Miguel	CEO

C.1.32 Explain the mechanisms, if any, established by the Board to avoid a qualified auditors' report on the separate and consolidated accounts laid before the General Meeting.

The Audit and Control Committee, set up on 27 February 1995, has as main duty, the supporting to the Board in its supervisory duties, through regular checking of the preparation of economic and financial reporting, the effectiveness of its executive controls and the independence of the external auditors, as well as supervising the internal audit department, and checking the compliance with all the legal provisions and internal regulations applicable to the Company.

This Committee has the following duties, among others:

- Supervise the integrity and process of preparing the financial information on the company and its group, ensuring compliance with all requirements, adequate definition of the consolidated group and correct application of the accounting principles.
- Regularly check the internal control and risk management systems, ensuring that the principal risks are identified, handled and reported on adequately.
- Prior to their submission to the board, analyse the financial statements of the company and its consolidated group included in the annual, half-year and quarterly reports and any other financial information that the company is obliged to publish regularly by virtue of being a listed company, with the necessary requirements to ensure that they are correct, reliable, adequate and clear. For this purpose it shall have all the necessary information and such degree of aggregation as it may deem fit, assisted as necessary by the top management of the group. It shall, in particular, see that the annual accounts that are to be submitted to the board are certified by

the Chairman and the CEO pursuant to the internal or external regulations applicable from time to time.

- Regularly receive information from the external auditors on the audit plan and results of their work, and check that the executives heed their recommendations.
- Regularly require the external auditors, and at least one a year, to assess the quality of the group's internal control procedures and systems.
- Be informed of any situations requiring adjustments that may be detected during the work of the external auditors whenever they are significant, considering this to mean any situations which, per se or in combination with others, may cause a material impact or damage to the net worth, results or reputation of the group. This consideration shall be left to the discretion of the external auditors, who shall, in case of doubt, opt for notification. The Chairman of the Committee shall be notified accordingly as soon as the auditors become aware of the situation in question.
- Oversee the degree of fulfilment by the audited units of the corrective measures recommended by the internal audit department in previous audits.

The committee shall be informed of any significant irregularities, anomalies or defaults detected by the internal audit department in the course of its work.

For this purpose, the members of this Committee shall have the necessary experience, capacity and dedication to perform their duties. Moreover, the Chairman shall have experience in business management and a working knowledge of accounting procedures, and at least one of the members shall have the financial experience that may be required by the regulatory bodies of the stock markets on which the stocks or shares of the company are listed.

C.1.33 Is the Secretary of the Board a Director?

Yes ☒ No ☐

C.1.34 Explain the procedure for appointment and removal of the Secretary of the Board, indicating whether the Nomination Committee has issued a report for such appointment and removal and whether they were approved by the full board.

Appointment and removal procedure		
As provided in Article 42 of the Articles of Association, the Board chooses its Secretary and Vice-Secretary, if any, who may or may not be Directors.		
Moreover, pursuant to Articles 5 and 33 of the Regulations of the Board of Directors, the Board shall appoint or remove its Secretary and Vice-Secretary, subject to a report by the Nomination and Compensation Committee.		
	Yes	No

Does the Nomination Committee issue a report on the appointment?	X	
Does the Nomination Committee issue a report on the removal?	X	
Does the full Board approve the appointment?	X	
Does the full Board approve the removal?	X	

Is the Secretary of the Board responsible especially for overseeing compliance with the recommendations on good governance?

Yes ☒ No ☐

Comments
<p>Article 42 of the Articles of Association establishes that the Secretary will ensure that the Board actions comply in form and substance with the law and that the company's procedures and rules of governance are respected.</p> <p>Furthermore, in pursuance of Article 27 of the Regulations of the Board of Directors, the Secretary of the Board is commissioned to ensure compliance with any provisions issued by regulatory bodies and heeding of their recommendations, if any, and to ensure that the corporate governance principles of the company are observed.</p>

C.1.35 Describe any mechanisms established by the company to preserve the independence of the external auditor, financial analysts, investment banks and rating agencies.

One of the powers of the Audit and Control Committee contemplated in Article 39 of the Articles of Association is that of receiving information on any issues that may jeopardise the independence of the External Auditors.

In development of this provision of the Articles of Association, the Regulations of the Audit and Control Committee establish, as one of its duties, ensuring the independence of the External Auditors, in two ways:

- a) Avoiding any factors that may compromise the warnings, opinions and recommendations of the External Auditors, and
- b) Establishing and overseeing any incompatibilities between auditing and consultancy services and any others, the limits on concentration of the External Auditor's business and, in general, all other rules established to guarantee the independence of the auditor.

According to these duties, in 2003 the Audit and Control Committee agreed on a procedure to approve previously all the services, auditing or otherwise, provided by the External Auditor, whatever their extent, scope and nature. This procedure is regulated in an Internal Rule mandatory for the whole of the Repsol Group.

In addition, article 32 of the Regulations of the Board of Directors (the Audit and

Control Committee) provides that the Committee shall receive, annually, from the External Auditor written confirmation of its independence towards the Company or entities related to the same directly or indirectly, as well as the information of the additional services of any type provided to these entities by said Auditors or companies, or by the people or entities linked to the latter, in accordance with that established in the regulations governing the activity of auditors. The Committee shall issue annually, prior to the delivery of the Auditing report, a report stating an opinion on the independence of the Auditors. In any case, this report must make a declaration on the additional services provided and referred to.

Furthermore, Repsol Group has the Investor Relation Division whose responsibilities include ensuring that the information supplied by the Company to the market (financial analysts and investment banks, amount other) is transmitted fairly, commensurate and in useful time and, according with the Repsol Group Internal Conduct Regulations Regarding the Securities Market, that such information is accurate, clear, complete and, when required by the nature of the information, quantified, and shall by no means be misleading or confusing.

C.1.36 Indicate whether the external auditors have changed during the year. If so, name the incoming and outgoing auditors:

Yes ☐ No ☒

Outgoing auditor	Incoming auditor

Explain any disagreements with the outgoing auditor:

Yes ☐ No ☒

Explanation of disagreements

C.1.37 State whether the firm of auditors does any work for the company and/or its group other than standard audit work and if so, declare the amount of the fees received for such work and the percentage it represents of the total fees invoiced to the company and/or its group:

Yes ☒ No ☐

	Company	Group	Total
Cost of work other than auditing (thousand euro)	845	425	1,270
Cost of work other than auditing / Total amount invoiced by the auditors (%)	32%	12%	21%

C.1.38 Indicate whether the auditors' report on the annual accounts of the previous year was qualified. If so, state the reasons given by the Chairman of the Audit

Committee to explain the content and scope of the qualifications.

Yes ☐ No ☒

Explanation of reasons

C.1.39 State the number of years in succession that the current firm of auditors has been auditing the annual accounts of the company and/or its group. Indicate the ratio of the number of years audited by the current auditors to the total number of years that the annual accounts have been audited:

	Company	Group
Number of years in succession	13	13

	Company	Group
Number of years audited by current auditors / Number of years that the company has been audited (%)	59.04%	59.04%

C.1.40 Indicate, giving details if appropriate, whether a procedure has been established for directors to receive external counselling:

Yes ☒ No ☐

Details of procedure
<p>The Regulations of the Board of Repsol, S.A. expressly recognise the directors' right to advisory services. Article 23 provides as follows:</p> <ul style="list-style-type: none"> - The Directors shall likewise have the power to propose to the Board, by majority vote, the contracting at the Company's expense of legal advisers, accountants, technical, financial, and commercial experts, and experts of any other kind they consider necessary to the Company's interests, to provide assistance in the performance of the Directors' functions in regard to concrete problems of some magnitude and complexity relating to their positions. - Said proposals must be submitted to the Chairman of the Company through the Secretary of the Board. The Board of Directors may veto their approval on the grounds that they are unnecessary to the performance of the assigned functions, or that the number is disproportionate to the importance of the problem and to the Company's assets and income, or that the technical assistance in question could be adequately provided by experts within the Company. <p>Furthermore, the Regulations of the Board of Directors establish that the Audit and Control Committee, the Nomination and Compensation Committee and the Strategy, Investment and Corporate Social Responsibility Committee may obtain</p>

counselling from lawyers or other independent professionals, in which case the Secretary of the Board shall, at the request of the Chairman of the Committee, take whatever action may be necessary to engage the services of such lawyers or other professionals, which shall be provided directly to the corresponding Committee.

C.1.41 Indicate, with details if appropriate, whether there is an established procedure for directors to obtain sufficiently in advance any information they may need to prepare the meetings of the governing bodies:

Yes ☒ No ☐

Details of procedure

The Regulations of the Board of Directors of Repsol, S.A. establish that the notice of call to Board meetings shall be sent to each director at least 48 hours prior to the date specified for the meeting, and shall include the agenda. The minutes of the previous meeting shall be enclosed, regardless of whether they have been approved, and any information considered necessary and that is available.

The Regulations of the Board of Directors of Repsol, S.A. contemplate procedures to ensure that directors have the necessary information sufficiently in advance to prepare Board meetings. In this regard, Article 23 provides as follows:

The Directors shall have access to all the Company's services and may obtain, with the broadest possible powers, the information and advising they need on any aspect of the Company provided they request it in connection with the performance of their functions. The right to information extends to the subsidiaries, whether national or foreign, and shall be channelled through the Chairman or the Secretary of the Board of Directors or of the appropriate Board Committee, who shall respond to Directors' requests and directly furnish them the information, offering them access to appropriate sources or taking all necessary measures to answer questions.

C.1.42 Indicate, with details if appropriate, whether the company has established any rules obliging Directors to report and, if necessary, retire in any situations that could be detrimental to the prestige and reputation of the company:

Yes ☒ No ☐

Explain the rules

According to Article 16 of the Regulations of the Board of Directors, Directors shall offer their resignation and, should the board deem fit, step down as directors if, in the opinion of the Board, in view of a report by the Nomination and Compensation Committee, their remaining on the board could jeopardise the interests of the company or adversely affect the functioning of the board or the standing and reputation of the company.

In this regard, Article 17 of the Regulations of the Board of Directors provides that Directors shall notify the board as soon as possible and keep it up to date on any situations in which they may be involved and that could be detrimental to the standing and reputation of the company, to enable the board to assess the circumstances, particularly in pursuance of the preceding paragraph.

C.1.43 Has any member of the Board informed the company that he/she has been sued or brought to trial for any of the offences contemplated in article 213 of the Companies Act?

Yes ☐ No ☒

Name of Director	Prosecution	Comments

Has the Board studied the case? If so, indicate and explain the decision made as to whether or not the director should remain in office or, if appropriate, describe the actions taken by the board up to the date of this report, or which it plans to take.

Yes ☐ No ☐

Decision made / action taken	Reasoned explanation

C.1.44 Describe any significant agreements entered into by the company which enter into force, are modified or terminated in the event of a takeover of the company following a takeover bid, and the effects thereof.

The company usually participates in the exploration and exploitation of hydrocarbons through consortiums or joint ventures with other oil companies, both public and private. The agreements regulating the relations among partners of the joint ventures commonly grant the other partners a right of pre-emption, on the participation of the member who intends to transfer all or part of its participation, over the share of the partner affected by a takeover when the value of that share is significant in relation to the total assets of the transaction or when other conditions stipulated in the agreements are met.

The laws regulating the oil and gas industry in several countries in which the company operates also submit to prior authorisation by the competent government of any transfer of all or part of licences for hydrocarbon exploration and exploitation concessions, and such authorisation is sometimes also required for takeovers of the concessionary company or companies, especially the one that operates the mining business.

In addition, the agreements signed between Repsol and Fundació Bancaria Caixa d'Estalvis i Pensions de Barcelona in respect of Gas Natural SDG, S.A., announced in regulatory filings with the National Securities Market Commission,

the Industrial Action Agreement between Repsol and Gas Natural SDG, S.A. contemplated therein and announced in a CNMV filing on 29 April 2005 contemplate any change in the ownership structure of any of the parties as ground for termination.

C.1.45 Indicate globally and describe in detail any agreements made between the company and its directors, executives or employees contemplating golden handshake clauses in the event of resignation or unfair dismissal or termination of employment following a takeover bid or any other type of transaction.

Number of beneficiaries	309
Type of beneficiary	Description of the agreement
Directors: 6 members of the Management Committee (excluding the Executive Directors) and 300 Directors	<p>The company has established a single statute for executives, defined in the Executive Contract, regulating the severance pay applicable in cases of termination of their employment, contemplating the grounds for compensation stipulated in law. For members of the Management Committee they include resignation by the Executive as a result of takeover of the company or a major change in its ownership, leading to a renewal of its governing bodies or the content of and approach to its main business activity. The amount of severance pay of the current members of the Management Committee is calculated according to the age, seniority and salary of each executive.</p> <p>Further compensation is set to pledge not post-contractual competition of an annuity of total annual remuneration in the case of members of the Management Committee and an annuity of fixed remuneration in the rest of Directors (in the latter case, under multiannual programs remuneration which owns the Director, if necessary, the company complements to that amount).</p>
Executive Directors: 3	A deferred economic compensation is contemplated for executive directors in the event of termination of their relationship with the company, provided it does not occur as a result of default of their obligations or at their own will without one of the justifying causes contemplated in their contract. The details of such

	compensation are set out in the Annual Remuneration Report to be laid before the shareholders at the AGM 2015.
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State whether these contracts have to be notified to and/or approved by the governing bodies of the company/group companies:

	Board of Directors	General Meeting
Body authorising the clauses	YES	NO

Is the General Meeting informed on the clauses?	YES
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C.2. Committees of the Board

C.2.1 Give details of the different committees, their members and the proportion of proprietary and independent directors in each committee:

EXECUTIVE COMMITTEE

Name	Position	Type
Antonio Brufau Niubó	Chairman	Executive
Josu Jon Imaz	Member	Executive
Isidro Fainé Casas	Member	Proprietary
Manuel Manrique Cecilia	Member	Proprietary
Rene Dahan	Member	Proprietary
Artur Carulla Font	Member	Independent
Henri Philippe Reichstul	Member	Independent
Luis Suárez de Lezo Mantilla	Member & Secretary	Executive

% executive directors	37.5%
% proprietary directors	37.5%
% independent directors	25%
% other non-executive directors	-

AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Type
Javier Echenique Landiríbar	Chairman	Independent
Luis Carlos Croissier Batista	Member	Independent
Ángel Durández Adeva	Member	Independent

% executive directors	-
% proprietary directors	-
% independent directors	100%
% other non-executive directors	-

NOMINATION AND COMPENSATION COMMITTEE

Name	Position	Type
Artur Carulla Font	Chairman	Independent
María Isabel Gabarró Miquel	Member	Independent
Mario Fernández Pelaz	Member	Independent
José Manuel Loureda Mantiñán	Member	Proprietary
Juan María Nin Génova	Member	Proprietary

% executive directors	-
% proprietary directors	40%
% independent directors	60%
% other non-executive directors	-

STRATEGY, INVESTMENT AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Name	Position	Type
Juan María Nin Génova	Chairman	Proprietary
Luis Carlos Croissier Batista	Member	Independent
María Isabel Gabarró Miquel	Member	Independent
José Manuel Loureda Mantiñán	Member	Proprietary
Javier Echenique Landiríbar	Member	Independent

% executive directors	-
% proprietary directors	40%
% independent directors	60%
% other non-executive directors	-

C.2.2 Complete the following table with information on the number of female directors on the board committees over the past four years:

	Number of female directors			
	Year t Number - %	Year t-1 Number - %	Year t-2 Number - %	Year t-3 Number - %
Executive Committee	-	-	-	-
Audit and Compliance Committee		1 – 25%	1 – 33.33%	1 – 33.33%
Nomination and Compensation Committee	1 – 20%	1 – 20%	1 – 20%	1 – 25%
Strategy, Investment and Corporate Social Responsibility Committee	1 – 20%	1 – 20%	1 – 16.67%	1 – 16.67%

C.2.3 State whether the Audit Committee has the following duties:

	Yes	No
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Oversee the preparation and integrity of the company's, and where appropriate the group's, financial reporting, checking compliance with the legal requirements, adequate definition of the consolidated group and correct application of accounting principles	X	
Regularly check the internal control and risk management systems, ensuring that the principal risks are adequately identified, managed and reported	X	
Ensure the independence and efficacy of the internal audit duties; propose the nomination, appointment, re-appointment and removal of the chief audit officer; propose the budget for this department; receive regular information on its activities; and check that the top management heeds the conclusions and recommendations set out in its reports	X	
Establish and supervise a "whistle-blowing" procedure so employees can confidentially and, where appropriate, even anonymously report any potentially important irregularities they observe within the company, particularly in financial and accounting aspects	X	
Submit to the Board proposals for nomination, appointment, re-appointment and replacement of external auditor, and terms of engagement	X	
Receive regularly from the external auditor information on the audit plan and the outcome of its fulfilment and see that top management heeds its recommendations	X	
Guarantee the independence of the external auditor	X	

C.2.4 Describe the rules of organisation and procedure and the responsibilities attributed to each Committee.

Delegate Committee: It is composed by the Chairman of the Board and up to a maximum of eight Directors from the three existing categories (executive, proprietary and independent), maintaining a similar proportion to that existing on the Board of Directors. Its members shall be appointed with a majority of at least two-thirds of the current Board members. The Chairman and the Secretary of the Delegate Committee shall be those of the Board.

All the powers of the Board are permanently delegated to the Delegate Committee, except those that may not be lawfully delegated and those considered as such by the Articles of Association or the Regulations of the Board of Directors.

Whenever the business is sufficiently important, in the opinion of the Chairman or three members of the Delegate Committee, the resolutions adopted by the

Delegate Committee shall be submitted to the full Board for ratification. The same shall be applicable in any business referred by the Board to be studied by the Delegate Committee, while reserving the ultimate decision thereon. In all other cases, the resolutions adopted by the Delegate Committee shall be valid and binding with no need for subsequent ratification by the Board.

The Delegate Committee has met six times in 2014.

Audit and Control Committee: It is composed exclusively by Independent Directors, no fewer than three in number, appointed by the Board on the basis of their experience and expertise in accounting, auditing or risk management.

The Board shall appoint the members of this Committee for a term of four years. Without prejudice to one or several re-elections, they shall retire at the end of that term, when they retire from the Board, in case they cease to be considered as Independent Directors or whenever so resolved by the Board, subject to a prior report by the Nomination and Compensation Committee. The chairman shall hold office as such for a maximum of four years, after which he shall not be eligible for re-election until one year has passed, without prejudice to his continuation or re-election as member of the Committee. The Secretary shall be the same of the Board.

This Committee supports the Board in its supervisory duties, through regular checking of the preparation of economic and financial reporting, executive controls, supervision of the systems for recording and controlling the company's hydrocarbon reserves, the internal audit department and the independence of the external auditors, as well as checking compliance with all the legal provisions and internal regulations applicable to the company. This Committee is competent to submit proposals regarding the appointment of external auditors and knowing and guiding the company's environmental and safety policies, objectives and guidelines and drawing up an Annual Report on its activities, on which it shall report to the Board and is public.

The Committee establishes an annual calendar of meetings, as well as an Action Plan for each year. Meetings shall be called whenever so requested by any two of its members. Eight meetings were held in 2014.

Nomination and Compensation Committee: This Committee consists of no fewer than three External Directors, being the majority Independent, taking account of the expertise, skills and experience of the directors and the duties of the Committee.

The Board shall appoint the members of this Committee for a term of four years. Without prejudice to one or several re-elections, they shall retire at the end of that term, when they retire from the Board or whenever so resolved by the Board, subject to a prior report by the Audit and Control Committee. The Chairman of this Committee shall be one of its members, who shall necessarily be an External Independent Director, and the Secretary shall be the Secretary of the Board.

This Committee has the duties of proposing and reporting to the Board on the selection, appointment, re-election and removal of Directors, Managing Director, Chairman, Vice-Chairman, Secretary, Vice-Secretary; proposing the Board's and the Executives' compensation policy; reporting on the appointment and removal of Senior Executives of the Company and their general pay policy and incentives; reporting on the compliance by Directors of the corporate governance principles or other obligations.

The Committee shall meet whenever the Board or Chairman of the Board requests reports or proposals within the scope of its duties, and whenever called by the Chairman of the Committee, requested by two Committee members or when reports are required. Three meetings were held in 2014.

Strategy, Investment and CRS: It is composed by no fewer than three directors appointed by the Board, taking account of the expertise, skills and experience of the directors and the duties of the Committee. Most of its members shall be External Directors.

The Board shall appoint the members of this Committee for a term of four years. Without prejudice to one or several re-elections, they shall retire at the end of that term, when they retire from the Board or whenever so resolved by the Board, subject to a prior report by the Nomination and Compensation Committee. One of the members of this Committee shall be appointed Chairman and the secretary shall be the Secretary of the Board.

This Committee has, among others, the duties of reporting on the principal highlights, landmarks and reviews of the Group's strategic plan; major strategic decisions, steer the policy, objectives and guidelines of the Repsol Group on Corporate Social Responsibility; and check and report on the Corporate Responsibility Report of the Repsol Group.

The Committee meets with the established frequency, whenever called by its Chairman or requested by two of its members. One meeting was held in 2014.

The respective Chairmen of the Committee shall regularly report to the Board on the actions taken by the Committees. At least once a year, the Committee shall assess its functioning and the quality and efficiency of its work, reporting to the full Board.

The Secretary of the Committee shall issue minutes of the resolutions adopted at each meeting, which shall be made available to Board members.

C.2.5 Indicate the existence, if appropriate, of regulations of the board committees, where they are available for consultation and any modifications made during the year. State whether an annual report has been issued voluntarily on the activities of each committee.

Delegate Committee

The internal regulation of the Delegate Committee is currently set out in the Articles of Association and the Regulations of the Board of Directors. The Articles of Association and the Regulations of the Board of Directors are entered in the Madrid Trade Registry and accessible to the public through the company's web site (www.repsol.com).

Audit and Control Committee

The internal regulation of the Audit and Control Committee is currently set out in the Articles of Association and the Regulations of the Board of Directors. The Articles of Association and the Regulations of the Board of Directors are entered in the Madrid Trade Registry and accessible to the public through the company's web site (www.repsol.com). The Audit and Control Committee has drawn up a Report of its activities during 2014.

Strategy, Investment and Corporate Social Responsibility Committee

The internal regulation of the Strategy, Investment and Corporate Social Responsibility Committee is currently set out in the Regulations of the Board of Directors.

The Regulations of the Board of Directors are entered in the Madrid Trade Registry and accessible to the public through the company's web site (www.repsol.com).

Nomination and Compensation Committee

The internal regulation of the Compensation Committee is currently set out in the Regulations of the Board of Directors. The Regulations of the Board of Directors are entered in the Madrid Trade Registry and accessible to the public through the company's web site (www.repsol.com).

C.2.6 Does the composition of the Executive Committee reflect the participation on the Board of the different types of Director?

Yes ☒ No ☐

If no, explain the composition of the executive committee

D

RELATED PARTY AND INTER-COMPANY TRANSACTIONS

D.1 Name the competent body and explain the procedure, if any, for approving related party and inter-company transactions:

Body competent for approving related party transactions
The General Meeting is responsible for authorising, according to the procedure and requirements set out below, any related party transactions with directors, controlling shareholders or persons related thereto which: (i) are for a sum exceeding 5% of the Group's assets according to the latest consolidated annual accounts approved by the general meeting; (ii) involve strategic assets of the company; (iii) involve the transfer of significant technology of the company; or

(iv) are intended to establish strategic alliances and are not mere agreements of action or execution of existing alliances.

Other related party transactions must be authorised by the Board of Directors, after obtaining a report from the Nomination and Remuneration Committee, unless they meet all of the following three conditions:

- i. the transaction is made under contracts or agreements with standard terms and conditions which are applied across the board to clients contracting the type of product or service in question;
- ii. it is made at prices or rates generally established by the person acting as supplier of the good or provider of the service in question or, if the transaction refers to goods or services for which there are no prices established, on arm's length terms, similar to those applied in commercial relations with clients of a similar nature; and
- iii. the amount of the transaction does not exceed 1% of the company's annual income.

The board's authorisation is not needed either in transactions made on arm's length terms and for a small amount within the normal course of business of the company.

Procedure for approving related party transactions

According to Article 22A of the Articles of Association, any transaction that the company makes directly or indirectly with directors, controlling shareholders represented on the board or persons related thereto which (i) are for a sum exceeding 5% of the Group's assets according to the latest consolidated annual accounts approved by the general meeting; (ii) involve strategic assets of the company; (iii) involve the transfer of significant technology of the company; or (iv) are intended to establish strategic alliances and are not mere agreements of action or execution of existing alliances, can only be made if they meet the following conditions:

- a) the transaction is fair and efficient for the interests of the company;
- b) after obtaining the corresponding report from a reputed independent financial expert indicating that the related party transaction will be made on reasonable, arm's length terms, the Nomination and Compensation Committee will issue a report assessing fulfilment of the requirement of (a) above; and
- c) the General Meeting authorises the related party transaction with a favourable vote of seventy-five per cent (75%) of the capital present and represented at the general meeting. This notwithstanding, if it is considered unadvisable to wait for the next general meeting to obtain authorisation, for reasons of opportunity, the transaction may be approved by the board,

provided (i) the report by the Nomination and Compensation Committee contemplated in (b) above is favourable for the transaction, and (ii) the resolution is adopted with the favourable vote of at least two-thirds of the board members not affected by a conflict of interest. In this case, the board shall inform shareholders at the next general meeting on the terms and conditions of the transaction.

When calling the general meeting to discuss or be informed on the authorisation of the related party transaction, the board shall make available to shareholders the reports issued by the Nomination and Remuneration Committee and the independent expert contemplated in (b) above and, should it so deem fit, its own report on the matter.

Pursuant to Article 22 of the Regulations of the Board, any related party transactions other than those described above will only require authorisation by the board, subject to a report by the Nomination and Remuneration Committee.

Related party transactions are assessed from the point of view of equal treatment and arm's length terms and are described in the Annual Corporate Governance Report and the regular public information on the terms set out in the applicable laws and regulations.

Explain whether the power to approve related party transactions has been delegated, if so indicating the person or body to whom it has been delegated.

Pursuant to Article 22 of the Regulations of the Board, the related party transactions to be authorised by the board may, in extraordinary circumstances, be authorised by the Executive Committee, subject to prior ratification by the full board, whenever so required in cases of emergency.

D.2 List any transactions for a significant amount or object between the company and/or companies in its group and controlling shareholders of the company:

Name of controlling shareholder	Name of company or group company	Relationship	Type of transaction	Amount (thousand euros)
SACYR, S.A.	REPSOL GROUP	Contractual	Operating lease contracts	764

SACYR, S.A.	REPSOL GROUP	Commercial	Receipt of services	3,038
SACYR, S.A.	REPSOL GROUP	Contractual	Purchase of goods finished or not	4,116
SACYR, S.A.	REPSOL GROUP	Commercial	Rendering of services	5,159
SACYR, S.A.	REPSOL GROUP	Commercial	Sale of goods finished or not	11,045
SACYR, S.A.	REPSOL GROUP	Commercial	Others	79,704
SACYR, S.A.	REPSOL GROUP	Commercial	Purchase of property and equipment	46,055
SACYR, S.A.	REPSOL GROUP	Contractual	Guarantees & bonds	36,636
SACYR, S.A.	REPSOL GROUP	Corporate	Dividends and other distributed profits	239,773
CAIXABANK ,S.A.	REPSOL GROUP	Contractual	Interest paid	5,591
CAIXABANK ,S.A.	REPSOL GROUP	Contractual	Operated leases	143
CAIXABANK ,S.A.	REPSOL GROUP	Commercial	Receipt of services	4,908
CAIXABANK ,S.A.	REPSOL GROUP	Commercial	Contributions to pension plans and life insurance	15,485
CAIXABANK ,S.A.	REPSOL GROUP	Contractual	Interest charged	37,194
CAIXABANK ,S.A.	REPSOL GROUP	Contractual	Interest accrued but not collected	45
CAIXABANK ,S.A.	REPSOL GROUP	Commercial	Rendering of services	4,035
CAIXABANK ,S.A.	REPSOL GROUP	Commercial	Sale of goods finished or not	7
CAIXABANK ,S.A.	REPSOL GROUP	Commercial	Purchase of financial assets	15,228
CAIXABANK ,S.A.	REPSOL GROUP	Contractual	Financing agreements: loans	507,507
CAIXABANK ,S.A.	REPSOL GROUP	Contractual	Guarantees & bonds	61,846
CAIXABANK ,S.A.	REPSOL GROUP	Corporate	Dividends and other distributed profits	231,285
CAIXABANK ,S.A.	REPSOL GROUP	Contractual	Others	1,606,773
PETRÓLEOS MEXICANOS	REPSOL GROUP	Contractual	Purchase of goods finished or not	1,514,531
PETRÓLEOS MEXICANOS	REPSOL GROUP	Commercial	Others	471
PETRÓLEOS MEXICANOS	REPSOL GROUP	Contractual	Interest charged	2
PETRÓLEOS	REPSOL	Commercial	Provision of services	104

MEXICANOS	GROUP			
PETRÓLEOS MEXICANOS	REPSOL GROUP	Commercial	Sale of goods finished or not	52,631
PETRÓLEOS MEXICANOS	REPSOL GROUP	Corporate	Dividends and other distributed profits	18,275
TEMASEK HOLDINGS (PRIVATE) LIMITED	REPSOL GROUP	Corporate	Dividends and other distributed profits	162,746

D.3 List any significant transactions for a significant amount or object between the company and/or companies in its group and the directors or executives of the company:

Name of directors or executives	Name of related party	Relationship	Nature of the transaction	Amount (thousand euros)
Company executives	Repsol Group	Contractual	Financing agreements: loans and capital contributions (lender)	212

D.4 Report any significant transactions with other companies in the group that are not eliminated in the consolidated financial statements and which do not, by virtue of their object or terms, correspond to the normal business of the Company:

In any case, inform on any inter-company transaction with companies established in countries or territories considered tax havens:

Name of group company	Brief description of the transaction	Amount (thousand euros)
Greenstone Assurance Ltd.	Guarantees and bonds given	2,800
Greenstone Assurance Ltd.	Other incomes	16
Repsol Exploración Liberia (Sucursal)	Provision of services	52

D.5 State the amount of transactions made with other related parties.

D.6 Describe the mechanisms established to detect, define and resolve possible conflicts of interest between the company and/or its group, and its directors, executives or controlling shareholders:

The Regulations of the Board of Directors require directors to avoid any direct or indirect conflicts of interest with the Company's interests, notifying the Board whenever any such

conflicts inevitably exist. In the event of a conflict, the director affected shall abstain in the discussion and decision dealing with the issues giving rise to the conflict.

Directors shall inform the Nomination and Compensation Committee of any other professional obligations they may have and any material change in their professional situation, as well as any affecting the nature or condition by virtue of which they have been appointed Director.

Finally, directors shall tender their resignations and step down from the Board, should the latter deem fit, whenever they incur in any of the events of incompatibility or disqualification established in law, the Articles of Association or Regulations.

Articles 19 to 22 of the Regulations of the Board of Directors set out the obligations to be met by Directors in respect of non-competition, use of corporate information and assets and taking advantage of business opportunities, and the requirements established in respect of related party transactions between the Company and the Directors, significant shareholders represented on the Board or persons related to them.

Similarly, the Repsol Group Internal Conduct Regulations regarding the Securities Market, applicable to directors, top management and the executives of certain departments and divisions with access to privileged information of the company or its group and who carry out tasks related with the Securities Market, contemplates the preclusion and solving of conflicts of interest in Articles 8.3. and 8.4. and the proceeding that shall be followed in those situations that could potentially create a conflict of interest with Repsol Group, setting *abstention* as the general principle to be considered in the resolution of all kind of conflicts of interest and the duty to act in all moments with loyalty to the Repsol Group, giving preference to the interest of the Repsol Group over its own interests.

Finally, the Ethics and Conduct Regulation for Repsol Employees which applies to all employees of Repsol including its executives and its Directors also provides in its Article 3.6 the action proceeding in case of a potential conflict of interest.

D.7 Is more than one company of the Group listed in Spain?

Yes ☐ No ☒

Name the subsidiaries listed in Spain:

Listed subsidiaries

Indicate whether the respective areas of activity and possible business relations between them have been precisely defined publicly and those of the listed subsidiary with other companies in the group:

Yes ☐ No ☐

Define any business relations between the parent company and listed subsidiary, and between the latter and other group companies

Describe the mechanisms established to solve any conflicts of interest between the listed subsidiary and other group companies:

Mechanisms to solve conflicts of interest



RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the company's Risk Management System.

The Repsol Group operates in a variety of countries, conditions and environments and in all phases of the energy business value chain. As a result, it is exposed to a variety of risks (strategic, operational and financial), which can affect the future performance of the organization and must be mitigated as effectively as possible.

The Company has an organization, procedures and system that enable it to manage these risks to a reasonable extent. Risk management is an integral element of the Group's decision-making processes, both within the corporate governance bodies and in business management.

Moreover, in 2013, Repsol decided to progress towards an integrated management model in order to anticipate, manage and control the risks with an overall vision. With this aim in mind, the mission of the Risk Management Unit within the General Management of Strategy Control and Resources is to coordinate and foster the existing risk management, giving it an integrated focus by implementing the Repsol Integrated Risk Management System (IRMS).

Repsol's commitment to implementing the IRMS is reflected in the Repsol Risk Management Policy, and its principles are clarified in the new Integrated Risk Management Rule approved by the company's Management Committee. This new management model was inspired by ISO 31000, the international benchmark standard, and the Three Lines of Defense model.

The key pillars of the IRMS are:

- Leadership of Senior Management.
- Common Risk Management Model that integrates all management processes and activities of the company, which ensures that all risks are managed under a common process of identification, assessment and treatment.
- Implementation the Business model and Corporate Departments, becoming units with varying levels of responsibility and specialization (risk management units, supervision units and audit units), as well as by Risk Management, which will manage and coordinate the integrated management system.

E.2 Name the corporate bodies responsible for preparing and implementing the Risk Management System.

Board of Directors

The full Board of Directors reserves the right to approve the risk management policy.

Audit and Control Committee of the Board of Directors

According to the Regulations of the Board of Directors of Repsol, the Audit and Control Committee regularly checks the efficiency of the internal control and risk management systems to ensure that the principal risks are identified, managed and reported adequately.

Management Committee

The Management Committee approves the governance elements required within the area of risk management, oversees their correct application and monitors the company's performance in respect of risks.

The Senior Management at Repsol views the Integrated Risk Management System as not only a tool for defining the company's strategy but also as a way of improving operations and of flexibly managing critical situations and becoming stronger in the process.

Repsol's Integrated Risk Management System is aligned with the Three Lines of Defense Model on the assignment of responsibilities in risk management and control. In this regard, Repsol is organized as follows:

Risk Management Units (1st Line of Defense). These units are responsible for direct management of risk in day-to-day operations, which encompasses the tasks of identification, analysis, evaluation and mitigation of risks.

Risk Supervision Units (2nd Line of Defense). As governance units specializing in the management of certain types of risks, they have the mission of furthering and overseeing the implementation of effective risk management practices in the Management Units and providing counseling for continuous improvement in risk management.

Risk Management. Risk Management governs the function of integrated risk management and ensures that it is global, homogenous, exhaustive and effectively influential in decision-making processes.

Risk Audit Units (3rd Line of Defense). These units are responsible for evaluating the design and functioning of the Group's risk management systems to ensure that the risks are adequately identified, measured, prioritized and controlled according to the laws and regulations in place and good practice in the industry.

E.3 Define the main risks that could have a bearing on achievement of the company's business goals.

The company's transactions and income are exposed to strategic, operational and financial risks. The main risks to which the Repsol Group is exposed are:

Strategic and Operational Risks:

- Uncertainty in the current economic context
- Fluctuations in the international prices of crude and benchmark products and in demand due to factors beyond Repsol's control
- Regulatory framework and taxation of Repsol's operations
- Subjection of Repsol to exhaustive safety and environmental risks and laws
- Operating risks inherent in the exploration and exploitation of hydrocarbons and dependence on the acquisition or discovery of reserves at a reasonable cost and subsequent development of the new crude and gas reserves
- Location of reserves
- Estimates of oil reserves and gas deposits
- Projects and operations developed through joint ventures and associates
- Repsol can make acquisitions, investments and disposals as part of its strategy
- The insurance cover for all operating risks to which Repsol is exposed might not be sufficient
- Exposure of operations in the natural gas sector to certain operational and market risks
- Cyclical nature of the petrochemicals business
- The strategy of the Repsol Group requires efficiency and innovation in a highly competitive market
- The Repsol Group is exposed to administrative, judicial and arbitration procedures
- Inadequate conduct or breaches of the applicable laws and regulations by our employees can damage the reputation of the Repsol Group
- Information technology and its reliability and sturdiness are fundamental for maintaining our operations

Financial Risks:

- Liquidity Risk
- Credit Risk
- Market Risk
 - Exchange rate risk
 - Commodity price risk
 - Interest rate risk
 - Credit rating risk

For more information: See chapter Risk Management (section "Risk factors") in the Repsol Consolidated Management Report 2014.

E.4 State whether the company has a risk tolerance level.

The Company has established tolerance levels which, depending on each type of risk, can be expressed on the basis of a numeric indicator (e.g., for market, credit, etc. risks) or as a management guideline establishing obligations or limits on activities or behavior (e.g., in operational risks).

Repsol has a risk evaluation process based on common, homogenous methodology for the identification and assessment of risks by all areas responsible. The assessment is based on common scales of impact and probability.

The impact scales used in 2014 contemplated the following dimensions: Economic or Operational, Reputation and Image, and People.

In 2014, the company launched Risk Management Workshops in order to obtain the risk maps of the various business units and corporate divisions before preparing a corporate risk map. A group of experts from the various business units/divisions of Repsol participated in the workshops, allowing the company to obtain a comprehensive view of the key risks using a common yardstick and identify efficient mitigation measures.

All in all, there were 46 Risk Workshops with more than 250 experts from the business unit and corporate divisions in the different companies where the company is active.

E.5 What risks have occurred during the year?

Furthermore, risks deriving from the Company's business materialised during the year. Nevertheless, the control systems established by the company worked properly, enabling adequate handling of those risks.

E.6 Explain the response and supervision plans for the main risks to which the company is exposed.

Repsol has an organization, procedures and system that enable it to identify, measure, evaluate, prioritize, control and reasonably manage the risks to which the group is exposed, and decide to what extent those risks are accepted, mitigated, hedged or avoided as far as possible.

The response plans are adapted to the peculiarities of each risk. The principal measures taken by the company include:

- Establishing targets, strategic lines and internal regulations (policy, rules, procedures, manuals and guidelines).
- Analyzing and measuring different variables associated mainly with financial risks (VaR, CFaR) and analyzing sensitivity to risk factors.
- Defining, monitoring and continuously assessing the design and functioning of

the internal control and compliance systems: Financial Reporting Internal Control System, Program for Regulatory Compliance with the formal legal obligations to Entities of legal persons belonging to the Repsol Group; Crime Prevention Model in the Group's Spanish companies.

- Taking out insurance coverage according to the type of risk and its availability in the insurance market and at reasonable conditions and premiums.

In this regard, part of the process of preparing the 2014 Risk Map involved identifying new lines of response and consolidation above and beyond the current practice, primarily through mitigating actions, for the risks most relevant to the company.

The company also has several independent analysis, supervision and control units and response units specializing in different areas of risk management, such as:

- Management and Control of Financial Risks
- Safety and Environment
- Corporate Security
- Corporate Responsibility
- Information Systems Risks and Continuity
- Reporting and Control of Tax Risks
- Control of Reserves
- Insurance

Finally, the company has an Internal Audit Unit which evaluates and enhances existing controls to make sure that the potential risks (strategic, operational and financial) that may hamper achievement of the Repsol Group goals are reasonably identified, measured and controlled. The Group also has two further audit units: Safety and Environment, and Reserves.



INTERNAL CONTROL SYSTEMS AND RISK MANAGEMENT OVER FINANCIAL REPORTING (ICFR)

Describe the mechanisms comprising the system of internal control over financial reporting (ICFR) of your company

F.1 Control environment

Report on at least the following, describing their principal features:

F.1.1. Which bodies and/or duties are responsible for: (i) the existence and maintenance of an adequate and effective ICFR system; (ii) its implementation; and (iii) its supervision?

As indicated in its Bylaws, the Board of Directors of Repsol, S.A. is responsible for the governance, management and administration of the Company's businesses and interests save insofar as is reserved for the General Shareholders' Meeting. It focuses on the general function of supervision and the consideration of especially important issues for the Company.

The Regulations of the Board of Directors define the powers reserved for the Board, such as laying the individual and consolidated Annual Financial Statements and Directors' Report before the Ordinary (Annual) General Shareholders' Meeting. The Board must draw these documents up in clear, precise terms. It must also make sure they give a true and fair view of the net worth, financial position and results of the company and the group, as stipulated in law. Approval of the risks management and control policy and the annual and half-year financial reports which, as a listed company, the Company is obliged to publish regularly, is also reserved for the Board of Directors. The Board is ultimately responsible for supervising the Repsol Group's Financial Reporting Internal Control System.

The Regulations also establish the Board's responsibility for approving the company's codes of conduct and ethics, its own organization and functioning and that of the Senior Management, as well as specific duties referring to the company's activity on the securities market.

The Board of Directors has a direct relationship with the members of the Senior Management and the company's auditors, respecting their independence at all times.

Point C.1 of this Annual Corporate Governance Report contains information on the structure and composition of the Board of Directors.

The Board of Directors has appointed members to sit on several Committees, such as the Audit and Control Committee, whose main purpose according to the Regulations of the Board of Directors is to support the Board in its supervisory duties, through regular checking of the financial reporting process, the effectiveness of its executive controls and the independence of the external auditors, as well as checking fulfillment of all applicable laws and internal regulations.

All the members of the Audit and Control Committee are independent outside directors, with accounting and auditing expertise and experience. The Committee Chairman also has extensive experience in business, risk and financial management and a sound knowledge of accounting procedures. The structure and functioning of this committee are described in point C.2.4 of this annual corporate governance report, which expressly references the procedure for appointing the Committee Chairman.

As established in the Regulations of the Board of Directors regarding internal control and reporting systems, the Audit and Control Committee is responsible, among other duties, for regularly checking the efficacy of the risk management and internal control systems, ensuring that the principal risks are identified, managed and reported adequately.

Moreover, according to the aforesaid Regulations, the Audit and Control Committee is responsible for the following duties related to financial reporting process:

- Supervise the preparation and presentation of regulated financial reporting on the Company and the Group and its integrity, compliance with legal requirements, adequate definition of the consolidated group and correct application of the accounting principles.
- Before they are presented to the Board and with the necessary requirements of checking that they are correct, reliable, sufficient and clear, analyze the Financial Statements of the Company and its consolidated Group contained in the annual, half-year and quarterly reports, and any other financial information which, as a listed company, the Company is obliged to publish regularly, obtaining all the necessary information with the level of aggregation it considers appropriate, for which it will receive the necessary support from the Group's executive management.
- Ensure that the Annual Financial Statements to be presented to the Board of Directors to be authorized for issue are certified by the Chairman and the Chief Executive Officer, as required by the internal or external regulations applicable from time to time.
- Check all significant changes in the accounting principles used and the presentation of the financial statements and make sure they are adequately publicized, expressly stating that the Committee has checked these aspects.

- Examine draft Codes of Conduct and Ethics and modifications thereto, as prepared by the corresponding department of the Group, and issue its prior opinion on the proposals that are to be put to the corporate bodies.
- Take particular care in ensuring compliance with the applicable market conduct regulations and overseeing the actions of the Company's Internal Transparency Committee.
- Make sure that the internal control and recording procedures and systems are sufficient, adequate and effective in the measurement, valuation, classification and accounting of the Group's hydrocarbon reserves, so that their inclusion in the periodical financial reporting complies at all times with the sector standards and applicable legislation.
- Protect the independence and efficacy of internal auditing; analyze and approve, if appropriate, the annual planning of the Internal Audit Department and obtain information on the extent to which the audited units have implemented the corrective measures recommended by the Internal Audit Department in previous inspections. The Audit and Control Committee reports to the Board any situations that may entail a substantial risk for the Group.

F.1.2. State whether the following elements exist, especially in respect of the financial reporting process:

- **Departments and/or mechanisms responsible for: (i) designing and reviewing the organizational structure; (ii) clearly defining the lines of responsibility and authority, with an adequate distribution of tasks and duties; and (iii) ensuring that there are sufficient procedures for adequately informing the company**

The internal regulations assign to the People and Organization Direction the duties and responsibilities associated with the study, design, approval and implementation of organizational structures and sizing in the company.

According to those regulations, the organizational structure establishes a hierarchical and functional level for the normal operation of the different business areas within the Group and determining the levels of responsibility, decision-making and functions in each of the business units.

The organizational structure is represented by means of an organization chart and the sizing defined. Approval of a structure requires two approving roles, then line approved and the GM for People and Organization, according to the levels established in the regulations.

The organizational principle that governs structure approval is based on the premise that a structure cannot be approved by the person who is directly responsible for it, but by his or her hierarchical superior.

There is also an organizational unit responsible for inputting the approved organizational changes in the computer system, according to the implementation plan defined, which makes it possible to ensure compliance with the requirements established as regards internal control.

- **Code of conduct, approval body, degree of dissemination and information, principles and values included (stating whether there is any specific mention of the operations register and preparation of financial reporting), body responsible for analyzing default and non-compliance and proposing remedial action and penalties**

In addition to the Bylaws, the Regulations of the Board of Directors, the Regulations of the Internal Transparency Committee and other internal rules, the Group also has the “Repsol Code of Ethics and Conduct for Employees”, approved by the Board of Directors based on a favorable report by the Audit and Control Committee. This Code is applicable to all Group employees, including all the directors, executives and employees of Repsol, S.A. and the companies within its group, regardless of the type of employment contract they have, their rank and position and where they work, and anyone transferred temporarily to Repsol to provide professional services (*secondées*). This code outlines and explains the Group’s values (integrity, responsibility, transparency, flexibility and innovation), the minimum rules of conduct that should guide all employees in their actions when performing their professional work and the provisions applicable for any breach of the code. Among other aspects, it considers the basic principles for action in respect of transparency, reliable information and control of records, as well as the processing of confidential information, establishing specific obligations regarding the recording of transactions and preparation of financial reporting, and the commitment to carry out its activities in accordance with the current legislation in all countries and areas of activity.

In general, new employees are informed of the existence of the Code of Ethics and Conduct, which is placed at their disposal, and they sign an undertaking to comply with its terms. Employees are also regularly offered information and training courses, in order to boost their understanding and proper compliance with the Code of Conduct and Ethics.

The Company also provides a Welcome Manual, which is being progressively introduced, and is given to those joining the company, setting out the basic rules with which employees should be familiar and should observe from the start of their employment regardless of the division or business in which they are working or going to work, including direct access to each one for consultation. The first set of rules is the Code of Ethics and Conduct.

Company executives also agree to comply with the Executive Personnel Regulations, as an annex to their contracts. These regulations refer to the principles on which their professional actions should be based and the Company's values and rules, with a special emphasis on the Code of Ethics and Conduct.

There is a communication channel for the Repsol Code of Ethics and Conduct for Employees, which provides an effective medium for submitting consultations or informing of possible infringements of the conduct regulated in the Code. It can be consulted by Group employees or third parties by applying online through the Group website and the internal portal.

The Ethics Committee ensures supervision and compliance with the Code by all Group employees and deals with all notifications received through the communication channel. The Secretary of this Committee is responsible for processing confidentially the notifications received through this channel.

As established in the Regulations on the Repsol Ethics Committee, the committee consists of the General Counsel and Secretary of the Board of Directors, the Managing Director of People and Organization, the Chief Audit Officer, the Executive Director of Legal Services and the Executive Director of Labor Relations, Legal Labor Management and Safety at Work.

The Group also has an "Anti-Corruption Policy" defining the commitment and principles guiding the actions of Repsol and all its employees in combating corruption. This Policy is developed in the "Repsol Code of Ethics and Conduct for Employees".

In addition the Group has an "Internal Regulation on Conduct regarding the Securities Market", approved by the Board of Directors following a favorable report by the Audit and Control Committee, which responds to the requirements of Spanish law and develops aspects such as the rules of conduct for dealing in securities and financial instruments issued by the Group that are traded on securities markets, treatment of insider information, reporting of relevant information, trading in own shares, the prohibition on manipulating share prices and the handling and management of conflicts of interest. The Company has formally established mechanisms that promote the dissemination and fulfillment of its provisions within the organization. For this purpose, as stipulated in those Regulations, the Audit and Control Committee shall supervise the obligations established therein and any breach of its provisions will be considered a labor fault,

the degree of seriousness of which shall be determined in the ensuing proceedings, pursuant to applicable provisions. An offence may also be considered to exist if the security market regulations are infringed and the infringer may be sued for civil or criminal liability.

- **Whistleblowing channel, through which the audit committee can be informed of any financial or accounting irregularities, any breaches of the code of conduct and irregular activities within the organization, indicating whether this channel is confidential**

According to the Regulations of the Board of Directors, the Audit and Control Committee is responsible for receiving confidentially and anonymously any communications expressing concerns about questionable accounting or auditing practices. The Audit and Control Committee has established a specific whistleblowing channel, through which it may be informed on issues relating to accounting, internal control and auditing that affect the Group. The channel is available to employees and third parties through the corresponding applications on the corporate website and on the internal portal.

- **Training programs and regular refresher courses for personnel involved in the preparation and review of financial reporting and ICFR system assessment, covering at least accounting standards, auditing, internal control and risk management.**

Training in Repsol is geared towards developing the professional capacities required for effective performance of the employees' work, supplemented with further training to support and foster progression in their careers. It is based on initiatives intended to structure knowledge, develop skills and foster employees' commitment to the Company's plans, culture and values throughout their careers.

To achieve this, the Company has a broad selection of training activities covering issues ranging from technical aspects, organized specifically for given groups, to other more general aspects, such as management, safety awareness, etc.

Through collaboration between the Repsol Training Centre and each of the units of the Group, Repsol ensures the acquisition and updating of essential knowledge to perform the economic administrative, risks management and internal audit and control duties. The training needs are planned to meet both short and long-term requirements and the corresponding annual plan is drawn up, identifying and paying attention not only to the form of training best suited to each group but also time enabling the Company to monitor attendance levels and the quality of training given to each employee.

These needs are met by both internal resources, with training activities designed and given by its own staff with experience and references in their respective fields, and by reputed firms contracted for their quality and specialization. Other resources are also used, such as conferences, talks, discussion forums, workshops and virtual libraries.

F.2 Evaluation of financial reporting risks

Report at least on the following:

F.2.1. What are the main features of the risk identification process, including risks of error or fraud, indicating:

- **Whether the process exists and is documented.**

The Repsol Group has an integrated risk management process as indicated in point E.1 of this report. This process establishes a homogenous methodology of risk identification and assessment by all responsible divisions in the Organization.

The result of the described process is the creation of the Repsol Group Risk Map, which financial reporting risks form part of.

In mitigation of these risks, the Repsol Group has an internal control model for financial reporting (ICFR) to enable compliance with the requirements of Act 24/1988, of 28 July, on the Securities Market (*Ley 24/1988, de 28 de julio del Mercado de Valores*) amended by Act 2/2011, of 4 March, on the Sustainable Economy (*Ley 2/2011, de 4 de marzo de Economía Sostenible*), Order ECC/461/2013, of 20 March determining the content and structure of the annual corporate governance report and Circular 5/2013, of 12 June, of the National Securities Market Commission, establishing the standard annual corporate governance reports of listed publicly traded companies (*Circular 5/2013, de 12 de junio, de la Comisión Nacional del Mercado de Valores, que establece los modelos de informe anual de gobierno corporativo de las sociedades anónimas cotizadas*).

The internal control model for financial reporting (ICFR) was initially developed based on the COSO (1992) (Committee of Sponsoring Organizations of the Treadway Commission) methodological framework, contained in its Internal Control-Integrated Framework report, the aim of which is to contribute to transactions being accurately recorded, in accordance with the corresponding accounting framework, providing reasonable security in relation to the prevention or detection of errors that may have a significant impact on the information contained in consolidated annual accounts. In 2014, the model was adapted to the new 2013 COSO Framework. In this regard, the Company will continue to advance the adaptation of its model to this new Integrated Internal Control

Framework. This internal control model on financial reporting is coordinated by an integrated process comprising of five components:

1. The existence of an appropriate **control environment**.
2. Identification, analysis and **assessment of risk**.
3. The definition and implementation of **control activities** to mitigate the risks identified.
4. **Information and communication**, enabling the various control responsibilities to be known and assumed.
5. **Supervision of the functioning of the system**, in order to evaluate its design, the quality of its performance, its adaption, implementation and effectiveness.
 - **The process covers all the financial reporting objectives (existence and occurrence; integrity; valuation; presentation, breakdown & comparison; and rights & obligations), whether it is updated and how often.**

The identification of the principal risks that could affect the financial reporting objectives related with the existence and occurrence of operations, rights and obligations, the integrity, valuation and presentation thereof and their breakdown and comparability and which, therefore, could produce a material impact on the reliability of the financial reporting, is performed by preparing a financial reporting risks inventory, classified into the following categories:

- Definition of the general control environment
- Monitoring of regulatory changes
- Making of estimates and subjective calculations
- Identification and recording of business transactions
- Preparation of consolidated financial statements
- Financial reporting

This inventory covers the main risks associated with the process of preparing financial statements, whether individual or consolidated, as well as statements of other types (operational, financial, tax, employment, regulatory, etc), insofar as they may have a relevant impact on financial reporting.

Each of the aforementioned risk categories consists, in turn, of one or more specific risks, which are linked to the corresponding headings of the financial statements, the respective processes and to the different companies of the Group, reached in the Internal Control System over Financial Reporting. In this regard, as stated in section F.3.1, there is a process in place which enables the identification, determination and regular updating of the inventory of companies forming part of the Repsol Group, based on which the consolidation period is set.

The financial reporting fraud factor is also analyzed specifically for each and all of these risks, since this is an important element in the design, implementation and evaluation of the internal control model. This analysis is made taking account mainly of the references to consideration of fraud in risk assessment established within COSO 2013 ("Assesses Fraud Risk" Principle 8) and by the AICPA (American Institute of Certified Public Accountants) in its document "Consideration of Fraud in a Financial Statement Audit", Section 316 (Standard Auditing Statement 99).

Lastly, the potential impact value of each of the financial reporting risks is established, as well as the probability of this occurring. From these two factors, the severity of each of the risks is established.

The risks inventory is reviewed annually in accordance with the integrated risk management process of the Repsol Group, as indicated in section E.1 of the Annual Corporate Governance Report.

- **There is a process for identifying the scope of consolidation, taking into account, among other aspects, the possible existence of complex corporate structures or special purpose vehicles.**

The Internal Control System over Financial Reporting (ICFR) is articulated through a process that defines and implements a series of control activities designed to prevent and detect errors, including cases of fraud that could arise from such errors, by identifying and evaluating financial reporting risks in order to mitigate its potential effects.

For this, after identification and regular updating of the inventory of financial reporting risks, a scope model for the internal control system over financial reporting is established, and in it, the processes and companies that should be included in the scope on account of their relevance and materiality are determined. This identification includes both quantitative and qualitative criteria.

In order to ensure integrity in the scope model, it is important to identify and regularly update the consolidation perimeter from which the consolidated financial statements are prepared. For this, there is a process for identifying changes in the shareholders in the groups companies and for determining the companies falling

within the consolidation perimeter according to the applicable accounting criteria and the control structure present in each.

The determination of companies included within the scope of the Group ICFR system takes into account those in which control is exercised directly or indirectly, considering this to mean capacity to direct their operating and financial policies in order to obtain a gain on their activities. Therefore, companies in which there is joint control are not included in the model, since the strategic decisions regarding operational and financial activities require the unanimous consent of the parties sharing control, so the Group does not have an exclusive power to implement its own control system, alter the existing controls in those companies or assess their effectiveness. However, controls designed to guarantee homogeneity, validity and reliability of the financial information provided by joint ventures for incorporation in the consolidated financial statements are included.

- **The process takes account of the effects of other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the financial statements.**

In order to guarantee that these transactions are accurately recorded from their origin, the definition and design of the Repsol Group's ICFR system takes into account other types of risk that could have a relevant impact on the attainment of the Organization's operational and strategic goals, such as compliance, insofar as these may affect the preparation of financial statements.

In this regard, the Group's ICFR is an integrated process, providing reasonable security in relation to the prevention or detection of errors in the preparation of individual and consolidated financial statements.

Additionally, the Repsol Group includes the risks identified in other Group Units which might have a significant impact on the drafting of the financial states in the process of identification and assessment of financial reporting risks.

- **Which governing body supervises the process.**

The Board of Directors reserves the power to approve the risk management policy.

In accordance with the Regulations of the Board of Directors of Repsol, the Audit and Control Committee periodically reviews the efficiency of the internal control and risk management systems, so as to identify, manage and properly communicate the main risks.

The Management Committee approves the necessary elements of governance in the area of risk management. It will also supervise their proper application and monitor the Company's performance in terms of risks.

The Audit and Control Direction is responsible for evaluating the design and operation of the Group's risk management systems in order to ensure that risk is properly identified, measured, prioritized and controlled according to current regulations and the best practices in the industry.

F.3 Control activities

State whether the company has at least the following, indicating their main features:

F.3.1. Procedures for review and authorization of financial information to be published in the securities markets and description of the ICFR system, naming the persons responsible, and documentation describing the flows of activities and controls (including those concerning fraud risk) of the different types of transaction that might have a material effect on the financial statements, including the procedure for closing accounts and specific review of significant value judgments, estimates, valuations and projections.

The Repsol Group implemented its System of Internal Control over Financial Reporting (ICFR) based on the methodological framework of COSO 2013 (*Committee of Sponsoring Organizations of the Treadway Commission*) included in the internal report of Control-Integrated Framework to help the organization meet its goals according to the five components of internal control:

1. Control environment
2. Risk assessment
3. Control activities
4. Information and communication
5. Supervision activities

The system of Internal Control over Financial Reporting (ICFR) is integrated in the organization through the establishment of structure of roles and responsibilities for the different bodies and functions, which are described in procedures that have been duly approved and distributed within the Group. In addition to the indications in F.1.1 of this Annual Corporate Governance Report regarding the processes for checking and authorization of financial reporting by the Board of Directors and the Audit and Control Committee, below are detailed the other governing bodies and organizational units of the Group assigned relevant processes on this matter:

Chairman of the Board of Directors and Chief Executive Officer:

At closure of the financial period, all owners of the controls comprising the ICFR system will issue a certificate on the validity and effectiveness of the processes and controls within their area of responsibility. These are annual certificates which, through a hierarchical process rising up through the organizational structure, conclude with a certificate issued by the Chairman of the Board of Directors and the Chief Executive Officer.

Internal Transparency Committee:

The mission of the Internal Transparency Committee is to promote and bolster the necessary policies to ensure that the information provided for shareholders, markets and regulatory authorities is true and complete, adequately reflects the Company's financial position and the results of its operations and is presented in a timely manner and in accordance with the other requirements established in the standards and general principles for markets and good governance applied by the Company. This Committee provides support and assistance to the Chairman of the Board of Directors and the Chief Executive Officer.

According to the Regulations on the Internal Transparency Committee, it is assigned the following duties, among others:

- Supervising the establishment and maintenance of procedures for compiling the information to be published by the Company according to the applicable laws and regulations or which it reports generally to the markets, and all controls and procedures established to make sure that (i) the information is promptly and accurately recorded, processed, summarized and reported, and (ii) the information is compiled and reported to the Group's management and administrative bodies, enabling them to decide in advance on the information that should be published, proposing such improvements as they may deem fit.
- Checking and assessing the accuracy, reliability, adequacy and clarity of the information contained in the documents to be presented publicly, especially any disclosures to be made to the regulating authorities and brokers on the securities markets in which the Company's shares are listed.

The Internal Transparency Committee is made up of the heads of the units responsible for the economic, tax, legal, communication, strategy, audit & control, investor relations, corporate governance, reserves control, management control & planning, people & organization and business areas.

Business Units and Corporate Areas identified as "owners of the controls":

Within the Group, the different Business Units and Corporate Areas identified as “owners of the controls” are those responsible for ensuring the adequate design and validity of the processes and the validity, execution and adequate functioning of the controls associated therewith. Of these, the Units with an especially important role in the development, maintenance and functioning of the ICFR system are:

- The Unit that prepares the financial statements and financial reporting and defines the inventory of controls and processes of the ICFR system required to guarantee the reliability of the financial information, coordinating with the Corporate Division of Audit and Control, as a result of its process of defining and assessing the Group ICFR system.
- The Unit that guarantees fulfillment of tax obligations, tax counseling, monitoring, evaluation and implementation of changes in law and regulations, identification, control, monitoring, assessment and management of tax risks, and tax information for the financial statements. Moreover, according to the Code of Good Tax Practice, it reports annually to the Audit and Control Committee on the tax policies applied by the Company.
- The Unit that monitors, analyses, reviews and interprets the accounting standards contained in the different regulatory frameworks applicable to the Group.
- The Unit that guarantees the efficient use of financial resources, optimization of financial earnings and an adequate monitoring and control of financial, market and credit risks and that assures the continuity and development of business plans.
- The Unit that establishes the criteria for defining the organizational structure and sizing of the Group, sets the guidelines and criteria governing development of the internal regulatory framework and defines the Annual Training Plan.
- The Unit that ensures that the estimates of the Group’s proven reserves of hydrocarbons conform to the regulations issued by the different securities markets on which the Company’s shares are listed, makes the internal audits of reserves, coordinates the certificates of the external auditors of reserves and assesses the quality controls regarding information on reserves, making any appropriate suggestions, within a process of continuous improvement and application of the best practices.
- The Units responsible for legal affairs in the Group, which provide legal counseling, legal defense and handling of its legal affairs in all contentious proceedings and processes, providing legal support for the Group’s actions, rights and expectations with a view to giving them legal security and efficacy and minimizing possible legal risks.

Processes, activities and controls

The ICFR system documents basically comprise the following:

- Internal corporate regulations
- Manual of internal control over financial information
- Corporate Internal Regulations
- Financial reporting risk map
- Model of scopes
- Flow charts of processes through ICFR system
- Inventory of controls identified in the different processes
- Outcome of design tests and functioning of controls
- Certificates of validity and effectiveness issued for each financial year

The system of Internal Control over Financial Reporting is articulated through a process that defines and implements a series of control activities designed to prevent and detect errors, including cases of fraud that could arise from such errors, by identifying and evaluating financial reporting risks in order to mitigate its potential effects.

As indicated above, the ICFR system model covers the set of relevant and material processes for preparation, review and subsequent distribution of the both the individual and consolidated financial statements of the Repsol Group and the remaining financial reporting. Each one of these processes is comprised of a series of activities which are assigned a critical factor and a set of control targets to mitigate the risks in these activities associated with potential errors related with the identification, recording, valuation, presentation and breakdown of the transactions during preparation of the financial information. Once that assignment has been made, controls are established to cover the risks involved in the process.

The following types of controls are distinguished in the ICFR system:

- **Manual:** those carried out without computerized tools or applications.
- **Automatic:** those carried out with computerized tools or applications.
- **General computer controls:** those that reasonably guarantee the reliability, integrity, availability and confidentiality of the information contained in applications relevant to the financial reporting.

These three types of controls are characterized as:

- **Preventive:** their goal is to prevent errors or cases of fraud that could result in an error in the Repsol Group's financial reporting.
- **Detective:** their goal is to detect existing errors or cases of fraud that could result in an error in the Repsol Group's financial reporting.

The financial reporting process sometimes requires assumptions and estimates to be made, which may affect the amount of assets and liabilities recognized, the presentation of contingent assets and liabilities and the recognized income and expenses. These estimates may be affected, among other causes, by changes in competitive, economic, political, legal, regulatory, social, industrial, business and financial conditions.

In this regard, the Group's methodology is designed to identify the areas responsible and establish homogenous criteria for estimates and value judgments in the processes considered important for the preparation of financial reporting, namely those concerning reserves of crude and gas, provisions for litigation and other contingencies, calculation of income tax and deferred tax assets and liabilities, impairment tests of the value of assets and the valuation of financial instruments. The results of these estimates are reported to the management and governing bodies of the Group.

In addition, the aforementioned bodies are regularly informed of any business affecting its business development and which could have a material effect on the Group's financial statements.

It also regularly monitors the principal environmental variables which have or may affect, directly or through estimates and value judgments, on the quantification of assets and liabilities, income or expenses of the Group.

F.3.2. Reporting system policies and procedures for internal control (including, among others, access security, control of changes, operation, operating continuity and separation of duties) of the significant processes in the company referring to the preparation and publication of financial information

The Repsol Group has a specific body of regulations in its IT Systems area based on ISO 27001, laying down the general principles for the different processes in that area.

Considering that the Group's transaction flows are mainly made through IT Systems, an Information Systems Control Framework, consisting of a set of controls called "general computer controls", has been established which reasonably guarantee the

trustworthiness, integrity, availability and confidentiality of the information contained and processed in the relevant applications for financial reporting.

The systems linked to the process of preparing financial information conform to the security standards established in the regulations and are audited to ensure proper functioning of the Information Systems Control Framework by validating its constituent general computer controls.

These general computer controls grouped into the areas of: access security, life cycle systems development and assurance operations, help to guarantee that several control targets are obtained within the ICFR system assessment, since they have the following features:

- Contribute towards ensuring the precision, accuracy and validity of the transactions executed in the applications, since they are integrated in the logics of those applications in order to prevent and/or detect unauthorized transactions.
- They are applied to the interfaces with other systems, in order to check that information input is complete and precise, and that output is correct.

The scope of the general computer controls covers applications relevant for financial reporting and infrastructure elements that serve these applications (e.g. technical platforms, servers, databases, data processing centers, etc.).

The Repsol Group has developed a segregation of duties model in the systems for preventing and reducing the risk of errors (intentional or otherwise), especially the fraud factor in the financial reporting process. Incompatibility matrices have been installed in the applications used by the relevant processes covered by the ICFR system, with which it is possible to monitor conflicts continuously and detect cases in which the functions are not exercised according to defined profiles.

F.3.3. Internal control policies and procedures for supervising management of the activities subcontracted to third parties and any aspects of assessment, calculation or valuation outsourced to independent experts that may produce a material effect on the financial statements

The Repsol group supervises the internal control system in relation to the activities carried out by sub-contracted third parties in processes reached by the Group's internal control system. To such end, it requires a report (ISAE 3402 or SSAE16 Type 2) guaranteed by a third party with respect to the quality of the service rendered and the existence and effectiveness of a control environments of with characteristics similar to those of the Group.

This supervision is carried out depending on whether the subcontracted third parties own an application reached in the ICFR, in which cases there is a general computer control monitoring these third parties. According to this control, the Group IT Systems divisions monitor the services outsourced to third parties following the guidelines marked out in the general computer controls, in order to reasonably guarantee that the suppliers of the service have a control environment similar to that existing in the Repsol Group or able to comply with the international standards on which those control models are based.

Likewise, the Repsol Group uses substantive testing as supervision of subcontracted third parties participating on any of the processes covered by the ICFR, and requests that they provide the report issue by their auditor (SOC1 format or similar).

With regard to aspects of assessment, calculation or valuation outsourced to independent experts that may produce a material effect on the financial information, the Reserves Control Unit reviews the valuation based on the estimates of reserves made by the Group's operating units, through internal and external audits. The significant aspects identified in those audits are taken as the basis for determining the results, according to the Group's Reserves Manual, which are presented to the Management Committee and the Audit and Control Committee.

F.4 Information and communication

Report, indicating whether the company has at least the following, indicating their main features:

- F.4.1. A specific function designed to define and keep the accounting policies up to date (accounting policy department or division) and solve any queries or conflicts deriving from their interpretation, maintaining fluent communication with those responsible for operations in the organization, and an updated accounting policy manual distributed among the units through which the company operates**

The Group has a Unit responsible for monitoring, analyzing and reviewing the accounting principles and policies established in the different regulatory frameworks applied in the preparation of financial statements, analyzing and answering consultations on their interpretation and adequate application. The organizational units involved in preparing financial information are periodically informed of any new aspects of accounting techniques and regulations and the outcome of the different analyses made.

There are also accounting principles manuals, which establish the accounting standards, policies and principles applied by the Group. These manuals are revised

and updated periodically and whenever there is a material change in the applicable regulations. The manuals are available on the internal communication network.

F.4.2. Mechanisms for collecting and preparing financial information with homogenous formats, application and use by all units of the company or group, covering the principal financial statements and notes and the information given on the ICFR system

The Group has integrated IT systems for both recognizing transactions in the accounts and preparing the individual and consolidated financial statements. It also has processes for centralized coding and parameterization processes which, together with the accounting principles manuals, guarantee the integrity and homogeneity of the information. Finally, there are also tools used for processing the information in order to obtain and prepare the breakdowns provided in the notes to the financial statements. The systems linked to the preparation and reporting of financial information meet the security standards established by the general computer controls defined for IT systems. (See section F.3.2. of this Annual Corporate Governance Report.)

F.5 Supervision of the functioning of the system

State whether the company has at least the following, indicating their main features:

F.5.1. ICFR system supervisory activities performed by the audit committee and whether the company has an internal audit department which, among other duties, assists the committee in its supervision of the internal control system, including the ICFR system. Indicate the scope of assessment of the ICFR system made in the year and the procedure through which the person responsible for making the assessment reports on its outcome, whether the company has an action plan describing possible corrective measures and whether its impact on financial reporting has been considered

According to the Regulations of the Board, the Audit and Control Committee is responsible for supervising the assessment and presentation, as well as the integrity of the regulated financial information on the Company and the Group, checking compliance with legal provisions, adequate definition of the consolidated group and correct application of the accounting principles, and regularly checking the effectiveness of the internal control and risk management systems, ensuring that the principal risks are identified, managed and reported adequately.

The Audit and Control Committee also analyzes and approves, where appropriate, the annual planning of the Internal Audit Department and other occasional or specific additional plans required as a result of changes in legislation or the needs of the Group's business organization.

The annual planning of the Internal Audit Department is structured to assess and supervise the correct functioning and adequacy of the Group's control and risk systems (operational, strategic, financial and compliance).

The Audit and Control Direction reports to the Audit and Control Committee and performs the audit and control duties established in international standards in line with the best market practices, as well as the requirements of the different regulatory frameworks applicable in the countries in which the Repsol Group has businesses and activities. It has a "Quality Assurance and Enhancement Plan", assessed regularly, to assure quality in its duties, the results of which are reported to the Audit and Control Committee.

The Audit and Control Division is responsible for seeing that the design and functioning of the Internal Control and Risk Management Systems in the Group are reasonable and adequate, contributing towards their improvement and covering the following control objectives:

- Any risks that may affect the organization are adequately identified, measured, prioritized and controlled
- Transactions are efficient and effective
- Transactions are made in compliance of applicable laws, regulations and contracts and prevailing policies, rules or procedures
- The assets are adequately protected and reasonably controlled
- The most significant financial, management and operating information is prepared and reported adequately.

The Audit and Control Direction supports the supervisory work of the Board of Directors, Audit and Control Committee and Internal Transparency Committee over the Financial Reporting Internal Control System (ICFR).

The Audit and Control Direction reports to the Audit and Control Committee on the conclusions of all work done, the corrective measures proposed and the degree of fulfillment of each one. This Department provides supporting any significant irregularities, anomalies or non-compliance committed by the audited units, reporting to the Board any cases that may entail a major risk for the Group.

The Audit and Control Direction reports any weakness or incident detected in the updating or assessment of the ICFR system to the owners of the controls.

After year-end, the Audit and Control Direction informs the Internal Transparency Committee, the Audit and Control Committee and the Board of Directors on the outcome of the ICFR system assessment and any defects found during the assessment of ICFR system effectiveness.

The Group Management has assessed the effectiveness of the ICFR system corresponding to 2014, and did not find any qualifications, concluding that it is effective, based on the criteria established by COSO 2013.

F.5.2. If there is a discussion procedure through which the accounts auditor (as established in the technical audit standards), the internal audit department and other experts can inform the senior management and audit committee or company directors of any significant weaknesses in internal control detected during their checking of the annual financial statements or such others commissioned to them. State also whether it has an action plan to correct or mitigate the weaknesses observed.

As mentioned in point F.5.1 of this Annual Corporate Governance Report, the Audit and Control Division reports to the Audit and Control Committee on the conclusions of all work done, the corrective measures proposed and the degree of fulfillment of each one.

One of the duties of the Audit and Control Committee is to establish appropriate relations with the External Auditor to receive regular information on the audit plan and the results of its implementation, and on any other issues concerning the audit process and corresponding rules and regulations. It also verifies that the management team bears in mind the recommendations made by the External Auditor.

The Audit and Control Committee also requires the External Auditor periodically, at least once a year, to assess the quality of the internal control procedures and systems and discuss with it any significant weaknesses detected during audit, and requests the External Auditor's opinion on the effectiveness of the ICFR system.

F.6 Other relevant information

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F.7 External Auditor's report

Report on:

F.7.1. Whether the ICFR system information remitted to the markets has been checked by the external auditor, in which case the Company should include the latter's report in an annex hereto. Otherwise, state reasons.

The Group has requested the External Audit to check the effectiveness of the system of internal control over financial reporting (ICFR) in respect of the financial information contained in the consolidated annual financial statements of the Repsol Group as at 31 December 2014.



EXTENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of compliance by the company with the recommendations of the Unified Good Governance Code.

If any recommendation is not followed or is only partly followed, include a detailed explanation of the reasons so that shareholders, investors and the market in general have sufficient information to assess the company's actions. General explanations are not acceptable.

- 1. The Articles of Association of listed companies should not limit the maximum number of votes that may be cast by an individual shareholder or impose other restrictions hampering takeover of the company via the market acquisition of its shares.**

See sections: A.10, B.1, B.2, C.1.23 and C.1.24

Complies ☒ Explanation ☐

- 2. When both the parent company and a subsidiary are listed, they should both publish a document specifying exactly:**

- a) The types of activity they are respectively engaged in and any business dealings between them, and between the listed subsidiary and other group companies;
- b) The mechanisms in place to solve any conflicts of interest.

See sections: D.4 and D.7

Complies ☐ Partial compliance ☐ Explanation ☐ Not applicable ☒

- 3. Although not expressly required in company law, any operations involving a structural alteration of the company should be submitted to the General Meeting for approval, especially the following:**

- a) Conversion of listed companies into holdings, through spin-off or "subsidiarisation", i.e. reallocating to subsidiaries of core activities thereunto performed by the company, even though the latter may retain full ownership of its subsidiaries;
- b) Acquisition or disposal of key operating assets, if this involves an effective alteration of its objects;
- c) Any operations producing effects equivalent to liquidation of the company.

See section: B.6

Complies ☒ Partial compliance ☐ Explanation ☐

4. Detailed proposals of the resolutions to be adopted at a General Meeting, including the information contemplated in Recommendation 27, should be published simultaneously with the notice of call to the General Meeting.

Complies ☒ Explanation ☐

5. Substantially independent items shall be voted separately at General Meetings to enable shareholders to express their preferences separately. This rule is particularly applicable:

a) To the appointment or ratification of directors, which should be voted individually;

b) In the case of alterations to the Articles of Association, to each article or substantially independent group of articles.

Complies ☒ Partial compliance ☐ Explanation ☐

6. Companies should allow split votes, so that financial intermediaries on record as shareholders but acting on behalf of different clients can vote according to the latter's instructions.

Complies ☒ Explanation ☐

7. The Board should perform its duties with unity in proposal and independent criteria, affording all shareholders the same treatment and guided by corporate interests, which shall mean maximising the value of the company over time.

It shall also ensure that the company complies with the applicable laws and regulations in its relations with stakeholders; fulfils its contracts and obligations in good faith; respects good customs and practice in the sectors and territories in which it operates; and upholds any other social responsibility principles that it may have subscribed to voluntarily.

Complies ☒ Partial compliance ☐ Explanation ☐

8. The Board should undertake, as its principal mission, to approve the company's strategy and the organisation required to put it into practice, and to oversee and ensure that Management meets the targets marked out and respects the objects and corporate interest of the company. For this purpose, the full Board shall approve the following:

a) General policies and strategies of the Company, particularly:

i) The strategic or business plan, management objectives and annual budgets;

ii) Investment and financing policy;

- iii) **Definition of the structure of the corporate group;**
- iv) **Corporate governance policy;**
- v) **Corporate social responsibility policy;**
- vi) **Policy on the remuneration and performance assessment of senior officers;**
- vii) **Risk management and control policy and the regular monitoring of internal information and control systems;**
- viii) **The dividend policy and treasury stock policy, particularly regarding limits.**

See sections: C.1.14, C.1.16 and E.2

b) The following decisions:

- i) **Upon recommendation by the chief executive, the appointment and possible removal of senior officers, and corresponding severance clauses;**
 - ii) **Directors' emoluments and, for executive directors, supplementary remuneration for their executive duties and any other terms and conditions to be included in their contracts;**
 - iii) **The financial information that listed companies are obliged to disclose periodically;**
 - iv) **Any investments or transactions considered strategic by virtue of their amount or special characteristics, unless approval corresponds to the General Meeting;**
 - v) **Creation or acquisition of shares in special purpose vehicles or companies domiciled in countries or territories considered tax havens, and any transactions or operations of a similar nature which could, by virtue of their complex structure, impair the group's transparency.**
- c) Transactions between the company and its directors, significant shareholders or shareholders with representatives on the Board, or persons related thereto ("related-party transactions").**

This authorisation will not be necessary for related-party transactions that meet all of the following three conditions:

- 1. Made under contracts with standard terms and conditions applied across the board to large numbers of clients;**
- 2. Made at the general prices or rates established by the person supplying the good or service;**
- 3. Made for a sum not exceeding 1% of the company's annual earnings.**

The Board is recommended to make approval of related-party transactions dependent on a favourable report by the Audit Committee, or such other committee as may be assigned this duty. Apart from not exercising or delegating their vote, the affected Directors shall leave the room during the corresponding discussion and voting by the Board.

It is recommended that these competences of the Board be non-delegable, except those contemplated in paragraphs b) and c), which may be adopted by the Executive Committee in an emergency, subject to subsequent ratification by the full Board.

See sections: D.1 and D.6

Complies ☐ Partial compliance ☒ Explanation ☐

The company complies with this recommendation except the following paragraphs:

- a.iii) Owing to the complexity and large number of companies currently forming the Repsol Group, it has not been considered convenient to expressly include the contents of this recommendation in the internal strategies and policies of the company.

9. The Board should have an adequate size to secure efficient, participative performance of its duties. The recommended size is between five and fifteen members.

See section: C.1.2

Complies ☒ Explanation ☐

10. Non-executive proprietary and independent directors should have an ample majority on the board, while the number of executive directors should be kept to a minimum, taking account of their equity ownership and the complexity of the corporate group.

See sections: A.3 and C.1.3

Complies ☒ Partial compliance ☐ Explanation ☐

11. Among the non-executive directors, the ratio of proprietary to independent directors should reflect the proportion between capital represented and not represented on the Board.

This strictly proportional distribution may be relaxed so that proprietary directors have a greater weight than that corresponding to the total percentage of capital they represent:

1. In companies with a high capitalisation with few or no shareholdings considered significant by law, but in which certain shareholders have interests with a high absolute value.

2. In companies with a plurality of unrelated shareholders represented on the Board.

See sections: A.2, A.3 and C.1.3

Complies ☒ Explanation ☐

12. The total number of Independent Directors should represent at least one-third of the total Directors.

See section: C.1.3

Complies ☒ Explanation ☐

13. The Board should explain the nature of each Director at the General Meeting at which an appointment is to be made or ratified. The type of director should be confirmed or altered, as the case may be, in the Annual Corporate Governance Report, following verification by the Nomination Committee. The reasons why Proprietary Directors have been appointed at the request of shareholders with an interest of less than 5% in the capital shall be explained in that Report, as well as the reasons, where appropriate, for not meeting formal requests for presence on the Board from shareholders with an interest equal or greater than others at whose request proprietary directors have been appointed.

See sections: C.1.3 and C.1.8

Complies ☒ Partial compliance ☐ Explanation ☐

14. When there are few or no female directors, the Board should explain the reasons for this situation and the steps taken to correct it. In particular, when vacancies arise on the Board, the Nomination Committee should ensure that:

- a) There is no hidden bias against women candidates in the selection procedures;**
- b) A conscious effort is made to include women with the target profile among the candidates.**

See sections: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4

Complies ☒ Partial compliance ☐ Explanation ☐ Not applicable ☐

15. The Chairman, being responsible for the effective operation of the Board, should make sure that directors receive sufficient information in advance; stimulate debate and active participation by directors at all Board meetings, protecting their free stand and expression of opinion on any issues; and organise and coordinate periodic assessment of the Board, and the Managing Director or CEO, if any, with the chairmen of the principal committees.

See section: C.1.19 and C.1.41

Complies ☒ Partial compliance ☐ Explanation ☐

- 16. When the Chairman of the Board is also the chief executive officer of the company, one of the independent directors should be authorised to request the calling of a board meeting or the inclusion of new items on the agenda; coordinate and express the concerns of the non-executive directors; and direct the assessment by the Board of its Chairman.**

See section: C.1.22

Complies ☒ Partial compliance ☐ Explanation ☐ Not applicable ☐

- 17. The Secretary of the Board should especially ensure that the Board's actions:**

- a) Conform to the text and spirit of the laws and regulations, including those adopted by the market watchdogs;**
- b) Conform to the company's Articles of Association and the Regulations of the General Meeting, the Board and any other internal regulations of the Company;**
- c) Take account of the good governance recommendations contained in this Unified Code endorsed by the company.**

To guarantee the independence, impartiality and professionalism of the Secretary, his/her appointment and removal should require a report by the Nomination Committee and approval by the full Board; and the procedure for appointment and removal should be set down in the Regulations of the Board.

See section: C.1.34

Complies ☒ Partial compliance ☐ Explanation ☐

- 18. The Board should meet as often as may be necessary to secure efficient performance of its duties, following the calendar and business established at the beginning of the year, although any director may propose other items not initially contemplated to be included on the agenda.**

See section: C.1.29

Complies ☒ Partial compliance ☐ Explanation ☐

- 19. Non-attendance of Board meetings should be limited to inevitable cases and stated in the Annual Corporate Governance Report. If a director is forced to grant a proxy for any Board meeting, the appropriate instructions should be issued.**

See sections: C.1.28, C.1.29 and C.1.30

Complies ☒ Partial compliance ☐ Explanation ☐

- 20. When the Directors or the Secretary express concern over a proposal, or, in the case of Directors, the company's performance, and those concerns are not settled by the board, they should be put on record, at the request of those expressing them.**

Complies ☐ Partial compliance ☐ Explanation ☐ Not applicable ☒

21. The full Board should assess once a year:

- a) The quality and effectiveness of the Board's actions;**
- b) Based on the report issued by the Nomination Committee, the performance by the Chairman of the Board and Chief Executive Officer of their respective duties;**
- c) The performance of its Committees, based on the reports issued by each one**

See section: C.1.19 and C.1.20

Complies ☒ Partial compliance ☐ Explanation ☐

22. All the Directors should be entitled to obtain such supplementary information as they may consider necessary on business within the competence of the Board. Save otherwise stipulated in the Articles of Association or Board Regulations, their requests should be addressed to the Chairman or Secretary of the Board.

See section: C.1.41

Complies ☒ Explanation ☐

23. All Directors should be entitled to call on the company for specific guidance in the performance of their duties, and the company should provide adequate means for exercising this right, which in special circumstances may include external assistance, at the company's expense.

See section: C.1.40

Complies ☒ Explanation ☐

24. Companies should establish an induction programme to give new Directors a rapid, sufficient insight into the company and its rules on corporate governance. Directors should also be offered refresher courses in the appropriate circumstances.

Complies ☒ Partial compliance ☐ Explanation ☐

25. Companies should require Directors to devote the necessary time and efforts to perform their duties efficiently. Accordingly:

- a) Directors should inform the Nomination Committee of any other professional obligations they may have, in case they may interfere with the required dedication;**
- b) Companies should limit the number of directorships that its Directors may hold.**

See sections: C.1.12, C.1.13 and C.1.17

Complies ☒ Partial compliance ☐ Explanation ☐

- 26. Proposals for the appointment or re-appointment of directors submitted by the Board to the General Meeting and the provisional appointment of directors by cooptation should be approved by the Board:**

- a) At the proposal of the Nomination Committee, in the case of independent directors;**
- b) Subject to a report by the Nomination Committee for other directors.**

See section: C.1.3

Complies ☒ Partial compliance ☐ Explanation ☐

- 27. Companies should publish on their websites and regularly update the following information on their directors:**

- a) Professional and biographical profile;**
- b) Other directorships held, in listed or unlisted companies;**
- c) Type of director, indicating in the case of proprietary directors the shareholders they represent or are related with.**
- d) Date of first and subsequent appointments as company director; and**
- e) Company shares and stock options held.**

Complies ☒ Partial compliance ☐ Explanation ☐

- 28. Proprietary directors should resign when the shareholder they represent disposes of its entire shareholding in the company. They should also resign in the corresponding number when the shareholder disposes of part of its shares to an extent requiring a reduction in the number of proprietary directors.**

See sections : A.2, A.3 and C.1.2

Complies ☒ Partial compliance ☐ Explanation ☐

- 29. The Board should not propose the removal of any independent director before the end of the period for which he or she was appointed, unless there are just grounds for doing so, as appreciated by the Board subject to a report by the Nomination Committee. Just grounds are deemed to exist when the director has acted in breach of his/her duties or when he or she falls into any of the circumstances by virtue of which he/she would no longer be considered independent, according to the provisions of Order ECC/461/2013.**

The removal of independent directors may also be proposed as a result of takeover bids, mergers or similar corporate operations producing a change in the capital structure of the company, whenever those changes in the structure of the Board correspond to the principle of proportionality established in Recommendation 11.

See sections: C.1.2, C.1.9, C.1.19 and C.1.27

Complies ☒ Explanation ☐

- 30. Companies should establish rules obliging directors to report and, if necessary, resign in any cases that may jeopardise the company's reputation. In particular, directors should be obliged to inform the Board of any criminal proceedings brought against them and the subsequent development of the proceedings.**

If a director is tried for any of the offences contemplated in section 213 of the Corporate Enterprises Act, the Board should study the case as soon as possible and, in view of the specific circumstances, decide whether or not the director should remain in office. A reasoned account should be included in the Annual Corporate Governance Report.

See sections: C.1.42 and C.1.43

Complies ☒ Partial compliance ☐ Explanation ☐

- 31. All the directors should clearly express their opposition whenever they consider that any proposed decision submitted to the Board may go against corporate interests. The independent and other directors not affected by the potential conflict of interest should also do so when the decisions may be detrimental to shareholders not represented on the Board.**

And when the Board adopts significant or reiterated decisions regarding which a director has expressed serious reservations, the latter should reach the appropriate conclusions and, if he or she opts to resign, explain the reasons in the letter contemplated in the following recommendation.

This recommendation also affects the Secretary of the Board, even if he or she is not a director.

Complies ☐ Partial compliance ☐ Explanation ☐ Not applicable ☒

- 32. If a director resigns or retires from office on whatsoever other grounds before the end of his or her term of office, he or she should explain the reasons in a letter sent to all the Board members. Regardless of whether the retirement is announced as a regulatory disclosure, the reason shall be indicated in the Annual Corporate Governance Report.**

See section: C.1.9

Complies ☒ Partial compliance ☐ Explanation ☐ Not applicable ☐

- 33. Remunerations in the form of shares in the company or group companies, stock options or instruments linked to the value of the share and any variable remuneration linked to the company's performance or welfare schemes should be limited to executive directors.**

This recommendation shall not be applicable to the delivery of shares when subject to the condition that the directors keep them up to their retirement from the Board.

Complies ☒ Explanation ☐

- 34. The remuneration of non-executive directors should be sufficient to remunerate their dedication, qualifications and responsibilities, but not so high as to compromise their independence.**

Complies ☒ Explanation ☐

- 35. Earnings-linked remuneration should take account of any qualifications in the external auditor's report that may reduce such earnings.**

Complies ☒ Explanation ☐ Not applicable ☐

- 36. In the case of variable remuneration, the pay policies should establish such limits and the precautions as may be necessary to ensure that such remuneration is related to the professional performance of its beneficiaries, not merely deriving from general trends on the markets or in the company's sector of business or other similar circumstances.**

Complies ☒ Explanation ☐ Not applicable ☐

- 37. When there is an Executive Committee, the balance between the different types of director should roughly mirror that of the Board and its secretary should be the Secretary of the Board.**

See sections: C.2.1 and C.2.6

Complies ☒ Partial compliance ☐ Explanation ☐ Not applicable ☐

- 38. The Board should be informed at all times of the business transacted and decisions made by the Executive Committee and all Board members should receive a copy of the minutes of Executive Committee meetings.**

Complies ☒ Explanation ☐ Not applicable ☐

- 39. In addition to the Audit Committee which is mandatory under the Securities Market Act, the Board shall set up a Nomination and Remuneration Committee, or two separate Committees.**

The rules on composition and procedure of the Audit Committee and the Nomination and Remuneration Committee or Committees should be set out in the Regulations of the Board, including the following:

- a) The Board should appoint the members of these Committees, taking account of the directors' knowledge, expertise and experience and the duties corresponding**

to each Committee and discuss their proposals and reports. The Committees should report to the Board on their actions at the first full Board meeting after each Committee meeting, being accountable for the work done.

- b) These Committees should have a minimum of three members, who should be exclusively non-executive directors. This notwithstanding, executive directors or senior officers may attend their meetings when expressly so decided by the Committee members.
- c) The Committees should be chaired by Independent Directors.
- d) They may obtain external assistance whenever this is considered necessary for the performance of their duties.
- e) Minutes should be issued of Committee meetings and a copy sent to all members of the Board.

See sections: C.2.1 and C.2.4

Complies ☒ Partial compliance ☐ Explanation ☐

40. The Audit Committee, Nomination Committee or, if separate, the Compliance or Corporate Governance Committee(s) should be responsible for overseeing compliance with internal codes of conduct and corporate governance rules and regulations.

See sections: C.2.3 and C.2.4

Complies ☒ Explanation ☐

41. All members of the Audit Committee, particularly its Chairman, should be appointed in view of their knowledge of and experience in accounting, auditing or risk management.

Complies ☒ Explanation ☐

42. Listed companies should have an internal audit department, supervised by the Audit Committee, to guarantee the effectiveness and efficiency of the internal reporting and control systems.

See section: C.2.3

Complies ☒ Explanation ☐

43. The chief audit officer should submit an annual work programme to the Audit Committee, reporting directly on any irregularities arising during its implementation and submitting an activity report at each year end.

Complies ☒ Partial compliance ☐ Explanation ☐

44. The risk management and control policy should define at least:

- a) The different types of risk (operating, technological, financial, legal, reputational...) to which the company is exposed, including under financial or economic risks any contingent liabilities or other off-balance-sheet exposure;
- b) The level of risk that the company considers acceptable;
- c) The measures envisaged to soften the effects of the risks identified, should they materialise;
- d) The internal reporting and control systems to be used to control and manage those risks, including contingent liabilities or off-balance-sheet risks.

See section: E

Complies ☒ Partial compliance ☐ Explanation ☐

45. The Audit Committee should:

1. In connection with the internal reporting and control systems:

- a) Ensure that the principal risks identified through supervision of the effective internal control of the company and internal auditing are adequately managed and disclosed.
- b) Oversee the independence and effectiveness of the internal audit department; propose the nomination, appointment, reappointment and removal of the chief audit officer; propose the budget for this department; receive periodical information on its activities; and check that the top management heeds the conclusions and recommendations set out in its reports.
- c) Establish and supervise a “whistle-blowing” procedure so employees can confidentially and, if considered appropriate, anonymously report any potentially important irregularities they may observe in the company's conduct, especially in financial and accounting aspects.

2. In connection with the external auditor:

- a) Receive regular information from the external auditor on the audit plan and findings and make sure the senior management acts on its recommendations.
- b) Guarantee the independence of the external auditor, and for this purpose:
 - i) The company should inform the CNMV as a significant event whenever the auditor is changed, attaching a declaration on any disagreements that may have arisen with the outgoing auditor and their content.
 - ii) Investigate the circumstances giving rise to resignation of any external auditor.

See sections: C.1.36, C.2.3, C.2.4 and E.2

Complies ☒ Partial compliance ☐ Explanation ☐

- 46. The Audit Committee may call any employee or executive of the company into its meetings, even ordering their appearance without the presence of any other senior officer.**

Complies ☒ Explanation ☐

- 47. The Audit Committee should report to the Board on the following matters from Recommendation 8 before the latter adopts the corresponding decisions:**

- a) The financial information that listed companies are obliged to disclose periodically. The Committee shall ensure that interim financial statements are drawn up under the same accounting principles as the annual statements, requesting a limited external audit if necessary.**
- b) Creation or acquisition of shares in special purpose vehicles or companies domiciled in countries or territories which are considered tax havens, and any transactions or operations of a similar nature which could, by virtue of their complex structure, impair the group's transparency.**
- c) Related-party transactions, unless this prior reporting duty has been assigned to another supervision and control committee.**

See sections: C.2.3 and C.2.4

Complies ☒ Partial compliance ☐ Explanation ☐

- 48. The Board should endeavour to avoid a qualified auditor's report on the accounts laid before the General Meeting, and in exceptional circumstances when such qualifications exist, both the Chairman of the Audit Committee and the auditors shall clearly explain to the shareholders their content and scope.**

See section: C.1.38

Complies ☒ Partial compliance ☐ Explanation ☐

- 49. The majority of the members of the Nomination Committee – or Nomination and Remuneration Committee if there is just one – should be independent directors.**

See section: C.2.1

Complies ☒ Explanation ☐ Not applicable ☐

- 50. Apart from the duties specified in preceding Recommendations, the Nomination Committee should:**

- a) Assess the expertise, knowledge and experience of Board members; define the duties and skills required of candidates to fill vacancies; and determine the time and dedication considered necessary for them to adequately perform their duties.**
- b) Study or organise as appropriate the succession of the Chairman or Chief**

Executive Officer and, if necessary, make recommendations to the Board to secure an orderly, well-planned handover.

c) Report on any appointments and removals of senior officers proposed by the Chief Executive Officer.

d) Report to the Board on the gender issues contemplated in Recommendation 14.

See section: C.2.4

Complies ☒ Partial compliance ☐ Explanation ☐ Not applicable ☐

51. The Nomination Committee should consult the Chairman and Chief Executive Officer, especially on matters concerning Executive Directors.

Any director may request the Nomination Committee to consider potential candidates they consider suitable to fill vacancies on the Board.

Complies ☒ Partial compliance ☐ Explanation ☐ Not applicable ☐

52. Apart from the duties indicated in the preceding Recommendations, the Remuneration Committee should:

a) Submit proposals to the Board on:

i) The remuneration policy for directors and senior officers;

ii) The individual remuneration of executive directors and other terms of contract;

iii) The basic conditions of senior executive contracts.

b) Ensure compliance with the remuneration policy established by the company.

See sections: C.2.4

Complies ☒ Partial compliance ☐ Explanation ☐ Not applicable ☐

53. The Remuneration Committee should consult the Chairman and Chief Executive Officer, especially on matters concerning executive directors and senior officers.

Complies ☒ Explanation ☐ Not applicable ☐

H OTHER INFORMATION OF INTEREST

- 1. If you consider there to be any important aspect regarding the corporate governance practices applied by your company or other companies in the group that have not been mentioned in this report, but which should be included to obtain more complete,**

reasoned information on the corporate governance practices and structure in the company or group, describe them below and give a brief explanation.

It is noted that the data contained in this report relate to the ended December 31, 2014 financial year, except in those matters in which reference other date specifically stated.

1. Note to A.1.

On 9 January 2015 the Chief Executive Officer of Repsol, exercising the powers delegated to him by the Board of Directors on 28 May 2014 (in turn exercising the powers delegated in the resolution passed to increase the capital under item six on the agenda for the Annual General Meeting held on 28 March 2014), resolved to complete and declare closed the capital increase made by Repsol, bringing the company's capital to 1,374,694,217 euros, divided into 1,374,694,217 shares and 1,374,694,217 voting rights.

2. Note to A.2.

The details set out in this section, as of December 31, 2014, are obtained from the last information supplied by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, Sociedad Anónima Unipersonal (IBERCLEAR), and from the information sent by shareholders to the Company and to the Comisión Nacional del Mercado de Valores (CNMV).

It is noted that La Fundación Bancaria Caixa d'Estalvis I Pensions de Barcelona holds its stake through CaixaBank, S.A. and Vidacaixa, S.A. The information regarding La Fundación Bancaria Caixa d'Estalvis I Pensions de Barcelona is based in the statement made by this Company in the CNMV on October 20, 2014.

Also, it is noted that Blackrock holds its stake through various controlled subsidiaries, all of them with a common policy vote. The information regarding Blackrock is based in the statement made by this Company in the CNMV on July 25, 2014.

According to the latest information available from the Company at the time of preparation of the annual accounts, the shareholders of the Company are as follows:

Name of shareholder	Interest / total voting rights (%)
Fundación Bancaria Caixa d'Estalvis I Pensions de Barcelona	11.71
Sacyr,S.A.	8.89
Temasek Holdings (Private) Limited	6.03

Blackrock, Inc	3.09
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- (1) Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona holds its stake through Caixabank, S.A. and Vidacaixa, S.A.
- (2) Sacyr, S.A. holds its stake through Sacyr Participaciones Mobiliarias, S.L.
- (3) Temasek holds its stake through its subsidiary Chembra Investment PTE, Ltd.
- (4) Blackrock holds its stake through various controlled subsidiaries, all of them with a common policy vote. The information regarding Blackrock is based in the statement made by this Company in the CNMV on July 25, 2014 on the share capital at that date.

3. Note on section A.8

The 0.546% treasury stock percentage indicated as of December 31, 2014 has been calculated considering the shares issued on the free-of-charge capital increase that, within the framework of the shareholders' pay-out programme "Repsol Flexible Dividend", was recorded on the Madrid Commercial Registry on January 14, 2015 and that for accounting effects has been recorded on the financial statements of the Group as of December 31, 2014. As a result of said capital increase and in relation to the referred calculation, the Group received the proportional amount of new shares corresponding to the shares held as treasury stock before said capital increase.

4. Note on section A.10

With regard to the legal restrictions on the purchase or sale of shares in the capital, under Supplementary Provision 11th to the Hydrocarbons Act 34/1998, as drafted in Royal Decree-Law 4/2006 of February 24, prior administrative authorisation by the Comisión Nacional de Energía must be sought for certain acquisitions or investments in companies that engage in regulated activities or activities subject to significant oversight by administrative bodies that implies special regulation.

On July 28, 2008, the European Court of Justice determined that Spain had, through the imposition of this requirement of administrative authorisation by the Comisión Nacional de Energía, failed to fulfil its obligations under Articles 43 and 56 of the EC Treaty.

5. Note on section C.1.15

The total amount indicated corresponds, in accordance with the instructions for this report, with the amount declared as total compensation accrued in table c) "Summary of remuneration" in point D.1. of the Repsol Group Directors' Remuneration Report.

All these items are broken down for each director in Note 28 to the Group's consolidated financial statements.

The Director and General Counsel, Luis Suárez de Lezo, accrued cumulative pension rights up to 31 December 2014 totalling 2,072 thousand euros, a sum of 202 thousand euros having been added during 2014.

The cumulative pension rights of the CEO, Josu Jon Imaz, at 31 December 2014 totalled 833 thousand euros, a sum of 173 thousand euros having been added between 1 May 2014 and 31 December 2014.

By virtue of a Resolution of the Board of Directors adopted on 27 February 2013 at the request of the Chairman, Antonio Brufau, Repsol stopped making contributions to his pension scheme as of 12 March 2013, terminating the company's commitment in this respect.

There are no pension commitments to any of the other members of the Board.

6. Note on section C.1.16

The item "Total remuneration senior management" includes:

- a) Fixed remuneration and remuneration in kind of the senior management during 2014.
- b) The annual variable remuneration of the senior management accrued during 2014 and the multiannual remuneration under the Medium-Term Incentive Scheme 2011-2014.
- c) Loyalty Incentive Scheme: On May 21, 2014 the consolidation period of the 1st Cycle of the Scheme was completed. As a result of this the General Counsel consolidated rights to delivery of 13,752 gross shares valued at 20.905 euros per share, which entails an amount equivalent to 44 thousand euros. The CEO did not participate in this cycle of the Scheme, and as such did not consolidate additional share delivery rights.

The cumulative rights corresponding to pension commitments contracted with the current members of the senior management total 20,137 thousand euros, of which 1,815 thousand euros were contributed in 2014.

7. Note on section D.2.

On 4 June 2014, Petróleos Mexicanos (PEMEX) notified the Spanish National Securities Market Commission (CNMV) of the completion of an accelerated placement among eligible investors of 104,057,057 shares in Repsol, S.A., representing 7.86% of the capital at that date. As of that date PEMEX ceased to be considered a significant shareholder of Repsol, S.A. On the same date (4 June 2014) Pemex International España S.A.U. (subsidiary in the PEMEX Group) announced its resignation as member of the Board of Directors of Repsol, whereupon PEMEX ceased to be considered a related party of Repsol.

The commitments acquired to Sacyr, S.A. correspond to the volume of purchase commitments in place at 31 December 2014, net of sale commitments.

Leases refer to those in which the Group is lessee, net of those in which it is lessor.

In addition to the afore-mentioned related party transactions, the Group has further transactions for 1,607 million euros at 31 December 2014 with the "La Caixa" Group, which include short-term deposits and investments in a sum of 1 billion euros and interest rate hedging transactions of 74 million euros.

8. Note on section D.4.

For related party transactions with group companies established in tax havens or territories considered tax havens parties are informed of all transactions that Repsol can be made with these companies by amounts corresponding to the individual companies, without considering eliminations for consolidation.

We have considered those transactions with Group companies whose tax domicile is established within any of the territories the list of tax havens dating from 1991 (RD 1080/1991), excluding those who, according to this rule, there is an agreement signed to avoid double taxation or an agreement for the exchange of information.

- 2. This section may be used to include any other information, clarification or qualification relating to the previous sections of the report, provided it is relevant and not repetitive. In particular, state whether the company is subject to any laws other than the laws of Spain on corporate governance and, if this is the case, include whatever information the company may be obliged to supply that differs from the information included in this report.**
- 3. The company may also state whether it has voluntarily applied any international, sector-based or other codes of ethical principles or good practices. If so, it should name the code in question and the date of its accession.**

Repsol's adherence to the Code of Best Tax Practices (Codigo de Buenas Practicas Tributarias) as of 23 September 2010, this Code was approved by the Forum of Large Enterprises and in the wording proposed by the State Tax Administration Agency (AEAT) and the Company complies with the provisions thereof.

This annual report on corporate governance has been approved by the Company's Board of Directors on 25th February 2015.

Indicate whether any board members have voted against or abstained with respect to the approval of this report.

NO

Repsol, S.A.

Auditors' Report on the System of Internal Control over Financial Reporting

*Translation of a report originally issued in
Spanish. In the event of a discrepancy, the
Spanish-language version prevails.*

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

To the Board of Directors of Repsol, S.A.:

We have examined the information relating to the system of internal control over financial reporting (ICFR) of Repsol Group (the "Group") contained in the accompanying Note F of the Annual Corporate Governance Report for the year ended 31 December 2014. This examination includes an evaluation of the effectiveness of the system of ICFR in relation to the financial information contained in the Repsol Group's consolidated financial statements at 31 December 2014, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Repsol Group. The objective of this system is to contribute to the transactions performed being presented fairly under the aforementioned accounting framework and to provide reasonable assurance in relation to the prevention or detection of any errors that might have a material effect on the consolidated financial statements. The aforementioned system is based on the rules and policies defined by the Board of Directors of Repsol, S.A. in accordance with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its report "Internal Control-Integrated Framework (2013)".

A system of internal control over financial reporting is a process designed to provide reasonable assurance on the reliability of financial information in accordance with the accounting principles and standards applicable to it. A system of internal control over financial reporting includes policies and procedures that: (i) enable the records reflecting the transactions performed to be kept accurately and with a reasonable level of detail; (ii) guarantee that these transactions are only performed in accordance with the authorisations established; (iii) provide reasonable assurance as to the proper recognition of transactions to make it possible to prepare the financial information in accordance with the accounting principles and standards applicable to it; and (iv) provide reasonable assurance in relation to the prevention or timely detection of unauthorised acquisitions, uses or sales of the Group's assets which could have a material effect on the financial information. The limitations inherent to any system of internal control over financial reporting might give rise to errors, irregularities or fraud that might not be detected. Also, the projection to future periods of an evaluation of internal control is subject to risks, including the risk that the internal controls are rendered inadequate as a result of future changes in the applicable conditions or that there is a reduction in the future in the degree of compliance with the policies or procedures established.

The Board of Directors of Repsol, S.A. is responsible for maintaining the system of internal control over the financial information included in the consolidated financial statements and for evaluating its effectiveness. Our responsibility is limited to expressing an opinion on its effectiveness, based on the work performed by us in accordance with the requirements established in Standard ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) for the issuance of reasonable assurance reports.

A reasonable assurance engagement includes understanding the system of internal control over the financial information contained in the consolidated financial statements, evaluating the risk of there being material errors therein, performing tests and evaluations of the design and operating effectiveness of the system, and performing such other procedures as we consider appropriate. We consider that our examination provides a reasonable basis for our opinion.

In our opinion, at 31 December 2014, the Repsol Group maintained, in all material respects, an effective system of internal control over the financial information contained in its consolidated financial statements, and this internal control system is based on the rules and policies defined by the Board of Directors of Repsol, S.A. in accordance with the guidance established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its report "Internal Control-Integrated Framework (2013)". Also, the disclosures contained in the information relating to the system of ICFR which is included in Note F of the Repsol Group's Annual Corporate Governance Report at 31 December 2014 comply, in all material respects, with the requirements established by Securities Market Law 24/1988, of 28 July, as amended by Sustainable Economy Law 2/2011, of 4 March, Spanish National Securities Market Commission Circular 5/2013, of 12 June, and other legislation in force.

This examination does not constitute an audit of financial statements and is not subject to the Consolidated Audit Law approved by Legislative Royal Decree 1/2011, of 1 July, and, therefore, we do not express an audit opinion on the terms provided for in the aforementioned legislation. However, we have audited, in accordance with the audit regulations in force in Spain, the consolidated financial statements of Repsol, S.A. and Subsidiaries prepared by the directors of Repsol, S.A. in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Repsol Group, and our report dated 25 February 2015 expresses an unqualified opinion on the aforementioned consolidated financial statements.

DELOITTE, S.L.



Javier Ares San Miguel

25 February 2015