Repsol, S.A. and Subsidiaries

Auditors' Report
Consolidated Financial Statements for the year ended 31 December 2015 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.

Deloitte.

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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.

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 2015, 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.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

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 2015, 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 2015 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 2015. 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

24 February 2016

CONSOLIDATED FINANCIAL STATEMENTS
For the financial year 2015

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 investees comprising the Repsol Group
Consolidated balance sheet at December 31, 2015 and at December 31, 2014

		€ Million	
ASSETS	Note	**12/31/2015**	**12/31/2014**
Intangible Assets:	6	4,522	1,859
a) Goodwill		3,099	498
b) Other intangible assets		1,423	1,361
Property, plant and equipment	7	28,437	17,141
Investment property		26	23
Investment accounted for using the equity method	8	11,758	11,110
Non-current financial assets	10	715	593
Deferred tax assets	20	4,689	3,967
Other non-current assets	10	179	155
NON-CURRENT ASSETS		**50,326**	**34,848**
Non current assets held for sale	9	262	98
Inventories	11	2,853	3,931
Trade and other receivables:	12	5,680	5,685
a) Trade receivables		2,607	3,083
b) Other receivables		2,060	1,970
c) Income tax assets		1,013	632
Other current assets		271	176
Other current financial assets	10	1,237	2,513
Cash and cash equivalents	10	2,448	4,638
CURRENT ASSETS		**12,751**	**17,041**
TOTAL ASSETS		**63,077**	**51,889**

Notes 1 to 32 are an integral part of the consolidated balance sheet.

Repsol, S.A. and investees comprising the Repsol Group
Consolidated balance sheet at December 31, 2015 and at December 31, 2014

		€ Million	
LIABILITIES AND EQUITY	Note	**12/31/2015**	**12/31/2014**
NET EQUITY			
Issued share capital		1.442	1.375
Share premium		6.428	6.428
Reserves		259	259
Treasury shares and own equity instruments		(248)	(127)
Retained earnings and other reserves		19.346	19.524
Profit attributable to the equity holders of the parent		(1.227)	1.612
Dividends and remunerations		(228)	(1.569)
Other equity instruments		1.017	-
EQUITY	**13**	**26.789**	**27.502**
Financial assets available for sale		3	(5)
Hedge transactions		(227)	(163)
Translation differences		1.896	603
ADJUSTMENTS FOR CHANGES IN VALUE	**13**	**1.672**	**435**
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT AND OTHER HOLDERS OF EQUITY INSTRUMENTS	**13**	**28.461**	**27.937**
MINORITY INTERESTS	**13**	**228**	**217**
TOTAL EQUITY		**28.689**	**28.154**
Grants		7	9
Non-current provisions	14	5.827	2.386
Non-current financial liabilities:	15	10.581	7.612
a) Bank borrowings, bonds and other securities		10.491	7.524
b) Other financial liabilities		90	88
Deferred tax liabilities	20	1.554	1.684
Other non-current liabilities	18	1.942	1.801
NON-CURRENT LIABILITIES		**19.911**	**13.492**
Liabilities related to non-current assets held for sale	9	8	-
Current provisions	14	1.377	240
Current financial liabilities:	15	7.073	4.086
a) Bank borrowings, bonds and other securities		7.004	3.952
b) Other financial liabilities		69	134
Trade payables and other payables:	19	6.019	5.917
a) Trade payables		1.799	2.350
b) Other payables		3.975	3.402
c) Current income tax liabilities		245	165
CURRENT LIABILITIES		**14.477**	**10.243**
TOTAL EQUITY AND LIABILITIES		**63.077**	**51.889**

Notes 1 to 32 are an integral part of the consolidated balance sheet.

Repsol, S.A. and investees comprising the Repsol Group
Consolidated income statement for December 31, 2015 and 2014

		€ Million	
	Note	**12/31/2015**	**12/31/2014**
Sales		39.582	45.433
Services rendered and other income		155	409
Changes in inventories of finished goods and work in progress inventories		(524)	(224)
Income from reversals of impairment losses and gains on disposal of non-current assets		659	290
Other operating income		1.869	1.384
OPERATING REVENUE	21	**41.741**	**47.292**
Supplies		(28.833)	(38.254)
Personnel expenses		(2.129)	(1.729)
Other operating expenses		(6.540)	(4.847)
Depreciation and amortization of non-current assets		(2.988)	(1.796)
Impairment losses recognised and losses on disposal of non-current assets		(3.691)	(588)
OPERATING EXPENSES	21	**(44.181)**	**(47.214)**
OPERATING INCOME		**(2.440)**	**78**
Finance income		150	134
Finance expenses		(718)	(576)
Changes in the fair value of financial instruments		1.052	529
Net exchange gains/ (losses)		(204)	(304)
Impairment and gains/ (losses) on disposal of financial instruments		170	369
FINANCIAL RESULT	23	**450**	**152**
Share of results of companies accounted for using the equity method after taxes	8	**(94)**	**892**
NET INCOME BEFORE TAX		**(2.084)**	**1.122**
Income tax	20	899	(146)
NET INCOME FROM CONTINUING OPERATIONS		**(1.185)**	**976**
NET INCOME FROM DISCONTINUED OPERATIONS AFTER TAXES	4	**-**	**597**
NET INCOME		**(1.185)**	**1.573**
Net income attributable to minority interests		(42)	39
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT		**(1.227)**	**1.612**

EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**Euros/share**	**Euros/share[(1)]**
Basic	13	(0,87)	1,12
Diluted	13	(0.87)	1,12

(1) Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2014 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 13 "*Equity*", in accordance with Note 2 "*Basis of preparation*".

Notes 1 to 32 are an integral part of the consolidated income statement.

Repsol, S.A. and investees comprinsing the Repsol Group
Consolidated statement of recognized income and expenses for the years ended December 31, 2015 and 2014

		€ Million	
		12/31/2015	**12/31/2014**
CONSOLIDATED NET INCOME FOR THE YEAR (from the Consolidated Income Statement)	Note	**(1,185)**	**1,573**
INCOME AND EXPENSES RECOGNIZED DIRECTLY IN EQUITY:			
From actuarial gains and losses and other adjustments		11	(5)
Total items not reclassified to the income statement		**11**	**(5)**
From measurement of financial assets available for sale		7	(223)
From measurement of other financial instruments		-	(42)
From cash flow hedges		(564)	(142)
Translation differences		1,376	1,486
Entities accounted for using the equity method		(125)	44
Tax effect	13	53	118
Total items reclassified to the income statement		**747**	**1,241**
TOTAL		**758**	**1,236**
AMOUNTS TRANSFERRED TO THE CONSOLIDATED INCOME STATEMENT:			
From measurement of financial assets available for sale		6	(452)
From measurement of other financial instruments		-	42
From cash flow hedges	4	525	18
Translation differences		(24)	(4)
Entities accounted for using the equity method		4	8
Tax effect	13	1	112
TOTAL		**512**	**(276)**
TOTAL RECOGNIZED INCOME/ (EXPENSE)		**85**	**2,533**
a) Attributable to the parent company		29	2,558
b) Attributable to minority interests		56	(25)

Notes 1 to 32 are an integral part of the consolidated statement of recognized income and expenses.

Repsol, S.A. and investees comprising the Repsol Group

Consolidated statement of changes in equity for the years ended December 31, 2015 and 2014

€ Million	Equity attributable to equity holders of the parent								
	Capital and reserves								
	Issued share capital	Share premiun and reserves	Treasury shares and own equity instruments	Total net income attributable to the parent	Other equity instrument	Adjustments for changes in value	Total equity attributable of the parent	Minority interests	Total Equity
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 recognized 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)
Increases / (decreases) due to 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**
Adjustments	-	-	-	-	-	-	-	-	-
Initial adjusted balance	**1,375**	**24,642**	**(127)**	**1,612**	**-**	**435**	**27,937**	**217**	**28,154**
Total recognized income/ (expense)	**-**	**11**	**-**	**(1,227)**	**-**	**1,245**	**29**	**56**	**85**
Transactions with shareholders or owners					**-**		**-**		**-**
Increase / (Decrease) of share capital	67	(67)	-	-	-	-	-	-	-
Dividend payments	-	-	-	-	-	-	-	-	-
Transactions with treasury shares or own equity instruments (net)	-	3	(121)	-	-	-	(118)	-	(118)
Increases / (decreases) due to changes in the scope of consolidation	-	49	-	-	-	18	67	(45)	22
Other transactions with partners and owners	-	(471)	-	-	-	-	(471)	-	(471)
Other changes in equity					**-**	**-**	-	**-**	-
Transfers between equity accounts	-	1,612	-	(1,612)	-	-	-	-	-
Issues of perpetual subordinated obligations	-	(22)	-	-	1,017	-	995	-	995
Other changes	-	48	-	-	-	(26)	22	-	22
Closing balance at 12/31/2015	**1,442**	**25,805**	**(248)**	**(1,227)**	**1,017**	**1,672**	**28,461**	**228**	**28,689**

Notes 1 to 32 are an integral part of the consolidated statement of changes in equity.

Repsol, S.A. and investees comprising the Repsol Group
Consolidated cash flows statements for the years ended December 31, 2015 and 2014

		€ Million	
	Notes	**12/31/2015**	**12/31/2014**
Net income before tax		**(2,084)**	**1,122**
Adjustments to net income		**5,727**	**1,410**
Depreciation and amortization of non-currents assets	**6 and 7**	2,988	1,796
Other adjustments to results (net)		2,739	(386)
Changes in working capital		**1,370**	**966**
Other cash flows from operating activities:		**(163)**	**(315)**
Dividends received	**8**	363	530
Income tax received/ (paid)		(128)	(611)
Other proceeds from/ (payments for) operating activities		(398)	(234)
Cash flows from operating activities [(1)]	**24**	**4,850**	**3,183**
Payments for investing activities:	**4, 6 and 7**	**(12,146)**	**(4,200)**
Group companies and associates		(8,974)	(18)
Property, plant and equipment, intangible assets and investments properties		(2,905)	(2,606)
Other financial assets		(267)	(1,576)
Proceeds from divestments:	**4**	**2,778**	**4,792**
Group companies, associates and business units		894	116
Property, plant and equipment, intangible assets and investments properties		352	84
Other financial assets		1,532	4,592
Other cash flows		**494**	**4**
Cash flows used in investing activities [(1)]		**(8,874)**	**596**
Proceeds from/ (payments for) equity instruments:	**13**	**861**	**(82)**
Issues		996	-
Acquisition		(318)	(171)
Disposal		183	89
Proceeds from/ (payments for) financial liabilities:	**15**	**1,255**	**(3,184)**
Issues		12,244	4,488
Return and depreciation		(10,989)	(7,672)
Payments for dividends and payments on other equity instruments	**13**	**(488)**	**(1,712)**
Other cash flows from financing activities:		**147**	**(474)**
Interest payments		(682)	(610)
Other proceeds from/ (payments for) financing activities		829	136
Cash flows used in financing activities [(1)]		**1,775**	**(5,452)**
Effect of changes in exchange rates		59	147
Net increase/ (decrease) in cash and cash equivalents		**(2,190)**	**(1,526)**
Cash Flows from operating activities from discontinued operations		-	(86)
Cash Flows from investments activities from discontinued operations		-	535
Cash Flows from financing activities from discontinued operations		-	(1)
Effect of changes in exchange rates from discontinued operations		-	-
Net increase/ (decrease) and cash equivalents from discontinued operations		**-**	**448**
Cash and cash equivalents at the beginning of the year	**10**	4,638	5,716
Cash and cash equivalents at the end of the year	**10**	2,448	4,638

COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**12/31/2015**	**12/31/2014**
Cash and banks	2,311	2,210
Other financial assets	137	2,428
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**2,448**	**4,638**

[(1)] Does not include cash flows from discontinuing operations.

Notes 1 to 32 are an integral part of the consolidated cash flow statement.

NOTES TO THE 2015 CONSOLIDATED FINANCIAL STATEMENTS
Repsol, S.A. and Investees comprising the Repsol Group

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(1) GENERAL INFORMATION

1.1) About the Repsol Group

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, liquefied 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 and distribution of electricity.

1.2) About the parent company

The corporate name of the parent company of the Repsol Group 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, 44 Méndez Álvaro Street, where the Shareholder Information 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 (American Depositary Shares) 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.

1.3) About the consolidated financial statements

The Repsol Group prepares its consolidated financial statements including the investments in all of its subsidiaries, associates and joint arrangements. Appendix I and II detail the most significant subsidiaries, associates and joint arrangements that have been included in the scope of consolidation in 2015.

These financial statements present fairly the Group's consolidated equity and financial position at December 31, 2015, as well as the consolidated results of its operations, the changes in consolidated equity and the consolidated cash flow in the year then ended.

These consolidated financial statements have been approved by the Board of Directors of Repsol S.A. at a meeting held on February 24, 2016 and, as well as the financial statements of the investees, will be submitted for approval by their respective Annual General Meetings, with no modifications[1] expected.

[1] The consolidated financial statements for the financial year 2014 were approved by the Annual General Meeting of Repsol, S.A., held on April 30, 2015.

(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, 2015[1] and other disposals of the regulatory framework.

The preparation of the consolidated financial statements, 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 accounting standards. The areas in which most significant judgments and estimates have to be made are detailed in Note 3 *"Accounting Estimates and Judgments"*. The main criteria and policies used by Repsol are described below.

The changes in accounting standards that have been applied by the Group as of January 1, 2015 have not had a significant impact or disclosures in the financial statements. [2]

Finally, the earning per share at December 31, 2014 has been restated with respect to that recognized in the 2014 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 13 *"Equity."*

Criteria and standards for the preparation of the consolidated financial statements

1. *Basis of consolidation*

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

The subsidiaries, 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 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

[1] The IFRSs adopted and in effect in the EU differ in some respects from the IFRSs issued by the IASB; however these differences do not have a material impact on the Group's consolidated financial statements in the years presented.

[2] The standards applicable from January 1, 2015 are: i) IFRIC 21 "*Levies*"; ii) Annual improvements to IFRSs, *"2011-2013 Cycle"*; iii) Annual improvements to IFRSs, *"2010-2012 Cycle"* (early application); and iv) Amendments to IAS 19 "*Defined benefit plans: Employee contributions* (early application).

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, 2015, has direct and indirect ownership interests, which were included in the scope of consolidation, as well as the changes in the consolidation scope in 2015 and 2014.

On consolidation process, the balances, transactions and profit or loss generated between the fully consolidated companies were eliminated. 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, 2015 and 2014 were as follows:

	December 31,2015		December 31,2014	
	Year-end rate	Cumulative Average rate	Year-end rate	Cumulative Average rate
American Dollar	1.09	1.11	1.21	1.33
Brazilian Real	4.25	3.70	3.22	3.12

2. *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.

3. *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.

4. *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 25).

5. *Business combinations*

The business combinations in which the Group acquires control of one or more businesses by merging or spinning off several companies or by acquiring all of the assets and liabilities of a company or part of a company that qualifies as a business or several businesses are accounted for using the acquisition method, according to the standards establish in IFRS 3 *Business combinations.* The acquisition method entails, except for the recognition and measurement exceptions established in IFRS 3, the registration in the books at the acquisition date, of the identificable assets acquired and liabilities assumed at their fair value on this date, provided that this value can be reliably established. Within liabilities assumed in a business combination, is also posted to the acquisition date any contingent liabilities identified, although it had not been recognized in accordance with the general criteria for accounting of provisions not likely give rise to benefits economic, provided that corresponds to a present obligation arising from past events and its fair value can be measured reliably. Costs related to the acquisition are expensed in the income statement.

The difference between the cost of the business combination and the fair value of the identifiable assets acquired less the liabilities assumed is recognized as goodwill if positive, and as a gain on a bargain purchase in profit or loss if negative.

Business combinations for which the measurement period for applying the acquisition method has not fully elapsed at the end of the reporting period are accounted for using provisional amounts. The provisional amounts must be adjusted within a maximum of one year from the acquisition date to show the new information about any issues or circumstances that already existed at the acquisition date, and which affect the recognized amounts. Adjustments made to round out initial accounting for a business combination are made retroactively so that the amounts recognized are those that would have been recognized had the Group had access to all the required information upon initial recognition of the transaction; comparative figures are adjusted accordingly.

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).

Goodwill is allocated to one or more cash-generating units for impairment testing purposes. In the event of the sale or disposal of an operation that forms part of a cash-generating unit, the goodwill corresponding to the operation disposed of is derecognized at the time of the sale and is factored in for the purpose of generating the resulting gain or loss. The amount of goodwill to be derecognized is determined by reference to metrics relating to the operation sold in proportion to those of the portion of the cash-generating unit retained, unless there is better evidence justifying another (non-arbitrary) means of allocating the goodwill.

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 free of charge 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 CO_2 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 CO_2 emissions released during the year, recognizing a provision calculated based on the tons of CO_2 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 CO_2 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, it will 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 22).

b) Depreciation

Property, plant and equipment, other than those items relating to oil and gas exploration and production activities (see section c), are depreciated using the straight-line method on the basis of the acquisition cost of the assets less their estimated residual value, over the years of estimated useful life of the assets. 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 plants	
Machinery, fixtures and tools	8-25
Specialized complex plants	
Units	8-25
Storage tanks	20-40
Pipelines and networks	12-25
Gas and electricity infrastrucuture 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 reserves justifying their commercial development have been found. If no 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 14).

The investments capitalized as described above are depreciated as follows:

i. Investments in the acquisition of proven reserves and common facilities 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. The costs incurred in surveys for the development and extraction of hydrocarbon reserves are amortized over the estimated commercial life of the field on the basis of the relationship between the production of the period and proved developed reserves of the field at the beginning of period amortization.

iii. 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.

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, 6, 7 and 21).

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*".

10. *Investments accounted for using the equity method*

See section 1 of this Note 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, *Impairment of assets* 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 25). 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. Likewise, 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. *Statement of cash flows*

In accordance with the presentation options allowed in IAS 7 "*Statement of cash flows*", the Group uses the so-called "indirect method" to disclose its operating cash flows. Under this method, the statement of cash flows starts with "*Net income before tax*" for the year, as per the income statement; this figure is then adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

14. *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.

15. *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 13).

16. *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.

17. *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 15 correspond to this liability category.

Trade payables and other payables are financial liabilities that do not bear explicit interest and 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.

18. *Provisions and contingent liabilities*

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, the existence of these liabilities is disclosed, depending on their materiality, to the extent the probability that settlement of will give rise to an outflow of resources is not deemed remote (see Note 28).

19. *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 27).

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.

20. *Defined contribution pension plans*

Repsol has recognized defined contribution pension plans for certain employee groups (see Note 27).

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

21. *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)).

22. *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.

23. *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.

For their part, 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 20).

"*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.

24. *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 considered as environmental expenses and are recognized for accounting purposes in accordance with the criteria indicated above.

25. *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 10 "*Financial assets*" and Note 15 "*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.

26. *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 2016:

- Amendments to IFRS 11 *Accounting for acquisitions of interests in joint operations.*
- 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.*
- Annual Improvements to IFRSs, 2012-2014 Cycle.
- Amendments to IAS 1 *Disclosure initiative.*
- Amendments to IAS 27 *Equity method in separate financial statements.*

Note that the amendments to IFRS 11 *Accounting for acquisitions of interests in joint operations* will apply prospectively upon first-time application, so that any potential impact will depend on the transactions, if any, undertaken in the future.

With respect to the other standard amendments outlined in section A) above, given their nature and scope, the Group believes that their application will not have a significant impact on its consolidated financial statements other than certain specific presentation improvements which may be introduced under the scope of the Amendments to IAS 1.

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)].
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment entities: Applying the consolidation exception.*

Mandatory application in 2017:

- Amendments to IAS 12 *Recognition of deferred tax assets for unrealized losses.*
- Amendments to IAS 7 – *Disclosure initiative.*

Mandatory application in 2018:

- IFRS 9 *Financial instruments*.
- IFRS 15 *Revenue from contracts with customers* [(2)].

Mandatory application in 2019:

- IFRS 16 *Leases.*

[1] This standard is only to be applied by entities that carry out regulated activities and, additionally, are applying IFRS for the first time.

[2] Includes the Amendment to IFRS 15 issued by the IASB on September 11, 2015, deferring its first-time application date by one year, until January 1, 2018.

Mandatory application has been deferred indefinitely:

- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[(1)].

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. The accounting developments which the Group believes could have significant effects on its consolidated financial statements are the following:

i.) Application of the expected loss model under IFRS 9 *Financial instruments*, to the extent that this model, in contrast to that prescribed by the current IAS 39, would entail the early recognition of credit losses from as soon as a financial instrument is recognized for the first time even when no loss has materialized. The Group does not expect to incur significant costs in order to implement IFRS 9 insofar as it already has the information it needs to apply the expected loss model properly.

ii.) Application of IFRS 16 *Leases*, to the extent that the lease agreements in which the Group acts as lessee, which are classified as operating leases under IAS 17 (see Note 29.1 "*Contractual commitments*"), would have to be recognized on the balance sheet using criteria similar to those currently used to account for finance leases. As a result of their accounting, these leases would have the effect of increasing the Group's recognized assets and liabilities. Additionally, it would change the criteria for registration of Lease expenses, to the extent that it would be recorded as an expense for amortization of the leased asset and interest expense by updating the lease liability. As for the costs of implementing IFRS 16, the Group is evaluating the potential impact in terms of the IT system costs application of this new standard might entail.

(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) business combinations (see Note 4); (iii) provisions for litigation, dismantling and other contingencies (see Note 14); (iv) the calculation of income tax, tax credits and deferred tax assets (see Note 20); (v) impairment testing and the calculation of the recoverable value of the Group's assets (see Notes 6, 7,14 and 22), and (vi) the value of derivative financial instruments (see section 25 in Note 2 and Note 17).

Crude oil and gas reserves

The process of estimating oil and gas reserves is a key component of the Company's decision-making process. Oil and gas reserve estimates are used to calculate depreciation and amortization charges applying the unit-of-production method and to test these *Upstream* assets for impairment (see "*Testing assets for impairment and calculating their recoverable amounts*" further on in this Note). Any change in reserve volumes could have a significant impact on the Group's results.

[1] Application of the amendments to IAS 10 and IAS 28, which were issued in September 2014, was deferred indefinitely in December 2015 until the IASB finishes its research project on the equity method of accounting.

Until 2014, Repsol had been voluntarily applying the oil and gas reserves reporting and disclosure guidance and framework established by the Securities Exchange Commission (SEC) to estimate its proved reserves and the criteria established by the Society of Petroleum Engineers' SPE/WPC/AAPG/SPEE Petroleum Resource Management System (SPE-PRMS) to estimate its probable and possible reserves. As of December 31, 2015, in order to facilitate the integration of the Talisman group (which estimates its reserves using the Canadian Administrator's National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities, which in turn relies on the conceptual framework of the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook") and enable consistent reserve and resource management, the Repsol Group has decided to use the SPE-PRMS criteria for proved reserve reporting purposes. The SPE-PRMS is one of the systems accepted by the International Accounting Standards Board (IASB) and the European Securities and Markets Authority (ESMA). This change in criteria will affect depreciation and amortization calculations prospectively (see Note 2 "*Basis of presentation*").

Business combinations

The process of valuing Talisman´s assets and liabilities in the wake of their acquisition on May 8, 2015 has required the use of significant judgments and estimates by the Group´s management team, reflected on Note 4.1.

Provisions for litigation, dismantling and other contingencies

The final cost of settling claims, grievances and lawsuits could vary due to estimates based on differing interpretations of the technical rules, opinions and final assessments of the amount of the damages.

Repsol uses judgments and estimates to recognize provisions for the cost of dismantling its oil and gas production operations. These calculations are complex on account of the need to recognize the present value of the estimated future costs and to adjust this figure in subsequent years in order to reflect the passage of time and changes in the estimates due to changes in the underlying assumptions on account of technological advances and regulatory, economic, political and environmental developments, as well as changes in the initially-established schedules or other terms. The dismantling provisions are updated regularly to reflect trends in estimated costs and the discount rates. These discount rates take into account the risk-free rate, by term and currency, country risk and a spread according to debt structure and the cash flow projection period. Specifically, the weighted average rate used by the Group in 2015 was 4.75% (2014 4.03%).

Additionally, 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 14, 20, and 28).

Calculation of income tax, tax credits 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 20).

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 segments and geographic areas 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. An impairment loss of goodwill cannot be reversed in the following years.

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.

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 to determine the variables that most affect this business´ cash flows are summarized below:

a) Oil and gas sales prices. The international benchmark prices used by the Group are: Brent, WTI (West Texas Intermediate) and HH (Henry Hub). In countries where international list prices do not reflect local market circumstances, the prices modeled factor in local market prices. The price estimates used by the Group 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 the annual budget and the updated strategic plan. Lastly, if the productive lives of the respective fields are longer than the five-year period covered by the corporate price projections, future prices are extrapolated in line with operating expenses and capital expenditure. Specifically, the Group has used the following price forecasts to calculate its assets' value in use at December 31, 2015:

Base Case	**2016**	**2017**	**2018**	**2019**	**2020**	**Following**
Brent/ WTI ($/ barrel)	40	55	65	75	85	+ 2%
HH ($/ Mbtu)	2.6	3.2	3.7	4.2	4.8	+ 2%

b) Reserves and production profiles. Production profiles are estimated on the basis of output levels at existing wells and the development plans in place for each productive field. As a consequence, these profiles are then used to estimate proved and unproved reserves and resources. To estimate proved and unproved reserves and oil and gas resources, Repsol uses the criteria established by the SPE-PRMS (Society of Petroleum Engineers - Petroleum Resources Management System).

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 until 2020. These costs were extrapolated at a growth rate of 2% for impairment testing purposes in 2021 and subsequent years.

In the *Downstream* segment, the various businesses’ cash flows are estimated on the basis of the outlook for its key variables (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 strategic 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 business, 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 key assumptions the for the Gas & Power cash flow estimates businesses are as follows:

  i. Gas and LNG prices: the international benchmark prices used by the Group include Brent, HH, Algonquin 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 *Upstream* segment, these prices are taken from the price trends forecasted in internal reports of the global energy environment and are consistent with the assumptions underpinning the annual budget and the updated strategic plan.

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 budget and strategic plan. Margins factor in historical data, the price forecasts detailed in i. above and the outlook for margins going forward.

These estimated after-tax 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 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 factor in the risk-free rate, country risk, the currency in which the cash flows are generated and business and credit risk factors. To ensure that the calculations are consistent, the cash flow projections do not factor in risks that have already been built into the discount rates used, and vice versa. 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 5 years.

The discount rates used in 2015 and 2014 by business segment and geographical area are shown below:

	2015	**2014**
UPSTREAM (1)		
South America	7.7% - 14.4%	7.2% - 11.1%
Europe, África and Brazil	6.9% - 12.2%	7.5 % - 9.5%
North America	8.0% - 8.2%	7.5%
Asia and Russia	8.4% - 12.2%	10.3%
DOWNSTREAM (2)	4.2% - 9.9%	3.4% - 9.6%

(1) Discount rates in US dollars.
(2) Discount rates in euros and US dollars.

The increase in discount rates in 2015 with respect to 2014 is mainly due to higher country risk, business risk and credit risk.

(4) MAIN ACQUISITIONS AND DISPOSALS

4.1) Talisman Energy Inc. Acquisition

On May 8, 2015, Repsol, through its Canadian subsidiary Repsol Energy Resources Canada Inc., acquired 100% of Talisman´s Energy Inc. (hereinafter “Talisman”)[1] ordinary shares at $ 8 each, as well as 100% of its preferred shares at CAD 25 each.

After the closing of the transaction, Talisman's ordinary shares were delisted from the Toronto and New York Stock Exchanges and its preferred shares were delisted from the Toronto Stock Exchange, the latter having been converted into ordinary shares subsequently. Talisman is incorporated under the Canada

[1] The registered name was changed to Repsol Oil & Gas Canada Inc. on January 1, 2016 (see Note 32).

Business Corporations Act.

The total amount paid out for the acquisition amounts to € 8,005 million [1], which includes $ 8,289 million paid for its ordinary shares, and CAD 201 million, paid for its preferred shares.

To integrate Talisman on the Group´s financial statements as provided under accounting standards (see Note 2 "*Basis of presentation*"), the purchase price has been allocated to the assets acquired and the liabilities assumed based on their estimated fair values as of the acquisition date.

The fair value of the *Upstream* assets and liabilities was calculated using the so-called income approach (discounted cash flow analysis using variables that are not directly observable in the market[2]) and market metrics (comparable transaction prices). The most sensitive assumptions used in the cash flow projections used to value the assets are: i) oil and gas prices[3]; ii) reserves and production profiles; iii) operating expenses and investments, including field dismantling costs; and; iv) discount rates. The estimated fair value of the non-current financial debt was calculated using observable market prices[4].

As a result of the purchase price allocation process, the following assets and liabilities have been revaluated with respect to their carrying amounts on Talisman's consolidated balance sheet as of May 8:

- *Upstream* segment´s Property, Plant and Equipment, primarily in the United States, Canada, Indonesia, Vietnam, Colombia and Algeria (€ 3,888 million).

- Provisions to cover future payments resulting from the acquired business, as well as legal, tax and environmental contingent liabilities, in an aggregate amount of € -2,883 million (see Note 14 *"Current and non-current provisions"*, Note 20 "*Tax situation*" and Note 28 "*Legal Contingencies"*).

- Net deferred tax liabilities amounting to €-782 million mainly arising as a result of the revaluation of the aforementioned *Upstream* segment´s assets. It includes the activation of tax credits in the United States, in the amount of €320 million.

- Financial liabilities corresponding to the difference between the estimated fair value of the financial debt and its carrying amount in the amount of € -222 million.

The difference between Talisman acquisition price and fair value of the assets acquired and liabilities assumed is assigned to goodwill (€ 2,510 million), including the deferred taxes arising from the differences between the new fair value of the assets acquired and their tax bases. The value of goodwill is justified by the synergies expected to be realized after the acquisition, as a result of the improved efficiency in the operations, the decrease in general and administrative expenses, as well as the existence of other intangible assets not recognized according to the prevailing accounting rules. Goodwill is neither tax deductible nor depreciated, but impairment tests are performed periodically to evaluate its recoverability.

Repsol has requested two reports from independent appraisers for the purpose of allocating Talisman´s purchase price to the assets acquired and liabilities assumed based on their fair values. The conclusions of

[1] Includes the effect of exchange rate hedging transactions on the acquisition price (see Note 17).
[2] Level 3 inputs according to the fair value hierarchy defined in IFRS 13 "*Fair value measurement*".
[3] Corresponds to the price trend used for the 2016 -2020 Strategic Plan (Brent: 65; 75; 85; 90 and 91.8 $/barrel and HH: 3.5; 4; 4.6; 4.7 and 4.8 $/Mbtu) published on October 15, 2015.
[4] Level 2 inputs according to the fair value hierarchy defined in IFRS 13 "*Fair value measurement*".

these reports have been considered in the valuation of Talisman´s assets and liabilities. The valuations included in these reports do not differ significantly from those used by Repsol.

This business combination's accounting treatment will be revised if any of the circumstances contemplated in IFRS 3 "*Business Combinations*" materialize since the prescribed 12-month period - starting on the acquisition date - has yet to elapse.

The breakdown of the net assets acquired on May 8, 2015 and the goodwill generated by this business combination is as follows:

€ Million	Fair value	Book value of the acquired company
Intangible assets	87	412
Property, plant and equipment	13,817	9,929
Investments accounted for using the equity method	452	505
Deferred tax assets	2,348	2,022
Other non-current assets	106	106
Other current assets	735	765
Cash and cash equivalents	491	458
Total Assets	**18,036**	**14,197**
Non-current provisions	(4,606)	(1,820)
Non-current financial liabilities	(3,613)	(3,391)
Deferred tax liabilities	(1,875)	(767)
Other non-current liabilities	(108)	(108)
Current provisions	(661)	(564)
Current financial liabilities	(985)	(985)
Other current liabilities	(693)	(693)
Total Liabilities	**(12,541)**	**(8,328)**
NET ASSETS ACQUIRED	**5,495**	**5,869**
ACQUISITION COST	**8,005**	
GOODWILL	**2,510**	

The operating revenue and income obtained in the period by Talisman since the acquisition date amounted to €1,596 and €-1,385 million, respectively. If the acquisition had been completed on January 1, 2015, the revenue and net consolidated income contribution by Talisman in the period would have been € 2,276 and € -1,438 million, respectively.

The expenses related to the transaction incurred during the period amounted to €44 million and are recognized under the heading "*Other operating expenses*".

4.2) Other significant disposals of companies in 2015

On September 24, 2015, Repsol has reached an agreement with investment group Ardian encompassing the sale of its 10% equity interest in Compañía Logística de Hidrocarburos, S.A. ("CLH") for €325 million. This sale generated a gain of €293 million, which is recognized under "*Income from reversals of impairment losses and gains on disposal of non-current assets*".

For further information on changes in the Group's composition in 2015, see Appendix Ib "*Main changes in the consolidation scope*".

4.3) Disposals in 2014

4.3.1) Disposal of YPF S.A. and YPF GAS S.A

Expropiated shares

On May 7, 2012 Argentine Law 26,741 (the "*Expropriation Act*") took effect, which it declared for public purposes and subject to expropriation 51% of the equity of YPF S.A., then owned directly and indirectly by Repsol and its controlling and/or controlled entities, and 51% of the equity of YPF Gas, S.A., belonging to Repsol Butano, S.A. and its controlling and/or controlled entities, of public utility and subject to expropriation ("*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 ("*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. For accounting purposes, the rights attached to the Expropriated Shares ($5,000 million, recognized within "Non-current assets held for sale subject to expropriation") were derecognized and the receivable corresponding to the Compensation stipulated in the Agreement was recognized at its fair value, in keeping with the expected recoverable 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 from discontinued operations*").

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. The interest, expenses and exchange differences associated with the acquisition, holding and sale of these bonds implied a net pre-tax finance loss of €59 million.

Unexpropriated 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 gain (losses) on disposal of financial instruments*" within the financial result. In 2015, all non-expropriated shares of YPF Gas, S.A. and YPF, S.A. have been sold for €14 million.

4.3.2) Other disposals concluded in 2014

Sale of part of the LNG assets and businesses

As part of the disposal commitments plan in the previous 2012-2016 Business Plan, on January 1, 2014 the sale of the last part of the LNG assets and businesses to Shell closed; which it had begun on February 26, 2013.

In this last transaction consisted on the sale to Shell 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 investee's assets and liabilities were classified as assets held for sale and until their definitive sale in January 2014.

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

	€ Million
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	**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*".

In March 2014, Repsol sold its 10% interest in the Transportadora de Gas del Perú, S.A. (TGP) pipeline to Enagás for €109 million net of purchase price adjustments.

(5) SEGMENT REPORTING [1]

5.1 Definition of segments

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

Definition of the operating segments of the Repsol Group is based on the identification of the various activities performed which generate revenues and expenses, while also taking into consideration the organizational structure approved by the Board of Directors for business management purposes. On the basis of these segments, the management team (Repsol´s Corporate Executive Committee, E&P Executive Committee and Downstream Executive Committee) analyzes the main operating and financial metrics for the purpose of taking resource allocation decisions and assessing the Company's performance. The Group has not aggregated any operating segments for presentation purposes.

[1] All the information presented throughout this Note includes all corresponding Talisman metrics from the date control was obtained and, unless expressly stated to the contrary, has been prepared using the Group's reporting model.

At December 31, 2015, the operating segments of the Group are:

- *Upstream,* corresponding to exploration and production of crude oil and natural gas reserves;
- *Downstream,* corresponding, mainly, to (i) refining, trading and transportation of crude oil and oil products, as well as the commercialization of oil products, petrochemical products and LPG, (ii) the commercialization, transport and regasification of natural gas and liquefied natural gas (LNG), and (iii) renewable energy power projects;
- *Gas Natural Fenosa,* corresponding to 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.

Finally, *Corporation and adjustments* includes activities not attributable to the aforementioned businesses, and specifically, corporate expenses and financial result, as well as intersegment adjustments of consolidation.

As a result of the culmination in January 2014 of the sale of the bulk of the LNG assets and businesses (see Note 4), the LNG segment ceased to qualify as 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.

5.2 Model used to present the operating segments earnings performance

In presenting the results of its operating segments Repsol includes the results of its joint ventures[1] and other companies managed as such[2] in accordance with the Group's ownership interest, considering its operational and economic metrics in the same manner and with the same detail as for fully consolidated companies. Thus, the Group considers that the nature of its businesses and the way in which results are analyzed for decision-making purposes is adequately reflected.

In addition, the Group, considering its business reality and in order to make its disclosures more comparable with those in the sector, uses as a measure of segment profit the so-called Adjusted Net Income, corresponding to the recurring net operating profit of continuing operations at current cost of supply or CCS after taxes.

The inventory measurement method widely used in the industry, current cost of supply (CCS), differs from that accepted under prevailing European accounting standards weighted average price (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. Because of this, adjusted net income does not include the so called Inventory Effect. The inventory effect is disclosed on a standalone basis, after tax and minority interests, and corresponds to the difference between income using CCS and income using weighted average price.

Moreover, Adjusted Net Income does not include the so-called Non-Recurring Income, that is, those originating from events or transactions of an exceptional nature or not part of the entity's ordinary or standard business operations. Non-Recurring Income is disclosed on a standalone basis, net of tax and minority interests.

However, Adjusted Net Income of the Gas Natural Fenosa segment includes the company's net income in

[1] See Note 8 "*Investments accounted for using the equity method*" and Appendix I "*Main companies comprising the Repsol Group at December 31, 2015*", where the Group´s main joint ventures are identified.
[2] Corresponds to Petrocarabobo, S.A., (Venezuela) associate of the Group (See Note 8).

accordance with the equity method[1].

Regardless, for each metric presented by operating segment (adjusted net income, inventory effect, non-recurring income…), Appendix III "*Reconciliation figures (IFRS-EU) and reporting model*" provides the items and amounts needed to reconcile the operating segment disclosures with the figures disclosed in accordance with IFRS-EU.

5.3 Net income for the period by segment

SEGMENTS	€ Million 12/31/2015	€ Million 12/31/2014
Upstream	(909)	589
Downstream	2,150	1,012
Gas Natural Fenosa	453	441
Corporation and adjustments	166	(335)
Adjusted net income of the reported segments	**1,860**	**1,707**
Inventory effect	(459)	(606)
Non-recurring income	(2,628)	(86)
Income from discontinued operations	-	597
NET INCOME	**(1,227)**	**1,612**

NOTE: The figures presented in the table above were calculated on the basis of the above-mentioned criteria. For a reconciliation of these figures in respect of the IFRS-EU disclosures, see Appendix III.

For an explanation of the 2015 income performance by segment, see section 5 of the Group's 2015 Consolidated Management Report.

5.4 Disclosures by geography and segment

The breakdown by geography and segment of the year-end 2015 and 2014 metrics for which geographic segmentation is material is provided below:

€ Million	Operating revenue		Adjusted Net Income(1)		Net Operating investments		Non-current assets(2)	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Upstream	**4.781**	**4.282**	**(909)**	**589**	**11.270**	**2.675**	**28.239**	**12.293**
Europe, Africa and Brazil	1.088	985	(124)	205	774	417	2.922	2.213
South America	1.912	2.372	(27)	653	1.139	730	6.317	4.872
North America	989	765	(112)	195	225	507	9.429	2.706
Asia and Russia	792	160	19	22	112	23	3.348	178
Exploration and Other	-	-	(665)	(486)	9.020 (3)	998	6.223	2.324
Downstream	**37.763**	**44.721**	**2.150**	**1.012**	**493**	**671**	**10.720**	**11.307**
Europe	34.979	41.527	2.046	784	272	546	9.085	9.447
Rest of the world	4.715	5.935	104	228	221	125	1.635	1.861
Adjustments	(1.931)	(2.741)	-	-	-	-	-	-
Gas Natural Fenosa	**-**	**-**	**453**	**441**	**-**	**-**	**4.769**	**4.567**
Corporation and other adjustments	**(1.084)**	**(1.343)**	**166**	**(335)**	**97**	**79**	**757**	**816**
TOTAL	**41.460**	**47.660**	**1.860**	**1.707**	**11.860**	**3.425**	**44.485**	**28.983**

NOTE: The figures presented in the table above were calculated on the basis of the above-mentioned criteria. For a reconciliation of these figures in respect of the IFRS-EU disclosures, see Appendix III.

(1) Includes investments accrued during the period net of divestments but does not include investments in "*Other financial assets*".

[1] The other metrics (revenue, capital employed, operating investments…) only reflect cash flows affecting the Repsol Group in its capacity as shareholder in Gas Natural SDG, S.A. (dividends...).

(2) Does not include "*Non-current financial investments*", "*Deferred tax assets*" or "*Other non-current assets*".
(3) Mainly includes the price paid to acquire Talisman: €8,005 million.

Other relevant metrics attributable to each segment for the years ended December 31, 2015 and 2014:

	€ Million									
	Upstream		Downstream		Gas Natural Fenosa		Corporation and Adjustments		Total	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014	12/31/2015	12/31/2014	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Investments accounted for using the equity method	350	206	203	100	4,769	4,567	-	-	5,322	4,873
Share of results of companies accounted for using the equity method	-	63	16	14	453	439	(0)	-	469	516
Depreciation and amortization	(2,852)	(1,563)	(737)	(704)	-	-	(64)	(59)	(3,653)	(2,326)
Profit (loss) from impairment of assest (1)	(3,669)	(788)	(438)	152	-	-	(46)	(2)	(4,153)	(638)
Income Tax	1,256	(446)	(503)	(204)	-	-	61	97	814	(553)
Capital Employed (2)	23,202	11,167	9,758	11,492	4,769	4,567	2,894	2,863	40,623	30,089

NOTE: The figures presented in the table above were calculated on the basis of the above-mentioned criteria. For a reconciliation of these figures in respect of the IFRS-EU disclosures, see Appendix III.

(1) See Notes 6, 7, 14 and 22.
(2) Includes capital employed (see Note 16.2) corresponding to joint ventures, non-current non-financial assets, operating working capital and other non-financial liability headings.

(6) INTANGIBLE ASSETS

The breakdown of the intangible assets and of the related accumulated depreciation and impairment losses at December 31, 2015 and 2014 is as follows:

€ Million	Goodwill	Other Intangible Assets [(6)] — Upstream: Exploration permits	Upstream: Software	Upstream: Other	Downstream: Service/ Gas station association rights and other rights [(3)]	Downstream: Software	Downstream: Carbon concession and emission allowances [(2)]	Downstream: Other [(4)]	Total
COST									
Balance at January 1, 2014	490	770	45	68	729	388	73	201	2.764
Additions [(1)]	-	38	9	-	31	50	-	3	131
Disposals and derecognition	(2)	-	(1)	-	(16)	(1)	-	(3)	(23)
Translation differences	10	97	3	-	14	3	-	2	129
Changes in the scope of consolidation	11	-	-	-	-	3	-	1	15
Reclassifications and other changes	(4)	12	1	-	13	3	(16)	6	15
Balance at 31 December, 2014	**505**	**917**	**57**	**68**	**771**	**446**	**57**	**210**	**3.031**
Additions [(1)]	-	75	17	-	28	60	-	9	189
Disposals and derecognition	(32)	(10)	-	-	(46)	-	-	(1)	(89)
Translation differences	114	98	7	-	11	3	-	(1)	232
Changes in the scope of consolidation	2.668	-	-	-	-	-	-	89	2.757
Reclassifications and other changes	9	42	88	9	19	2	27	(19)	177
Balance at 31 December, 2015	**3.264**	**1.122**	**169**	**77**	**783**	**511**	**84**	**287**	**6.297**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES									
Balance at January 1, 2014	-	(113)	(30)	-	(446)	(278)	(17)	(151)	(1.035)
Depreciation charge for the year	-	(54)	(4)	-	(42)	(23)	-	(2)	(125)
Disposals and derecognition	-	-	-	-	14	1	-	2	17
Impairment losses (recognised)/reversed [(5)]	(7)	(20)	-	-	-	-	(1)	1	(27)
Translation differences	-	(16)	(1)	-	(7)	(2)	-	(2)	(28)
Changes in the scope of consolidation	-	-	-	-	-	-	-	(2)	(2)
Reclassifications and other changes	-	-	-	-	4	-	18	6	28
Balance at 31 December 2014	**(7)**	**(203)**	**(35)**	**-**	**(477)**	**(302)**	**-**	**(148)**	**(1.172)**
Depreciation charge for the year	-	(58)	(22)	(3)	(44)	(32)	-	(1)	(160)
Disposals and derecognition	-	12	-	-	44	-	-	-	56
Impairment losses (recognised)/reversed [(5)]	(158)	(228)	-	(66)	(1)	-	-	(11)	(464)
Translation differences	-	(24)	(2)	-	(6)	(2)	-	(2)	(36)
Changes in the scope of consolidation	-	-	-	-	-	-	-	-	-
Reclassifications and other changes	-	-	-	-	-	(2)	-	3	1
Balance at 31 December 2015	**(165)**	**(501)**	**(59)**	**(69)**	**(484)**	**(338)**	**-**	**(159)**	**(1.775)**
Carrying amount at 31 December, 2014	**498**	**714**	**22**	**68**	**294**	**144**	**57**	**62**	**1.859**
Carrying amount at 31 December, 2015	**3.099**	**621**	**110**	**8**	**299**	**173**	**84**	**128**	**4.522**

(1) The additions recognized in 2015 and 2014 derive from direct asset acquisitions. Additions to exploration permits mainly correspond to exploration rights acquired in the US in 2015 and in Gabon and Romania in 2014.

(2) In 2015, mainly includes €62 million corresponding to CO_2 allowances allocated under Spain's National Allocation Plan and the derecognition corresponding to allowances consumed as a result of emissions made during 2014 in the amount of €54 million. In 2014, includes, mainly, €43 million corresponding to CO_2 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.

(3) Service station association rights and other rights are legal rights, title to which is conditional upon the terms of the underlying contracts (see section 7 of Note 2 "*Basis of presentation*").

(4) In the *Downstream* segment, this heading primarily reflects in 2015 the concessions corresponding to offshore wind farm construction and operation permits in the United Kingdom, as well as service concession for the use of La Coruña port and Tarragona port.

(5) See Note 22.

(6) At year-end 2015, "*Other intangible assets*" includes €151 million of assets acquired under finance leases, mainly corresponding to service station association rights (€140 million at year-end 2014). Elsewhere, in 2015 this heading includes €3 million of intangible assets with indefinite useful lives (these assets are not amortized but they are tested at least on an annual basis for impairment) (year-end 2014: €7 million).

Goodwill

Heading "*Changes in the scope of consolidation*" primarily includes the recognition of goodwill in connection with the Talisman business combination, corresponding to the difference between the

Talisman purchase price and the fair value of the assets and liabilities recognized at the day of the transaction (see Note 4.1).

The breakdown of goodwill, by company, at year end 2015 and 2014 is as follows:

	€ Million	
GOODWILL	2015	2014
Talisman Energy Inc. [1]	2.574	-
Repsol Portuguesa, S.A.	154	154
Repsol Gas Portugal, S.A.	118	118
Repsol Comercial de Productos Petrolíferos, S.A.	98	89
Other companies	155	137
TOTAL [2]	**3.099**	**498**

(1) Acquisition of Talisman by the Repsol Group on May 8, 2015; see Note 4.1
(2) Includes €169 million and €11million of impairment losses in 2015 and 2014, respectively (see Note 22).

The breakdown of goodwill at December 31, 2015 and 2014 by operating segment and geographical area is as follows:

	€ Million	
	2015	2014
Upstream [1]	**2,589**	**-**
Downstream [2]	**510**	**498**
Europe	422	420
Rest of the World	88	78
TOTAL	**3,099**	**498**

(1) The goodwill recognized in connection with the acquisition of Talisman (see Note 4.1) has been allocated in full to the *Upstream* segment, since the synergies achieved as a result of the integration, both operational and from the reduction in general and administrative expenses, benefit the segment as a whole and are not allocated to specific CGUs. Lastly, management assesses the recoverability of goodwill at the operating segment level.
(2) Corresponds to 12 CGU being the most significant individual amount not exceeding to 23% of the total of segment.

For CGUs with goodwill and/or assets with indefinite useful lives allocated, the Group performs sensitivity analysis in order to quantify if changes in the recoverable amounts of these CGUs would have a significant impact in the financial statements. Specifically, in performing the related sensitivity analysis, the following inputs have been taken into consideration:

Sensitivity analysis	
Decline in the price of oil and gas (Brent, WTI and HH)	5%
Decrease in sales volume	5%
Increased operating costs and investment	5%
Decline in unit contribution margin	5%
Increases in the discount rate	100 b.p.

Repsol considers, based on its current knowledge, that the reasonably predictable changes in the key 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 financial statements 2015.

(7) PROPERTY, PLANT AND EQUIPMENT

The breakdown of "*Property, plant and equipment*" and of the related accumulated depreciation and impairment losses at December 31, 2015 and 2014 is as follows:

	Upstream			Downstream and Corporation				
COST	Investment areas with reserves	Investments in exploration	Other	Land, buildings and other structures	Machinery and plant	Other	Assets under construction	Total
Balance at January 1, 2014	**8.563**	**1.724**	**256**	**2.383**	**17.873**	**1.218**	**912**	**32.929**
Additions	691	901	115	44	12	22	598	2.383
Disposals and derecognition	-	(38)	(7)	(19)	(194)	(16)	(124)	(398)
Translation differences	1.134	177	36	56	283	27	17	1.730
Change in the scope of consolidation (1)	-	(1)	-	11	28	-	-	38
Reclassification and other changes (2)	(43)	(48)	(21)	30	564	32	(689)	(175)
Balance at December 31, 2014	**10.345**	**2.715**	**379**	**2.505**	**18.566**	**1.283**	**714**	**36.507**
Additions	912	884	84	14	11	40	732	2.677
Disposals and derecognition	(362)	(254)	(39)	(8)	(62)	(9)	(14)	(748)
Translation differences	1.551	262	43	54	273	27	21	2.231
Change in the scope of consolidation (1)	12.532	1.344	92	-	1	2	14	13.985
Reclassification and other changes (2)	(210)	12	12	32	(37)	40	(522)	(673)
Balance at December 31, 2015	**24.768**	**4.963**	**571**	**2.597**	**18.752**	**1.383**	**945**	**53.979**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES								
Balance at January 1, 2014	**(3.721)**	**(1.161)**	**(88)**	**(909)**	**(9.990)**	**(1.034)**	**-**	**(16.903)**
Depreciation charge for the year (4)	(627)	(343)	(12)	(43)	(587)	(59)	-	(1.671)
Disposals and derecognition	-	16	5	13	184	119	-	337
Impairment losses (recognised) / reversed (5)	(383)	(103)	-	21	121	18	-	(326)
Translation differences	(526)	(98)	(9)	(42)	(125)	(17)	-	(817)
Changes in the scope of consolidation	-	-	-	-	(18)	-	-	(18)
Reclassification and other changes (2)	1	14	1	2	10	4	-	32
Balance at December 31,2014	**(5.256)**	**(1.675)**	**(103)**	**(958)**	**(10.405)**	**(969)**	**-**	**(19.366)**
Depreciation charge for the year (4)	(1.476)	(599)	(37)	(47)	(609)	(60)	-	(2.828)
Disposals and derecognition	35	246	11	6	52	8	-	358
Impairment losses (recognised) / reversed (5)	(2.182)	(405)	(24)	(24)	(496)	(23)	-	(3.154)
Translation differences	(592)	(112)	(10)	(40)	(128)	(17)	-	(899)
Changes in the scope of consolidation	-	-	-	-	-	-	-	-
Reclassification and other changes (2)	2	90	(3)	-	268	(10)	-	347
Balance at December 31, 2015	**(9.469)**	**(2.455)**	**(166)**	**(1.063)**	**(11.318)**	**(1.071)**	**-**	**(25.542)**
Carrying amount at December 31, 2014	**5.089**	**1.040**	**276**	**1.547**	**8.161**	**314**	**714**	**17.141**
Carrying amount at December 31, 2015 (3)	**15.299**	**2.508**	**405**	**1.534**	**7.434**	**312**	**945**	**28.437**

(1) See Note 4 *"Main Acquisition and disposals"*.

(2) In 2015 and 2014, 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. Addiotinally, in 2015 includes reclassifications under "*Machinery and plant*" to the heading "*Non-current assets held for sale*" for the assets corresponding to the piped gas business in Spain (see Note 9).

(3) At December 31, 2015 accumulated impairment charges totaled € 4,466 million (€1,267 million at year-end 2014).

(4) The increase in 2015 in the *Upstream* segment, compared to the prior year reflects higher depreciation charges in respect of exploration rights and wells, primarily in Angola, the US and Norway, as well as the depreciation of the productive assets consolidated for the first time as a result of the Talisman Energy business combination (see Note 4.1).

(5) See Note 22.

The breakdown by geography of the Group's most significant investments is detailed in Note 5.4 "*Disclosures by geography and segment*", which is presented using the Group's reporting model.

In December 2015, Repsol entered into an agreement with Statoil for the sale of 13% of its interest in the Eagle Ford joint venture in the US (see Appendix II) and the acquisition of 15% interest in the Gudrun production field in Norway. The assets associated with both transactions have been valued by a similar amount equivalent to €354 million and therefore no significant impact on the income statement has been recorded.

Heading "*Property, plant and equipment*" includes €918 million of assets acquired under finance leases at year-end (€1,477 million at year-end 2014). 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 €848 million at year-end 2015 (€1,410 million at year-end 2014), stand out (see Note 18).

This heading also includes investments made by the Group in service concession arrangements in the amount of €261 million at year-end 2015 (€245 million at year-end 2014). These concessions revert to the state over a period of time ranging from 2016 to 2054.

Repsol capitalizes qualifying borrowing costs as detailed in Note 2. In 2015, it capitalized €104 million of borrowing costs at an average capitalization rate of 3.55% (€57 million and 3.33% average capitalized rate in 2014). 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 €634 million and €1,042 million at December 31, 2015 and €626 million and €774 million at December 31, 2014, respectively.

"*Property, plant and equipment*" includes fully depreciated items with an original carrying amount of €9,170 million and €8,412 million at December 31, 2015 and 2014, 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.

(8) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD[1]

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:

	€ Million			
	Carrying amount of the investment		Share of results (1)	
	2015	2014	2015	2014
Joint ventures	11,632	10,857	(32)	816
Associates (2)	126	253	(62)	76
TOTAL	**11,758**	**11,110**	**(94)**	**892**

(1) Corresponds to the net income for the period from continuing and discontinued operations. Does not include "*Other comprehensive income*" of €462 million (€452 million corresponding to joint ventures and €11 million to associates) and €660 million (€636 million corresponding to joint ventures and €25 million corresponding to associates) in 2015 and 2014, respectively.

(2) In 2015, this heading primarily includes the interest in Petrocarabobo, S.A. In October 2015, Repsol completed the alliance with the Mexican Grupo KUO in relation to the Dynasol joint venture, to which Repsol contributed, among others, with Dynasol Elastómeros, S.A. de C.V. which had been classified within this heading at December 31, 2014.

[1] See Appendix III.

Changes in the period

Movement in this consolidated balance sheet heading during 2015 and 2014 has been as follows:

	€ Million	
	2015	2014
Balance at the beginning of the period	**11,110**	**10,340**
Net investments [(1)]	496	11
Changes in the scope of consolidation	400	(3)
Share of results of companies accounted for using the equity method after taxes [(2)]	(94)	892
Dividends distributed	(451)	(635)
Translation differences	462	660
Reclassifications and other changes [(3)]	(165)	(155)
Balance at end of period	**11,758**	**11,110**

(1) In 2015, includes the purchase and sale of shares of Gas Natural SDG, S.A. (see Note 21).

(2) In 2015, this heading includes a €291 million charge in respect of asset impairment losses in Venezuela and €40 million in Colombia (see Note 22)

(3) In 2015, primarily includes the reclassification of the 17.5% interest in the Cardón IV area from "*Non-current assets held for sale*" (see Note 9). In 2014, this heading includes the repayment of a portion of the equity of Repsol Sinopec Brazil, S.A. in the amount of €64 million.

In 2015 it includes mainly the first-time recognition of the investments in the Talisman Sinopec Energy United Kingdom Limited (TSEUK) and Equion Energia Limited (Equion) joint ventures, as a consequence of the Talisman business combination, dated May 8th, as well as the sale of the Group's 10% shareholding in Compañía Logística de Hidrocarburos, S.A. "CLH" (see Note 4).

Subsidiaries of Talisman Energy Inc.

TSEUK is a joint venture held by Talisman Energy Inc. and Addax Petroleum UK Limited, a subsidiary of the Sinopec Group, with a 51% and 49% of interest, respectively, and whose core business is the exploration and exploitation of oil and gas in the North Sea. This joint venture is governed by a shareholder agreement that requires the unanimous consent of both shareholders for all significant financial and operating decisions. Repsol has recognized a provision to cover its obligations deriving from its investment in TSEUK (see Note 14); the carrying amount of this investment is null at December 31, 2015.

Equion is a company owned 51% and 49% held by Ecopetrol, S.A. and Talisman Energy Inc., respectively. Equion, mainly, explores for, researches, exploits, develops and sells oil and gas and derivative products in Colombia. The carrying amount of this investment is €263 million at December 31, 2015.

Main joint ventures

The investments accounted for using the equity method correspond mainly to the joint ventures of:

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 13 "*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 Note 15 "*Financial Liabilities*".

The tables below provides summarized financial information for the joint ventures identified as material, prepared in keeping with IFRS-EU accounting policies, as detailed in Note 2 "*Basis of presentation*" and reconciles these disclosures with the amounts at which these investments are carried in the Group's consolidated financial statements:

	€ Million			
	GNF		RSB	
	2015	2014	2015	2014
Operating revenue	26.015	25.318	856	698
Depreciation and amortization and impairment provisions	(1.750)	(1.619)	(335)	(307)
Other operating expenses (1)	(21.003)	(20.509)	(532)	(299)
Operating income	**3.262**	**3.190**	**(11)**	**92**
Finance income (2)	150	121	38	81
Finance expenses (2)(3)	(1.044)	(922)	(36)	(53)
Share of results of companies accounted for using the equity method after taxes	**(4)**	**(475)**	**20**	**7**
Net income before tax	**2.364**	**1.914**	**11**	**127**
Income tax	(573)	(256)	(204)	(103)
Net income for the period from continuing operations	**1.791**	**1.658**	**(193)**	**24**
Net income for the period from discontinued operations	**34**	**-**	**-**	**-**
Net income for the period attributable to the parent	**1.502**	**1.462**	**(193)**	**24**
Repsol's shareholding	30%	30%	60%	60%
Share of profit/(loss) consolidated by Repsol	**453**	**439**	**(116)**	**14**
Dividends	**278**	**271**	**-**	**-**
Other comprehensive income (4)	**(91)**	**44**	**466**	**494**

(1) In 2015 and 2014, RSB includes operating lease expenses of €174 million and €147 million, respectively, mainly under floating production platform (FPSO units) lease commitments that are secured by the Group (see Note 29).

(2) In 2015 and 2014, RSB includes net interest expense of €64 million and €55 million.
(3) In 2015 and 2014, RSB includes the finance expense associated with the effect of discounting dismantling provisions of €10 million to present value and €4 million.
(4) 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.

	€ Million			
	GNF		RSB	
	2015	2014	2015	2014
Assets				
Non-current assets	39.275	39.487	3.688	3.214
Current assets	8.772	10.745	4.956	4.440
Cash and cash equivalents	2.390	3.484	18	25
Other current assets	6.382	7.261	4.938	4.415
Total assets	**48.047**	**50.232**	**8.644**	**7.654**
Liabilities				
Non- current liabilities	25.632	27.723	814	427
Financial liabilities (1)	13.147	17.745	-	-
Other non-current liabilities (2)	12.485	9.978	814	427
Current liabilities	8.134	8.401	497	480
Financial liabilities (1)	2.596	2.805	260	62
Other current liabilities (2)	5.538	5.596	237	418
Total liabilities	**33.766**	**36.124**	**1.311**	**907**
NET ASSETS	**14.281**	**14.108**	**7.333**	**6.747**
Repsol's shareholding	30%	30%	60%	60%
Share of net asssets	4.305	4.233	4.400	4.048
Gain / (loss) (3)	464	334	-	-
Carrying amount of the investment	**4.769**	**4.567**	**4.400**	**4.048**

(1) Excludes trade and other accounts payable; and provisions.
(2) In 2015 and 2014, RSB includes current and non-current provisions for dismantling obligations in the amount of €138 million and €208 million.
(3) The gain corresponds to goodwill.

(9) 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, 2015 and 2014 were as follows:

	€ Million	
	2015	2014
Property, plant and equipment and other intangible assets	197	18
Other non-current assets	65	80
Current assets	-	-
Assets	**262**	**98**
Non-current liabilities	(7)	-
Current liabilities	(1)	-
Liabilities	**(8)**	**-**
NET ASSETS	**254**	**98**

In 2015, Repsol has achieved different agreements for the sale of its piped gas business in Spain amounting to €788 million. Some of these agreements have been completed during the year, and therefore have been registered as sales in the consolidated financial statements 2015 (see Note 21). Others will be completed during 2016, and are subject to obtaining the relevant regulatory approvals. At December 31, 2015, €209 million of net assets have been classified under heading "*Non-current assets held for sale*".

At December 31, 2014, this heading mainly included Repsol Venezuela Gas, S.A.'s 17.5% interest in the Cardón IV area located in the Gulf of Venezuela, following the official notification that Corporación Venezolana de Petróleos (CVP) would acquire this interest. In 2015, after production at the Cardón IV area begun and the acquisition by CVP of Repsol's 17.5% interest has not yet taken place, these assets have been reclassified from assets held for sale to "*Investments accounted for using the equity method*" (see Note 8).

(10) FINANCIAL ASSETS

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

	€ Million	
	2015	2014
Non-current financial assets	715	593
Non-current derivatives on trading transactions [(1)]	4	-
Other current financial assets	1,237	2,513
Current derivatives on trading transactions [(2)]	413	503
Cash and cash equivalents	2,448	4,638
Total	**4,817**	**8,247**

(1) Registered in heading "*Other non-current assets*" of the consolidated balance sheet.
(2) Register in heading "*Other receivables*" of the consolidated balance sheet.

Classification of financial assets

The detail, by type of assets, of the Group's financial assets at December 31, 2015 and 2014, is as follows:

	December 31,2015 and 2014													
	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	
€ Million	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Equity instruments	-	-	-	-	82	60	-	-	-	-	-	-	82	60
Derivatives	4	-	-		-	-	-	-	-	-	-	-	4	-
Other financial assets	-	-	66	90	-	-	567	441	-	2	-	-	633	533
Long term/Non-current	**4**	**-**	**66**	**90**	**82**	**60**	**567**	**441**	**-**	**2**	**-**	**-**	**719**	**593**
Derivatives	477	618	-	-	-	-	-	-	-	-	1	25	478	643
Other financial assets	-	-	11	12	-	-	1.170	2.373	2.439	4.626	-	-	3.620	7.011
Short term/Current	**477**	**618**	**11**	**12**	**-**	**-**	**1.170**	**2.373**	**2.439**	**4.626**	**1**	**25**	**4.098**	**7.654**
TOTAL [(1)]	**481**	**618**	**77**	**102**	**82**	**60**	**1.737**	**2.814**	**2.439**	**4.628**	**1**	**25**	**4.817**	**8.247**

(1) Headins "*Other non-current assets*" and "*Trade and other receivables*" of the balance sheet include €175 million classified under long-term and €4,254 million classified under short-term in 2015 (2014: €155 million classified under long-term and €4,550 million classified under short-term), corresponding to commercial receivables not included in the breakdown of the financial assets in the previous table.

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	
	2015	2014	2015	2014	2015	2014	2015	2014
Financial assets held for trading	298	356	183	262	-	-	481	618
Other financial assets at fair value through profit and loss	77	102	-	-	-	-	77	102
Financial assets available for sale [(1)]	1	1	-	-	-	-	1	1
Hedging derivatives	-	2	1	23	-	-	1	25
Total	**376**	**461**	**184**	**285**	**-**	**-**	**560**	**746**

Level 1: Valuations based on a quoted price in an active market for an identical instrument and relate mainly to derivatives held for trading and investments funds.
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) Does not include €81 million and €59 million in 2015 and 2014, respectively, related to investments in shares of companies that are recorded at acquisition cost in accordance with IAS 39.

The valuation techniques used for instruments classified under level 2, in accordance with accounting regulations, are based on the income approach, which entail the discounting to present value of future cash flows, either known or estimated, using discount curves from the market reference interest rates (in the case of derivative instruments, estimated using implicit forward curves offered in the market), including adjustments for credit risk based on the life 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:

Financial assets held for trading

Derivatives not designated as hedging instruments are included within this category (see Note 17).

Other financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss in the years 2015 and 2014 mainly correspond to collective mutual funds.

Financial assets available for sale

This heading includes minority financial investments in certain companies over which the Group does not have management influence.

The movement in financial assets available for sale during the years ended December 31, 2015 and 2014 is as follows:

	€ Million	
	2015	**2014**
Balance at beginning of year	**60**	**1,223**
Additions	-	3
Disposals (1)	(4)	(943)
Adjustments to fair value (2)	7	(223)
Changes in the scope of consolidation (3)	30	-
Reclassifications and other changes	(11)	-
Balance at end of year	**82**	**60**

(1) 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 4.3).
(2) In 2014, it mainly corresponds to the market value of the unexpropriated shares of YPF and YPF Gas.
(3) In 2015, it corresponds to the 15% interest in Transasia Pipeline Company Pvt, Ltd., held through Talisman (see Note 4.1).

Loans and receivables

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

	€ Million			
	Carrying amount		Fair Value	
	2015	2014	2015	2014
Non-current	567	441	567	441
Current	1,170	2,373	1,170	2,373
Total loans and receivables	**1,737**	**2,814**	**1,737**	**2,814**

In 2015 and 2014, current and non-current borrowings include loans granted to Group companies that are not eliminated upon consolidation. They relate primarily to balances arising from transactions entered into with companies accounted for using the equity method in the amount of €1,734 million at year-end 2015 and €1,318 million at year-end 2014; these amounts include impairment charges of €94 and €66 million, respectively. These loans also 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. These loans were fully provisioned at December 31, 2015 and 2014.

In 2015 "*Current*" deposits contracted with various financial institutions amounting to €1,504 million matured.

The return accrued on the financial assets disclosed in the table above was equivalent to an average interest rate of 4.73% in 2015 and of 3.62% in 2014.

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

	€ Million	
Due date	2015	2014
2016	-	1
2017	254	227
2018	-	-
2019	281	48
Subsequent years	32	165
Total	**567**	**441**

The fair value of loans and receivables coincides with their book value.

Held to maturity investments

The breakdown of the book value of the held to maturity investments at December 31, 2015 and 2014 is as follows:

	€ Million	
	2015	2014
Non-current financial assets	-	2
Current financial assets	2	-
Cash equivalents [1]	126	2,416
Cash and Banks	2,311	2,210
Total	**2,439**	**4,628**

[1] In 2014 this heading includes €2,125 million corresponding to repurchase agreements of Spanish government bonds with maturity on January 2, 2015.

The fair value of the 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 book value.

Financial investments are mainly from placements in banks and collateral deposits. These financial investments have accrued an average interest of 0.25 % and 0.60% in 2015 and 2014, respectively.

(11) INVENTORIES

The breakdown of "Inventories" at December 31, 2015 and 2014 is as follows:

	€ Million	
	2015	**2014**
Crude oil and natural gas	786	1.549
Finished and semi-finished goods	1.754	2.136
Supplies and other inventories	313	246
Total [1]	**2.853**	**3.931**

[1] Includes provisions for inventory impairment losses of €117 million at year-end 2015 (year-end 2014: €225 million). The impairment provisions recognized and reversed in 2015 amounted to €-2 and €120 million, respectively (€-178 million recognized and €1 million reversed in 2014).

At December 31, 2015 and 2014, the balance of commodity inventories, related to trading activity, at fair value less costs to sell amounted to €624 million and €791 million, respectively, and the effect of their measurement at market value represented an income of €33 million and an expense of €42 million in 2015 and 2014, respectively. Recoverable value is calculated using market information and references, specifically 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, 2015 and December 31, 2014, with the legal requirements regarding minimum safety stocks established under prevailing legislation (see Appendix IV) through its Spanish Group companies.

(12) TRADE AND OTHER RECEIVABLES

The breakdown of this heading at December 31, 2015 and 2014 was the following:

	€ Million	
	2015	2014
Trade receivables for sales and services (gross amount)	2,738	3,205
Doubtful accounts provision	(131)	(122)
Trade receivables	**2,607**	**3,083**
Other trade creditors and other receivables	1,336	1,221
Debtors from personnel transactions	43	48
Public account receivables	268	198
Derivatives held for trading (see Notes 10 and 17)	413	503
Other receivables	**2,060**	**1,970**
Income tax assets	**1,013**	**632**
Trade and other receivables	**5,680**	**5,685**

The changes in the provision for doubtful accounts in 2015 and 2014 were as follows:

	€ Million	
	2015	2014
Balance at beginning of the year	**122**	**141**
Impairment losses recognized/ (reversed)	13	7
Change in the scope of consolidation	-	-
Translation differences	5	5
Reclassifications and other movements	(9)	(31)
Discontinued operations movements	-	-
Balance at end of the year	**131**	**122**

(13) EQUITY

	€ Million	
	12/31/2015	**12/31/2014**
Net Equity	**26.789**	**27.502**
Issued share capital	1.442	1.375
Share premium	6.428	6.428
Reserves	19.605	19.783
Treasury shares and own equity instruments	(248)	(127)
Profit attributable to equity holders of the parent	(1.227)	1.612
Dividends and remunerations	(228)	(1.569)
Other equity instruments	1.017	-
Adjunstments for changes in value	**1.672**	**435**
Minority interests	**228**	**217**
TOTAL EQUITY	**28.689**	**28.154**

13.1) Share capital

The share capital at December 31, 2015 and 2014, registered within the Companies Register, consisted of 1,400,361,059 and 1,350,272,389 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 maintains 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 2016, outlined below, the share capital of

Repsol, S.A. is currently represented by 1,441,783,307 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, 2015.

At the Annual General Meeting held on April 30, 2015, the Company's shareholders approved two bonus share issues to execute the shareholder remuneration scheme "*Repsol Flexible Dividend*"[1], in substitution of what would have been the traditional final dividend from 2014 profits and the interim dividend from 2015 earnings, under which shareholders can instead choose between receiving their remuneration in cash (by selling their bonus share rights in the market or back to the Company) or in Company shares.

The first of these two bonus share issues took place between June and July 2015 and the second, between December 2015 and January 2016. The main characteristics of these issues are detailed below:

		June / July 2015	**Dec. 2015 / January 2016**
REMUNERATION IN CASH	Bonus share right trading period	June 18 - July 3	December 19 - January 7
	Deadline for applying to sell bonus share rights to Repsol at guaranteed fixed price	June 26	December 30
	Shareholders accepting irrevocable purchase commitment (1)	36.5% (502.021.533 rights)	34.9% (489,071,582 rights)
	Fixed price guaranteed per right	0.484 € before tax / right	0.466 € before tax/ right
	Pre-tax sum paid by Repsol to acquire its shareholders' bonus share rights	€243 millon	€228 million
REMUNERATION IN REPSOL SHARES	Shareholder opting to receive new Repsol shares	63.5% (872,672,628 rights)	65.1% (911,289,456 rights)
	No. of rights needed for entitlement to one new share	34	22
	New shares issued	25.666.842	41.422.248
	Approximate increase in share capital	1,87%	2,96%
	Share issue closing date	July 6	January 8
	Date on which newly-issued shares began ordinary trading on the Madrid, Barcelona, Bilbao and Valencia stock exchanges	July 15	January 15

(1) Repsol has renounced the bonus share rights acquired by virtue of the above-mentioned purchase commitment and, by extension, the shares corresponding to those rights. The balance sheet at December 31, 2015 recognizes the obligation to pay the shareholders that had accepted the irrevocable purchase commitment in the amount corresponding to Repsol's rights allocation as a reduction in equity under "*Dividends and remuneration*".

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)	11,37
Sacyr, S.A.(2)	8,48
Temasek Holdings (Private) Limited (3)	4,95
Blackrock, Inc. (4)	3,04

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

1 Repsol executed its "*Repsol Flexible Dividend*" scheme for the first time in 2012, having been approved by its shareholders at the Annual General Meeting of May 31, 2012. This shareholder remuneration scheme materializes in bonus share issues charged against retained earnings and an irrevocable commitment on the part of Repsol to purchase the bonus share rights deriving under the equity issues at a guaranteed fixed price.

(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 stake is held through various funds and accounts managed by investment managers under their control.

At December 31, 2015, 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.	1.400.361.059	100%	Spanish stock exchanges (Madrid, Barcelona, Bilbao, Valencia)	10,12	11,52	euros
			Buenos Aires	157,00	178,88	pesos
			OTCQX (2)	11,13	12,58	dollars
Gas Natural SDG, S.A.	1.000.689.341	100%	Spanish stock exchanges (Madrid, Barcelona, Bilbao, Valencia)	18,82	19,46	euros
Refinería La Pampilla, S.A.	1.244.680.000	100%	Lima Stock Exchange	0,12	0,13	soles

(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.

13.2) Share premium

The share premium at December 31, 2015 and 2014 amounted to €6,428 and €6,428 million respectively 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.

13.3) 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.

13.4) Treasury shares and own equity instruments

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

	2015			2014		
	No. of shares	Amount € Million	% of capital	No. of shares	Amount € Million	% of capital
Opening balance	**7,689,371**		**0.56%**	**1,432,680**		**0.11%**
Open-market purchases	20,480,001	301	1.42%	9,242,085	160	0.67%
Open-market sales	(10,642,495)	(177)	0.74%	(3,570,011)	(69)	0.26%
Acquisition of options over treasury shares	-	-	-	1,000,000	19	0.07%
Disposal of options over treasury shares	(400,000)	(7)	0.03%	(600,000)	(11)	0.04%
Employee Share Acquisition Plan(1)	754,845	9	0.05%	437,577	8	0.03%
2011-2014 Loyalty Program (1)	-	-	-	57,146	1	0.00%
2012-2015 Loyalty Program (1)	54,435	1	0.00%	-	-	-
Repsol Flexible Dividend (2)	920,529	-	-	184,617	-	-
Closing balance	**18,047,406**		**1.25%**	**7,689,371**		**0.56%**

Note: Transactions 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, for a five-year period, to carry out the derivative acquisition of Repsol shares, directly or through subsidiaries, up to a maximum number of shares such 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 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 existing authorization (granted by the Annual General Meeting of March 28, 2014) is granted for a period of five years, counted from the date of the General Meeting, and annulled in the unused part, the authorization agreed by the Annual General Meeting celebrated April 30, 2010.

(1) All of the shares acquired under the scope of the Share Acquisition Plan and the Loyalty Programs (2011-2014) and as part of the second cycle (2012-2015) have been delivered to the beneficiary employees (see Note 27.4).
(2) New shares received under the “*Repsol Flexible Dividend*” scheme's bonus share issues corresponding to treasury shares.

13.5) Other equity instruments

On March 25, 2015, Repsol International Finance, B.V. (RIF) issued a subordinated bond for an amount of € 1,000 million, guaranteed by Repsol, S.A. and of a perpetual nature or without maturity. It is redeemable at the behest of the issuer from year six or under certain circumstances stipulated in the bond terms and conditions.

This bond was placed with qualified investors and is traded on the Luxembourg stock exchange. It accrues a fixed annual coupon of 3.875% from the issuance date until March 25, 2021, which is payable to the bondholders annually from March 25, 2016; from March 25, 2021, it accrues a fixed annual coupon equivalent to the 6-year swap rate plus a spread.

The issuer can defer the coupon payments without being in breach of its covenants. Coupons so deferred will be cumulative but will have to be settled under certain instances defined in the related terms and conditions of the issuing.

This bond was recognized under “*Other equity instruments*”, included under equity in the consolidated balance sheet, considering that they do not meet the accounting conditions required to be treated as a Group´s financial liability. Net finance expense associated to the bond has been recorded under “*Retained earnings and other reserves*” amounting €22 million.

13.6) Shareholder remuneration

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.

Additionally, during 2015 and 2014 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*" of 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 (€ Million)	New shares issued	Remuneration in shares (€ Million)
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
June/July 2015	502,021,533	0.484	243	25,666,842	422

In addition, in January 2016, under the "*Repsol Flexible Dividend*" program, replacing what would have been the interim dividend from 2015 profits, Repsol paid out €228 million (€0.466 per right before withholdings) to those shareholders opting to sell their bonus share rights back to the Company and delivered 41,422,248 shares, worth €425 million, to those opting to take their dividend in the form of new Company shares.

As at the date of the approval of these Consolidated Financial Statements, the Board of Directors of the Company has agreed to propose to the next Annual General Meeting, within the "*Repsol Flexible Dividend*" program and on the dates the complementary dividend has traditionally been paid, a proposal of a capital increase charged to voluntary reserves from retained earnings, equivalent to a retribution of approximately 0.30 euros per share.

<u>Earnings per share</u>

The earnings per share figures for 2015 and 2014 are detailed below:

Earnings per share (EPS)	**2015**	**2014**
Net income attributable to the parent [(1)] (€ Million)	(1,227)	1,612
Adjustment of interest expense of perpetual subordinated bonds (€ Million)	(22)	-
Weighted average number of shares outstanding (€ Million) [(2)]	1,432	1,440
EPS basic and diluted (euros/share)	(0.87)	1.12

(1) In 2014,earnings per share includes €597 million of profit attributable to the equity holders of the parent in respect of discontinued operations, which is equivalent to €0.41 per share.

(2) The number of shares outstanding at December 31, 2014 stood at 1,374,694,217. However, the weighted average number of shares outstanding used to calculate earnings per share at year-end includes the effect of the bonus share issues carried out under the scope of the "*Repsol Flexible Dividend*" shareholder remuneration scheme, as stipulated in applicable accounting regulations (see Note 2 "*Basis of presentation*").

13.7) Adjustments for changes in value

This heading includes:

<u>Financial assets available for sale</u>

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 25 of Note 2 and Note 17).

Translation differences

Corresponds to exchange differences recognized in equity as a result of the consolidation process described in section 1 of Note 2, and the measurement at fair value of the financial instruments assigned as net investment hedges in foreign transactions (see Note 17) in accordance to the method described under section 25 of Note 2.

The movement of the adjustments for changes in value is disclosed in the Statement of Recognized Income and Expenses, every concept presented in gross amounts of taxes. The corresponding tax effects on the movement during the years 2015 and 2014 are as follows:

	Net Effect on Equity		Transfer to Profit and Loss		Total	
	2015	2014	2015	2014	2015	2014
Valuation of financial assets available for sale	(2)	60	(2)	122	(4)	182
Other financial instruments	-	13	-	(13)	-	-
For cash flow hedges	8	30	7	1	15	31
Translation differences	47	15	(4)	2	43	17
Total	**53**	**118**	**1**	**112**	**54**	**230**

13.8) Minority interests

The equity attributable to minority interests at year end 2015 and 2014 relates basically to the following companies:

	€ Million	
	2015	2014
Petronor, S.A.	110	82
Refinería La Pampilla, S.A. (1)	57	92
Repsol Comercial de Productos Petrolíferos, S.A.	31	30
Inch Cape Offshore	21	-
Other companies	9	13
Total	**228**	**217**

(1) Refinería de la Pampilla, S.A. issued equity on November 20, 2015; 99% of the new shares were bought by the Repsol Group, so that its ownership interest increased by 31.35%, reaching 82.38% (see Appendix Ib – "*Main changes in the consolidation scope*")

(14) CURRENT AND NON CURRENT PROVISIONS

The breakdown of provisions at year-end and the changes in this heading in 2015 and 2014 are as follows:

	€ Million			
	Current and non-current provisions for contigencies and expenses			
	Field dismantling costs	Onerous contracts	Other provisions (5)	Total
Balance at January 1, 2014	**337**	**871**	**1,741**	**2,949**
Allowances of provisions charged to results (1) (2)	21	339	176	536
Reversals of provisions with a credit to results (3)	(1)	-	(480)	(481)
Provisions relased due to payment	(8)	(81)	(60)	(149)
Changes in the scope of consolidation	-	-	6	6
Translation differences	30	128	21	179
Reclassifications and others (4)	75	(98)	(391)	(414)
Balance at December 31, 2014	**454**	**1,159**	**1,013**	**2,626**
Allowances of provisions charged to results (1) (2)	74	240	198	512
Reversals of provisions with a credit to results (3)	(3)	(233)	(80)	(316)
Provisions relased due to payment	(74)	(94)	(504)	(672)
Changes in the scope of consolidation	2,086	-	3,226	5,312
Translation differences	(94)	122	79	107
Reclassifications and others (4)	(213)	-	(152)	(365)
Balance at December 31, 2015	**2,230**	**1,194**	**3,780**	**7,204**

(1) Includes €123 million corresponding to the effect of discounting provisions to present value in 2015 (2014: €105 million). In 2015, a change in the discount rate of +/-50bp would have the effect of decreasing/increasing provisions for dismantling costs by €100/€-118 million, respectively.

(2) In 2015, this heading includes a €160 million provision for exploration platform lease agreements. In 2014, this heading includes provisions for onerous contracts in Canada, Ecuador and Spain for a total amount of €282 million (see Note 7).

(3) In 2015, this heading reflects the reversal of €170 million of provisions for onerous contracts in Canada, mainly due to updated discount rates and lower cost estimates. In addition, in both reporting periods it includes the reversal of a range of provisions recognized by Group companies in numerous countries as a result of changes in the circumstances giving rise to their original recognition.

(4) In 2015, this heading mainly includes the effects associated with measurement of field dismantling provisions that are recognized against property, plant and equipment. In 2014, this heading mainly includes impacts associated with the YPF divestment.

(5) "*Other provisions*" corresponds mainly to the provisions recognized to cover obligations deriving under tax claims (see Note 20), lawsuits and arbitration proceedings (Note 28), environmental risks (Note 30.2), consumption of CO_2 allowances (Note 30.5), pension commitments (Note 27.2), employee incentive schemes (Notes 27.3 and 27.4), insurance policies and provisions corresponding to the Group's interests in other companies.

In 2015, heading "*Changes in the scope of consolidation*" mainly includes the provisions associated with the Talisman business combination (see Note 4.1), which correspond to:

- Provisions for the dismantling of oil and gas exploration and production facilities for €2,042 million, mainly related to obligations to dismantle wells, pipes and complexes in North America and South-east Asia, as well as *offshore* platforms in the North Sea.

- Provisions recognized to cover tax (see Note 20) and legal contingencies (Note 28), pension commitments and other provisions in an aggregate amount of €1,115 million.

- Provisions associated with other potential future obligations in respect of Talisman businesses for €1,668 million, which include the outlays envisaged to meet the obligations assumed in respect of the TSEUK joint venture (€1,515 million) which basically correspond to the net cost of dismantling facilities for exploration and production of hydrocarbons in the North Sea.

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 2015. 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.

	€ Million			
	Less than one year	From 1 to 5 years	More than 5 years and/or undetermined	Total
Provisions for field dismantling costs	78	1,007	1,145	2,230
Provisions for onerous contracts	63	386	745	1,194
Other provisions	1,236	1,404	1,140	3,780
TOTAL	**1,377**	**2,797**	**3,030**	**7,204**

(15) FINANCIAL LIABILITIES

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

	€ Million	
	2015	2014
Non- current financial liabilities	10,581	7,612
Non current derivatives on trading transactions [(1)]	1	-
Current financial liabilities	7,073	4,086
Current derivatives on trading transactions [(2)]	129	144
TOTAL	**17,784**	**11,842**

(1) Recognized in *"Other non-current liabilities"* on the consolidated balance sheet.
(2) Recognized in *"Other payables"* on the consolidated balance sheet.

Following is a breakdown of the financial liabilities acquired, most of which are secured with a personal guarantee, at December 31, 2015 and 2014:

	December 31, 2015									
	Financial liabilities held for trading		**Financial liabilities at amortized cost**		**Hedging derivatives**		**Total**		**Fair value**	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Bank borrowings	-	-	1.543	1.359	-	-	1.543	1.359	1.543	1.359
Bonds and other securities	-	-	8.939	6.165	-	-	8.939	6.165	8.878	6.734
Derivatives	1	-	-	-	90	88	91	88	91	88
Other financial liabilities	-	-	9	-	-	-	9	-	9	-
Long-term/ non-current	**1**	**-**	**10.491**	**7.524**	**90**	**88**	**10.582**	**7.612**	**10.521**	**8.181**
Bank borrowings	-	-	1.707	645	-	-	1.707	645	1.707	645
Bonds and other securities	-	-	2.376	671	-	-	2.376	671	2.380	671
Derivatives	193	190	-	-	5	88	198	278	198	278
Other financial liabilities	-	-	2.921	2.636	-	-	2.921	2.636	2.921	2.636
Short-term/ current	**193**	**190**	**7.004**	**3.952**	**5**	**88**	**7.202**	**4.230**	**7.206**	**4.230**
TOTAL [(1)]	**194**	**190**	**17.495**	**11.476**	**95**	**176**	**17.784**	**11.842**	**17.727**	**12.411**

(1) At year-end 2015 this heading includes €1,540 million corresponding to "*Other non-current liabilities*" (year-end 2014: €1,414 million) and €206 and €176 million corresponding to "*Other payables*" 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	
	2015	2014	2015	2014	2015	2014	2015	2014
Financial liabilities held for trading	4	28	190	162	-	-	194	190
Hedging derivatives	-	-	95	176	-	-	95	176
TOTAL	**4**	**28**	**285**	**338**	**-**	**-**	**289**	**366**

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.

The valuation techniques used for the instruments classified under level 2, in accordance with accounting regulations, are based on the income approach, which entail the discounting to present value of future cash flows, either known or estimated, using discount curves from the market reference interest rates (in the case of derivative instruments, estimated using implicit forward curves offered in the market), including adjustments for credit risk based on the life 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.

In relation to liquidity risk, the distribution of funding by maturity at December 31, 2015 and 2014 is provided in Note 16.

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

	2015		2014	
	Average volume	Average Cost	Average volume	Average Cost
Bank borrowings	3,304	1.60%	2,007	2.29%
Bonds and other negotiable securities [(1)]	10,324	3.76%	8,026	3.92%
Other financial liabilities	2,904	1.39%	2,449	1.31%
TOTAL	**16,532**	**2.91%**	**12,482**	**3.14%**

[(1)] In 2014, includes Series B and Series C of Repsol International Capital Ltd´s preference shares, which were early redeemed ahead in December 2014 (see section 15.2).

15.1) Bank borrowings

This heading reflects the loans granted to the Group companies, mainly in Spain, Canada and Peru, by several banks in order to fund their projects and operations. In 2015, it also includes drawdowns under short-term credit facilities extended by banks.

15.2) 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 2015 and 2014:

	Opeing balance		(+) Issues		(-) Repurchases or reimbursement [(2)]		(+/-) Exchange rate and other adjustments [(1)]		Closing balance	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Bonds and other debt securities issued in the European Union with prospectus	6.836	9.957	5.954	2.558	(3.720)	(5.706)	55	27	9.125	6.836
Bonds and other debt securities issued outside the European Union	-	-	650	-	(2.588)	-	4.128	-	2.190	-
TOTAL	**6.836**	**9.957**	**6.604**	**2.558**	**(6.308)**	**(5.706)**	**4.183**	**27**	**11.315**	**6.836**

(1) In 2015, it includes the addition of debt securities issued by Talisman acquired as a result of the business combination described in Note 4.1.

(2) In 2015 a bond issued by Talisman in 2005 matured, several bonds have been repurchased in advance, and issues under its Program for U.S. Commercial Paper (USCP) have been cancelled.
In 2014, the Series I/2013 plain bonds issued by Repsol S.A. were cancelled ahead of maturity. In addition, all of the Series B and Series C preference shares held by investors that did not sign up for the buyback offer in 2013 were cancelled in December 2014.

Key issues, repurchases and redemptions carried out in 2015

- On March 25, 2015, Repsol International Finance B.V. (RIF) issued subordinated bonds due 2075, guaranteed by Repsol, S.A., with a nominal value of €1,000 million (redeemable at the request of the issuer from year ten or under certain circumstances stipulated in the bond terms and conditions).

  The bonds, which were issued at 100% of par, were placed with qualified investors and are traded on the Luxembourg stock exchange. The issue accrues a fixed annual coupon of 4.5% from the issuance date until March 25, 2025, which is payable to the bondholders annually from March 25, 2016; from March 25, 2025, it accrues a fixed annual coupon equivalent to the 10-year swap rate plus a spread.

  The issuer can defer the coupon payments without being in breach of its covenants. Coupons so deferred will be cumulative and will be paid under certain instances defined in the issuing terms and conditions.

  During fiscal year 2014, in anticipation of this issuing, interest rate swaps designated as cash flow hedges were contracted for a nominal amount of € 1,500 million. The accumulated effect in equity as a result of fair value measurement of these hedging instruments amounted to € -116 million before taxes, which will be transferred to the income statement over the next 10 years as the corresponding coupon payments accrue.

- On May 15, 2015 a Talisman Energy Inc. bond issued in 2005 amounting €334 million with a coupon of 5.125% matured.

- In November 2015, Talisman Energy Inc. announced an offer to buy back five bond issues due 2027, 2035, 2037, 2038 and 2042 and carrying coupons of 7.25%, 5.75%, 5.85%, 6.25% and 5.5%, respectively. In December 2015, Talisman Energy Inc. closed the buyback of bonds with an aggregate nominal value of $1,572 million at a discount to par of 14.5%, paying the respective bondholders on December 11.

  On December 23, 2015, Talisman Energy Inc. agreed to buyback a 7.75% bond due 2019. As a result, it bought back bonds with a total nominal value of $127 million, paying the respective bondholders on December 24.

  The cancellation of the repurchased bonds has triggered the recognition of a €213 million pre-tax gain (recognized in "*Impairment and gains/(losses) on disposal of financial instruments*"), which is the difference between their carrying amount and the sum paid to partially buy back and cancel the bonds.

More bonds have been bought back between year-end 2015 and the date of authorizing the accompanying financial statements for issue.

- On December 16, 2015, Repsol International Finance B.V. (RIF) issued €600 million of senior bonds due 2020 under the scope of its Euro 10,000,000,000 Guaranteed Euro Medium Term Note (EMTN) Program. The bonds are guaranteed by Repsol, S.A. and trade on the Luxembourg stock exchange. They were issued at 99.89% of par and carry a fixed annual coupon of 2.12%, payable annually from February 16, 2016.

The outstanding balance of the obligations and marketable securities at December 31 is as follows:

Security	Issuer	Date of issue	Currency	Nominal (millons)	Issue Price	Maturity	Quote [5]
Bonds [3] [6]	Talisman Energy Inc.	oct-97	Dollar	57	7,250%	oct-27	-
Bonds	Talisman Energy Inc.	apr-02	Pounds	250	6,625%	dec-17	LSE
Bonds [3] [6]	Talisman Energy Inc.	may-05	Dollar	98	5,750%	may-35	-
Bonds [3] [6]	Talisman Energy Inc.	jan-06	Dollar	140	5,850%	feb-37	-
Bonds [3] [6]	Talisman Energy Inc.	nov-06	Dollar	132	6,250%	feb-38	-
Bonds[1]	Repsol International Finance, B.V.	feb-07	Euro	886	4,750%	feb-17	LuxSE
Bonds	Talisman Energy Inc.	mar-09	Dollar	150	8,500%	mar-16	P.P
Bonds [3] [6]	Talisman Energy Inc.	jun-09	Dollar	573	7,750%	jun-19	-
Bonds [3]	Talisman Energy Inc.	nov-10	Dollar	600	3,750%	feb-21	-
Bonds[1]	Repsol International Finance, B.V.	dec-11	Euro	850	4,250%	feb-16	LuxSE
Bonds[1]	Repsol International Finance, B.V.	jan-12	Euro	1.000	4,875%	feb-19	LuxSE
Bonds [3] [6]	Talisman Energy Inc.	may-12	Dollar	126	5,500%	may-42	-
Bonds[1]	Repsol International Finance, B.V.	sep-12	Euro	750	4,375%	feb-18	LuxSE
Bonds[1]	Repsol International Finance, B.V.	may-13	Euro	1.200	2,625%	may-20	LuxSE
Bonds[1]	Repsol International Finance, B.V.	oct-13	Euro	1.000	3,625%	oct-21	LuxSE
Bonds[1]	Repsol International Finance, B.V.	dec-14	Euro	500	2,250%	dec-26	LuxSE
Bonds[2]	Repsol International Finance, B.V.	mar-15	Euro	1.000	4.500% [4]	mar-75	LuxSE
Bonds[1]	Repsol International Finance, B.V.	dec-15	Euro	600	2,125%	dec-20	LuxSE

(1) Issues made under RIF's EMTN Program, which is guaranteed by Repsol, S.A., as renewed on September 22, 2015.
(2) Subordinated bonds issued by RIF and guaranteed by Repsol, S.A. This issue does not correspond to any open-ended or shelf program.
(3) Issues undertaken by Talisman Energy Inc. under the scope of its Universal Shelf and Medium-Term Note Shelf Programs in the US and Canada, respectively.
(4) Coupon scheduled for reset on March 25, 2025 and March 25, 2045.
(5) LuSE (Luxembourg Stock Exchange), LSE (London Stock Exchange) and PP (Private Placement).
(6) Issues that were partially bought back on December 2015.

- Elsewhere, Repsol International Finance B.V. has a €2,000 million Euro Commercial Paper (ECP) Program (arranged on May 16, 2013), which is guaranteed by Repsol, S.A. Multiple issues have been placed and repaid under this ECP Program. The breakdown by issue of the outstanding at December 31, 2015 is provided below:

Security	Issuer	Currency	Balance at 12/31/2015 (millions)	EQUIVALENT AMOUNT IN EUROS
ECP	Repsol International Finance B.V.	Euros	879	879
ECP	Repsol International Finance B.V.	Dollars	272	249
ECP	Repsol International Finance B.V.	Pounds sterling	21	28
ECP	Repsol International Finance B.V.	Swiss francs	7	7

- Lastly, Talisman Energy Inc. has a US Commercial Paper (USCP) Program, arranged in October 2011, under which it can issue up to $1,000 million. All issues made under this USCP Program have been cancelled in full at December 31, 2015.

Key issues, repurchases and repayments carried out in 2014

- In December 2014, the Group, through Repsol International Finance B.V, (RIF) and under the scope of the EMTN Program, issued €500 of bonds due 2026; these bonds are guaranteed by Repsol, S.A. They trade on the Luxembourg stock exchange, were issued at 99.709% of par and carry a fixed annual coupon of 2.25%.

  In addition, also through RIF, the Group issued and repaid several issues under its ECP program; the outstanding balance of these issues at December 31, 2014 was:

PROGRAM	ISSUER	CURRENCY	NOMINAL VALUE (millions)	EQUIVALENT AMOUNT IN EUROS
ECP	Repsol International Finance B.V.	Euros	289	289
ECP	Repsol International Finance B.V.	Dollars	256	211
ECP	Repsol International Finance B.V.	Swiss francs	5	4

- Two separate €1,000 million bond issues, placed by RIF on March 27, 2009 and October 8, 2004, matured in March and October 2014. Repayment of these bond issues, which carried coupons of 6.50% and 4.625%, respectively, 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. As a result, the Group recognized a €71 million pre-tax loss in 2014 and derecognized, in conjunction with the cash payment, €1,471 million of bond principal and accrued interest.
- 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 repurchase offer for €84 million.

Financial conditions and debt obligations

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

The ordinary bonds issued by Repsol International Finance, B.V. (RIF) and guaranteed by Repsol, S.A. - with an aggregate face value at year-end of €6,786 million - contain certain early redemption and bond acceleration covenants (including cross-acceleration and cross-default clauses) and a pledge not to encumber the assets of the issuer or guarantor to secure future bond issues. In the event of breach of any of these covenants, the trustee, at its sole discretion or at the behest of the holders of at least one-fifth of the bonds or on the basis of an extraordinary bondholder resolution, is entitled to declare the call of the bonds immediately. In addition, the holders of the bonds issued in 2011, 2012, 2013, 2014 and 2015 can elect to have their bonds called in the event of a change of control at Repsol or if, as a result of such change of control, Repsol's credit ratings are downgraded to below investment grade status.

Additionally, the €1,000 million subordinated bonds issued on March 25, 2015 by RIF and guaranteed by Repsol, S.A. do not have early redemption covenants other than in the event of dissolution or liquidation. The same conditions apply to the subordinated bond of €1,000 million described in Note 13.5.

Elsewhere, the ordinary bonds issued by Talisman Energy Inc. - with an aggregate nominal value at year-end of €2,603 million - contain certain early redemption and bond acceleration covenants (including cross-acceleration or cross-default clauses) and as well as a pledge not to encumber the assets of the issuer and the guarantor to secure future bond issues.

The Group, via Talisman, also has $3,200 million of undrawn credit facilities at year-end, $3,000 million via a syndicated credit facility and $200 million via a bilateral facility arranged with a bank. These facilities can be drawn down until March and October 2019, respectively. These facilities include a leverage covenant which stipulates that consolidated debt cannot exceed cash flow by more than 3.5 times, calculated quarterly.

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.

Issues of securities representing secured debt

At December 31, 2015 and 2014 there are no amounts secured by the Group companies in issuances, repurchases or redemptions made by associates, joint arrangements or companies that are not part of the Group.

15.3) Other financial liabilities

It includes the loans granted by Group companies that are not eliminated through the consolidation process; they consist primarily of transactions between entities consolidated using the equity method in the amount of € 2,930 million at year-end 2015 and €2,636 million at year-end 2014. The loan granted by Repsol Sinopec Brasil S.A., via its subsidiary Repsol Sinopec Brasil B.V. (see Note 8), to its shareholders (including the Repsol Group) in proportion to their respective shareholdings stands out; the balance for the Group at year-end amounted to €2,819 million and €2,535 million at year-end 2014). This loan is renewed annually and can be called according to agreed-upon authorization levels.

(16) FINANCIAL RISK AND CAPITAL MANAGEMENT

16.1) 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.

16.1.1) 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 17).

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 (-)	€ Million	
		2015	2014
Impact on profit after taxes	5%	15	5
	-5%	(16)	(5)
Impact on equity	5%	186	72
	-5%	(205)	(79)

b) Interest rate risk

Fluctuations in interest rates can affect interest income and expense of 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 contracts interest rate derivatives to reduce the risk of changes in financial charges or the market value of its debt. These derivatives are designated in general as hedging instruments (see Note 17).

At year end 2015 and 2014, the net debt balance at fixed rates was € 10,697 million and €5,596 million respectively. This is equivalent to 80% and 139%, 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 point)	€ Million	
		2015	2014
Impact on profit after taxes	+50	(10)	4
	-50	10	(4)
Impact on equity	+50	14	61
	-50	(14)	(65)

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 17).

The impact of a 10% increase or decrease in crude and oil product prices in the net income, as a result of its effects on the financial instruments held by the Group at year end 2015 and 2014, is illustrated in the following table:

	Crude & oil product price increase (+) / decrease (-)	€ Million 2015	2014
Impact on profit after taxes	+10%	(6)	(26)
	-10%	6	26

16.1.2) 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.

Repsol maintains, in line with its prudent financial policy, cash resources and other liquid financial instruments and undrawn credit lines covering 50% of total gross debt. The Group had unused credit lines amounting to €6,360 and €3,312 million at December 31, 2015 and 2014 , respectively.

The tables below present an analysis on the maturities of the financial liabilities existing at December 31, 2015 and 2014:

	Maturity (€ Million)						
December 31, 2015	2016	2017	2018	2019	2020	Subsequent	Total
Trade payables	1,799	-	-	-	-	-	1,799
Other payables	3,975	-	-	-	-	-	3,975
Loans and other financial debts (1)	7,215	1,825	1,326	2,096	2,231	7,236	21,929
Derivatives (2)	83	13	11	9	8	35	159

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

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

(1) Corresponds to future maturities of amounts registered under the headings "*Non-current financial liabilities*" and "*Current financial liabilities*", including interests or future dividends related to those financial liabilities. It does not include financial derivatives.

(2) The contractual maturities of the derivatives included under this heading are outlined in Note 17. It does not include trade derivatives on " *Other non-current liabilities* " and " *Other payables* " in the balance sheet caption .

16.1.3) 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[1].

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 12) for an amount of €4,119 and €4,459 million, respectively at December 31, 2015 and 2014.

The following table shows the age of non-provisioned debt:

	€ Million	
Due Date	2015	2014
Not due debt	3,804	4,173
Due debt 0-30 days	167	176
Due debt 31-180 days	103	90
Due debt for more than 180 days	45	20
TOTAL	**4,119**	**4,459**

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 12 "*Trade and other receivables*" includes the registered impairment losses on December 31, 2015 and 2014. 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 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 10 "*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 further on this note, is detailed below at December 31, 2015 and 2014:

		€ Million	
Maximum Exposure	Note	2015	2014
Comercial Debts	12	4,249	4,581
Derivatives	10	481	643
Cash and cash equivalents	10	2,448	4,638
Other non-current financial assets (1)	10	2,517	2,233
Other current financial assets	10	1,172	2,373

(1) At both reporting dates, "*Non-current loans and receivables*" includes the loans granted to the Petersen group to fund the acquisition of its interest in YPF S.A.; these loans have been fully written down for impairment.

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.

[1] The credit risk information set out in this section does not include credit risk of associates or joint ventures (see Note 16.1.4).

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 2.2%, and no single private client accumulates risk exposure of more than 1.3%.

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.

As part of its business activities, the Group has guarantees extended by third parties in an aggregate amount of €3,798 million at December 31, 2015 and €3,616 million at December 31, 2014. Of this balance, the amount of trade receivables secured by guarantees stood at €715 million at December 31, 2015 and €815 million at December 31, 2014.

During 2015, the Group executed guarantees received for an amount of €12 million. During 2014 this figure was €18 million.

16.1.4) Other risks. Venezuela

Venezuela introduced a currency exchange control regime in February 2003 which is managed by the Central Bank of Venezuela and the Ministry of Economy, Finance and Public Banking. These authorities have issued various resolutions governing the ways in which currency can be sold in Venezuela. Specifically:

- The official exchange rate exchange, but restricted for the purchase of foreign currency in the local market use, is Bs.6.3 / US $.
- Foreign Exchange Agreement No. 25, stipulating that applications for US dollars would be settled at the exchange rate resulting from the allocations made via the so-called Complementary Currency Administration System (SICAD I for its acronym in Spanish), took effect on January 24, 2014. Moreover, an additional, limited-supply exchange mechanism, applicable only to certain transactions, was established, known as SICAD II.
- Foreign Exchange Agreement No. 33 took effect on February 12, 2015 and had the effect of unifying the former SICAD II and SICAD I schemes into a new system and creating a new currency exchange mechanism known as the Marginal Currency System (SIMADI for its acronym in Spanish), which permits purchase and sale transactions in cash and securities in foreign currency.
- In addition, Foreign Exchange Agreement No. 9 has applied to the revenue generated by mixed-ownership oil and gas companies from oil and gas exports since 2004. This revenue can be kept in currency accounts abroad with a view to servicing payments and outlays that have to be made outside of Venezuela.

As a result of the foregoing, at December 31 2015, there were three exchange rates in effect simultaneously for the 'strong' bolivar: the official exchange rate (Bs/US$: 6.30); the SICAD rate (Bs/US$: 13.50, as per the last auction dated November 2015); and the SIMADI rate (Bs/US$: 198.7 as of December 31, 2015).

Elsewhere, Venezuela is a hyperinflationary economy. According to data published by Venezuela's Central Bank, inflation was 56.2% in 2013, 68.5% in 2014 and 180.9% in 2015.

Against this backdrop, Repsol uses the US dollar as the functional currency of most of its oil and gas exploration and production businesses in Venezuela (most notably, Cardón IV, S.A., Empresa Mixta Petroquiriquire, S.A. and Empresa Mixta Petrocarabobo, S.A.).

For the companies whose functional currency is the bolivar (most significantly Quiriquire Gas, S.A), Repsol has used the SIMADI exchange rate to translate their financial statements into euros; the impact of using an exchange rate other than the SIMADI rate and factoring in the outlook for inflation in Venezuela at 31 December 2015 would not be material in respect of the Repsol Group[1].

Repsol's exposure to Venezuela at December 31, 2015, net of certain impairment charges (see Note 22), amounts to approximately €2,400 million and mainly comprises dollar-denominated financing extended to the Venezuelan subsidiaries.

16.2) 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:

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

(1) The formula considers net and not gross debt to factor in the effect of financial investments. In keeping with its conservative financial policy, Repsol holds cash and cash equivalents and undrawn credit lines. As a result, the net debt leverage ratio provides a more accurate picture of the Group's financial solvency.
(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 2015 and 2014, is as follows:

	€ Million	
	2015	2014
Non-current financial liabilities	10,581	7,612
Current financial liabilities	7,073	4,086
Non-current financial assets	(715)	(593)
Less financial assets available for sale (see Note 10)	82	60
Other current financial assets	(1,237)	(2,513)
Cash and cash equivalents	(2,448)	(4,638)
Exchange rate financial derivative instruments and other (see Note 17)	(92)	(191)
Joint venture net debt	(1,310)	(1,888)
Net Financial Debt (1)(2)	**11,934**	**1,935**
Equity	28,689	28,154
Net Capital Employed (1)(3)	**40,623**	**30,089**
Net Financial Debt / Net Capital Employed	**29.4%**	**6.4%**

(1) Figures calculated according to the Group´s reporting model described in Note 5 *"Segment Reporting"*.
(2) Does not include €1,747 and €1,590 million relating to debts for current and non-current financial leases (see Note 18).

1 The impact on transaction differences of using the SIMADI exchange rate to translate the financial statements of Quiriquire Gas, S.A. into euros at December 31, 2015 was €145 million. This company's equity at the reporting date amounted to €3 million.

(3) Net Capital employed in 2014 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.

(17) DERIVATIVE TRANSACTIONS

The table below reflects the impact on the balance sheet of derivative instruments at December 31, 2015 and 2014 as a result of changes in their fair value since their arrangement and their maturities:

€ Million

Classification	Non-current Assets		Current Assets		Non-current Liabilities		Current Liabilities		Fair Value	
December 31	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Cash Flow Hedges	**-**	**-**	**1**	**25**	**(90)**	**(88)**	**(3)**	**(88)**	**(92)**	**(151)**
Interest Rate	-	-	-	-	(90)	(88)	(3)	(88)	(93)	(176)
Commodity Price	-	-	1	25	-	-	-	-	1	25
Net Investment Hedges	**-**	**-**	**-**	**-**	**-**	**-**	**(2)**	**-**	**(2)**	**-**
Exchange Rate	-	-	-	-	-	-	(2)	-	(2)	-
Other derivative transaction	**4**	**-**	**477**	**618**	**(1)**	**-**	**(193)**	**(190)**	**287**	**428**
Exchange Rate	-	-	65	140	-	-	(64)	(46)	1	94
Commodity Price	4	-	412	478	(1)	-	(129)	(144)	286	334
TOTAL [1]	**4**	**-**	**478**	**643**	**(91)**	**(88)**	**(198)**	**(278)**	**193**	**277**

(1) In 2015 and 2014, this heading includes derivatives with a negative measurement in respect of interest rates of €98 and €191 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:

	Operating Income		Financial Result		Adjustment for changes in value	
€ Million	**2015 [1]**	**2014**	**2015**	**2014**	**2015**	**2014**
Cash Flow Hedges	25	-	(27)	(20)	562	(124)
Net Investment Hedges	(13)	-	-	-	(12)	-
Other transactions	380	476	1.045	531	-	-
Total	**392**	**476**	**1.018**	**511**	**550**	**(124)**

(1) In 2015, the remeasurement of the Group's trading derivatives generated a pre-tax fair value gain of €903 million, which is recognized in "*Other operating income*" as well as a pre-tax fair value loss of €-497 million, recognized under "*Other operating expenses*" in the accompanying income statement.

There follows a detailed disclosure of the Group's most significant transactions related to derivative financial instruments at year end 2015 and 2014.

17.1) Accounting hedges

The most significant transactions correspond to:

- In March 2015, the Group bought a notional sum of $8,289 million and CAD201 million using forward contracts and currency swaps. This transaction was designated as a hedge for accounting purposes, specifically a hedge of the dollar-denominated cash flows associated with the acquisition of Talisman Energy Inc. Between the date of designation as a qualifying hedge and the acquisition's close date, the cumulative impact of the change in the fair value of these instruments, which was recognized within "*Adjustments for changes in value*" in equity, amounted to €525 million and has been treated as an increase in the cost of the acquisition (see Note 4.1).

- Cash flow hedges in the form of interest rate swaps arranged in 2014 for a notional amount of €1,500 million to hedge future financial instrument issues. Under these arrangements, the Group paid a weighted average interest rate of 1.762% and received 6-month EURIBOR. These hedges have been allocated to several bond issues placed at the end of 2014 and early 2015 (see Notes 13 and 15). In 2015, these hedges generated a €9 million gain in profit and loss (the fair value changes recognized in equity and pending to be reclassified to profit and loss stood at a loss of €-103 million (after tax) at December 31, 2015).

- A cash flow hedge in dollars in the form of interest rate swaps associated with the facility funding the investment in the Canaport LNG project (Canada), written over a notional amount of €353 million, maturing after 2019 and with a negative fair value at year-end of €92 million (year-end 2014: notional amount of €325 million and negative fair value of €90 million).

- The hedges arranged in 2015 and 2014 over product prices corresponded mainly to hedges of dollar-denominated cash flows; the aim was to hedge gas price variability during the winter months. These instruments matured within less than one year. At December 31, 2015, their notional amount stood at €23 million and their fair value stood at €1 million (December 31, 2014: notional amount of €62 million and fair value of €25 million).

- At year-end 2015, the Group had designated other derivatives as hedges of its net investment in certain dollar-denominated assets in the *Upstream* segment. At the reporting date, the notional amount hedged using these instruments stood at $-296 million (euro equivalent: €270 million) and their fair value was €2 million.

17.2) Other derivative transactions

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 2015 and 2014 is provided below:

€ Million	Maturity of fair value														
	2015						Fair	2014							Fair
Classification as of December 31	**2016**	**2017**	**2018**	**2019**	**Subseq.**	**Total**	**Value**	**2015**	**2016**	**2017**	**2018**	**2019**	**Subseq.**	**Total**	**Value**
Exchange rate	**1**	**-**	**-**	**-**	**-**	**1**	**1**	**94**	**-**	**-**	**-**	**-**	**-**	**94**	**94**
Commodity prices	**283**	**3**	**-**	**-**	**-**	**286**	**286**	**334**	**-**	**-**	**-**	**-**	**-**	**334**	**334**
Purchase contracts	(750)	-	-	-	-	(750)	(750)	(354)	-	-	-	-	-	(354)	(354)
Sale contracts	886	-	-	-	-	886	886	473	-	-	-	-	-	473	473
Options	(1)	-	-	-	-	(1)	(1)	(7)	-	-	-	-	-	(7)	(7)
Swaps	159	-	-	-	-	159	159	208	-	-	-	-	-	208	208
Forwards	2	-	-	-	-	2	2	-	-	-	-	-	-	-	-
Others (1)	(13)	3	-	-	-	(10)	(10)	14	-	-	-	-	-	14	14
TOTAL	**284**	**3**	**-**	**-**	**-**	**287**	**287**	**428**	**-**	**-**	**-**	**-**	**-**	**428**	**428**

(1) Corresponds to the market valuation of the contract of purchase-sale of commodities, valuated under IAS 39, as it has been described in Note 2.

In 2015, the Group arranged short term forward contracts and currency swaps that generated a pre-tax gain of €1,045 million, which is recognized in "*Change in fair value of financial instruments*" in the consolidated income statement.

(18) OTHER NON-CURRENT LIABILITIES

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

	€ Million	
	2015	2014
Obligations under finance leases	1,540	1,414
Guarantees and deposits	143	142
Deferred income (1)	30	14
Others	229	231
Total	**1,942**	**1,801**

(1) Includes the amounts associated to the CO_2 emission rights granted gratuitously (see Note 6).

18.1) Obligations under finance leases

The breakdown of the amounts payable under finance leases at December 31, 2015 and 2014 is as follows:

	€ Million		€ Million	
	Lease payments		Present value of minimum lease payments	
	2015	2014	2015	2014
Within one year	218	185	207	176
Between 2 and 5 years, both included	814	727	624	560
After 6 years	2,539	2,458	916	854
	3,571	**3,370**	**1,747**	**1,590**
Less:				
Future financial expenses	(1,824)	(1,780)		
Total	**1,747**	**1,590**		

Recognized as:	2015	2014
Non-current obligations under finance leases	1,540	1,414
Current obligations under finance leases	207	176
Total	**1,747**	**1,590**

The effective average interest rate on obligations under finance leases at December 31, 2015 was 8.95% (8.85 % at December 31, 2014).

The main liabilities related to finance leases shown in this heading at December 31 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, 2015 and 2014, the amount recognized in this heading was $476 million (€437 million) and $477 million (€393 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 2015 and 2014 amounted to $1,189 million (€1,092 million) and $1,212 million (€999 million), respectively.

18.2) 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.

(19) TRADE PAYABLES AND OTHER PAYABLES

In 2015 and 2014 Repsol had the following accounts payable classified under "*Trade payables and other payables*":

	€ Million 2015	2014
Trade payables	**1.799**	**2.350**
Obligations under finance leases (Note 18)	207	176
Tax Payables	504	548
Derivative financial instruments (Note17)	129	144
Others	3.134	2.534
Other payables	**3.975**	**3.402**
Income tax payables	**245**	**165**
Total	**6.019**	**5.917**

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

Information regarding deferrals of payments settled with suppliers

The disclosures made in respect of the average payment term for trade payables are presented in keeping with the stipulations of additional provision three of Spanish Law 15/2010 (of July 5, 2010) (as amended by means of final provision two of Law 31/2014, of December 3, 2013) and prepared in keeping with the related resolution issued by the ICAC (acronym in Spanish for the Audit and Accounting Institute) in January 2016.

The information regarding the average term of payment to the suppliers of the Group's Spanish companies in 2015 pursuant to the sole additional provision of the above-mentioned resolution is as follows:

	2015 Days
Average payment period to suppliers [(1)]	29
Ratio of paid transactions [(2)]	29
Ratio of outstanding payment transactions [(3)]	30

	Amount (€ Million)
Total payments	10,992
Total outstanding payments	193

(1) ((Ratio of paid transactions * total amount of payments made) + (Ratio of Outstanding payment transactions * total outstanding payments)) / (Total payments + total outstanding payments).
(2) Σ (number of days of payment * amount of the transaction paid) / Total payments.
(3) Σ (number of days outstanding payment * amount of the transaction outstanding payment) / Total outstanding payments.

Acording to the transitional provision of Law15/2010, the maximum legal payment deadline is 60 days.

(20) TAX SITUATION

20.1) Corporate income tax

In the area of taxation and, particularly, of profits taxation, Repsol Group is subject to the legislation of several tax jurisdictions due to the broad geographic mix and the relevant international nature of the business activities carried out by the companies it comprises.

For this reason, the Repsol Group's effective tax rate is shaped by the breakdown of earnings obtained in each of the countries where it operates and, on occasion, by the taxation of said profits in more than one country (double taxation).

In 2015 and as from its acquisition, income tax figures deriving from the Talisman Group are included (see Note 4.1).

a) In Spain

Most of the entities resident in Spain for tax purposes are subject to taxation in Spain 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 2015 the Tax Group was made up of 56 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.

Finally, 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 28%, 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 33%, 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 are subject to taxation 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%
Indonesia	40%-48%
Libya	65%
Malaysia	38%
Norway	78%
The Netherlands	25%
Peru	28%-30%
Portugal	22.5%-29.5%
Timor-Leste	30%
Trinidad and Tobago	55%
Venezuela	34% (Gas) and 50% (oil)
Vietnam	32%-50%

(1) Plus tax on exceptional profits (TPE) by its acronym in Spanish.
(2) Federal and provincial rate.
(3) Federal rate.

20.2) Accrued income tax expense

The table below shows how the income tax expense accrued for accounting purposes in 2015 and 2014 was calculated, in keeping with the criteria outlined in section 24 of Note 2:

	€ Million	
	2015	2014
Current income tax	181	(380)
Adjustment in respect of income tax [1]	(10)	293
Current income tax (a)	**171**	**(87)**
Deferred income tax	765	(407)
Adjustment in respect of deferred tax	(37)	348
Deferred income tax (b)	**728**	**(59)**
Accrued income tax (expense) / profit (a+b)	**899**	**(146)**

(1) Correspond mainly adjustments from previous years and movements in provisions

The reconcilitaion of the income tax expense registered and that that would result form the application of the nominal tax rate existing in the country of the parent company (Spain) to the net profit before taxes and participated entities is as follows:

	€ Million	
	2015	2014
Accounting profit before tax and before the Group´s results of companies accounted for using the equity method	**(1,990)**	**230**
Spain´s statutory income tax rate	28%	30%
Income tax (expense) /profit at a statutory rate	**557**	**(69)**
Tax calculated at rates other than the statutory Spanish rate	402	(110)
Tax credits	39	27
Non-deductible expenses	(14)	(17)
Tax losses for which no deferred tax asset was recognized	(100)	(34)
Re-evaluation of deferred tax assets and liabilities due to exchange rate variations	(79)	(17)
Exempt results to avoid double taxation	117	
Other items	(23)	74
Income tax (expense)/ profit	**899**	**(146)**

20.3) Deferred Taxes

In 2015 , the Group presents the deferred tax assets and liabilities on a net basis in the same taxable entity. The breakdown of the deferred tax assets and deferred tax liabilities by underlying concept recognized in the accompanying balance sheet is shown below:

	€ Million	
Deferred tax	2015	2014
Tax credits	4,152	2,602
Provisions for dismantling of assets	1,243	74
Other deferred taxes	561	196
Other provisions	259	253
Provisions for employees	66	57
Depreciation schedule differences	(3,147)	(899)
Total deferred taxes (1)	**3,134**	**2,283**

(1) As a result of the acquisition of Talisman it was registered , for various items , a net deferred tax of €473 million on May 8, 2015 .

The Repsol Group only recognizes deferred tax assets insofar as it is deemed probable that the entities (individually or on a consolidated basis) that have generated them will have sufficient taxable income in the future against which they can be utilized.

At each closing date, the consolidated entities reassess recognized deferred tax assets to verify that they still qualify for recognition and they make the appropriate adjustments on the basis of the outcome of the analysis performed. These analysis are based on: (i) the assessment of earnings estimates for each entity or tax group in accordance with their individual business plans and the Group's overall strategic plan; and (ii) the statute of limitations period and other utilization limits imposed under prevailing legislation in each country for the recovery of the tax credits.

The unused deferred tax assets corresponding to offsetable tax losses and tax credits pending application that the Group expects to be able to offset against future taxable income, amount to €4,152 million and correspond mainly to:

- Spain. The tax assets recognized by Tax Group 6/80 amount to €1,797 million. On the basis of the Group's 2016-2020 strategic plan, it is estimated that these tax assets will be offset within a five-year period.

- United States. The tax assets recognized in the US amount to €1,661 million. On the basis of projected earnings, the Group expects to have offset most of these tax assets within a 10-year period. It includes €320 million registered after Talisman acquisition (see Note 4.1).

- Norway. The tax assets recognized in Norway amount to €130 million. On the basis of projected earnings, the Group expects to have offset these tax assets within a 10-year period.

In addition, the Group has deferred tax assets that have not been recognized at year-end 2015 and 2014 of €1,081 million and €200 million respectively.

The Group did not recognize deferred tax liabilities of €105 million and €103 million at year-end 2015 and 2014 respectively. This relates to taxable temporary differences associated with investments in subsidiaries, associates and permanent establishments that qualify for the exemption provided for under IFRS.

20.4) Administrative and legal proceedings with tax implications

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	2011 – 2015
Australia	2011 – 2015
Bolivia	2010 - 2015
Canada	2006 - 2015
Colombia	2008 – 2014
Ecuador	2012 - 2015
Spain	2010 - 2015
United States	2010 - 2015
Indonesia	2010 - 2015
Lybia	2008 - 2015
Malaysia	2011 – 2015
The Netherlands	2010 - 2015
Papua New Guinea	2012 – 2015
Peru	2011 – 2015
Portugal	2012 – 2015
Singapore	2011 – 2015
Timor - Leste	2010 - 2015
Trinidad and Tobago	2011 – 2015
Venezuela	2011 – 2015

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. 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 general 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. Notwithstanding the above, in respect of the Talisman business combination (Note 4.1), in accordance with IFRS 3 "*Business combinations*", the Group has provisioned contingencies whose probability of materialization is considered possible. 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.

As for the main tax proceedings affecting the Group at December 31, 2015, noted below:

<u>Bolivia</u>

Repsol E&P Bolivia, S.A. and YPFB Andina, S.A. (in which Repsol has an 48.33% interest), are pursuing several lawsuits against administrative resolutions denying the possibility of deducting royalties and hydrocarbon interests for corporate income tax calculation purposes, prior to the nationalization of the oil sector.

A first lawsuit concerning Repsol E&P Bolivia S.A. was resolved unfavorably by the Supreme Court. After the corresponding appeal, the Constitutional Court (first instance) overruled the sentence and ordered the proceeding to be returned to the Supreme Court. However, the Constitutional Court has overturned the decision of the court of first instance, thereby upholding the initial Supreme Court sentence.

Moreover, in one of the several disputes YPFB Andina, SA maintains on this matter, the Constitutional Court dismissed the action brought by the company against the unfavorable Supreme Court resolution.

The company keeps the defense in the remaining lawsuits, considering that its position is expressly endorsed by Law 4115 of September 26, 2009.

<u>Brazil</u>

Petrobras, as operator of block BM-S-9, in which Repsol has a 25% ownership interest, has been notified by the Sao Paolo tax authorities of an infraction notice in relation to purported breach of 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 (“*Canada Revenue Agency*” CRA) have rejected the application of certain tax incentives related to the Canaport assets. Repsol Energy Canada Ltd. and Repsol Canada, Ltd. have 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. However, this sentence was appealed by the Crown before the “*Federal Court of Appeal”* on March 9, 2015.

Furthermore, the Canadian tax authorities regularly inspect the tax matters of the Talisman Group companies resident in Canada. In 2015, verification and investigation activities related to the year 2006-2010 have been made. As part of these proceedings, the CRA has questioned the tax treatment of certain restructuring transactions, among other matters; however, this line of questioning has not resulted in court proceedings to date.

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

In 2013 the main litigations deriving from the inspections of income tax returns from 1998 to 2001 and from 2002 to 2005 concluded. 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.

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. Although the procedures relating to Repsol have not been resolved, the Supreme Court has held the first appeals filed by other stakeholders.

Finally, in 2015, the Spanish tax authorities initiated an inspection of the Group's income tax, value added tax and other taxes and withholdings corresponding to fiscal years 2010 to 2013.

<u>Indonesia</u>

Indonesian Corporate Tax Authorities have been questioning various aspects of the taxation of permanent establishments that Talisman Group has in the country. These proceedings are pending a court hearing.

<u>Malasya</u>

Talisman Malaysia Ltd. and Talisman Malaysia (PM3) Ltd., the Talisman Group's operating subsidiaries in Malaysia, have received notifications from the "Inland Revenue Board" (IRB) in respect of the years 2007, 2008 and 2011 questioning, primarily, the deductibility of certain costs. These proceedings are being heard at an administrative instance before court hearing.

<u>Timor-Leste</u>

The authorities of Timor-Leste have questioned the deduction by TLM Resources (JPDA 06-105) Pty Limited, the Talisman Group's subsidiary in Timor-Leste, of certain expenses for income tax purposes. This line of questioning is at a very preliminary stage of debate with the authorities.

<u>Trinidad & Tobago</u>

In 2015, BP Trinidad & Tobago LLC, a company in which the Repsol Group has a 30% interest along with BP, signed an agreement with the local authorities (*"Board of Inland Revenue"*), resolving most of the matters under dispute in relation to several taxes and for the years 2003-2009: *"Petroleum Profit Tax"* (income tax), *"Supplemental Petroleum Tax*" (production tax), and non-resident personal income tax withholdings and the issues recurring in the years not subject to inspection (2010-2014).

Subsequently, the Administration has issued a new tax assessment requiring additional payments in relation to the 2007-2009 exercises (which were included in the above agreement and therefore were considered reviewed and already closed). The company has filed a timely administrative appeal.

In view of the uncertainty concerning the materialization of the existing tax contingencies associated with lawsuits and other tax matters, the Group has recognized provisions that are deemed adequate to cover those tax contingencies. The amount recognized in the balance sheet at December 31, 2015 stands at €1,524 million (year-end 2014: €649 million). The increase in this provision relates to the provisions and fair value of the contingent liabilities identified during the purchase price allocation process conducted as part of Talisman's business combination (see Note 4.1).

(21) OPERATING REVENUES AND EXPENSES

21.1) 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:

	€ Million	
Geographic Area	2015	2014
Spain	20.816	24.685
European Union	6.473	7.789
O.E.C.D. Countries	4.704	4.908
Other countries	7.744	8.460
Total	**39.737**	**45.842**

This heading includes excise tax and similar taxes levied on the production and/or sale of oil and gas products amounting to €6,205 million in 2015 and €6,077 million in 2014.

21.2) Income from reversal of impairment losses and on disposal of non-current assets

Income includes the following items:

	€ Million	
	2015	2014
Income from release of impairment provisions	108	206
Gains on disposal of non-current assets	551	84
Total	**659**	**290**

In 2015, the gain recognized on non-current asset disposals corresponded primarily to: i) the €293 million gain generated by the sale of the Group's interest in Compañía Logística de Hidrocarburos, S.A. ("CLH") (see Note 4.2), ii) the sale of exploration licenses in Canada amounting to €60 million, iii) the sale of part of the assets of the piped gas business in Spain amounting to €51 million (see Note 9) and iv) various purchase and sale operations of Gas Natural SDG, S.A's shares by €109 million.

In 2014, 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.

21.3) Other operating income

In 2015, income recognized on the remeasurement of trade derivatives stands out within this heading, see Note 17.

In 2014, regarding "*Other operating income*" 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 paid 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 to bottled LPG regulations in Spain (see Appendix IV), in 2014, the National High Court and the Supreme Court of Justice acknowledged Repsol Butano, S.A.'s entitlement to damages for the losses derived under the price formula applied from the second to fourth quarters of 2011 and the first, second and third quarters of 2012 resulting in the recognition that year of a post-tax gain of €93.5 million. In November 2015, the Supreme Court upheld one of the High Court's former rulings, see Note 28 "*Legal Contingencies*". In light of the above ruling by the Supreme Court, in 2015, Repsol Butano, S.A. recognized income in the amount of €36.5 million encompassing the losses claimed by it in relation to the first quarter of 2011. This amount had not been recognized in 2014 due to the existence of an initial ruling by the High Court of Madrid overturning the appeal, a position later rectified by the Supreme Court plus interests accrued up to December 31, 2015 on all the amounts claimed for all of the quarters outlined above.

This heading also includes grants released to income in the amount of €28 million and €25 million in 2015 and 2014, respectively.

21.4) Supplies

"*Supplies*" heading includes the following items:

	€ Million	
	2015	2014
Purchases	28.028	37.271
Changes of inventory	805	983
Total	**28.833**	**38.254**

The heading "*Purchases*" includes excise tax and similar taxes levied on the production and/or sale of oil and gas products disclosed in section *"Sales and Services rendered and other income"* of this note.

21.5) Personnel expenses

"Personnel expenses" heading includes the following items:

	€ Million	
	2015	2014
Salaries and others	1.624	1.293
Social security expenses	505	436
Total	**2.129**	**1.729**

21.6) Other operating expenses

The heading "*Other operating expenses*" heading includes the following items:

	€ Million	
	2015	2014
Transport and freight costs	1.356	1.118
Taxes other than income tax	229	302
External services	4.026	3.017
Other expenses	929	410
Total	**6.540**	**4.847**

Exploration costs amounted to €1,529 and €811 million in 2015 and 2014, of which €657 and €398 million, respectively, are recognized in the heading "*Depreciation and amortization of non-current assets*" and €556 and €108 million under" *Provision of impairment losses and losses on disposal of non-current assets*" in 2015 and 2014 respectively.

In 2015, exploration costs were mainly carried-out in Europe €276 million, Africa €566 million and the North America €522 million. Exploration costs in 2014 were mainly carried out in Europe €228 million, €214 million in Africa and €139 million in North America.

The expense recognized in the income statement in connection with research and development activities amounted to €90 million in 2015 and €87 million in 2014.

21.7) Impairment losses recognized and losses on disposal of non-current assets

This heading encompasses the following concepts:

	€ Million	
	2015	2014
Impairment losses recognized (Notes 6, 7 and 22)	3.636	561
Losses on disposal of non-current assets	55	27
Total	**3.691**	**588**

(22) ASSET IMPAIRMENT

In the current environment of low crude oil and gas prices, the Group has reviewed the predictable economic scenes (see Note 3) of its business plans and, consequently, the recoverable value of its cash-generating units. As a result, in 2015, it has recognized provisions for the impairment of value of assets amounting to €4,010 million, of which €3,636 million correspond to intangible assets and items of property, plant and equipment (see Notes 6 and 7) and €374 million to impairment losses of investments accounted for using the equity method (see Note 8).

Upstream assets

In the *Upstream* segment, impairment losses derive mainly from harsher business conditions: a significant decrease in future price projections and an increase in discount rates in various geographic areas. Note 3 describes the main assumptions used to estimate the recoverable amounts of the assets in the *Upstream* segment in detail.

In 2015, the Group has written its *Upstream* assets down for impairment by €3,399 million[1]. These charges mainly affect:

- North America (€1,073 million), mainly non-conventional assets.
- Southeast Asia (€553 million), in Malaysia, Papua New Guinea, Indonesia and Vietnam.
- Latin America (€834 million), mainly in Venezuela[2] and Colombia.

[1] Includes impairment charges recognized on investments accounted for using the equity method for €331 million.
[2] The impairment charge recognized in Venezuela (€408 million) reflects not only the oil price correction but also the uncertainty associated with this country's economic situation and foreign exchange regime. It includes impairment charges in respect of items of property, plant and equipment and the assets of investments accounted for using the equity method (Note 8). The discount rate used to calculate the recoverable amount of these impaired assets was 14.4%. In addition, the Group recognized a further €56 million of provisions to cover financing extended to the Group's businesses in Venezuela and other accounts receivable.

- Europe and North Africa (€383 million), mainly in Algeria and Norway.

- Exploration assets (€556 million), primarily in Angola and the United States, given that the current price scenario does not allow for favorable conclusions on the commercial viability of certain capitalized exploration rights and wells[1].

The recoverable amount of the impaired assets totals €12,766 million.

The impact of a change in the prices and discount rates used (see Note 3), would affect the amount of the impairment of the *Upstream* assets. The principal sensibilities to these variations without bearing in mind the possible adjustments of the operative plans that would allow to mitigate the negative impact of the above mentioned variations are indicated in the table below:

		€ Million	
	Increase (+) / decrease (-)	Operating income	Net income
Changes in crude oil and gas prices	+5%	1,006	676
	-5%	(1,410)	(952)
Changes in the discount rate	+100bp	(1,195)	(763)
	-100bp	792	501

<u>*Downstream* assets</u>[2]

In the *Downstream* segment, lower energy and commodity prices involve, in general terms, an increased value of the Group's businesses. However, the Group has recognized an impairment loss on its *Gas & Power* assets in North America (the Canaport regasification plant and associated gas pipeline transport commitments) in the amount of €362 million (net of the reversal of an onerous contract provision; see Note 14) as a result of the outlook for gas volumes, prices and margins. The discount rate used to calculate the recoverable amount of these assets was 5.5%.

<u>Impairment charges recognized in 2014</u>

In 2014, the Group recognized asset impairment losses, net of impairment charges reversed, of €346 million (before tax). In addition, as part of the cash-generating unit impairment testing process, the Group recognized several provisions for onerous contracts amounting to €282 million (Note 14).

In the *Upstream* segment, the following asset impairment charges stood out:

- On non-conventional assets in the Mississippian Lime play (*Mid-Continent field*): €319 million (before tax).

- At the Reganne field in Algeria, as a result of the decrease in oil prices: €64 million (before tax).

- In relation to the Sandía exploratory well: €89 million (before tax).

- At Block 39 in Peru an impairment of €28 million was registered; the investment in Block 39 was transmitted in 2014.

[1] In addition, the Group has recognized provisions for onerous contracts related to exploration platforms (€169 million; of which €160 million have been registered under heading *"Non-current provisions*", see Note 14, and €9 million under heading "*Investments accounted for using the equity method*").
[2] A number of smaller impairment charges were recognized against several *Downstream* assets in 2015 in an aggregate amount of €76 million.

- Impairment charges recognized against exploratory bonuses ("*Other intangible assets*") in Namibia and the US: €20 million.

In 2014, the €21 million (before tax) impairment provision charged against the value of co-generation assets stood out in the *Downstream* segment.

(23) FINANCE INCOME AND EXPENSES

The breakdown of finance income and expenses in 2015 and 2014 is as follows:

	€ Million	
	2015	2014
Finance income	118	112
Finance expenses	(519)	(414)
Net interest expense	**(401)**	**(302)**
Due to interest rate	8	(29)
Change in fair value of financial instruments	8	(29)
Due to exchange rate	833	253
Change in fair value of financial instruments	1,037	557
Translation differences	(204)	(304)
Other positions	7	1
Change in fair value of financial instruments	7	1
Income from positions (1)	**848**	**225**
Impact of discounting provisions to present value	**(121)**	**(63)**
Capitalised interest (2)	**129**	**81**
Financial Leases	(147)	(126)
Impairment and gains (losses) on disposal of financial instruments (3)	170	369
Other income	32	22
Other expenses	(60)	(54)
Other financial income and expenses	**(5)**	**211**
FINANCIAL RESULT	**450**	**152**

(1) This heading includes exchange gains and losses generated by the measurement and settlement of foreign-currency denominated monetary items (see section 4 of Note 2) as well as the gains and losses recognized as a result of the measurement and settlement of derivatives. In 2015, this heading notably includes income from derivative contracts written on currency positions (see Note 17). In 2014, it includes the foreign exchange gains on the bond portfolio awarded by the Argentine Republic from the date of delivery until the date on which it was monetized (see Note 4)

(2) Capitalised interests are recognized in the consolidated income statement under "Finance expenses".

(3) In 2015, this heading mainly reflects the €213 million gain generated by the buyback of Talisman bonds. 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 net of the loss generated on the sovereign bonds awarded by the Argentine government of €53 million (see Notes 4.1 and 4.3 of Note 4, respectively).

(24) CASH FLOW FROM OPERATING ACTIVITIES

The composition of the heading "*Cash flows from operating activities*" regarding the ongoing activities of the consolidated cash flow statement in the years 2015 and 2014 is as follows:

		€ Million	
	Notes	2015	2014
Net income Before tax		**(2,084)**	**1,122**
Adjustments to net income		**5,727**	**1,410**
Depreciation and amortization of assets	6 and 7	2,988	1,796
Net changes in operating provisions	14 and 22	3,636	676
Results on sale of non-commercial assets	4 and 21	(471)	11
Financial result	23	(450)	(152)
Share of results of companies accounted for using the equity method after-tax	8	94	(892)
Other adjustments (net)		(70)	(29)
Changes in working capital [1]		**1,370**	**966**
Increase / Decrease Accounts receivable		1,007	(142)
Increase / Decrease Inventories		1,232	1,188
Increase / Decrease Accounts payables		(869)	(80)
Other cash flows from/(used in) operating activities		**(163)**	**(315)**
Dividend received		363	530
Income tax recieved / (paid)		(128)	(611)
Other procceeds from/ (payment for) from operating activities		(398)	(234)
Cash Flow from operating activities		**4,850**	**3,183**
Cash Flow from discontinued operating activities		**-**	**(86)**

(1) Mainly due to lower oil and gas prices in 2015.

(25) INFORMATION ON RELATED PARTY TRANSACTIONS

Repsol carries out transactions with related parties on an arm's length basis. 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 course of business in terms of their purpose and conditions.

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

a. Significant shareholders: at December 31, 2015, the Company's significant shareholders that are deemed related parties are:

Significant shareholders	% total over share capital December 31, 2015 [1]
Fundación Bancaria Caixa d´Estalvis i Pensions de Barcelona [2]	12.20
Sacyr Vallehermoso, S.A. [3]	8.73
Temasek Holdings (Private) Limited [4]	5.11

Note: Data available to the Company at December 31, 2015 based on the most recent information furnished by Spain's central counterparty clearing house (Iberclear for its acronym in Spanish) and information provided by the Company's shareholders to Spain's securities market regulator, the CNMV.

(1) Data prior to the close of the scrip issue detailed in section 13.1 Share capital.
(2) Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona holds its interest through CaixaBank, S.A.
(3) Sacyr, S.A. holds its investment through Sacyr Participaciones Mobiliarias, S.L.

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

b. Executives and directors: includes members of the Board of Directors and of the Corporate Executive Committee created on May 8, 2015 and of the former Executive Committee, who are considered "key management personnel" for the purposes of this section (Note 26.4).

c. People, companies or entities within the Group: 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 at December 31 with related party transactions are as follows:

€ Million	2015				2014			
EXPENSES AND INCOME	**Significant shareholders**	**Executive and Directors**	**People, companies or entities within the Group**	**Total**	**Significant shareholders**	**Executive and Directors**	**People, companies or entities within the Group**	**Total**
Financial expenses	15	-	41	56	6	-	32	38
Transfer of R+D and license agreements	-	-	1	1	-		-	-
Leases	1	-	3	4	2	-	3	5
Services received	14	-	306	320	8	-	350	358
Purchase of goods (finished or in progress) [2]	-	-	6.409	6.409	1.519	-	6.854	8.373
Other expenses	20	-	1	21	16	-	1	17
TOTAL EXPENSES	**50**	**-**	**6.761**	**6.811**	**1.551**	**-**	**7.240**	**8.791**
Financial income	39	-	94	133	37	-	50	87
Management or cooperation agreements	-	-	5	5	-	-	5	5
Transfer of R+D and license agreements	-	-	-	-	-	-	3	3
Leases	1	-	4	5	1	-	3	4
Services rendered	8	-	7	15	9	-	4	13
Sale of goods (finished or in progress) [3]	96	-	645	741	64	-	862	926
Gains from derecognition or disposal of assets	-	-	52	52	-	-	1	1
Other income	-	-	93	93	1	-	112	113
TOTAL INCOME	**144**	**-**	**900**	**1.044**	**112**	**-**	**1.040**	**1.152**

€ Million	2015				2014			
OTHER TRANSACTIONS	**Significant shareholders**	**Executive and Directors (1)**	**People, companies or entities within the Group**	**Total**	**Significant shareholders**	**Executive and Directors (1)**	**People, companies or entities within the Group**	**Total**
Purchase of property, plant and equipment, intangible and other assets	70	-	-	70	46	-	-	46
Finance agreements: credits and capital contributions (lender) [4]	-	-	2.559	2.559	1	-	2.091	2.092
Finance lease agreement (lessor)	-	-	4	4	-	-	5	5
Disposal of property, plant and equipment, intangible and other assets	23	-	23	46	15	-	-	15
Finance agreements: credits and capital contributions (lessor) [5]	565	-	3.925	4.490	509	-	3.463	3.972
Guarantees given [6]	335	-	2.389	2.724	64	-	1.664	1.728
Guarantees received	63	-	4	67	34	-	-	34
Commitments acquired [7]	2.233	-	7.608	9.841	80	-	7.463	7.543
Cancelled commitments/guarantees	-	-	-	-	-	-	8	8
Dividends and other profit distributed [8]	350	-	24	374	652	1	-	653
Other transactions [9]	1.386	-	-	1.386	1.607	-	-	1.607

(1) Includes transactions performed in each reporting period with executives and directors not included in Note 26 on the remuneration received by executives and directors, and would correspond 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) At December 31, the column headed "*People, companies or entities within the Group*" primarily includes goods purchased from the Gas Natural Fenosa (GNF) Group, BPRY Caribbean Ventures LLC (BPRY) and the Repsol Sinopec Brasil (RSB)

Group, in the amounts of €872, €424 and €490 million, respectively, in 2015 (€1,113, €629 and €382 million in 2014, respectively) (see Note 8). In 2014, the column headed "*Significant shareholders*" includes the crude purchased from the Pemex Group until June 4, 2014, which is when this group ceased to qualify as a related party.

(3) Mainly includes product sales to the Gas Natural Fenosa (GNF) Group, Iberian Lube Base Oil, S.A. (ILBOC) and BPRY Caribbean Ventures, LLC (BPRY), in the amounts of €226, €184 and €153 million in 2015 and €291, €71 and €223 million in 2014, respectively.

(4) Includes loans extended to Group companies with entities consolidated using the equity method (see Note 10.4), and these entities' undrawn credit lines.

(5) At December 31, the "*Significant shareholders*" column includes the drawdown limit of €370 million at both year-ends on credit lines extended by La Caixa. The "*People, companies or entities within the Group*" column primarily includes the loan granted by Repsol Sinopec Brasil S.A. to its shareholders (see Note 15, "*Financial liabilities*") in 2015 and undrawn credit lines awarded to companies consolidated using the equity method.

(6) In 2015 and 2014, this heading includes €1,370 and €1,506 million, respectively, corresponding to three guarantees provided by Repsol S.A. in relation to the lease agreements on three floating platforms entered into by its subsidiary Guará B.V. In addition, at December 31, 2015, includes €834 million, corresponding to the counter guarantees issued by Talisman Energy Inc associated with bank guarantees issued on behalf of its subsidiary Talisman Sinopec Energy UK Ltd (TSEUK) covering decommissioning obligations arising from their exploration activity in the North Sea (see Note 29.2)

(7) Corresponds to purchase commitments net of sales commitments outstanding at the reporting date. In 2015, the commitment to sell gas of 367.5 mmBtu per day of Talisman in the block *Corridor* in Indonesia with Gas Supply Pte. Ltd subsidiary of significant shareholder Temasek Holdings Limited, maturing in 2023, stands out. (See Note 29.1)

(8) The amounts recorded under "Dividends and other profit distributed" 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 2015 (and in the item 2014: January and July 2014), under the framework of the "*Repsol Flexible Dividend*" scrip dividend program (see Note 13.6). 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 2016 (and in the item 2014: January 2015), which in the case of the significant shareholders amounted to €167 million (€173 million in 2014). These rights are recognized as an account payable at December 31, 2015. Nor does it include the Repsol shares subscribed as a result of the aforementioned bonus share issues.

(9) In 2015 and 2014, this heading primarily includes remunerated accounts and deposits in the amount of €926 and €1,000 million respectively and interest rate hedges in the amount of €80 and €74 million arranged with La Caixa Group.

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

26.1) Remuneration of the members of the Board of Directors

a) Due to membership of the Board of Directors

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 membership, are entitled to receive a fixed annual payment that may not exceed the ceiling established to this end at the Annual General Meeting or on the Director Remuneration Policy; 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, the membership of the Committees of the Board, the positions held by each one of them on the Board and any other objective circumstance considered as relevant.

The upper limit established in the Director Remuneration Policy approved at the Annual General Meeting held on April 30, 2015, under item nineteen of the corresponding agenda, is €8.5 million.

Pursuant to the foregoing and in accordance with the scheme approved by the Board of Directors, at the recommendation of the former Nomination and Remuneration Committee, the annual amounts receivable for membership of the Board and each of its Committees[1] in 2015 and 2014 were as follows:

[1] On June 25, 2015, the Board of Directors resolved to amend the Regulations of the Board of Directors to divide the Nomination and Remuneration Committee into two separate committees and to create a new Sustainability Committee to replace the Strategy, Investment and Corporate Social Responsibility Committee.

Governing Body	Euros 2015	2014
Board of Directors	176,594	176,594
Delegate Committee	176,594	176,594
Audit and Control Committee	88,297	88,297
Sustainability Committee (former Strategy, Investment and Corporate Social Responsability Committee)	44,149	44,149
Nomination and Remuneration Committee	44,149	44,149
Nomination Committee	22,075	-
Remuneration Committee	22,075	-

The amount of remuneration earned in 2015 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 €6.5 million, the detail being as follows:

	Remuneration of Membership to Governing Bodies (euros)							
Board of directors	Board	Delegate C.	Audit C.	Nomination and Remuneration C.	Nomination C.	Remuneration C.	Sustainab. C	**TOTAL**
Antonio Brufau Niubó (1)	1,511,393	176,594	-	-	-	-	-	1,687,987
Luis Suárez de Lezo	176,594	176,594	-	-	-	-	-	353,188
Josu Jon Imaz	176,594	176,594	-	-	-	-	-	353,188
Henri Philippe Reichstul	176,594	176,594	-	-	-	-	-	353,188
Javier Echenique Landiribar	176,594	-	88,297	-	-	-	44,148	309,039
Artur Carulla Font	176,594	176,594	-	22,074	11,037	11,037	-	397,337
Gonzalo Gortázar Rotaeche (2)	117,729	-	-	7,358	11,037	11,037	22,074	169,235
José Manuel Loureda Mantiñán	176,594	-	-	22,074	11,037	11,037	44,148	264,891
Luis Carlos Croissier Batista	176,594	-	88,297	-	-	-	44,148	309,039
Isidro Fainé	176,594	176,594	-	-	-	-	-	353,188
Juan María Nin (3)	44,149	-	-	11,037	-	-	11,037	66,223
Ángel Durández Adeva	176,594	-	88,297	-	-	-	-	264,891
Mª Isabel Gabarró Miquel	176,594	-	-	22,074	11,037	11,037	44,148	264,891
Mario Fernández Pelaz (4)	176,594	-	80,939	22,074	11,037	11,037	-	301,682
Manuel Manrique Cecilia	176,594	176,594	-	-	-	-	-	353,188
Rene Dahan	176,594	176,594	-	-	-	-	-	353,188
J. Robinson West	176,594	176,594	-	-	-	-	-	353,188

(1) Mr. Brufau stepped down from his executive duties on April 30, 2015; on that same date the shareholders in general meeting voted in favour of his re-election as non-executive Chairman of the Board of Directors, similarly approving his new remuneration terms and conditions, applicable from May 1, 2015 and comprising fixed annual remuneration (before tax) of €2.5 million. The amounts received by Mr. Brufau for membership of the boards and committees of other Repsol Group companies, joint agreements or associates are deducted from that sum. The table above includes, accordingly, the remuneration received by Mr. Brufau in his capacity as Chairman of the Board of Directors and of the Delegate Committee of Repsol, net of that accrued in his capacity as member of the Board of Directors of Gas Natural (see section 26.1.c below) and the fixed remuneration accrued as Executive Chairman between January 1 and April 30, 2015 (see section 26.1.b below).

(2) Gonzalo Gortázar Rotaeche was appointed member of the Board of Directors of Repsol, S.A. and member of its Nomination and Remuneration Committee on April 30, 2015; he was appointed member of the Sustainability Committee on June 25, 2015.

(3) Juan María Nin Génova stepped down as member of Repsol, S.A.'s Board of Directors, Nomination and Remuneration Committee and Strategy, Investment and Corporate Social Responsibility Committee on April 29, 2015.

(4) D. Mario Fernandez Pelaz was designated member of the Audit and Control Committee on January 28, 2015

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 are subject to the commitments set forth in their respective contracts for services, as described further on this Note.

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

The fixed cash remuneration accrued in 2015 by the members of the Board of Directors who discharged executive duties within the Group that year totalled €2.843 million, broken down as follows: €0.661 million was accrued by Antonio Brufau, who, as noted earlier, discontinued his executive duties on April 30, 2015, €0.983 million by Luis Suárez de Lezo and €1.200 million by Josu Jon Imaz.

Mr. Josu Jon Imaz and Mr. Luis Suárez de Lezo received €1.336 million and €1.358 million, respectively, in respect of in-kind remuneration (including, among other items, life, disability and health insurance) and bonuses (under annual and multi-year performance-based plans) in 2015.

In relation to the Loyalty Program, as indicated in Note 27.4.i), the second cycle of the plan vested on May 31, 2015. Upon vesting, Josu Jon Imaz became entitled to the receipt of 3,473 shares (before withholdings), valued at a unit price of €16.88 per share, equivalent to the sum of €58,630. Luis Suárez de Lezo became entitled to receive 4,076 shares (before withholdings) at the same valuation, equivalent to a payment of €68,814.

In the case of Mr. Brufau, his in-kind remuneration and payments on account/withholdings related to in-kind remuneration totalled €0.534 million. As for the Loyalty Programs of which Mr. Brufau was a beneficiary, the discontinuation of his executive duties triggered the settlement on April 30, 2015, in keeping with the general terms and conditions of these plans, of his vested share entitlements in the amount of €0.213 million.

The above amounts do not include the amounts detailed in section e) below

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

The remuneration earned in 2015 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 0.357 million, according to the following detail:

	Euros	
	Gas Natural	Petronor
Antonio Brufau Niubó [(1)]	151.500	-
Josu Jon Imaz	-	38.982
Luis Suárez de Lezo	166.500	-

[(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 as President of the Board of Directors of Repsol, S.A.

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 those incurred by the parent company in respect of the members of the Board of Directors discharging executive duties, amounted to 0.457 million in 2015. Of this figure, 0.254 million correspond to Mr Josu Jon Imaz and 0.203 million to Mr. Luis Suárez de Lezo.

At the request of Mr. Brufau, the Company discontinued contributions to the latter’s pension scheme on March 12, 2013, thereby extinguishing Repsol S.A.’s commitment in respect thereof.

26.2) Indemnity payments to Board Members

Non of the Directors received any indemnity payment from Repsol in 2015.

26.3) Other transactions with directors

During 2015, Repsol's Directors did not conclude any material transaction 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.

The Chief Executive Officer and the General Counsel Secretary have signed up for the 2013-2016, 2014-2017 and 2015-2018 cycles of the Loyalty Program to Beneficiaries of the Pluri-annual Remuneration Programs, as detailed in Note 27.

Without prejudice that during the exercise 2015 has not communicated to the Board of Directors any situation of conflict of interests, directly or indirectly, in conformity with the foreseen in the article 229 of the Law of Capital companies, during the above mentioned exercise, the motions adopted by the Board of Directors and the Nomination and Remuneration Committee regarding: the re-election of Directors and the allocation 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.

26.4) Remuneration of key management personnel

a) Scope

For reporting purposes, in this section Repsol considers "*key management personnel*" to be the members of Corporate Executive Committee created on May 8, 2015 and the members of the former Executive Committee. In 2015, a total of 12 persons formed the Executive Committee/Corporate Executive Committee. The term “key management personnel’', made purely for reporting purposes, neither substitutes nor comprises a benchmark for interpreting other senior management pay concepts applicable to the Company under prevailing legislation (e.g. Royal Decree 1382/1985), nor does it have the effect of creating, recognizing, amending or extinguishing any existing legal or contractual rights or obligations.

This section itemizes the remuneration accrued in 2015 by the people who, at some juncture during the year, and during the time they occupied such positions, were members of the Board of Directors, and by the people who, similarly for the same period and duration, were members of the Group's former Executive Committee or its current Corporate Executive Committee. Unless indicated to the contrary, the compensation figures provided for 'key management personnel' do not include the compensation accrued in their capacity as directors of Repsol, S.A.; the director compensation disclosures for these individuals are included in section 1 of this note.

b) Wages and salaries

Key management personnel 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 2015 by executive officers who formed part of the Corporate Executive Committee, is as follows:

	€ Million
Salary	5.538
Attendance fees	0.124
Variable remuneration	6.319
Remuneration in kind [(1)]	1.081

[(1)] Includes the entitlement to receipt 22,445 additional shares (before withholdings) at the end of the vesting period for the second cycle of the Loyalty Program, valued at €16.88 per share, representing an equivalent amount of 378,866 euros.

In accordance with the foregoing, total compensation amounted to 13.062 million.

c) Executive welfare plan

In 2015, the contributions made by the Group to its executive officers amounted to €1.644 million.

d) Pension fund and insurance premiums

The contributions made by the Group in 2015 to the pension plans for executive officers adapted to the Pension Plans and Funds Law (see section 19, Note 2 and Note 27) plus the life and accident insurance premiums paid totaled €0.544 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, 2015, the Company has granted loans to its executive officers amounting to €0.052 million, which earned average interest of 2.45% during present exercise.

26.5) Indemnity payments to key management personnel

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 key management personnel to which this Note is referred to (see Section 4 above), as well as the Board members with executive functions.

In 2015, the compensation by the Group's key management personnel in the form of termination benefits and compensation for non-compete clauses (which extend beyond their termination) totaled €15.3 million.

26.6) Other transactions with key management personnel

During 2015, Repsol's key management personnel did not conclude any material transaction 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 key management personnel have signed up for the 2013-2016, 2014-2017 and 2015-2018 cycles of the Loyalty Program, as detailed in Note 27.

(27) PERSONNEL OBLIGATIONS

27.1) Defined contribution pension plans

Repsol has defined contribution plans for certain employees in Spain, which conform to current legislation. Aditionally, 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 €61 million in 2015 and €44 million in 2014.

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 consolidated income statement in 2015 and 2014 was €17 million and €14 million, respectively.

27.2) 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 2015 and 2014 was €3 and €1 million respectively, while the related balance sheet provision at year-end 2015 and 2014 stood at €88 million and €24 million, respectively, (See Note 14 "*Current and non-current provisions*"). The year-on-year increase in the provision relates to the first-time consolidation of Talisman's defined benefit plans in Canada and Norway (see Note 4.1).

27.3) 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 2012-2015, 2013-2016, 2014-2017 and 2015-2018 incentive programs were in force. The 2011-2014 plan was closed, as originally stipulated, on December 31, 2014 and its beneficiaries perceived their bonuses during 2015.

The four plans of this type in force (2012-2015, 2013-2016, 2014-2017 and 2015-2018 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 €23 and €12 million in the 2015 and 2014 consolidated income statement, respectively. In 2015 and 2014 the Group had recognized provisions totaling €52 and €42 million to meet its obligations under all the aforementioned plans respectively, to fulfill all the plans described above.

27.4) 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 its beneficiaries with 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 consolidated financial statements for issue, the third, fourth and fifth cycles of this Plan were in force (2013-2016, 2014-2017 and 2015-2018); key data for these cycles are provided below:

	No. of participants	Total initial investment (No. of shares)	Average price (€/share)	Maximum commitment to deliver shares
Third cycle (2013-2016) (1)	200	172.302	18,22	57.366
Fourth cycle (2014-2017)	218	150.271	20,72	50.026
Fifth cycle (2015-2018)	219	170.302	17,41	56.698

(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.

As part of fifth cycle (2015-2018), the current members of the Corporate Executive Committee have acquired a total of 63,040 shares. Adding in the number of shares acquired under the third cycle (a total of 51,224 shares) and the fourth cycle (47,645 shares), Repsol has committed to deliver these individuals 17,072 shares at the end of the vesting period for the third cycle, 15,879 shares at the end of the vesting period for the fourth cycle, and 21,012 shares at the end of the vesting period for the fifth cycle, in all instances subject to delivery of the vesting terms.

As a result of this Plan, at December 31, 2015 and 2014, the Group had recognized an expense under "*Personnel expenses*" with a counterbalancing entry under "*Other reserves*" in equity of €0.60 and €0.85 million, respectively.

The second cycle of the plan vested on May 31, 2015. As a result, 171 beneficiaries (including members of the Corporate Executive Committee) became entitled to delivery of 71,932 shares (before withholdings). Net of the withholdings made by the Company, the beneficiaries received a total of 54,435 shares on June 11, 2015 valued at a unit price of €16.88 per share, in accordance with the plan terms and conditions. Specifically, the members of the Corporate Executive Committee (including those who also serve as directors) became entitled to the receipt of 29,994 shares (before withholdings); they received 20,487 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 General Meeting of April 15, 2011 for 2011-2012, at the Annual General Meeting of May 31, 2012 for 2013-2015, and at the Annual Green Meeting of April 30, 2015 for 2016-2018 (the 2016-2018 Plan).

These Plans are targeted at employees of the Repsol Group in Spain and is designed to enable those so wishing to receive a portion of their remuneration in Repsol, S.A. shares up to an annual limit of €12,000. The shares to be delivered will be valued at Repsol, S.A.'s closing share price on the continuous Spanish stock market on each date of delivery to the beneficiaries.

In 2015 the Group purchased 754,845 shares of Repsol, S.A. for €9 million for delivery to participants in the 2015 SAP. Under the scope of the 2014 SAP, the Group acquired 437,577 shares from Repsol, S.A. for a total of €7.9 million (see Note 13).

The members of the Corporate Executive Committee acquired a total of 7,504 shares in accordance with the plan terms and conditions in 2015.

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.

(28) LEGAL CONTINGENCIES

At December 31, 2015, Repsol's consolidated balance sheet includes provisions for lawsuits totaling €194 million (this figure excludes the provisions for tax contingencies itemized in Note 20 *"Tax situation"* in the section titled *"Administrative and legal proceedings with tax implications"*). This balance includes the legal provisions and contingencies recognized as a result of the Talisman acquisition (see Note 4.1).

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 closing date of the consolidated financial statements 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 ARP 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 ARP 387 million (€43 million) plus interest and expenses.

Repsol received notification of the final ruling - sentencing YPF to pay ARP 98,208,681 (€7 million), plus interest - on February 4, 2016. Although the judgment does not expressly clarify that the lawsuit is dismissed in respect of Repsol, a specific section thereof does absolve it from damages since Repsol was not a shareholder of YPF during the period to which the sentence applies (1993 to 1997). On February 5, 2016, Repsol has lodged an appeal seeking clarification with a view to obtaining a ruling that expressly dismisses the lawsuit pursued against Repsol. This request has been turned down by the court which considers it of no utility on the grounds that the Sentence's *"pronouncements with respect to Repsol S.A.'s liability are sufficiently clear"*. The claimant appealed the Sentence on February 11, 2016. However, as the grounds for the appeal have yet to be lodged, it is not known whether the appeal questions the absolution of Repsol.

United States of America

The Passaic River / 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. After that (1995), Maxus was acquired by YPF S.A. ("YPF") and acquired Maxus and in 1999, Repsol S.A. acquired YPF.

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 old plant 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”).

On September 26, 2012 OCC lodged a “*Second Amended Cross Claim” (the "Cross Claim")* against Repsol, YPF, Maxus, Tierra and CLHH (all of which together “*the Defendants*”).

Between June 2013 and August 2014, the Defendants signed different agreements with the State of New Jersey, in which they do not acknowledge liability and through certain payments in exchange for the withdrawal by the State of New Jersey of its proceedings against them.

On January 29, 2015 the judge pronounced regarding certain *Motions to Dismiss* submitted by the Defendants against *Cross Claim*, dismissing, in full or in part, without scope for re-admission, 10 of the 12 claims presented by OCC. On July 1, 2015 the judge fixed a new procedural calendar and indicated the hearing for June, 2016.

On November 27, 2015 the parties formulated various *Motions for Summary Judgment*, and on January 14, 2016 the *Special Maste* issued its recommendations on theses Motions admitting the ones submitted by Repsol in relation to its classification as alter ego to Maxus and rejecting OCC’s against its claim vis-a-vis OCC in respect of the $65 million paid pursuant to the agreement with New Jersey State. The parties have one month to appeal the recommendations before the presiding Judge of the Court of New Jersey, who will rule on their admissibility.

United Kingdom

“Galley” pipeline lawsuit

In August 2012, the Galley pipeline, in which Talisman Sinopec Energy UK, LTD (“TSEUK”) has a 67.41% interest, suffered an upheaval buckle.

In September 2012, TSEUK, in which Talisman Energy Inc. (“TEI”) holds 51% interest, submitted a notification of a claim to Oleum Insurance Company ("Oleum"), a wholly-owned TEI subsidiary. TSEUK delivered a proof of loss seeking recovery under the insuring agreement of $315 million.

The documentation delivered in November 2014 by TSEUK purporting to substantiate its claim did not support a determination of coverage and Oleum sought additional information from TSEUK to facilitate final coverage determination. TSEUK has sent additional information to Oleum that is being reviewed by external counsel.

Addax arbitration *(in relation with the purchase of Talisman Energy (UK) Limited*)

On July 13, 2015, Addax Petroleum UK Limited and Sinopec International Petroleum Exploration and Production Corporation, filed a *“Notice of Arbitration”* against Talisman Energy Inc. (“TEI”) and Talisman Colombia Holdco Limited (“TCHL”) in connection with the purchase of 49% shares of Talisman Energy (UK) Limited (now known as TSEUK). On October 1, 2015, TEI and TCHL answer to the “*Notice of Arbitration”*. In the Company´s opinion the claims included in the Notice of Arbitration are without merits.

Spain

Claims against the quarterly resolutions issued by the Directorate-General of Energy and Mining Policy regarding bottled LPG maximum retail 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 totaling €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.

Even though the State Attorney’s Office has appealed in cassation each and every one of the above sentences, the reality is that the Government did not challenge the legal grounds for finding the state liable but rather questioned the determination and quantification of the damages using arguments that have been dismissed individually in the substantiated rulings upholding Repsol's claims.

In November 2015, Repsol Butano received notification of the first ruling in respect of the Supreme Court cassation appeals lodged by the State Attorney's Office, which finds no grounds for the appeal lodged and upholds Repsol Butano's entitlement to receive damages in relation to the quarterly resolution in question.

The reasoning underpinning the lower court rulings, coupled with the arguments made by Repsol Butano, S.A. in defending its claim, and, conclusively, the ruling handed down by the Supreme Court itself in relation to the above-mentioned appeal make it highly probable that the other sentences will be similarly upheld by the Supreme Court.

(29) COMMITMENTS AND GUARANTEES

29.1) Contractual commitments

At December 31, 2015, the Repsol Group has contractually committed to the following purchases, investment and other expenditures:

	€ Million						
Purchase, investment and expenditure commitments [(1)]	**2016**	**2017**	**2018**	**2019**	**2020**	**Subs. Years**	**Total**
Purchase commitments	**3,081**	**1,578**	**1,720**	**1,543**	**1,740**	**16,790**	**26,452**
Crude oils and others [(2)]	2,256	920	966	1,018	1,006	2,244	8,410
Natural Gas [(3)]	825	658	754	525	734	14,546	18,042
Investment commitments [(4)]	**1,262**	**967**	**155**	**143**	**124**	**301**	**2,952**
Service commitments	**585**	**325**	**206**	**140**	**113**	**459**	**1,828**
Transport commitments	**265**	**227**	**185**	**131**	**126**	**536**	**1,470**
Transport - Time Charter	35	25	1	0	0	0	61
Transport commitments	230	202	184	131	126	536	1,409
Operating leases [(5)]	**245**	**186**	**163**	**148**	**136**	**737**	**1,615**
TOTAL [(6)]	**5,438**	**3,283**	**2,429**	**2,105**	**2,239**	**18,823**	**34,317**

Note: 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) Includes commitments by €2,236 million of Talisman (see Note 4) relating to processing services and transport of gas in North America, as well as investment commitments in Malaysia, Colombia and Papua New Guinea amounting to €145, €130

and €111 million, respectively. As part of the agreement of purchase/sale of assets with Statoil (see Note 7), in 2016 there will be transferred the processing commitments and Eagle Ford's gas transport in North America amounting to €617 million.

(2) 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 the Repsol Sinopec Brasil Group (terminates 2020), committing to the acquisition in 2016 of 133,333, 59,341, and 36,164 barrels per day, respectively.

(3) Primarily includes commitments to purchase natural gas in North America amounting to €16,481 million, acquired of two contracts signed in 2014 for a volume of 2.4 Bcm with deliveries from 2017 , one of them signed with the group Gas Natural Fenosa. It also included commitments in Spain made with Gas Natural Fenosa for the contract to supply natural gas to Repsol refineries.

(4) Includes mainly investment commitments in Algeria, Venezuela, Bolivia, Peru and Gabon in the amount of €687, €348,€ 233, €195 and €140 million respectively.

(5) It includes, primarily, leases service stations amounting to approximately €786 million euros.

(6) The expenses recorded under operating leases as of December 31 in the year 2015 (that includes the amounts corresponding to Talisman from its acquisition) and 2014, amounted to €433 and €308 million respectively.

The Repsol Group is contractually committed to the following sales and to the provision of the following revenue-generating activities at December 31, 2015:

	€ Million						
Committed sales and other income	**2016**	**2017**	**2018**	**2019**	**2020**	**Subs. Years**	**Total**
Committed sales	**6,719**	**1,851**	**1,220**	**1,054**	**1,096**	**8,882**	**20,822**
Crude oil and others (1)	5,696	1,161	516	492	507	5,001	**13,373**
Natural Gas (2)	1,023	690	704	562	589	3,881	**7,449**
Revenues for Services provided(3)	**225**	**204**	**202**	**202**	**214**	**1,420**	**2,467**
Transportation commitments	**5**	**1**	**1**	**1**	**1**	**0**	**9**
Operating leases	**56**	**54**	**47**	**34**	**33**	**78**	**302**
TOTAL	**7,005**	**2,110**	**1,470**	**1,291**	**1,344**	**10,380**	**23,600**

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) Includes mainly the sales of oil products (fuels, LPG and petrochemical products) in Spain amounting to €8,994 million and €2,019 million in Peru.

(2) Includes €3,237 million of commitments from Talisman (see Note 4), corresponding primarily to a commitment to sell 367.5mmBtu of gas per day at the Corridor Block (in Indonesia) to Gas Supply Pte. Ltd., a subsidiary of Temasek Holdings Limited, which is one of the Company's significant shareholders; and commitments to sell gas in Malaysia, Vietnam and North America. It also includes natural gas sale commitments in Algeria and Peru amounted to €2,358 million and €1,442 million, respectively.

(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 II).

29.2) Guarantees

At December 31, 2015, 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 8), 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 $672 million corresponding to 100% of RSB's interest in its subsidiary Guara B.V., and 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 $544 million and $545 million, corresponding to the interest held by the Group in Guará

B.V. via its 60% interest in RSB. 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 twenty 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 "*Main acquisitions and disposals*"), 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.
- Counter-guarantees granted by Talisman Energy Inc. in connection with the bank guarantees issued on behalf of its subsidiary Talisman Sinopec Energy UK Ltd ("TSEUK") (see Note 8) to cover dismantling obligations deriving under its exploration work in the North Sea, amounting €834 million.

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[1]

The criteria used to measure environmental costs are established in the "*Repsol Safety and Environmental Cost 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, 2015 and 2014 is as follows:

[1] The information contained in this Note does not include the environmental assets and expenditure of Talisman purchased or incurred prior to the business combination (see Note 4.1); it only reflects the assets acquired and expenses incurred after May 8 as it was impossible to individually determine the value of the environmental assets acquired pursuant to this business combination.

	€ Million					
	2015			2014		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Atmosphere protection	432	(252)	181	421	(241)	180
Water management	499	(340)	159	487	(330)	157
Product quality	1.800	(886)	914	1.603	(832)	771
Soil and dismantling	161	(58)	103	120	(49)	71
Energy saving and efficiency	395	(147)	249	350	(133)	217
Waste management	41	(19)	22	35	(18)	17
Contingencies and spills	56	(5)	51	45	(3)	42
Other	257	(134)	123	199	(117)	82
	3.642	**(1.840)**	**1.801**	**3.260**	**(1.723)**	**1.537**

The cost includes €502 million of assets under construction at December 31, 2015 and €291 million at December 31, 2014.

Among the most significant environmental investments made in 2015, 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 and minimizing emissions.

It is also worth highlighting the continued progress on two important projects: the comprehensive coastal protection plan in Tarragona environmental investment amounted to €5.3 million in 2015 and the fuel quality upgrade project at the La Pampilla refinery in Peru investment of €182.5 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 14.

The changes in the environmental provisions in 2015 and 2014 were as follows:

	€ Million	
	2015	2014
Opening balance	**49**	**51**
Period provisions charged to income	18	5
Provisions released with a credit to income	(2)	(2)
Payment	(5)	(5)
Reclassifications and other movements	(1)	-
Closing balance	**59**	**49**

Additionally, "*Repsol Safety and Environmental Cost Guide*" classifies as environmental provisions 75% of the amounts recognized under the caption "*Provision for Field Dismantling Costs*," (See Note 14), totaling €1,673 million and €341 million at December 31, 2015 and 2014, respectively.

The insurance policies cover, subject to terms and conditions, civil liability for pollution on land and at sea and certain liabilities via-a-vis the authorities pursuant to the Environmental Liability Act, all of which derived from accidental, sudden and identifiable events, in keeping with habitual industry practice and applicable legislation.

30.3) Environmental Expenses

In 2015 and 2014 environmental expenses amounted to €170 million and €128 million respectively, classified as "*Supplies*" and "*Other operating expenses*." These expenses include €82 and €54 million of expenses for the allowances needed to cover CO_2 emissions made in each of 2015 and 2014, although the net impact on the income statement was a net expense of €20 million and €11 million, respectively.

Environmental expenditure in 2015 and 2014 includes the following items: other work carried out to enhance air quality in the amount of €22 and €24 million, respectively; water management in the amount of €19 and €17 million, respectively; waste management totaling €12 million in both years; and soil and other restoration work for €14 and €7 million, respectively.

30.4) Applicable Framework

In 2015, the European Commission focused on fortifying the European Energy Union with a view to safeguarding energy supply, creating a single market, fostering energy efficiency, reducing GHG emissions and encouraging sector research and innovation.

Last semester of 2015 was marked by the twenty-first edition of the United Nations Framework Convention Conference of Parties (COP21), which took place in Paris between November 30 and December 11 with a view to striking a universal and binding agreement for effectively combating climate change and driving the transition towards resilient and carbon-light societies and economies. Repsol is a signatory of the "Paris Pledge for Action" document in a show of its support for the agreement, evidencing its desire to be part of the climate change solution.

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

- Spanish Royal Decree 1085/2015 on fostering the use of biofuels.
- Decision (EU) 2015/1814 of the European Commission concerning the establishment and operation of a market stability reserve (MSR).
- Official publication of the calculation methodology for the purposes of article 7a of Directive 2009/30/EC, the Fuel Quality Directive (FQD).
- Proposal for a directive (2015/148 COD) to review the EU emission trading scheme (ETS) in phase IV, in keeping with the 2030 climate and energy framework.
- EU Energy Union Package (COM(2015) 80).

We also continue to highlight the potential impact of:

- Directive 2009/29/EC on the greenhouse gas emission allowance trading scheme.
- Directive 2009/28/EC on the promotion of the use of energy from renewable sources.
- Directive 2012/27/EU on energy efficiency obligations.
- Commission Decision 2014/738/EU establishing conclusions on Best Available Techniques (BAT) for the refining of mineral oil and gas.
- 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.

30.5) CO_2 emissions

The provisions movements recognized in respect of CO_2 emission allowances used in 2015 and 2014 is as follows:

	€ Million	
	2015	2014
Opening Balance	**55**	**55**
Period provisions charged to income [(1)]	82	54
Changes in scope of consolidation	-	-
Reclassifications and other movements [(2)]	(54)	(54)
Closing Balance	**83**	**55**

[(1)] Corresponds to the expense incurred to acquire the allowances needed to cover the Group's CO_2 emissions.
[(2)] In 2015 and 2014, corresponds to the derecognition of allowances used to cover emissions made in 2014 and 2013, respectively (see Note 6).

During 2015 and 2014 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 CO_2 respectively, initially measured at €62 and €43 million (see Note 6).

The net total result of the CO_2 management effort, including the portfolio of allowances held for trading, equated to an expense of €7 million in 2015 and an income of €39 million in 2014.

In 2015, 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 2015 are in line with the long-term trend envisaged under this multi-year plan.

(31) OTHER INFORMATION

31.1) Staff

Repsol Group employed a total of 27,111 people at December 31, 2015, geographically distributed as follows: Spain (17,266 employees), North America (2,013 employees), South America (4,756 employees), Europe, Africa and Brazil (1,750 employees), Asia and Russia (1,249 employees) and Oceania (77 employees). Average headcount in 2015 was 27,566 employees and in 2014 was 24,167 employees.

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 2015 and 2014:

	2015		2014	
	Men	Women	Men	Women
Managers	274	49	255	47
Seniors line personnel	2.001	669	1.534	496
Other line personnel	8.860	4.709	7.771	4.081
Operating staff (manual workers, administrative)	7.022	3.527	6.669	3.436
Total [(1)]	**18.157**	**8.954**	**16.229**	**8.060**

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

The Repsol Group[1] employed a total of 639 people of differing abilities at year-end 2015 (2.4% of its workforce).

In Spain in 2015, 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 3.95% of the total in Spain, namely 604 direct hires and 150 FTEs employed using alternative mechanisms.

31.2) Fees paid to auditors

The approved fees for audit services, professional services related to the audit and other non-audit services provided during the year to Repsol Group companies by Deloitte Group companies and their controlled entities, as well as the fees for similar services provided by other audit firms and their controlled entities, are shown below:

	Principal auditor (1)		Others auditors (2)	
€ Million	2015	2014	2015	2014
Fees for audit services	7,6	4,9	4,1	0,1
Professional fees related to the audit	1,6	0,8	0,3	-
Other service fees	0,7	0,5	0,3	-
Total	**9,9**	**6,2**	**4,7**	**0,1**

(1) The sum of these figures does not represent more than 10% of total revenue of the auditor (Deloitte, S.L.) and its organization as a whole.
(2) In 2015, this figure mainly includes fees accrued by EY for audit work and other services provided to Taliman Energy Inc. and its subsidiaries.

(32) SUBSEQUENT EVENTS

- The registered name of Talisman Energy Inc. was changed to Repsol Oil&Gas Canada Inc. on January 1, 2016. The names of the following Group companies were also changed:

Old name	**New name**
Talisman Alberta Shale Partnership	Repsol Alberta Shale Partnership
Talisman Wild River Partnership	Repsol Wild River Partnership
Talisman Groundbirch Partnership	Repsol Groundbirch Partnership
Talisman Central Alberta Partnership	Repsol Central Alberta Partnership
Talisman Energy Canada	Repsol Canada Energy Partnership

  These changes do not imply the creation of new companies; nor do they affect any rights or obligations under existing agreements, licenses or permits.

- On February 12, 2016 a bond issued by RIF in 2011 in the amount of €850 million, carrying a fixed annual coupon of 4.25% matured.

[1] Information does not include Talisman Energy Inc. and its subsidiaries.

APPENDIX I: MAIN COMPANIES COMPRISING THE REPSOL GROUP AT DECEMBER 31, 2015

				December 2015		December 2014 € Million	
Name	**Country**	**Activity**	**Consolidation method** [1]	**% Equity interest** [2]	**% of control investment**	**Equity** [3]	**Share capital** [3]
Abastecimentos e Serviços de Aviaçao, Lda.	Portugal	Marketing of oil products	E.M.	50.00	50.00	0	0
AESA - Construcciones y Servicios Bolivia , S.A.	Bolivia	Transport of hydrocarbons (dormant)	F.C.	99.00	99.00	(0)	0
Agri Development, B.V.	Netherlands	Construction for the production of oil and natural gas offshore	E.M.(Joint vent.)	10.00	6.00	709	136
Air Miles España, S.A. [5]	Spain	Set, enter and operate in Spain and Andorra the Travel Club program. Loyalty Services	E.M.	25.00	24.17	9	0
Akakus Oil Operations, B.V.	Netherlands	Exploration and production of hydrocarbons	E.M.	49.00	49.00	-	-
Albatros, S.à.r.L.	Luxembourg	Portfolio company	F.C.	100.00	100.00	135	0
Alsugas Gaviota, S.L. - in liquidation	Spain	Regasification, storage and distribution of natural gas hydrocarbons (inactive company in liquidation).	F.C.	100.00	100.00	(1)	0
Amulet Maritime Ltd. [7] [8]	United Kingdom	Service vetting of ships	F.C.	100.00	100.00	0	-
AR Oil & Gaz, B.V.	Netherlands	Portfolio company	E.M.(Joint vent.)	49.01	49.01	-	-
Arteche y García, S.L.	Spain	Installation and operation of service stations selling fuel	F.C.	100.00	96.67	0	0
Asfalnor, S.A.	Spain	Distribution and marketing of asphalt products	F.C.	100.00	85.98	0	0
Asfaltos Españoles, S.A.	Spain	Asphalts	(4)	50.00	49.99	27	9
Beatrice Offshore Windfarm, Ltd. [6]	United Kingdom	Development of wind power at sea	E.M.	25.00	25.00	0	-
Benzirep-Vall, S.L.	Spain	Installation and operation of service stations selling fuel	F.C.	100.00	96.67	0	0
BP Trinidad & Tobago, Llc.	USA	Exploration and production of hydrocarbons	E.M.(Joint vent.)	100.00	30.00	590	141
BPRY Caribbean Ventures, Llc.	USA	Portfolio company	E.M.(Joint vent.)	30.00	30.00	139	1,009
Caiageste - Gestao de Areas de Serviço, Lda.	Portugal	Operation and Management Service Station	E.M.	50.00	50.00	(0)	0
Campsa Estaciones de Servicio, S.A.	Spain	Operation and Management Service Station	F.C.	100.00	96.67	53	8
Carbón Black Española, S.A.	Spain	Portfolio company	F.C.	100.00	100.00	10	0
Carburants i Derivats, S.A.	Andorra	Distribution of oil products	E.M.	33.25	32.14	1	0
Cardón IV, S.A.	Venezuela	Exploration and production of hydrocarbons	E.M.(Joint vent.)	50.00	50.00	489	2
Cogeneración Gequisa, S.A.	Spain	Production of electricity and steam	E.M.(Joint vent.)	39.00	19.50	7	2
Compañía Anónima de Revisiones y Servicios, S.A.	Spain	Installation and operation of service stations selling fuel	F.C.	95.00	91.84	3	1
Compañía Auxiliar de Remolcadores y Buques Especiales, S.A.	Spain	Tugboats	F.C.	100.00	99.19	6	0
CSJC Eurotek - Yugra	Russia	Exploration and production of hydrocarbons	F.C.	100.00	100.00	-	-
Distribuidora Andalucía Oriental, S.A.	Spain	Marketing of fuels	E.M.(Joint vent.)	50.00	48.34	2	1
Distribuidora de Petróleos, S.A.	Spain	Marketing of fuels	F.C.	85.00	82.17	(0)	0
Dubai Marine Areas, Ltd.	United Kingdom	Exploration and production of hydrocarbons (company inactive and in liquidation)	E.M.(Joint vent.)	50.00	50.00	1	0
Duragas, S.A.	Ecuador	LPG marketing	F.C.	100.00	100.00	4	12
Dynasol Altamira, S.A. de C.V.	Mexico	Participation in the management, administration and operation of businesses of all kinds. Provide administrative, technical, accounting and general office staff and skilled labor.	E.M.(Joint vent.)	100.00	50.00	1	0
Dynasol China, S.A. de C.V. [7]	Mexico	Management of companies and non-financial company.	E.M.(Joint vent.)	99.99	49.99	7	7
Dynasol Elastómeros, S.A. de C.V.	Mexico	Production and marketing of chemicals	E.M.(Joint vent.)	100.00	50.00	98	36,142
Dynasol Elastómeros, S.A.U. [26]	Spain	Production and marketing of chemicals	E.M.(Joint vent.)	100.00	50.00	41	17
Dynasol Gestión Mexico, S.A.P.I. de C.V. [7]	Mexico	Portfolio company and shared services	E.M.(Joint vent.)	50.00	50.00	-	-
Dynasol Gestión, S.L. [27]	Spain	Portfolio company and shared services	E.M.(Joint vent.)	50.00	50.00	46	14
Dynasol, Llc.	USA	Marketing of petrochemicals	E.M.(Joint vent.)	100.00	50.00	2	2
Edwards Gas Services LLC [7] [8]	USA	Portfolio company	E.M.(Joint vent.)	50.00	50.00	110	95
Energy Express S.L.U.	Spain	Operation and Management Service Station	F.C.	100.00	92.08	(8)	1
Equion Energia Ltd. [7] [8] [12]	United Kingdom	Exploration and production of hydrocarbons	E.M.(Joint vent.)	49.00	49.00	499	0
Estación de Servicio Barajas, S.A.	Spain	Operation of service stations selling fuel	F.C.	96.00	92.80	2	1
Estaciones de Servicio El Robledo, S.L.	Spain	Retail fuel, fuel and lubricants and other oil products (dormant)	F.C.	100.00	96.67	0	0
FEHI Holding S.ar.l. [7] [8]	Luxembourg	Portfolio company	F.C.	100.00	100.00	2,114	184
FEX GP Inc. [7] [8]	USA	Portfolio company (dormant)	F.C.	100.00	100.00	(1)	1
Foreland Oil Ltd. [7] [8] [15]	British Virgin Islands	Exploration and production of hydrocarbons	F.C.	100.00	100.00	(111)	0
Fortuna Energy Holding Inc. [7] [8]	USA	Portfolio company	F.C.	100.00	100.00	948	1,745
Fortuna Finance Corporation S.ar.l. [7] [8]	Luxembourg	Finance	F.C.	100.00	100.00	936	1,088
Fortuna International (Barbados) Inc. [7] [8]	Barbados	Portfolio company	F.C.	100.00	100.00	1,411	63
Fortuna International Petroleum Corporation [7] [8]	Barbados	Portfolio company	F.C.	100.00	100.00	795	376
Fortuna Resources (Sunda) Ltd. [7] [8] [15]	British Virgin Islands	Retail fuel, fuel and lubricants and other oil products (dormant).	F.C.	100.00	100.00	48	0
FUSI GP Inc. [7] [8]	USA	Portfolio company (dormant)	F.C.	100.00	100.00	0	0
Gas Natural SDG, S.A. [9]	Spain	Portfolio, electricity generation and sale of wind and gas	E.M.(Joint vent.)	30.15	30.15	18,020	1,001
Gas Natural West África S.L.	Spain	Exploration and production of hydrocarbons.	E.M.(Joint vent.)	100.00	72.06	0	7
Gastream México, S.A. de C.V.	Mexico	Other activities (dormant)	F.C.	100.00	100.00	-	-
Gaviota RE, S.A. [13]	Luxembourg	Insurance and reinsurance.	F.C.	100.00	100.00	24	14
General Química, S.A.U. [20] [28]	Spain	Manufacture and sale of petrochemicals	E.M.(Joint vent.)	100.00	50.00	12	3
Gestão e Administraçao de Postos de Abastecimento, Unipessoal, Lda.	Portugal	Marketing of oil products	F.C.	100.00	100.00	2	0
Gestión de Puntos de Venta GESPEVESA, S.A.	Spain	Management Service Station	E.M.(Joint vent.)	50.00	48.34	50	39
Greenstone Assurance, Ltd.	Islas Bermudas	Insurance and reinsurance (society in a "run-off")	F.C.	100.00	100.00		
Grupo Repsol del Perú, S.A.C.	Peru	Company Shared Services	F.C.	100.00	100.00	1	0
Guará, B.V.	Netherlands	Construction for the production of oil and natural gas	E.M.	25.00	15.00	1,123	-
Iberian Lube Base Oil Company, S.A.	Spain	Development and production of base oils	(4)	30.00	29.99	180	180
Ibil, Gestor de Carga de Vehículo Eléctrico, S.A.	Spain	Construction and Operation of charging stations for electric vehicles	E.M.(Joint vent.)	50.00	50.00	6	12
Inch Cape Offshore, Ltd. [21]	United Kingdom	Development of wind energy at sea.	F.C.	51.00	51.00	(1)	2
Industrias Negromex, S.A. de C.V. [7]	Mexico	Manufacture of synthetic rubbers.	E.M.(Joint vent.)	99.99	49.99	96	64
Insa Altamira, S.A. de C.V. [7]	Mexico	Provision of permanent staff	E.M.(Joint vent.)	99.99	50.00	2	984
Insa Gpro (Nanjing), Synthetic Rubber Co., Ltd. [7]	China	Manufacturing , search and development, sales of synthetic rubber.	E.M.(Joint vent.)	50.00	24.99	14	17
Insa, Llc. [7]	USA	Product marketing NBR rubber	E.M.(Joint vent.)	100.00	50.00	5	9
Kuosol S.A.P.I. de C.V.	Mexico	New Energy Development Project (dormant)	E.M.(Joint vent.)	50.00	50.00	0	10
Liaoning North Dynasol Synthetic Rubber Co., Ltd.	China	Manufacturing, search and development, sales of synthetic rubber.	E.M.(Joint vent.)	50.00	25.00	98	99
MC Alrep, Llc.	Russia	Management services companies Joint Venture	E.M.(Joint vent.)	100.00	49.01	0	-
Moray Offshore Renewables, Ltd.	United Kingdom	Development of wind power at sea	E.M.(Joint vent.)	33.36	33.36	-	-
New Santiago Pipelines AG [7] [8]	Switzerland	Portfolio company	F.C.	100.00	100.00	20	0
North Dynasol Shanghai Business Consulting Co Ltd. [7]	China	Marketing of rubber products	E.M.(Joint vent.)	50.00	25.00	-	-

Name	Country	Activity	Consolidation method [1]	December 2015 % Equity interest [2]	December 2015 % of control investment	December 2014 € Million Equity [3]	December 2014 € Million Share capital [3]
Occidental de Colombia LLC [5]	USA	Portfolio company	E.M.(Joint vent.)	25.00	25.00	226	-
OJSC Eurotek	Russia	Exploration and production of hydrocarbons	E.M.(Joint vent.)	100.00	49.01	0	0
Oleoducto de Crudos Pesados Ecuador, S.A. [5]	Ecuador	Operation and management of an oil pipeline in Ecuador	E.M.	100.00	29.66	-	-
Oleoducto de Crudos Pesados, Ltd.	Cayman Islands	Portfolio company	E.M.	29.66	29.66	(258)	122
Oleum Insurance Company Ltd. [7] [8]	Barbados	Insurance and reinsurance.	F.C.	100.00	100.00	423	3
Paladin Resources Ltd. [7] [8]	United Kingdom	Portfolio company	F.C.	100.00	100.00	35	5
Papua Petroleum (PNG) Ltd [7] [8]	Papua Nueva Guinea	Exploration and production of hydrocarbons	F.C.	100.00	100.00	(0)	0
Papua Petroleum Pty Ltd.[7] [8]	Australia	Portfolio company	F.C.	100.00	100.00	1	2
Petrocarabobo, S.A.	Venezuela	Exploration and production of hydrocarbons	E.M.	11.00	11.00	-	-
Petróleos del Norte, S.A.	Spain	Construction and operation of an oil refinery.	F.C.	85.98	85.98	616	121
Petroquiriquire, S.A. Emp. Mixta	Venezuela	Exploration and production of hydrocarbons.	E.M.(Joint vent.)	40.00	40.00	1,931	5
Polidux, S.A.	Spain	Manufacture and sale of petrochemicals	F.C.	100.00	100.00	0	17
Principle Power (Europe), Ltd.	United Kingdom	Electricity production	E.M.(Joint vent.)	100.00	25.37	(1)	-
Principle Power Portugal Unipessoal, Lda.	Portugal	Electricity production	E.M.(Joint vent.)	100.00	25.37	0	0
Principle Power, Inc.	USA	Portfolio group of companies. Offshore wind technology developer of high and medium water depth	E.M.(Joint vent.)	25.37	25.37	21	0
Quiriquire Gas, S.A.	Venezuela	Exploration and production of hydrocarbons.	E.M.(Joint vent.)	60.00	60.00	140	0
Red Sea Oil Corporation [7] [8]	Canada	Exploration and production of hydrocarbons (dormant company in the process of liquidation)	F.C.	100.00	100.00	47	61
Refinería La Pampilla, S.A.A.	Peru	Refining, storage, marketing, transportation and distribution of hydrocarbons.	F.C.	82.39	82.39	298	355
Repsol Angola 22, B.V.	Netherlands	Exploration and production of hydrocarbons	F.C.	100.00	100.00	98	109
Repsol Angola 35, B.V.	Netherlands	Exploration and production of hydrocarbons	F.C.	100.00	100.00	69	88
Repsol Angola 37, B.V.	Netherlands	Exploration and production of hydrocarbons	F.C.	100.00	100.00	106	106
Repsol Angostura, Ltd.	Trinidad and Tobago	Facilitate the exploration and exploitation of offshore oil in Trinidad and Tobago.	F.C.	100.00	100.00	(0)	11
Repsol Aruba, B.V.	Netherlands	Exploration and production of hydrocarbons	F.C.	100.00	100.00	13	17
Repsol Beatrice, Ltd.	United Kingdom	Development of wind energy at sea.	F.C.	100.00	100.00	(2)	0
Repsol Bolivia, S.A.	Bolivia	Portfolio company	F.C.	100.00	100.00	1,354	223
Repsol Bulgaria, B.V.	Netherlands	Exploration and production of hydrocarbons	F.C.	100.00	100.00	17	33
Repsol Butano, S.A.	Spain	LPG marketing	F.C.	100.00	100.00	240	59
Repsol Canadá Inversiones, S.A.[22]	Spain	Exploration and production of hydrocarbons	F.C.	100.00	100.00	0	0
Repsol Canada, Ltd. General Partner	Canada	LNG regasification	F.C.	100.00	100.00	-	-
Repsol Capital, S.L.	Spain	Portfolio company	F.C.	100.00	100.00	553	464
Repsol Chemie Deutschland, GmbH	Germany	Marketing of chemicals	F.C.	100.00	100.00	2	0
Repsol Chile, S.A.	Chile	Portfolio company (dormant)	F.C.	100.00	100.00	9,596	5,150
Repsol Comercial de Productos Petrolíferos, S.A.	Spain	Marketing of oil products	F.C.	99.78	96.67	1,109	335
Repsol Comercial, S.A.C.	Peru	Fuel sales	F.C.	100.00	51.03	76	69
Repsol Directo, Lda.	Portugal	Distribution and marketing of oil products	F.C.	100.00	100.00	0	0
Repsol Directo, S.A.	Spain	Distribution and marketing of oil products	F.C.	100.00	96.67	1	0
Repsol E & P Bolivia, S.A. [6]	Bolivia	Exploration and production of hydrocarbons	F.C.	100.00	100.00	656	324
Repsol E & P Canada ,Ltd.	Canada	Exploration and production of hydrocarbons	F.C.	100.00	100.00	0	0
Repsol E & P Eurasia, LLc.	Russia	Exploration and production of hydrocarbons	F.C.	99.99	99.99	-	-
Repsol E & P T & T Ltd.	Trinidad & Tobago	Exploration and Production of Hydrocarbons	F.C.	100.00	100.00	116	28
Repsol E & P USA, Inc.	USA	Exploration and production of hydrocarbons	F.C.	100.00	100.00	3,490	-
Repsol Ecuador, S.A.	Spain	Exploration and production of hydrocarbons	F.C.	98.36	98.36	21	5
Repsol Eléctrica de Distribución, S.L.	Spain	Distribution and supply of electricity	F.C.	100.00	100.00	3	0
Repsol Energy Canada, Ltd.	Canada	LNG sales	F.C.	100.00	100.00	(1)	1
Repsol Energy North America Corporation	USA	LNG sales	F.C.	100.00	100.00	118	-
Repsol Energy Resources Canada, Inc. [23]	Canada	Portfolio company	F.C.	100.00	100.00	-	-
Repsol Energy Ventures, S.A.	Spain	Development on its own or third new energy projects	F.C.	100.00	100.00	(4)	2
Repsol Exploración Argelia, S.A.	Spain	Exploration and production of hydrocarbons	F.C.	100.00	100.00	(28)	4
Repsol Exploración Atlas, S.A.	Spain	Exploration and production of hydrocarbons	F.C.	100.00	100.00	0	2
Repsol Exploración Boughezoul, S.A.[7]	Spain	Exploration and production of hydrocarbons	F.C.	100.00	100.00	-	-
Repsol Exploración Cendrawasih I, B.V.	Netherlands	Exploration and production of hydrocarbons	F.C.	100.00	100.00	3	22
Repsol Exploración Cendrawasih II, B.V.	Netherlands	Exploration and production of hydrocarbons	F.C.	100.00	100.00	1	12
Repsol Exploración Cendrawasih III, B.V.	Netherlands	Exploration and production of hydrocarbons	F.C.	100.00	100.00	(0)	3
Repsol Exploración Cendrawasih IV, B.V.	Netherlands	Exploration and production of hydrocarbons	F.C.	100.00	100.00	(1)	2
Repsol Exploración Colombia, S.A.	Spain	Exploration and production of hydrocarbons	F.C.	100.00	100.00	53	2
Repsol Exploración East Bula, B.V.	Netherlands	Exploration and production of hydrocarbons (dormant)	F.C.	100.00	100.00	1	4
Repsol Exploración Gharb, S.A.	Spain	Exploration and production of hydrocarbons	F.C.	100.00	100.00	(0)	0
Repsol Exploración Gorontalo, B.V.	Netherlands	Exploration and production of hydrocarbons (dormant company in the process of liquidation)	F.C.	100.00	100.00	0	1
Repsol Exploración Guinea, S.A.	Spain	Exploration and production of hydrocarbons (dormant)	F.C.	100.00	100.00	0	0
Repsol Exploración Guyana, S.A.	Spain	Exploration and production of hydrocarbons	F.C.	99.91	99.91	1	0
Repsol Exploración Irlanda, S.A.	Spain	Exploration and production of hydrocarbons	F.C.	100.00	100.00	11	0
Repsol Exploración Karabashsky, B.V.	Netherlands	Exploration and production of hydrocarbons	F.C.	100.00	100.00	264	259
Repsol Exploración Kazakhstan, S.A.	Spain	Exploration and production of hydrocarbons (dormant)	F.C.	100.00	100.00	8	0
Repsol Exploración Liberia, B.V. [10]	Netherlands	Exploration and production of hydrocarbons (dormant)	F.C.	100.00	100.00	2	62
Repsol Exploración México, S.A. de C.V.	Mexico	Exploration and production of hydrocarbons (dormant)	F.C.	100.00	100.00	-	-
Repsol Exploración Murzuq, S.A.	Spain	Exploration and production of hydrocarbons	F.C.	100.00	100.00	298	8
Repsol Exploración Numfor, B.V.	Netherlands	Exploration and production of hydrocarbons (dormant company in the process of liquidation)	F.C.	100.00	100.00	0	0
Repsol Exploración Perú, S.A.	Spain	Exploration and production of hydrocarbons	F.C.	100.00	100.00	237	16
Repsol Exploración Seram, B.V.	Netherlands	Exploration and production of hydrocarbons (dormant)	F.C.	100.00	100.00	(3)	4
Repsol Exploración Sierra Leona, S.L.	Spain	Exploration and production of hydrocarbons (dormant)	F.C.	100.00	100.00	8	3
Repsol Exploración Suriname, S.L.	Spain	Exploration and production of hydrocarbons (dormant)	F.C.	100.00	100.00	0	0
Repsol Exploración Tobago, S.A.	Spain	Exploration and production of hydrocarbons	F.C.	100.00	100.00	(0)	0
Repsol Exploración Venezuela, B.V.	Netherlands	Portfolio company	F.C.	100.00	100.00	120	300
Repsol Exploración, S.A. [11]	Spain	Exploration and production of hydrocarbons	F.C.	100.00	100.00	1,302	25
Repsol Exploration Advanced Services, AG	Switzerland	Company providing human resources services	F.C.	100.00	100.00		
Repsol Exploration Australia, Pty, Ltd.	Australia	Exploration and production of hydrocarbons	F.C.	100.00	100.00	21	26
Repsol Exploration Namibia Pty, Ltd.	Namibia	Exploration and production of hydrocarbons (dormant)	F.C.	100.00	100.00	2	-
Repsol Gas de la Amazonia, S.A.C.	Peru	LPG marketing	F.C.	100.00	99.85	0	0
Repsol Gas del Perú, S.A.	Peru	LPG marketing	F.C.	99.85	99.85	50	39
Repsol Gas Portugal, S.A.	Portugal	LPG marketing	F.C.	100.00	100.00	32	1
Repsol GLP de Bolivia, S.A.	Bolivia	LPG marketing (dormant)	F.C.	100.00	100.00	(0)	0
Repsol International Finance, B.V.	Netherlands	Financial and ownership of units	F.C.	100.00	100.00	2,688	293
Repsol Investigaciones Petrolíferas, S.A.	Spain	Exploration and production of hydrocarbons	F.C.	100.00	100.00	481	226
Repsol Italia, SpA	Italy	Marketing oil products	F.C.	100.00	100.00	58	2
Repsol Libreville, S.A. avec A.G.	Gabon	Exploration and production of hydrocarbons	F.C.	100.00	100.00	0	0

Name	Country	Activity	Consolidation method [1]	December 2015 % Equity interest [2]	% of control investment	December 2014 € Million Equity [3]	Share capital [3]
Repsol LNG Holdings, S.A.	Spain	Marketing of hydrocarbons	F.C.	100.00	100.00	(8)	2
Repsol LNG Offshore, B.V.	Netherlands	Construction for the production of oil and natural gas offshore (dormant company in the process of liquidation)	F.C.	100.00	100.00	1	1
Repsol LNG, S.L.	Spain	Gas sales (dormant)	F.C.	100.00	100.00	(1)	0
Repsol Louisiana Corporation	USA	Exploration and production of hydrocarbons	F.C.	100.00	100.00	41	-
Repsol Lubricantes y Especialidades, S.A.	Spain	Manufacture and sale of lubricants, asphalt and specialty oil products	F.C.	100.00	99.97	29	5
Repsol Lubrificantes e Especialidades Brasil Participaçoes, Ltda.	Brazil	Production and marketing of lubricants	F.C.	100.00	100.00	-	-
Repsol Lusitania, S.L.	Spain	Portfolio company	F.C.	100.00	99.97	(64)	0
Repsol Marketing, S.A.C.	Peru	Marketing of fuels and specialties	F.C.	100.00	100.00	11	3
Repsol Maroc, S.A.	Morocco	Marketing of natural gas (dormant)	E.M.	99.96	99.96	(0)	1
Repsol Moray Firth, Ltd.	United Kingdom	Development of wind power at sea	F.C.	100.00	100.00	7	8
Repsol Netherlands Finance, BV	Netherlands	Finance	F.C.	100.00	100.00	30	0
Repsol Norge, AS [25]	Norway	Exploration and production of hydrocarbons	F.C.	100.00	100.00	49	0
Repsol Nuevas Energías U.K., Ltd.	United Kingdom	Development and construction of offshore wind farms	F.C.	100.00	100.00	16	14
Repsol Nuevas Energías, S.A.	Spain	Manufacture, distribution and sale of all types of biofuels and other related activities	F.C.	100.00	100.00	(4)	1
Repsol OCP de Ecuador, S.A.	Spain	Portfolio company	F.C.	100.00	98.36	(15)	0
Repsol Offshore E & P USA, Inc.	USA	Exploration and production of hydrocarbons	F.C.	100.00	100.00	11	-
Repsol Oriente Medio, S.A.	Spain	Exploration and production of hydrocarbons (dormant)	F.C.	100.00	100.00	33	0
Repsol Perú, B.V.	Netherlands	Portfolio company	F.C.	100.00	100.00	178	152
Repsol Petróleo, S.A.	Spain	Refining	F.C.	99.97	99.97	1,984	218
Repsol Polímeros, S.A.	Portugal	Manufacture and sale of petrochemicals	F.C.	100.00	100.00	132	222
Repsol Portuguesa, S.A.	Portugal	Distribution and marketing of oil products	F.C.	100.00	100.00	500	59
Repsol Química, S.A.	Spain	Manufacture and sale of petrochemicals	F.C.	100.00	100.00	(281)	60
Repsol Services Company	USA	Provision of services	F.C.	100.00	100.00	24	-
Repsol Servicios Colombia, S.A. [24]	Spain	Exploration and production of hydrocarbons	F.C.	100.00	100.00	0	0
Repsol Sinopec Brasil, B.V.	Netherlands	Portfolio company	E.M.(Joint vent.)	100.00	60.01	4,533	3,759
Repsol Sinopec Brasil, S.A.	Brazil	Explotation and marketing of hydrocarbons	E.M.(Joint vent.)	60.01	60.01	6,703	4,819
Repsol St. John LNG, S.L.	Spain	Production of all kinds of studies related to oil and all kinds of activities in the gas sect	F.C.	100.00	100.00	(3)	0
Repsol Suroriente Ecuador, S.A.	Spain	Exploration and production of hydrocarbons	F.C.	100.00	100.00	1	2
Repsol Tesorería y Gestión Financiera, S.A.	Spain	Treasury services to group companies.	F.C.	100.00	100.00	334	0
Repsol Trading Perú, S.A.C.	Peru	Trading and transportation	F.C.	100.00	100.00	2	3
Repsol Trading Singapore Pte., Ltd.	Singapore	Trading and transportation	F.C.	100.00	100.00	4	-
Repsol Trading USA Corporation	USA	Trading and transportation	F.C.	100.00	100.00	(14)	-
Repsol Trading, S.A.	Spain	Supply, Marketing, Trading and Transport	F.C.	100.00	100.00	47	0
Repsol U.K. Round 3, Ltd.	United Kingdom	Development of wind power at sea	F.C.	100.00	100.00	8	8
Repsol USA Holdings Corporation [5]	USA	Exploration and production of hydrocarbons	F.C.	100.00	100.00	2,796	-
Repsol Venezuela Gas, S.A. [5]	Venezuela	Exploration and production of hydrocarbons	F.C.	100.00	100.00	242	0
Repsol Venezuela, S.A.	Venezuela	Exploration and production of hydrocarbons	F.C.	100.00	100.00	134	1
Rift Oil Ltd. [7] [8]	United Kingdom	Portfolio company	F.C.	100.00	100.00	32	8
Rigel Petroleum (NI) Ltd. [7] [8]	United Kingdom	Exploration and production of hydrocarbons (dormant)	E.M.(Joint vent.)	100.00	51.00	(13)	0
Rigel Petroleum UK Ltd. [7] [8]	United Kingdom	Exploration and production of hydrocarbons	E.M.(Joint vent.)	100.00	51.00	25	2
Rock Solid Images US Group, Inc.[7]	USA	Application development in the field of geophysics	E.M.	30.00	30.00		
Saint John Gas Marketing Companuy	USA	Support and / or participation paa to invest in a liquefaction plant in Canada.	F.C.	100.00	100.00	(2)	-
Saint John LNG Development Company, Ltd.	Canada	Development study project of building a liquefaction plant in Canada.	F.C.	100.00	100.00	-	-
Saneco	Russia	Exploration and production of hydrocarbons	E.M.(Joint vent.)	100.00	49.01	81	0
Santiago Pipelines AG [7] [8]	Switzerland	Portfolio company	F.C.	100.00	100.00	38	0
SC Repsol Baicoi, S.R.L.	Romania	Exploration and production of hydrocarbons	F.C.	100.00	100.00	24	24
SC Repsol Pitesti, S.R.L.	Romania	Exploration and production of hydrocarbons	F.C.	100.00	100.00	3	4
SC Repsol Targoviste, S.R.L.	Romania	Exploration and production of hydrocarbons	F.C.	100.00	100.00	22	22
SC Repsol Targu Jiu, S.R.L.	Romania	Exploration and production of hydrocarbons	F.C.	100.00	100.00	1	1
Servicios Administrativos Cuenca de Burgos S.A. de C.V.	Mexico	Exploration and production of hydrocarbons	F.C.	100.00	100.00	0	-
Servicios de Mantenimiento y Personal, S.A.	Ecuador	Maintenance and personnel (dormant)	F.C.	100.00	100.00	0	0
Servicios de Seguridad Mancomunados, S.A.	Spain	Security	F.C.	100.00	99.98	1	0
Servicios Logisticos Combustibles de Aviacion, S.L.	Spain	Transportation and commissioning aboard oil products for commercial aviation	E.M.(Joint vent.)	50.00	49.29	18	4
Servicios y Operaciones de Perú S.A.C	Peru	Other activities (dormant)	F.C.	100.00	100.00	0	0
Sociedade Abastecedora de Aeronaves, Lda.	Portugal	Marketing oil products	E.M.	25.00	25.00	0	0
Sociedade Açoreana de Armazenagen de Gas, S.A.	Portugal	LPG marketing	E.M.	25.07	25.07	4	1
Societat Catalana de Petrolis, S.A. (PETROCAT)	Spain	Distribution and marketing of oil products	F.C.	94.94	92.08	2	3
Solgas Distribuidora de Gas, S.L.	Spain	LPG marketing	F.C.	100.00	100.00	(1)	1
Solred, S.A.	Spain	Management means of payment in Service Stations	F.C.	100.00	96.67	12	7
Spelta Produtos Petrolíferos Unipessoal, Lda.	Portugal	LPG marketing	F.C.	100.00	100.00	1	0
Talisman (Algeria) B.V. [7] [8]	Netherlands	Exploration and production of hydrocarbons	F.C.	100.00	100.00	182	0
Talisman (Asia) Ltd. [7] [8]	Canada	Company shared services	F.C.	100.00	100.00	0	0
Talisman (Block K 39) B.V. [7] [8]	Netherlands	Exploration and production of hydrocarbons	F.C.	100.00	100.00	166	0
Talisman (Block K 44) B.V. [7] [8]	Netherlands	Exploration and production of hydrocarbons	F.C.	100.00	100.00	(34)	0
Talisman (Block K 9) B.V. [7] [8]	Netherlands	Exploration and production of hydrocarbons (dormant company in the process of liquidation)	F.C.	100.00	100.00	(5)	0
Talisman (Colombia) Oil & Gas Ltd. [7] [8]	Canada	Exploration and production of hydrocarbons	F.C.	100.00	100.00	321	0
Talisman (Corridor) Ltd. [7] [8]	Barbados	Exploration and production of hydrocarbons	F.C.	100.00	100.00	979	39
Talisman (Jambi Merang) Ltd. [7] [8]	United Kingdom	Exploration and production of hydrocarbons	F.C.	100.00	100.00	84	2
Talisman (Jambi) Ltd. [7] [8]	Canada	Company Shared Services (dormant)	F.C.	100.00	100.00	0	0
Talisman (Ogan Komering) Ltd. [7] [8]	Canada	Exploration and production of hydrocarbons	F.C.	100.00	100.00	161	97
Talisman (Pasangkayu) Ltd. [7] [8]	Canada	Exploration and production of hydrocarbons (dormant)	F.C.	100.00	100.00	14	41
Talisman (Sageri) Ltd. [7] [8]	Canada	Exploration and production of hydrocarbons (dormant)	F.C.	100.00	100.00	(57)	0
Talisman (Sumatra) Ltd. [7] [8]	Canada	Company Shared Services	F.C.	100.00	100.00	0	0
Talisman (Vietnam 133 &134) Ltd. [7] [8]	Canada	Exploration and production of hydrocarbons	F.C.	100.00	100.00	4	19
Talisman (Vietnam 15-2/01) Ltd. [7] [8]	Canada	Exploration and production of hydrocarbons	F.C.	100.00	100.00	352	436
Talisman (Vietnam 46/02) Ltd. [7] [8]	Canada	Exploration and production of hydrocarbons (dormant)	F.C.	100.00	100.00	57	49
Talisman Alberta Shale Partnership [7] [8] [29]	Canada	Exploration and production of hydrocarbons	F.C.	100.00	100.00	956	964

Name	Country	Activity	Consolidation method (1)	December 2015		December 2014 € Million	
				% Equity interest (2)	% of control investment	Equity (3)	Share capital (3)
Talisman Andaman B.V. (7) (8)	Netherlands	Exploration and production of hydrocarbons	F.C.	100.00	100.00	5	0
Talisman Australasia Pty Ltd.(7) (8)	Australia	Company Shared Services	F.C.	100.00	100.00	(43)	0
Talisman Banyumas B.V. (7) (8)	Netherlands	Exploration and production of hydrocarbons	F.C.	100.00	100.00	(0)	0
Talisman Central Alberta Partnership (7) (8) (26)	Canada	Exploration and production of hydrocarbons	F.C.	100.00	100.00	0	0
Talisman Colombia B.V. (7) (8)	Netherlands	Portfolio company	F.C.	100.00	100.00	56	0
Talisman Colombia Holdco Ltd. (7) (8)	United Kingdom	Portfolio company	F.C.	100.00	100.00	471	665
Talisman East Jabung B.V. (7) (8)	Netherlands	Exploration and production of hydrocarbons	F.C.	100.00	100.00	(0)	0
Talisman East Tanjung B.V. (7) (8)	Netherlands	Exploration and production of hydrocarbons	F.C.	100.00	100.00	(0)	0
Talisman Energy (Sahara) B.V. (7) (8)	Netherlands	Exploration and production of hydrocarbons	F.C.	100.00	100.00	149	125
Talisman Energy Canada (7) (8) (29)	Canada	Exploration and production of hydrocarbons	F.C.	100.00	100.00	4,800	5,389
Talisman Energy DL, Ltd. (7) (8)	United Kingdom	Exploration and production of hydrocarbons (company in the process of liquidation)	E.M.(Joint vent.)	51.00	100.00	-	-
Talisman Energy Inc. (7) (8) (29)	Canada	Portfolio company	F.C.	100.00	100.00	14,567	2,624
Talisman Energy Investments Norge AS (7) (8)	Norway	Dormant company	F.C.	100.00	100.00	2	1
Talisman Energy Kimu Alpha Pty Ltd. (7) (8)	Australia	Exploration and production of hydrocarbons	F.C.	100.00	100.00	(1)	3
Talisman Energy Kimu Beta Ltd (7) (8)	Papua Nueva Guinea	Exploration and production of hydrocarbons	F.C.	100.00	100.00	(8)	0
Talisman Energy Niugini Ltd. (7) (8)	Papua Nueva Guinea	Exploration and production of hydrocarbons	F.C.	100.00	100.00	(114)	0
Talisman Energy Norge AS (7) (8)	Norway	Exploration and production of hydrocarbons (dormant company in the process of liquidation)	F.C.	100.00	100.00	387	1
Talisman Energy NS, Ltd (7) (8)	United Kingdom	Exploration and production of hydrocarbons (company in the process of liquidation)	E.M.(Joint vent.)	51.00	100.00	-	-
Talisman Energy Services Inc. (7) (8)	USA	Company Shared Services	F.C.	100.00	100.00	(13)	2
Talisman Energy Tangguh B.V. (7) (8)	Netherlands	Exploration and production of hydrocarbons	F.C.	100.00	100.00	173	125
Talisman Energy USA Inc. (7) (8)	USA	Exploration and production of hydrocarbons	F.C.	100.00	100.00	1,178	1,644
Talisman Finance (UK) Ltd. (7) (8)	United Kingdom	Financial (dormant)	F.C.	100.00	100.00	(2)	-
Talisman Global Holdings B.V. (7) (8)	Netherlands	Portfolio company	F.C.	100.00	100.00	377	0
Talisman Holding International S.ar.l (7) (8)	Luxembourg	Portfolio company (dormant)	F.C.	100.00	100.00	0	0
Talisman Indonesia Ltd. (7) (8)	Canada	Company Shared Services (dormant company in the process of liquidation)	F.C.	100.00	100.00	0	0
Talisman International (Barbados) Inc. (7) (8)	Barbados	Portfolio company	F.C.	100.00	100.00	1,437	63
Talisman International Business Corporation (7) (8)	Barbados	Financial (dormant company in the process of liquidation)	F.C.	100.00	100.00	1	0
Talisman International Holdings B.V. (7) (8)	Netherlands	Portfolio company	F.C.	100.00	100.00	1,604	729
Talisman Java B.V. (7) (8)	Netherlands	Dormant company	F.C.	100.00	100.00	0	0
Talisman K Holdings B.V. (7) (8)	Netherlands	Portfolio company	F.C.	100.00	100.00	115	0
Talisman Malaysia (PM3) Ltd. (7) (8)	Barbados	Exploration and production of hydrocarbons	F.C.	100.00	100.00	206	10
Talisman Malaysia Holdings Ltd. (7) (8)	Barbados	Portfolio company	F.C.	100.00	100.00	410	0
Talisman Malaysia Ltd. (7) (8)	Barbados	Exploration and production of hydrocarbons	F.C.	100.00	100.00	410	0
Talisman Middle East B.V. (7) (8)	Netherlands	Portfolio company	F.C.	100.00	100.00	(371)	0
Talisman Niugini Pty Ltd.(7) (8)	Papua Nueva Guinea	Exploration and production of hydrocarbons	F.C.	100.00	100.00	(105)	0
Talisman North Jabung Ltd. (7) (8)	Canada	Exploration and production of hydrocarbons (dormant)	F.C.	100.00	100.00	(6)	0
Talisman Ocensa Pipelines Holdings AG (7) (8)	Switzerland	Portfolio company	F.C.	100.00	100.00	54	0
Talisman Oil & Gas (Australia) Pty Ltd. (7) (8)	Australia	Exploration and production of hydrocarbons	F.C.	100.00	100.00	100	27
Talisman Oil Ltd. (7) (8)	Barbados	Exploration and production of hydrocarbons	F.C.	100.00	100.00	236	89
Talisman Perpetual (Norway) Ltd. (7) (8)	United Kingdom	Portfolio company	F.C.	100.00	100.00	(0)	0
Talisman Peru B.V. (7) (8)	Netherlands	Exploration and production of hydrocarbons	F.C.	100.00	100.00	(78)	0
Talisman Resources (Bahamas) Ltd. (7) (8) (14)	Bahamas	Exploration and production of hydrocarbons (dormant)	F.C.	100.00	100.00	7	0
Talisman Resources (JPDA 06-105) Pty Ltd. (7) (8)	Australia	Exploration and production of hydrocarbons	F.C.	100.00	100.00	(71)	11
Talisman Resources (North West Java) Ltd. (7) (8)	United Kingdom	Exploration and production of hydrocarbons (dormant)	F.C.	100.00	100.00	31	0
Talisman RTC Sdn.Bhd. (7) (8)	Malasya	Company Shared Services	F.C.	100.00	100.00	(4)	6
Talisman Sadang B.V. (7) (8)	Netherlands	Exploration and production of hydrocarbons (dormant company in the process of liquidation)	F.C.	100.00	100.00	0	0
Talisman Sakakemang B.V. (7) (8)	Netherlands	Exploration and production of hydrocarbons	F.C.	100.00	100.00	16	0
Talisman Santiago AG (7) (8)	Switzerland	Management pipeline transportation capacity	F.C.	100.00	100.00	14	0
Talisman SEA Pte. Ltd. (7) (8)	Singapore	Company Shared Services	F.C.	100.00	100.00	2	1
Talisman Sierra Leone B.V. (7) (8)	Netherlands	Exploration and production of hydrocarbons	F.C.	100.00	100.00	0	0
Talisman Sinopec Alpha Ltd. (7) (8)	United Kingdom	Exploration and production of hydrocarbons	E.M.(Joint vent.)	100.00	51.00	(32)	-
Talisman Sinopec Beta Ltd. (7) (8)	United Kingdom	Exploration and production of hydrocarbons	E.M.(Joint vent.)	100.00	51.00	(1)	-
Talisman Sinopec Energy UK Ltd. (7) (8)	United Kingdom	Exploration and production of hydrocarbons	E.M.(Joint vent.)	51.00	51.00	(1,781)	1,409
Talisman Sinopec LNS Ltd. (7) (8)	United Kingdom	Exploration and production of hydrocarbons	E.M.(Joint vent.)	100.00	51.00	6	5
Talisman Sinopec North Sea Ltd. (7) (8)	United Kingdom	Exploration and production of hydrocarbons	E.M.(Joint vent.)	100.00	51.00	(432)	2
Talisman Sinopec Oil Trading Ltd. (7) (8)	United Kingdom	Exploration and production of hydrocarbons	E.M.(Joint vent.)	100.00	51.00	(618)	-
Talisman Sinopec Pension and Life Scheme Ltd. (7) (8)	United Kingdom	Dormant company	E.M.(Joint vent.)	100.00	51.00	-	-
Talisman Sinopec Transportation (UT) Ltd. (7) (8)	United Kingdom	Dormant company	E.M.(Joint vent.)	100.00	51.00	5	6
Talisman Sinopec Trustees (UK) Ltd. (7) (8)	United Kingdom	Dormant company	E.M.(Joint vent.)	100.00	51.00	-	-
Talisman SO AG (7) (8)	Switzerland	Management pipeline transportation capacity	F.C.	100.00	100.00	31	0
Talisman South Mandar B.V. (7) (8)	Netherlands	Exploration and production of hydrocarbons (dormant)	F.C.	100.00	100.00	0	0
Talisman South Sageri B.V. (7) (8)	Netherlands	Exploration and production of hydrocarbons (dormant)	F.C.	100.00	100.00	(8)	0
Talisman Sumatra B.V. (7) (8)	Netherlands	Exploration and production of hydrcarbons	F.C.	100.00	100.00	(0)	0
Talisman Transgasindo Ltd. (7) (8)	Barbados	Exploration and production of hydrocarbons	F.C.	100.00	100.00	7	24
Talisman UK (South East Sumatra) Ltd. (7) (8)	United Kingdom	Exploration and production of hydrocarbons (dormant)	F.C.	100.00	100.00	45	0
Talisman UK Investments Ltd. (7) (8)	United Kingdom	Dormant company	F.C.	100.00	100.00	-	-

Name	Country	Activity	Consolidation method (1)	December 2015 % Equity interest (2)	% of control investment	December 2014 € Million Equity (3)	Share capital (3)
Talisman Vietnam 05-2/10 B.V. (7) (8)	Netherlands	Exploration and production of hydrocarbons	F.C.	100,00	100,00	(1)	0
Talisman Vietnam 07/03 B.V. (7) (8)	Netherlands	Exploration and production of hydrocarbons	F.C.	100,00	100,00	56	0
Talisman Vietnam 07/03-CRD Corporation LLC (7) (8)	USA	Exploration and production of hydrocarbons	F.C.	100,00	100,00	41	42
Talisman Vietnam 135-136 B.V. (7) (8)	Netherlands	Exploration and production of hydrocarbons	F.C.	100,00	100,00	26	0
Talisman Vietnam 146-147 B.V. (7) (8)	Netherlands	Exploration and production of hydrocarbons	F.C.	100,00	100,00	(3)	0
Talisman Vietnam 45 B.V. (7) (8)	Netherlands	Exploration and production of hydrocarbons (dormant)	F.C.	100,00	100,00	0	(0)
Talisman Vietnam 46-07 B.V. (7) (8)	Netherlands	Exploration and production of hydrocarbons (dormant)	F.C.	100,00	100,00	(0)	0
Talisman Vietnam Ltd. (7) (8)	Barbados	Exploration and production of hydrocarbons	F.C.	100,00	100,00	12	0
Talisman West Bengara B.V. (7) (8)	Netherlands	Exploration and production of hydrocarbons (dormant)	F.C.	100,00	100,00	(0)	-
Talisman Wild River Partnership (7) (8) (29)	Canada	Exploration and production of hydrocarbons	F.C.	100,00	100,00	0	0
Talisman Wiriagar Overseas Ltd. (7) (8) (16)	British Virgin Islands	Exploration and production of hydrocarbons	F.C.	100,00	100,00	279	0
TE Capital S.ar.l. (7) (8)	Luxembourg	Finance	F.C.	100,00	100,00	1.512	7
TE Colombia Holding S.ar.l (7) (8)	Luxembourg	Portfolio company	F.C.	100,00	100,00	21	16
TE Finance S.ar.l. (7) (8)	Luxembourg	Finance	F.C.	100,00	100,00	2.407	0
TE Global Holding S.ar.l (7) (8)	Luxembourg	Portfolio company (dormant)	F.C.	100,00	100,00	0	0
TE Global Services Inc. (7) (8)	USA	Company shared services (dormant company)	F.C.	100,00	100,00	7	0
TE Holding S.ar.l. (7) (8)	Luxembourg	Portfolio company	F.C.	100,00	100,00	4.827	1.572
TE NOK S.ar.l. (7) (8)	Luxembourg	Financial (dormant)	F.C.	100,00	100,00	1	0
TE Resources S.ar.l. (7) (8)	Luxembourg	Financial (dormant)	F.C.	100,00	100,00	3	0
Tecnicontrol y Gestión Integral, S.L.	Spain	Real Estate Development (dormant)	F.C.	100,00	100,00	32	4
TEGSI (UK) Ltd. (7) (8)	United Kingdom	Company shared services (dormant)	F.C.	100,00	100,00	(1)	0
Terminales Canarios, S.L.	Spain	Storage and distribution of oil products	E.M.(Joint vent.)	50,00	48,34	24	20
The Repsol Company of Portugal, Ltd.	United Kingdom	Leasing logistics assets in Portugal	F.C.	100,00	100,00	1	1
TLM Finance Corp (7) (8)	Canada	Finance	F.C.	100,00	100,00	2.397	2.853
TNO (Tafnefteotdacha)	Russia	Exploration and production of hydrocarbons	E.M.(Joint vent.)	99,54	48,78	123	0
Transportadora Sulbrasileira de Gas, S.A.	Brazil	Construction and operation of a pipeline	E.M.(Joint vent.)	25,00	25,00	-	22
Transworld Petroleum (U.K.) (7) (8)	United Kingdom	Exploration and production of hydrocarbons	E.M.(Joint vent.)	100,00	51,00	(53)	1
Triad Oil Manitoba Ltd. (7) (8)	Canada	Exploration and production of hydrocarbons (dormant)	F.C.	100,00	100,00	5	0
Tucunaré Empreendimentos e Participaçoes, Ltda.	Brazil	Support services and administrative infrastructure	F.C.	100,00	100,00	5	5
TV 05-2/10 Holding B.V. (7) (8)	Netherlands	Portfolio company	F.C.	100,00	100,00	(0)	0
TV 135-136 Holding B.V. (7) (8)	Netherlands	Portfolio company	F.C.	100,00	100,00	53	0
Vía Red Hostelería y Distribución, S.L.	Spain	Acquisition and / or operation of any kind of catering establishments.	F.C.	100,00	100,00	1	1
Windplus, S.A.	Portugal	Technology Development WindFloat for floating offshore wind generation	E.M.(Joint vent.)	20,60	19,70	6	0
YPFB Andina, S.A. (6)	Bolivia	Exploration and production of hydrocarbons	E.M.(Joint vent.)	48,33	48,33	1.256	179
YPFB Transierra, S.A.	Bolivia	Transportation hidrocaburos including construction and operation of pipelines and operation.	E.M.	44,50	21,51	325	73
504744 Alberta Ltd. (7) (8)	Canada	Portfolio company (dormant)	F.C.	100,00	100,00	(7)	0
7308051 Canada Ltd (7) (8)	Canada	Exploration and production of hydrocarbons	F.C.	100,00	100,00	166	245
8441251 Canada Ltd. (7) (8)	Canada	Exploration and production of hydrocarbons	F.C.	100,00	100,00	10	10
8441316 Canada Ltd. (7) (8)	Canada	Exploration and production of hydrocarbons (dormant)	F.C.	100,00	100,00	(30)	-
8787352 Canada Ltd. (7) (8)	Canada	Exploration and production of hydrocarbons	F.C.	100,00	100,00	2	2
8787387 Canada Ltd (7) (8)	Canada	Exploration and production of hydrocarbons (dormant)	F.C.	100,00	100,00	0	0

(1) Consolidation Method
F.C.: Full consolidation method
E.M.: 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) Corresponds to the data of individual companies, except in the cases mentioned specifically in the last financial statements approved by the General Meeting of Shareholders (generally data to December 31, 2014), prepared in accordance with the principles accounting in force in the relevant jurisdictions. The assets of companies whose functional currency is not the euro have been translated at the closing exchange. Amounts are rounded (zero include those less than half a million euros).
(4) Investments in joint operations that are not articulated through a vehicle or financial structure identifiable separately, or if they are, the vehicle does not limit its rights to the assets and obligations for the liabilities relating to the arrangement . These shares are held by the Group through participation in subsidiaries that are consolidated by the global integration method.
(5) Corresponding to Consolidated Financial Statements Data.
(6) Corresponding to March 31, 2015 Financial Statements Data.
(7) Companies incorporated in the Repsol Group in the year 2015.
(8) Acquired in business combination Talisman (see Note 4).
(9) Parent company of a group consisting of more than three hundred companies, information that can be obtained in the consolidated financial statements of the company (www.portal.gasnatural.com)
(10) This company has branch offices in Liberia.
(11) This company owns 100% of Repsol Exploration Services, Ltd., a company in liquidation based in the Cayman Islands.
(12) This joint venture owns a subsidiary tax resident in the Cayman Islands.
(13) This company holds minority stakes in mutual reinsurance Casual Oil Insurance (1.86%) and Oil Insurance Limited (5.86%), domiciled in Bermuda.
(14) This company, legally incorporated in Bahamas, is domicilied for tax purposes in the United Kingdom.
(15) These companies, legally incorporated in the British Virgin Islands, are domicilied for tax purposes in the United Kingdom.
(16) These companies, legally incorporated in the British Virgin Islands, are domicilied for tax purposes in Netherlands.
(17) This company is the parent of FEX L.P. , based in the United States.
(18) This company is the parent company of Fortuna (US) L.P. , based in the United States.
(19) This company is the parent of Talisman Groundbirch Partnership , based in the United States.
(20) Previously consolidated by the Global Integration Method
(21) Previously consolidated by the Equity Method
(22) Previously called Repsol Exploración Nicaragua, S.A.
(23) Previously called TAPBC Adquisition, Inc.
(24) Previously called Repsol Explotación Colombia COL-4, S.A.
(25) Previously called Repsol Exploration Norge, AS.
(26) Previously called Dynasol Elastómeros, S.A.
(27) Previously called Dynasol Gestión, S.A.
(28) Previously called General Química, S.A.
(29) Companies that change their name on January 1, 2016 (See Note 32).

APPENDIX Ib: MAIN CHANGES IN THE CONSOLIDATION SCOPE FOR THE YEAR ENDED DECEMBER 31, 2015

					December, 2015			December, 2014		
Name	Country	Parent Company	Concept	Date	Consolidation method [1]	% of control [2]	% of Equity	Consolidation method [1]	% of control [2]	% of Equity
Societat Catalana de Petrolis, S.A. (PETROCAT)	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Increased participation	February-15	F.C	94.94%	92.08%	F.C.	90.00%	87.20%
Enirepsa Gas, Limited	Saudi Arabia	Repsol Exploración, S.A.	Settlement	March-15	--	--	--	E.M.	30.00%	30.00%
Perú Hunt Pipeline Development Company, Llc. [3]	USA	Repsol Exploración Perú, S.A.	Settlement	April-15	--	--	--	E.M.	44.70%	44.70%
Repsol Chile, S.A.	Chile	Repsol, S.A.	Increased participation	April-15	F.C	100.00%	100.00%	F.C.	99.99%	99.99%
Amulet Maritime Limited [4]	United Kingdom	TEGSI (UK) Limited	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Edwards Gas Services LLC [4]	USA	Talisman Energy USA Inc.	Acquisition	May-15	E.M. (Joint vent)	50.00%	50.00%	--	--	--
Equion Energia Limited [4]	United Kingdom	Talisman Colombia Holdco Limited	Acquisition	May-15	E.M. (Joint vent)	49.00%	49.00%	--	--	--
FEHI Holding S.ar.l. [4]	Luxembourg	TE Holding S.ar.l.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
FEX GP Inc. [4]	USA	Talisman Energy USA Inc.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
FEX L.P. [4]	USA	FEX GP Inc.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Foreland Oil Limited [4]	British Virgin Islands	Rift Oil Limited	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Fortuna (US) L.P. [4]	USA	FUSI GP Inc.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Fortuna Energy Holding Inc. [4]	USA	FEHI Holding S.ar.l.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Fortuna Finance Corporation S.ar.l. [4]	Luxembourg	TE Holding S.ar.l.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Fortuna International (Barbados) Inc. [4]	Barbados	Talisman International (Barbados) Inc.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Fortuna International Petroleum Corporation [4]	Barbados	Talisman Energy Inc.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Fortuna Resources (Sunda) Limited [4]	British Virgin Islands	Talisman UK (South East Sumatra) Limited	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
FUSI GP Inc. [4]	USA	Talisman Energy USA Inc.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Honner Limited [4][6]	Papua New Guinea	Papua Petroleum Pty Ltd.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
New Santiago Pipelines AG [4]	Switzerland	Talisman Ocensa Pipelines Holdings AG	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Oleum Insurance Company Limited [4]	Barbados	Talisman Energy Inc.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Paladin Resources Limited [4]	United Kingdom	TE Holding S.ar.l.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Papua Petroleum (PNG) Ltd [4]	Papua New Guinea	Papua Petroleum Pty Ltd.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Papua Petroleum Pty Ltd. [4]	Australia	Talisman Niugini Pty Ltd.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Red Sea Oil Corporation [4]	Canada	Talisman Energy Inc.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Rift Oil Limited [4]	United Kingdom	Talisman International Holdings B.V.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Rigel Petroleum (NI) Limited [4]	North Ireland	Rigel Petroleum UK Limited	Acquisition	May-15	E.M. (Joint vent)	100.00%	51.00%	--	--	--
Rigel Petroleum UK Limited [4]	United Kingdom	Talisman Sinopec Energy UK Limited	Acquisition	May-15	E.M. (Joint vent)	100.00%	51.00%	--	--	--
Rowell Limited [4]	Papua New Guinea	Papua Petroleum Pty Ltd.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Santiago Pipelines AG [4]	Switzerland	Talisman Ocensa Pipelines Holdings AG	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman (Algeria) B.V. [4]	Netherlands	Talisman Middle East B.V.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman (Asia) Ltd. [4]	Canada	Talisman Energy Inc.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman (Block K 39) B.V. [4]	Netherlands	Talisman K Holdings B.V.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman (Block K 44) B.V. [4]	Netherlands	Talisman K Holdings B.V.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman (Block K 9) B.V. [4]	Netherlands	Talisman Global Holdings B.V.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman (Colombia) Oil & Gas Ltd. [4]	Canada	Talisman Energy Inc.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman (Corridor) Ltd. [4]	Barbados	Fortuna International (Barbados) Inc.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman (Jambi Merang) Limited [4]	United Kingdom	Talisman International Holdings B.V.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman (Jambi) Ltd. [4]	Canada	Talisman Energy Inc.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman (Ogan Komering) Ltd. [4]	Canada	Talisman Energy Inc.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman (Pasangkayu) Ltd. [4]	Canada	Talisman Energy Inc.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman (Sageri) Ltd. [4]	Canada	Talisman Energy Inc.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman (Sumatra) Ltd. [4]	Canada	Talisman Energy Inc.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman (Vietnam 133 &134) Ltd. [4]	Canada	Talisman Energy Inc.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman (Vietnam 15-2/01) Ltd. [4]	Canada	Talisman Energy Inc.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman (Vietnam 46/02) Ltd. [4]	Canada	Talisman Energy Inc.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Alberta Shale Partnership [4]	Canada	Talisman Energy Inc.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Andaman B.V. [4]	Netherlands	Talisman International Holdings B.V.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Australasia Pty Ltd. [4]	Australia	Talisman International Holdings B.V.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Banyumas B.V. [4]	Netherlands	Talisman International Holdings B.V.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Central Alberta Partnership [4]	Canada	Talisman Energy Inc.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Colombia B.V. [4]	Netherlands	TE Colombia Holding S.ar.l	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Colombia Holdco Limited [4]	United Kingdom	TE Holding S.ar.l.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman East Jabung B.V. [4]	Netherlands	Talisman International Holdings B.V.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman East Tanjung B.V. [4]	Netherlands	Talisman International Holdings B.V.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Energy (Sahara) B.V. [4]	Netherlands	Talisman International Holdings B.V.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Energy Canada [4]	Canada	Talisman Energy Inc.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Energy DL Limited [4]	United Kingdom	Talisman Sinopec Energy UK Limited	Acquisition	May-15	E.M. (Joint vent)	100.00%	51.00%	--	--	--
Talisman Energy Inc. [4]	Canada	N/A	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Energy Investments Norge AS [4]	Norway	Talisman Perpetual (Norway) Limited	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Energy Kimu Alpha Pty Ltd [4]	Australia	Talisman Energy Niugini Limited	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Energy Kimu Beta Ltd [4]	Papua New Guinea	Talisman Energy Niugini Limited	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Energy Niugini Limited [4]	Papua New Guinea	Papua Petroleum Pty Ltd.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Energy Norge AS [4]	Norway	Talisman Middle East B.V.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Energy NS Limited [4]	United Kingdom	Talisman Sinopec Energy UK Limited	Acquisition	May-15	E.M. (Joint vent)	100.00%	51.00%	--	--	--
Talisman Energy Poland B.V. [4]	Netherlands	Fortuna Energy Holding Inc.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Energy Services Inc. [4]	USA	Fortuna Energy Holding Inc.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Energy Tangguh B.V. [4]	Netherlands	Talisman Energy (Sahara) B.V.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Energy USA Inc. [4]	USA	Fortuna Energy Holding Inc.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Finance (UK) Limited [4]	United Kingdom	TEGSI (UK) Limited	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Global Holdings B.V. [4]	Netherlands	Talisman International Holdings B.V.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Groundbirch Partnership [4]	Canada	Talisman Energy Inc.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Holding International S.ar.l [4]	Luxembourg	Talisman Energy Inc.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Indonesia Ltd. [4]	Canada	Talisman Energy Inc.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman International (Barbados) Inc. [4]	Barbados	Talisman Energy Inc.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman International Business Corporation [4]	Barbados	Talisman Energy Inc.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman International Holdings B.V. [4]	Netherlands	TE Holding S.ar.l.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman International Holdings B.V. SCS [4]	Luxembourg	Talisman Global Holdings B.V.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Java B.V. [4]	Netherlands	Talisman International Holdings B.V.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman K Holdings B.V. [4]	Netherlands	Talisman Global Holdings B.V.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Malaysia (PM3) Limited [4]	Barbados	Talisman Malaysia Holdings Limited	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Malaysia Holdings Limited [4]	Barbados	Talisman Oil Limited	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Malaysia Limited [4]	Barbados	Talisman Malaysia Holdings Limited	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Middle East B.V. [4]	Netherlands	Talisman Global Holdings B.V.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Niugini Pty Ltd. [4]	Papua New Guinea	Talisman International Holdings B.V.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman North Jabung Ltd. [4]	Canada	Talisman Energy Inc.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Ocensa Pipelines Holdings AG [4]	Switzerland	Talisman Colombia B.V.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Oil & Gas (Australia) Pty Limited [4]	Australia	Paladin Resources Limited	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Oil Limited [4]	Barbados	Fortuna International Petroleum Corporation	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Perpetual (Norway) Limited [4]	United Kingdom	TE Holding S.ar.l.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Peru B.V. [4]	Netherlands	Talisman Global Holdings B.V.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Petroleum Norge AS [4]	Norway	Talisman Energy Norge AS	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Resources (Bahamas) Limited [4]	Bahamas	Paladin Resources Limited	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Resources (JPDA 06-105) Pty Limited [4]	Australia	Talisman Oil & Gas (Australia) Pty Limited	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Resources (North West Java) Limited [4]	United Kingdom	Talisman UK (South East Sumatra) Limited	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Resources Norge AS [4]	Norway	Talisman Energy Norge AS	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman RTC Sdn.Bhd. [4]	Malaysia	TE Holding S.ar.l.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Sadang B.V. [4]	Netherlands	Talisman International Holdings B.V.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Sakakemang B.V. [4]	Netherlands	Talisman International Holdings B.V.	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--
Talisman Santiago AG [4]	Switzerland	New Santiago Pipelines AG	Acquisition	May-15	F.C	100.00%	100.00%	--	--	--

Name	Country	Parent Company	Concept	Date	December, 2015 Consolidation method (1)	% of control (2)	% of Equity	December, 2014 Consolidation method (1)	% of control (2)	% of Equity
Talisman SEA Pte. Ltd. (4)	Singapore	TE Holding S.ar.l.	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
Talisman Sierra Leone B.V. (4)	Netherlands	Talisman Global Holdings B.V.	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
Talisman Sinopec Alpha Limited (4)	United Kingdom	Talisman Sinopec Energy UK Limited	Acquisition	May-15	E.M. (Joint vent)	100,00%	51,00%	--	--	--
Talisman Sinopec Beta Limited (4)	United Kingdom	Talisman Sinopec Energy UK Limited	Acquisition	May-15	E.M. (Joint vent)	100,00%	51,00%	--	--	--
Talisman Sinopec Energy UK Limited (4)	United Kingdom	Talisman Colombia Holdco Limited	Acquisition	May-15	E.M. (Joint vent)	51,00%	51,00%	--	--	--
Talisman Sinopec LNS Limited (4)	United Kingdom	Talisman Sinopec Energy UK Limited	Acquisition	May-15	E.M. (Joint vent)	100,00%	51,00%	--	--	--
Talisman Sinopec North Sea Limited (4)	United Kingdom	Talisman Sinopec Energy UK Limited	Acquisition	May-15	E.M. (Joint vent)	100,00%	51,00%	--	--	--
Talisman Sinopec Oil Trading Limited (4)	United Kingdom	Talisman Sinopec North Sea Limited	Acquisition	May-15	E.M. (Joint vent)	100,00%	51,00%	--	--	--
Talisman Sinopec Pension and Life Scheme Limited (4)	United Kingdom	Talisman Sinopec Energy UK Limited	Acquisition	May-15	E.M. (Joint vent)	100,00%	51,00%	--	--	--
Talisman Sinopec Transportation (UT) Limited (4)	United Kingdom	Talisman Sinopec North Sea Limited	Acquisition	May-15	E.M. (Joint vent)	100,00%	51,00%	--	--	--
Talisman Sinopec Trustees (UK) Limited (4)	United Kingdom	Talisman Sinopec Energy UK Limited	Acquisition	May-15	E.M. (Joint vent)	100,00%	51,00%	--	--	--
Talisman SO AG (4)	Switzerland	Santiago Pipelines AG	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
Talisman South Mandar B.V. (4)	Netherlands	Talisman International Holdings B.V.	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
Talisman South Sageri B.V. (4)	Netherlands	Talisman International Holdings B.V.	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
Talisman Sumatra B.V. (4)	Netherlands	Talisman International Holdings B.V.	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
Talisman Transgasindo Ltd. (4)	Barbados	Fortuna International (Barbados) Inc.	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
Talisman UK (South East Sumatra) Limited (4)	United Kingdom	Paladin Resources Limited	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
Talisman UK Investments Limited (4)	United Kingdom	TE Holding S.ar.l.	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
Talisman Vietnam 05-2/10 B.V. (4)	Netherlands	TV 05-2/10 Holding B.V.	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
Talisman Vietnam 07/03 B.V. (4)	Netherlands	Talisman International Holdings B.V.	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
Talisman Vietnam 07/03-CRD Corporation LLC (4)	USA	Talisman International Holdings B.V.	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
Talisman Vietnam 135-136 B.V. (4)	Netherlands	TV 135-136 Holding B.V.	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
Talisman Vietnam 146-147 B.V. (4)	Netherlands	Talisman International Holdings B.V.	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
Talisman Vietnam 45 B.V. (4)	Netherlands	Talisman International Holdings B.V.	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
Talisman Vietnam 46-07 B.V. (4)	Netherlands	Talisman International Holdings B.V.	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
Talisman Vietnam Limited (4)	Barbados	Talisman Oil Limited	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
Talisman West Bengara B.V. (4)	Netherlands	Talisman International Holdings B.V.	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
Talisman Wild River Partnership (4)	Canada	Talisman Energy Inc.	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
Talisman Wiriagar Overseas Limited (4)	British Virgin Islands	Talisman Energy Tangguh B.V.	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
TE Capital S.ar.l. (4)	Luxembourg	TE Holding S.ar.l.	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
TE Colombia Holding S.ar.l (4)	Luxembourg	TE Holding S.ar.l.	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
TE Finance S.ar.l. (4)	Luxembourg	TE Holding S.ar.l.	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
TE Global Holding S.ar.l (4)	Luxembourg	Talisman Holding International S.ar.l	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
TE Global Services Inc. (4)	USA	Talisman Energy Services Inc.	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
TE Holding S.ar.l. (4)	Luxembourg	Talisman Energy Inc.	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
TE NOK S.ar.l. (4)	Luxembourg	TE Holding S.ar.l.	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
TE Resources S.ar.l. (4)	Luxembourg	TE Holding S.ar.l.	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
TEGSI (UK) Limited (4)	United Kingdom	TE Holding S.ar.l.	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
TLM Finance Corp (4)	Canada	Talisman Energy Inc.	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
Transworld Petroleum (U.K.) (4)	United Kingdom	Talisman Sinopec North Sea Limited	Acquisition	May-15	E.M. (Joint vent)	100,00%	51,00%	--	--	--
Triad Oil Manitoba Ltd. (4)	Canada	Talisman Energy Inc.	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
TV 05-2/10 Holding B.V. (4)	Netherlands	Talisman International Holdings B.V.	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
TV 135-136 Holding B.V. (4)	Netherlands	Talisman International Holdings B.V.	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
504744 Alberta Ltd. (4)	Canada	Talisman Energy Canada	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
7308051 Canada Ltd (4)	Canada	Talisman Energy Inc.	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
8441251 Canada Ltd. (4)	Canada	Talisman Energy Inc.	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
8441316 Canada Ltd. (4)	Canada	Talisman Energy Inc.	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
8787352 Canada Ltd. (4)	Canada	Talisman Energy Inc.	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
8787387 Canada Ltd (4)	Canada	Talisman Energy Inc.	Acquisition	May-15	F.C	100,00%	100,00%	--	--	--
Repsol International Capital, Ltd. (7)	Cayman Islands	Repsol International Finance, B.V.	Settlement	July-15	--	--	--	F.C.	100,00%	100,00%
Repsol Mediación Agente de Seguros Vinculado, S.L.U. (5)	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Absorption	August-15	--	--	--	F.C.	100,00%	96,67%
Euro-24, S.L. (5)	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Absorption	August-15	--	--	--	F.C.	100,00%	96,67%
San Andrés Park, S.L. (5)	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Absorption	August-15	--	--	--	F.C.	100,00%	96,67%
Repsol Exploración Boughezoul, S.A.	Spain	Repsol Exploración, S.A.	Constitution	August-15	F.C	100,00%	100,00%	--	--	--
Dynasol Gestión Mexico, S.A.P.I. de C.V.	Mexico	Repsol Química, S.A.	Constitution	August-15	E.M. (Joint vent)	50,00%	50,00%	--	--	--
North Dynasol Shanghai Business Consulting Co Ltd.	China	Dynasol Gestión, S.A.	Constitution	August-15	E.M. (Joint vent)	50,00%	25,00%	--	--	--
Rock Solid Images US Group, Inc.	USA	Repsol USA Holdings Corporation	Acquisition	August-15	E.M.	30,00%	30,00%	--	--	--
Honner Limited (6)	Papua New Guinea	Papua Petroleum Pty, Ltd.	Settlement	August-15	--	--	--	--	--	--
Caveant, S.A.	Argentina	Repsol Capital, S.L.	Settlement	September-15	--	--	--	F.C.	100,00%	100,00%
Compañía Logística de Hidrocarburos CLH, S.A.	Spain	Repsol, S.A.	Alienation	September-15	--	--	--	E.M.	10,00%	10,00%
CLH Aviación, S.A.	Spain	Compañía Logística de Hidrocarburos CLH, S.A.	Alienation	September-15	--	--	--	E.M.	100,00%	10,00%
Principle Power (Europe), Ltd.	United Kingdom	Principle Power, Inc.	Increased participation	September-15	E.M. (Joint vent)	100,00%	25,37%	E.M. (Joint vent)	100,00%	24,71%
Principle Power Portugal Unipessoal, Lda.	Portugal	Principle Power, Inc.	Increased participation	September-15	E.M. (Joint vent)	100,00%	25,37%	E.M. (Joint vent)	100,00%	24,71%
Principle Power, Inc.	USA	Repsol Energy Ventures, S.A.	Increased participation	September-15	E.M. (Joint vent)	25,37%	25,37%	E.M. (Joint vent)	24,71%	24,71%
Dynasol China, S.A. de C.V. (6)	Mexico	Dynasol Gestión México, S.A.P.I. de C.V.	Acquisition	October-15	E.M. (Joint vent)	99,99%	49,99%	--	--	--
Insa, Llc. (6)	USA	Dynasol Gestión, S.L.	Acquisition	October-15	E.M. (Joint vent)	100,00%	50,00%	--	--	--
Insa Altamira, S.A. de C.V. (6)	Mexico	Dynasol Gestión México, S.A.P.I. de C.V.	Acquisition	October-15	E.M. (Joint vent)	99,99%	50,00%	--	--	--
Insa, GPRO (6)	USA	Dynasol China, S.A. de C.V.	Acquisition	October-15	E.M. (Joint vent)	50,00%	24,99%	--	--	--
Industrias Negromex, S.A. de C.V. (6)	Mexico	Dynasol Gestión México, S.A.P.I. de C.V.	Acquisition	October-15	E.M. (Joint vent)	99,99%	49,99%	--	--	--
Liaoning North Dynasol Synthetic Rubber Co., Ltd.	China	Dynasol Gestión, S.L.	Incorporation in the scope of consolidation	October-15	E.M. (Joint vent)	50,00%	25,00%	--	--	--
Windplus, S.A.	Portugal	Repsol Nuevas Energías, S.A.	Decreased participation	October-15	E.M. (Joint vent)	20,60%	19,70%	E.M. (Joint vent)	91,28%	22,56%
General Química, S.A.U.	Spain	Dynasol Gestión, S.L.	Decreased participation	October-15	E.M. (Joint vent)	100,00%	50,00%	F.C.	100,00%	100,00%
Cogeneración Gequisa	Spain	General Química, S.A.U.	Decreased participation	October-15	E.M. (Joint vent)	39,00%	19,50%	E.M.	39,00%	39,00%
Repsol Overzee Financiën, B.V.	Netherlands	Repsol Exploración, S.A.	Absorption	November-15	--	--	--	F.C.	100,00%	100,00%
Zhambay, Llp.	Kazakhstan	Repsol Exploración Kazakhstan, S.A.	Settlement	November-15	--	--	--	E.M.	25,00%	25,00%
Refinería La Pampilla, S.A.A.	Peru	Repsol Perú, B.V.	Increased participation	November-15	F.C	82,39%	82,39%	F.C.	51,03%	51,03%
Repsol Investeringen, B.V.	Netherlands	Repsol International Finance, B.V.	Settlement	December-15	--	--	--	F.C.	100,00%	100,00%
Gas Natural SDG, S.A.	Spain	Repsol, S.A.	Increased participation	December-15	E.M. (Joint vent)	30,15%	30,15%	E.M. (Joint vent)	30,00%	30,00%
Rowell, Ltd.	Papua New Guinea	Papua Petroleum Pty Ltd.	Dissolution	December-15	--	--	--	--	--	--
Talisman Petroleum Norge, AS	Norway	Talisman Energy Norge AS	Dissolution	December-15	--	--	--	--	--	--
Talisman Resources Norge, AS	Norway	Talisman Energy Norge AS	Dissolution	December-15	--	--	--	--	--	--
Talisman Energy Poland B.V.	Switzerland	Fortuna Energy Holding Inc.	Dissolution	December-15	--	--	--	--	--	--

(1) Consolidation Method
F.C.: Full consolidation method
E.M.: 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) Corresponding to the direct and indirect participation in the next higher parent company over the subsidiary percentage.

(3) This company is the parent of Hunt Peru Pipeline Development, LP, which in turn owns 100% of Hunt Pipeline Company of Peru, Ltd., a company established in the Cayman Islands.
These three companies have been discharged from the Repsol Group.

(4) Acquired in business combination Talisman (see Note 4).

(5) Companies absorbed by Repsol Comercial de Productos Petrolíferos, S.A.

(6) Companies related to the alliance with Grupo KUO (see Note 8).

(7) In line with the policy of active management to reduce the presence in areas classified as tax havens, this company has been liquidated dated July 23, 2015.
Preferred shares issued by the company in the years 1997 and 2002 had already been repurchased in 2011 and 2013.

APPENDIX Ib: MAIN CHANGES IN THE CONSOLIDATION SCOPE FOR THE YEAR ENDED DECEMBER 31, 2014

					31.12.14			31.12.13		
Name	**Country**	**Parent Company**	**Concept**	**Date**	**Consolidation method (1)**	**% of Control (2)**	**% of Equity**	**Consolidation method (1)**	**% of Control (2)**	**% of Equity**
Repsol Comercializadora de Gas, S.A.	Spain	Repsol Exploración, S.A.	Sale	January-14	-	-	-	F.C	100%	100%
Kuosol Agrícola S.A.P.I. de C.V.	Mexico	Kuosol S.A.P.I. de C.V.	Sale	January-14	-	-	-	(4)	100%	50,00%
Repsol Angostura, Ltd.	Trinidad and Tobago	Repsol Exploración, S.A.	Constitution	February-14	F.C	100%	100%	-	-	-
Empresa Petrolera Maxus Bolivia, S.A.	Bolivia	Repsol Bolivia, S.A.	Absorption	February-14	-	-	-	F.C	100%	100%
Repsol Trading Perú, S.A.C.	Peru	Repsol Trading, S.A.	Constitution	March-14	F.C	100%	100%	-	-	-
Transportadora de Gas del Perú, S.A. (TGP) (3)	Peru	Hunt Pipeline Company of Perú, Ltd.	Sale	March-14	-	-	-	E.M	22,38%	10,00%
Repsol YPF Trading y Transportes Singapur, Ltd.	Cayman Islands	Repsol Trading, S.A.	Liquidation	April-14	-	-	-	F.C	100%	100%
Orisol, Corporación Energética, S.A.	España	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	June-14	F.C	100%	100%	-	-	-
Repsol Trading Singapore Pte, Ltd.	Singapore	Repsol Trading, S.A.	Constitution	June-14	F.C	100%	100%	-	-	-
Algaenergy, S.A.	Spain	Repsol Nuevas Energías, S.A.	Sale	June-14	-	-	-	(4)	20,02%	20,02%
Tocardo International B.V.	Netherlands	Repsol New Energy Ventures, S.A.	Sale	July-14	-	-	-	E.M	20,34%	20,34%
YPFB Andina, S.A.	Bolivia	Repsol Bolivia, S.A.	Decrease shareholding	August-14	E.M	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	September-14	-	-	-	(4)	100%	50,00%
Saint John Gas Marketing Company	USA	Repsol St. John LNG, S.L.	Constitution	September-14	F.C	100%	100%	-	-	-
Repsol Libreville, S.A. avec A.G.	Gabon	Repsol Exploración, S.A.	Constitution	September-14	F.C	100%	100%	-	-	-
Saint John LNG Development Company, Ltd.	Canada	Repsol St. John LNG, S.L.	Constitution	September-14	F.C	100%	100%	-	-	-
Air Miles España, S.A.	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Decrease shareholding	September-14	E.M	25,00%	24,16%	E.M	26,67%	25,78%
Noroil, S.A.	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Absorption	October-14	-	-	-	F.C	100%	96,67%
Repsol Exploración Colombia COL-4, S.A.	Spain	Repsol Exploración, S.A.	Constitution	October-14	F.C	100%	100%	-	-	-
Repsol Exploración Nicaragua, S.A.	Spain	Repsol Exploración, S.A.	Constitution	November-14	F.C	100%	100%	-	-	-
Calio Holdings, Llc.	USA	Repsol Exploración Venezuela, B.V.	Liquidation	December-14	-	-	-	F.C	100%	100%
Societat Catalana de Petrolis, S.A. (PETROCAT)	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Increase shareholding	December-14	F.C	90,00%	87,20%	E.M	45,00%	43,69%
Neol Biosolutions, S.A.	Spain	Repsol New Energy Ventures, S.A.	Sale	December-14	-	-	-	(4)	50,00%	50,00%
TAPBC Acquisition, Inc.	Canada	Repsol Exploración, S.A.	Constitution	December-14	F.C	100%	100%	-	-	-
Windplus, S.A.	Portugal	Principle Power, Inc.	Increase shareholding	December-14	E.M	91,28%	22,56%	(4)	70,62%	23,73%
Principle Power, Inc.	USA	Repsol New Energy Ventures, S.A.	Decrease shareholding	December-14	E.M	24,71%	24,71%	(4)	33,61%	33,61%
Repsol Lubrificantes e Especialidades Brasil Participaçoes, Ltda.	Brazil	Repsol Lubricantes y Especialidades, S.A.	Constitution	December-14	F.C	100%	100%	-	-	-
Gas Natural Group companies (several) (5)		**Gas Natural SDG, S.A.**								

(1) Consolidation method:
I.G. : Global integration
E.M.: 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) Corresponding to the direct and indirect participation in the next higher parent company over the subsidiary percentage.
(3) Society perimeter of the sale of assets and businesses of LNG (see Note 4).
(4) Interests in joint operations or are not articulated through a financial vehicle or separately identifiable structure or estándolo, the vehicle does not limit its rights to the assets and obligations for the liabilities relating to the arrangement.
These shares are held by the Group through participation in subsidiaries that are consolidated by the global integration method..
(5) In the year 2014 the perimeter of Gas Natural Fenosa (see Note 9) has been modified by additions, removals, increases and decreases in rates of participation in companies (see the Consolidated Annual Accounts of Gas Natural Fenosa for the year 2014).

APPENDIX II: JOINT OPERATIONS OF THE REPSOL GROUP AT DECEMBER 31, 2015

Name	Share % [(1)]	Operator	Activity
Angola			
Block 22	30.00%	Repsol Angola 22 B.V. (sucursal)	Exploration
Block 35	25.00%	ENI West Africa SPA	Exploration
Block 37	20.00%	ConocoPhillips Angola 37 Ltd	Exploration
Algeria			
Block 405a	35.00%	Pertamina	Production
Boughezoul	51.00%	Repsol Exploración Argelia S.A.	Exploration and Production
Issaouane (TFR)	59.50%	Repsol Exploración Argelia - Sonatrach	Exploration and Production
Reggane	29.25%	Groupement Reggane	Exploration and Production
Sud Est Illizi	52.50%	Repsol Exploración Argelia S.A.	Exploration and Production
TFT	30.00%	Groupement TFT	Exploration and Production
Aruba			
Aruba offshore Block	35.00%	Repsol	Exploration
Australia			
Block WA48	45.00%	BHP BP	Exploration
AC / L5	33.33%	Woodside Energy Ltd	Production
JPDA 06-105 PSC	25.00%	Eni JPDA 06-105 Pty Ltd	Production
WA-18-L	100.00%	Talisman Oil & Gas (Australia) Pty Ltd	Production
Bolivia			
Caipipendi Block	37.50%	Repsol E&P Bolivia S.A.	Exploration, Development and Productio
Charagua Block	30.00%	Repsol E&P Bolivia S.A.	Exploration
Monteagudo Block	30.00%	Repsol E&P Bolivia S.A.	Exploration, Development and Productio
Bulgaria			
Han Asparuh	30.00%	Total	Exploration
Canada			
Canaport LNG Ltd Partnership	75.00%	Repsol Canada Ltd.	LNG regasification
Groundbirch [(2)]	37.59%	Shell	Production
Edson [(2)]	66.67%	Talisman	Production
Edson [(2)]	50.00%	Talisman	Production
Fir [(2)]	25.00%	Delphi	Production
Nunavut [(2)]	75.00%	Shell	Exploration [(3)]
NW Territories [(2)]	25.00%	BP	Exploration [(3)]
NW Territories [(2)]	7.00%	Suncor	Exploration [(3)]
Pine Creek [(2)]	10.42%	Apache	Production
Quebec [(2)]	75.00%	Talisman	Exploration [(3)]
Colombia			
Catleya	50.00%	Ecopetrol S.A.	Abandonment
El Portón	25.00%	Cepsa Colombia S.A.	Exploration
Guajira Off-1	30.00%	Repsol Explroación Colombia, S.A. (Sucursal)	Exploration
Mundo Nuevo	21.00%	Hocol S.A.	Exploration
Niscota	30.00%	Equion Energía, Ltd.	Exploration
Tayrona	20.00%	PETROBRAS	Exploration
CAG -5	50.00%	Meta Petroleum Corp	Exploration
CAG-6	40.00%	Meta Petroleum Corp	Exploration
COL-4	33.34%	Repsol	Exploration
CPE-6	50.00%	Meta Petroleum Corp	Exploration
CPE-8	50.00%	Talisman Colombia Oil & Gas Ltd	Exploration
CPO-9	45.00%	Ecopetrol S.A.	Exploration and Production
CPO-12	30.00%	Meta Petroleum Corp	Exploration
PUT -9	40.00%	Meta Petroleum Corp	Exploration
PUT-30	50.00%	Talisman Colombia Oil & Gas Ltd	Exploration
Cuba			
Block 25-29 and 35*36	40.00%	Repsol Cuba Sucursal	Exploration
Ecuador			
Block 16	35.00%	Repsol Ecuador	Exploration and Production
Block Tivacuno	35.00%	Repsol Ecuador	Exploration and Production
United States			
Alaska	55.00%	Repsol	Exploration
Alaska	25.00%	Armstrong	Exploration
Caton-Elmira [(2)]	49.25%	Swepi/TLM	Production
Chaffee Corners [(2)]	67.03%	Talisman	Production
EagleFord [(2)]	37.00%	Statoil	Production
Black Pearl	25.00%	Marathon	Exploration
Buckskin	12.50%	Chevron	Exploration

Name	Share % [1]	Operator	Activity
Key Largo	40.00%	Marathon	Exploration
Leon	60.00%	Repsol	Exploration
Shenzi	28.00%	BHPBilliton	Development
Iowa	75.00%	Repsol Louisiana Corporation	Exploration
MidContinent	1.45%	American Energy - Woodford	Development
MidContinent	4.46%	Atlas Resource Partners, LP	Development
MidContinent	2.51%	Chaparral Energy, LLC	Development
MidContinent	2.58%	Chesapeake Operating Inc	Development
MidContinent	5.02%	Cisco Operating LLC	Development
MidContinent	0.59%	Comanche Exploration	Development
MidContinent	6.38%	Cummings Oil Company	Development
MidContinent	1.76%	D&J Oil Company Inc	Development
MidContinent	4.04%	Dakota Exploration	Development
MidContinent	0.19%	Devon Energy Production Co	Development
MidContinent	3.05%	Eagle Exploration	Development
MidContinent	5.92%	Empire Petroleum Partners LLC	Development
MidContinent	1.05%	Enervest Operating	Development
MidContinent	6.26%	K3 Oil & Gas	Development
MidContinent	2.31%	Midstates Petroleum Company LLC	Development
MidContinent	3.52%	Petroquest Energy LLC	Development
MidContinent	2.03%	Primex Operation Corp	Development
MidContinent	2.96%	Range Resources Corp	Development
MidContinent	3.22%	Redfork C/O Trey Resources	Development
MidContinent	12.81%	Sandridge Holdings Inc	Development
MidContinent	3.95%	Sk Plymouth Exploration, LLC	Development
MidContinent	0.04%	Triad Energy	Development
MidContinent	0.07%	Wicklund Petroleum Corporation	Development
Tiger	12.50%	Chervron USA Inc.	Exploration
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.	Production
Bezana Bigüenzo	40.00%	Petroleum Oil & Gas España, S.A.	Exploration
Boquerón	61.95%	Repsol Investigaciones Petrolíferas, S.A.	Development
Canarias	50.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Casablanca	67.35%	Repsol Investigaciones Petrolíferas, S.A.	Development
Casablanca Unit	68.67%	Repsol Investigaciones Petrolíferas, S.A.	Development
Chipirón	98.00%	Repsol Investigaciones Petrolíferas, S.A.	Production
Fulmar	84.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Montanazo	75.07%	Repsol Investigaciones Petrolíferas, S.A.	Development
Montanazo Concesión	72.44%	Repsol Investigaciones Petrolíferas, S.A.	Development
Rodaballo	69.42%	Repsol Investigaciones Petrolíferas, S.A.	Development
Rodaballo Concesión	65.00%	Repsol Investigaciones Petrolíferas, S.A.	Development
Siroco	60.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Guyana			
Kanuku	40.00%	Repsol Exploracion Guyana S.A.	Exploration
Indonesia			
Andaman III PSC	100.00%	Talisman Andaman B.V.	Exploration
Corridor PSC	36.00%	ConocoPhillips (Grissik) Ltd.	Production
East Bula PSC	45.00%	Black Gold East Bula LLC	Exploration and Production
East Jabung PSC	51.00%	Talisman East Jabung B.V.	Exploration
Jambi Merang PSC	25.00%	Joint Operating Body Pertamina-Talisman Jambi Merang	Production
Ogan Komering PSC	50.00%	Joint Operating Body Pertamina-Talisman Ogan Komering	Production
PSC Sakakemang	90.00%	Talisman Sakakemang B.V.	Exploration
Seram PSC	45.00%	Black Gold Seram LLC	Exploration and Production
Tangguh LNG Project [4]	3.06%	BP Berau Ltd.	Production
Iran			
Mehr Block	33.00%	OMV Onshore Exploration Gmbh	Exploration
Ireland			
Dunquin FEL	25.00%	Exxon Mobil	Exploration
Liberia			
Block 10	10.00%	Anadarko	Exploration
Block 15	27.50%	Anadarko	Exploration
Libya			
Area 137	50.00%	Suncor	Exploration and Production
EPSA IV NC115 (Capex)	20.00%	Akakus Oil Operations	Exploration and Production
EPSA IV NC115 (Opex)	5.20%	Akakus Oil Operations	Exploration and Production
EPSA IV NC115 Exploration	40.00%	Repsol Exploracion Murzuq. S.A.	Exploration and Production
EPSA IV NC186 (Capex)	16.00%	Akakus Oil Operations	Exploration and Production
EPSA IV NC186 (Opex)	3.84%	Akakus Oil Operations	Exploration and Production
EPSA IV NC186 Exploration	32.00%	Repsol Exploracion Murzuq. S.A.	Exploration and Production
Pack 3	35.00%	GdF	Exploration and Production
Malaysia			
PM3 CAA PSC	41.44%	Talisman Malaysia Ltd	Development and Production
PM 305 PSC	60.00%	Talisman Malaysia Ltd	Production
PM 314 PSC	60.00%	Talisman Malaysia Ltd	Production
SB 309 PSC	70.00%	Talisman Malaysia Ltd	Exploration
SB 310 PSC	70.00%	Talisman Malaysia Ltd	Exploration
SB1 Kinabalu Oil PSC	60.00%	Talisman Malaysia Ltd	Development and Production

Name	Share % [1]	Operator	Activity
Morocco			
Tangier Larrache	48.00%	Repsol Exploración Marruecos	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
Nicaragua			
Isabel	20.00%	Noble Energy Nicaragua Ltd	Exploration
Tyra	20.00%	Noble Energy Nicaragua Ltd	Exploration
Norway			
License 019B	61.00%	Repsol Norge AS	Production
License 019C	15.00%	Repsol Norge AS	Production
License 025	15.00%	Statoil Petroleum AS	Production
License 025B	15.00%	Statoil Petroleum AS	Exploration
License 038	65.00%	Repsol Norge AS	Production
License 038C	70.00%	Repsol Norge AS	Production
License 038D	40.00%	Repsol Norge AS	Production
License 038E	65.00%	Repsol Norge AS	Exploration
License 052	27.00%	Statoil Petroleum AS	Production
License 053B	33.84%	Wintershall Norge AS	Production
License 055	33.84%	Wintershall Norge AS	Production
License 055B	33.84%	Wintershall Norge AS	Production
License 055D	33.84%	Wintershall Norge AS	Production
License 143BS	100.00%	Wintershall Norge AS	Production
License 148	10.00%	Lundin Norway AS	Production
License 185	33.84%	Wintershall Norge AS	Production
License 187	15.00%	Statoil Petroleum AS	Production
License 316	60.00%	Repsol Norge AS	Production
License 316B	60.00%	Repsol Norge AS	Production
License 378	17.50%	Wintershall Norge AS	Production
License 378C	17.50%	Wintershall Norge AS	Production
License 528	6.00%	Centrica Resources (Norge) AS	Exploration
License 528B	6.00%	Centrica Resources (Norge) AS	Exploration
License 531	20.00%	Repsol Norge AS	Exploration
License 541	35.00%	Repsol Norge AS	Exploration
License 557	40.00%	OMV (Norge) AS	Exploration
License 557 B	40.00%	OMV (Norge) AS	Exploration
License 589	30.00%	Wintershall Norge AS	Exploration
License 628	20.00%	Statoil Petroleum AS	Exploration
License 640	100.00%	Repsol Norge AS	Exploration
License 642	40.00%	Repsol Norge AS	Exploration
License 644	20.00%	OMV (Norge) AS	Exploration
License 656	20.00%	Dea E&P Norge AS	Exploration
License 658	50.00%	Dong E&P AS	Exploration
License 672	25.00%	Repsol Norge AS	Exploration
License 692	40.00%	Repsol Norge AS	Exploration
License 704	30.00%	Dea E&P Norge AS	Exploration
License 705	40.00%	Repsol Norge AS	Exploration
License 711	40.00%	Repsol Norge AS	Exploration
License 721	20.00%	Dea E&P Norge AS	Exploration
License 750	40.00%	Tullow Oil Norge AS	Exploration
License 763	40.00%	Repsol Norge AS	Exploration
License 801	50.00%	Repsol Norge AS	Exploration
License 802	40.00%	Repsol Norge AS	Exploration
Papua New Guinea			
License No. 8	22.29%	Oil Search Ltd	Exploration
License No. 10	40.00%	Talisman Niugini Pty Ltd	Development
License No. 21	32.50%	Horizon Oil (Papua) Ltd	Exploration
License No. 28	30.00%	Eaglewood Energy (BVI) Ltd 40%	Exploration
License No. 38	25.00%	Talisman Energy Niugini Ltd	Exploration
License No. 235	60.00%	Foreland Oil Ltd	Exploration
License No. 239	55.00%	Talisman Energy Niugini Ltd	Exploration
License No. 261	30.00%	Foreland Oil Ltd	Exploration
License No. 269	50.00%	Talisman Niugini Pty Ltd	Exploration
License No. 287	50.00%	Talisman Energy Niugini Ltd	Exploration
License No. 426	70.00%	Talisman Energy Niugini Ltd	Exploration
Peru			
Batch 56	10.00%	Pluspetrol Perú Corporation S.A.	Production
Batch 57	53.84%	Repsol Exploración Perú Sucursal del Peru	Exploration, Development and Production
Batch 76	35.00%	Hunt Oil Exploration and Production Company of Perú L.L.C., Sucursal del Perú	Exploration
Batch 88	10.00%	Pluspetrol Perú Corporation S.A.	Exploration and Production
Batch 90	50.50%	Repsol Exploración Perú Sucursal del Peru	Abandonment
Batch 101	70.00%	Talisman Perú B.V., Sucursal del Perú	Abandonment
Batch 103	100.00%	Talisman Perú B.V., Sucursal del Perú	Exploration
Batch 109	70.00%	Repsol Exploración Perú Sucursal del Perú	Abandonment
Batch 134	55.00%	Talisman Perú B.V., Sucursal del Perú	Abandonment
Batch 158	55.00%	Ecopetrol del Perú, S.A.	Abandonment

Name	Share % (1)	Operator	Activity
Portugal			
Ameijoa	34.00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Camarão	34.00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Caranguejo	70.00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Lagosta	90.00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Lagostim	90.00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Mexilhão	34.00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Ostra	34.00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Sapateira	70.00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Iraqi Kurdistan			
Kurdamir Block	40.00%	Talisman (Bloque K44) BV	Development
Piramagrum	50.00%	Repsol Oriente Medio SA (Suc Kurdistán)	Exploration
Qala Dze	50.00%	Repsol Oriente Medio SA (Suc Kurdistán)	Exploration
Topkhana Block	60.00%	Talisman (Bloque K39) BV	Exploration
Romania			
Block 12 Pitesti	49.00%	OMV Petrom	Exploration
Block 13 Targu Jiu	49.00%	OMV Petrom	Exploration
Targoviste Piscuri Deep	49.00%	OMV Petrom	Exploration
6500 Baicoi Deep	49.00%	OMV Petrom	Exploration
Sierra Leone			
SL6	25.00%	Anadarko	Exploration
SL7	25.00%	Anadarko	Exploration
Trinidad and Tobago			
Block TSP	70.00%	Repsol E&P T&T, Ltd	Exploration and Production
Block 5B	30.00%	Amoco Trinidad Gas, B.V.	Exploration
Block 23 B	40.00%	BHP Billiton Petroleum	Exploration
Venezuela			
Placer Yucal	15.00%	Ypergas, S.A.	Exploration and Production
Vietnam			
Block 05-2 / 10 PSC	40.00%	Talisman Vietnam 05-2/10 B.V.	Exploration
Block 07/03 PSC	55.00%	Talisman Vietnam 07/03 B.V.	Development
Block 133-134 BCC	49.00%	Talisman (Vietnam 133-134) Ltd.	Exploration
Block 135-136 PSC	40.00%	Talisman Vietnam 135-136 B.V.	Exploration
Block PSC 146-147	80.00%	Talisman Vietnam 146-147 B.V.	Exploration
Block 15 / 1.2 PC	60.00%	Thang Long Joint Operating Company (TLJOC)	Production
Block 46 PSC CN	33.15%	Talisman Vietnam Ltd	Production
Bloque 156-159 PSC	100.00%	Vung May 156-159, B.V.	Exploration

Joint operations corresponding to the joint venture Repsol Sinopec Brasil, S.A. (see Note 8) are as follows:

Brazil			
Albacora Leste	10.00%	Petrobras	Production
BMC-33 (539)	35.00%	Repsol Sinopec Brasil, S.A.	Exploration
BMES-21	10.00%	Petrobras	Exploration
BMS-50 (623)	20.00%	Petrobras	Exploration
BMS-51 (619)	20.00%	Petrobras	Exploration
BMS-7	37.00%	Petrobras	Abandonment
BMS-9	25.00%	Petrobras	Exploration
Cabiunas	15.00%	Petrobras	Gas

(1) These represent having the company or companies owning the assets in the operation.
(2) The rights on the acreage in Canada and the United States are articulated on a number of joint operating agreements (JOA or "Joint Operation Agreements").
The table presents those significant agreements in which Repsol participates in more than 2,000 net hectares.
(3) The operations corresponding acreage to these areas have been suspended due to ongoing government restrictions or by the remote location for assets.
Currently there are no obligations to work on these lands.
(4) Talisman holds a 42.4% stake in Wiriagar, one of the three production sharing contracts (PSC) of the Tangguh Porject. Talisman holds 3.06% of Tangguh LNG project.

APPENDIX II: JOINT OPERATIONS OF THE REPSOL GROUP AT DECEMBER 31, 2014

Name	Share % (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	Share % (1)	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 Kurdistán)	Exploration
Qala Dze	50.00%	Repsol Oriente Medio SA (Suc Kurdistán)	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

Name	Share % (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 Rurhgas	Exploration
Licence PL658	50.00%	Dong	Exploration
Licence PL692	40.00%	Repsol Exploration Norge	Exploration
Licence PL704	30.00%	E.ON Rurhgas	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 III: RECONCILIATION FIGURES (IFRS-EU) AND REPORTING MODEL

The reconciliation between adjusted net income and net income IFRS-EU on December 31, 2015 and 2014 as follows.

	Net income 2015 and 2014											
			ADJUSTMENTS									
	Adjusted Net income		Reclass. Joint Ventures		Non recurrent income		Inventory effect		Total adjustment		Total Net Income IFRS-EU	
€ Million	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Operating Income	1.806	2.421	434	(733)	(3.984)	(663)	(696)	(947)	(4.246)	(2.343)	(2.440)	78
Financial Result	233	(273)	44	(50)	173	475	-	-	217	425	450	152
Share of results of companies accounted for using the equity method after of tax	469	467	(563)	376	-	49	-	-	(563)	425	(94)	892
Net Income before tax	**2.508**	**2.615**	**(85)**	**(407)**	**(3.811)**	**(139)**	**(696)**	**(947)**	**(4.592)**	**(1.493)**	**(2.084)**	**1.122**
Income tax	(562)	(886)	85	407	1.182	52	194	281	1.461	740	899	(146)
Net income from continuing operations	**1.946**	**1.729**	**-**	**-**	**(2.629)**	**(87)**	**(502)**	**(666)**	**(3.131)**	**(753)**	**(1.185)**	**976**
Net income from continuing operations attributable to minority interests	(86)	(22)	-	-	1	1	43	60	44	61	(42)	39
Net income from continuing operations attributable to the parent	**1.860**	**1.707**	**-**	**-**	**(2.628)**	**(86)**	**(459)**	**(606)**	**(3.087)**	**(692)**	**(1.227)**	**1.015**
Income from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	597
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT	**1.860**	**1.707**	**-**	**-**	**(2.628)**	**(86)**	**(459)**	**(606)**	**(3.087)**	**(692)**	**(1.227)**	**1.612**

Reconciliation of other numbers presented in Note 5.3 and 5.4 with those IFRS-EU at December 31 2015 and 2014, are presented below:

Balance sheet figures

	€ Million					
	Non-current Assets		**Net operating investments[2]**		**Investments accounted for using the equity method**	
Segment	2015	2014	2015	2014	2015	2014
Adjusted quantities [1]	**44,485**	**28,983**	**11,860**	**3,425**	**5,322**	**4,873**
Upstream	(6,695)	(5,128)	(1,252)	(1,081)	5,129	6,150
Downstream	(24)	(156)	(13)	(12)	1,307	80
Corporation	(3)	(9)	-	-	-	7
QUANTITIES IFRS-EU	**37,763**	**23,690**	**10,595**	**2,332**	**11,758**	**11,110**

(1) Figures compiled in keeping with the Group reporting model described in Note 5 "*Segment reporting*".
(2) Includes investments accrued during the period net of disposals but does not include net investments in "*Other financial assets*".

Income Statement figures

	€ Million									
	Net amount of sales (2)		**Depreciation charge of fixed assets**		**Income / (expense) for the impairment of assets**		**Share of results of entities accounted for using the equity method**		**Income tax**	
Segment	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Adjusted quantities[1]	**41,460**	**47,660**	**(3,653)**	**(2,326)**	**(4,153)**	**(637)**	**469**	**516**	**814**	**(553)**
Upstream	(1,629)	(1,748)	659	522	384	-	(566)	377	84	406
Downstream	(92)	(68)	6	7	29	-	3	2	1	1
Corporation	(2)	(2)	-	1	-	-	-	(3)	-	-
QUANTITIES IFRS-EU	**39,737**	**45,842**	**(2,988)**	**(1,796)**	**(3,740)**	**(637)**	**(94)**	**892**	**899**	**(146)**

(1) Figures compiled in keeping with the Group reporting model described in Note 5 "*Segment reporting*".
(2) The IFRS-EU revenue figure corresponds to the sum of the "*Sales*" and "*Services rendered and other income*" headings on the consolidated income statement. The breakdown by segment is as follows:

The table below provides additional disclosures on the revenue breakdown by segment:

	€ Million					
	Operating revenue from customers		**Operating revenue inter segments**		**Total operating revenue**	
Segments	2015	2014	2015	2014	2015	2014
Upstream	3.683	2.950	1.098	1.332	4.781	4.282
Downstream	37.751	44.685	12	36	37.763	44.721
Corporation	25	25	96	6	121	31
(-) Inter-segment adjustments and eliminations of operating income	1	-	(1.206)	(1.374)	(1.205)	(1.374)
TOTAL	**41.460**	**47.660**	**-**	**-**	**41.460**	**47.660**

APPENDIX IV: REGULATORY FRAMEWORK

The activities of Repsol, S.A. and its subsidiaries are subject to extensive regulation, whose key aspects are described below.

Spain

Basic legislation

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.

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 (GGE) 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 – "Boletin 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.

Controlling concentration regime in the energy sector

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 3/2013 repeals this duty and assigns it to the Ministry of Industry Energy and Tourism (hereinafter, Minetur). The 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 extends to both active transactions, in which the active subject of the transaction (the acquiror) 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 passive transactions, 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 concepts of 'principal operators' and 'dominant operators' are significant. Under Royal Decree-Law 5/2005,of March 11, the CNE - currently the CNMC - is obliged to publish not only the list of principal operators but also the dominant operators in each energy market or sector.

Dominant operators are defined as those commanding a share of more than 10% of the corresponding benchmark market. On the other hand, a principal operator 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.

Oil and gas exploration and production

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.

Exploration 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.

Spanish Law 8/2015, amending the Hydrocarbon Sector Act Law 34/1998 of October 7, 1998, took effect on May 21, 2015. It regulates certain tax and non-tax measures related to oil and gas exploration, research and operation activities. It fosters non-conventional extraction, or 'fracking', creating an incentive regime for regional and local governments that pursue such activities, as well as creating a scheme for land owners to share in the profits derived from the related extraction activity.

The said Law 8/2015 introduces the following tax and non-tax measures:

- It creates a new tax to be levied on the value of the extraction of gas, oil and condensates, applicable from January 1, 2016, at a rate varying between 1% and 8% of annual production values.
- It introduces two tariffs in addition to the current surface royalty, applicable from May 23, 2015: the so-called third tariff, to be levied on exploratory drilling, and the fourth tariff, to be levied on seismic purchases.
- From 2016 , it also establishes the obligation to pay the owners of the underlying land, specifically requiring the holders of oil and gas field operating concessions granted subsequent to May 23, 2015 to pay the land owners an annual fee equivalent to 1% of the value of the oil and gas extracted.

Business activity regime

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 Law 34/1998; 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.

Oil products

In addition, 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.

Additionally, Law 11/2013 establishes several limits on growth in the number of fuel supply facilities of wholesalers with provincial markets shares of over 30%. Law 8/2015 stipulates that from 2016 on, provincial market shares shall no longer be measured in terms of points of sale but rather based on prior-year sales figures.

This last legislative provision entitles the government to revise this percentage threshold in three years' time or even remove the restriction altogether, market trends and the sector's business structure so permitting.

Finally, Law 8/2015 allows owners of oil and gas product retailers that do not belong to the distribution network of a wholesale operator (private label networks operating without exclusive supply agreements) to inform consumers of the origin of the fuel they sell by advertising the wholesaler from which they purchase the said fuel (article 43.5). Furthermore, as from effectiveness of this law, oil and gas product retailers may supply products to other retailers, subject only to the requirement of first registering themselves in the special duty registry (article 43.1).

LPG

The prices of oil derivatives are deregulated, with the exception of LPG, which is, under certain circumstances, subject to retail price ceilings. 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, subsequently, Law 18/2014 of October 15 have had the effect of also deregulating the prices of containers with capacity of under 8 kilograms or over 20 kilograms with a tare weight of no more than 9 kilograms other than containers of LPG mixes intended for use for fuel purposes; this measure favors certain players over others as a function of the tare weight of the containers they market and, in practice, does not constitute full sector deregulation.

Ministerial Order IET/389/2015 of March 5, 2015 updates the system for automatically determining the maximum price at which bottled LPG can be retailed and for determining the price of piped LPG, adjusting the formulae used to calculate raw material costs in order to, as per the wording of the Order, adapt them "to the supply reality in the Spanish market in recent years". Adaptation of these raw material cost calculation formulae does not, however, apply to sales costs, thereby resulting in a reduction in maximum bottled LPG retail prices and piped LPG retail prices.

Additionally, Royal Decree-Law 8/2014 and, subsequently, Law 18/2014 consolidate 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. Failure to fulfil this obligation constitutes a very serious offence. 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. Every 5 years, the Spanish government is entitled to revise the terms of this obligation 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 Canary Islands and Atlas in Ceuta and Melilla.

Regarding LPG bulk:

- Retailers of bulk, non-piped LPG are obliged to service all consumers by request in the province in which the retailer is currently operating.
- Retailers of bulk, piped LPG are obliged to service all supply requests within the corresponding area of their respective networks.

Law 8/2015 conveys upon users the obligation to inspect LPG recipient facilities (article 74.1 p), however, it also makes the distributors subsidiary responsible for this obligation if they determine that such inspection has not been performed by a qualified company. It obliges LPG wholesalers and bulk LPG retailers to take out civil liability insurance, and keep such policies current, or arrange other financial guarantees in sufficient amount to cover the risks arising from their business activities.

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: 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 from 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.

The Natural Gas System Operator, Enagás S.A. 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%.

Law 8/2015 creates an official natural gas hub with a view to facilitating entry into the market of new suppliers, creating a new single hub operator, tasked with management of the hub.

Royal Decree 984/2015 of October 30, enacts the rules governing the functioning of the above-mentioned hub. The gas hub will be operated by MIBGAS, S.A. (MIBGAS stands for Iberian Gas Market in Spanish), a company tasked with ensuring that all participating entities comply with the established rules. The various agents may trade in standard natural gas products using electronic platforms managed by the hub operator and/or third parties.

In order to facilitate the hub's operations, the terms on which gas facilities trade capacity have been modified. In addition, the new legislation creates a single platform for trading capacity which is managed by the gas system's technical system operator (Enagas), a development that will enable capacity trading in real time.

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 above mentioned 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 implements 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 Law 24/2013, of December 26,which took effect on December 28, 2013.

Generation and supply activities continue to be deregulated, developed by competitive businesses, while transmission, distribution and the system's technical and financial management remain as regulated activities, characterized by an access that requires administrative authorization, activities normatively set their remuneration and are subject to specific obligations. Power supply, for its part, is classified as a service of general economic interest.

Regarding power generation, Law 24/2013 eliminates the distinction between 'ordinary' and 'special' regime generation. All electricity production facilities are now regulated as a whole, with certain idiosyncratic provisions for renewable facilities.

Royal Decree 413/2014 regulates the legal and economic regime governing the production of electric power using renewable sources, combined heat and power systems and waste and affects the Repsol Group's facilities, formerly part of the now-defunct 'special' regime and now assimilated into the ordinary regime. This regime is based on these facilities' necessary participation in the market, topping up market-derived 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.

Ministerial Order IET/1045/2014 of June 16, meanwhile, enacts the standard facility remuneration parameters applicable to certain electricity-producing facilities that use renewable energy sources, CHP systems or waste.

Lastly, note the recent passage of Royal Decree 900/2015, of October 9, regulating the administrative, technical and financial conditions governing the permitted forms of electricity distribution and generation with self-consumption.

This legislation stipulates that parties who produce and consume their own energy without being connected up to the grid (isolated facilities) do not have to bear any electricity system costs; however, self-consumers that are connected up to the grid, by virtue of being guaranteed supply at any given time, even when the energy self-generated is not sufficient, do have to contribute to general system costs, albeit without having to pay for the energy they self-generate or associated taxes or system losses.

Contributions to the national energy efficiency fund

Article 7 of Directive 2012/27/EU of the European Parliament and of the Council of October 25, 2012 on energy efficiency makes it binding on member states to justify a quantity of energy savings by 2020, obliging each state to establish energy efficiency obligation schemes such that energy distributors and/or retailers are obliged to achieve a cumulative quantity of energy savings by year-end 2020 means of annual savings between 2014 and 2020 equivalent to 1.5% of their annual energy sales.

Royal Decree-Law 8/2014 and Law 18/2014 transpose this EU Directive into Spanish law by establishing a national energy efficiency fund by virtue of which gas and electricity retailers, oil product wholesalers and liquid petroleum gas wholesalers (although the latter are not considered bound parties under the Directive) are allocated an annual energy saving target at the national level called saving obligations, which is quantified in financial terms.

The creation of a national fund, which in Spain has been formulated as an alternative to a system of national energy efficiency incentives, is contemplated in Directive 2012/27/EU merely as a supporting or complementary measure.

On February 24, 2015 Ministerial Order IET/289/2015 published in the Official State Journal on February

20, 2015, stipulates the National Energy Efficiency Fund contribution obligations for 2015; this Order has been appealed, as have the collection assessments relating to 2014 and 2015, by several of the companies affected by the obligation to contribute to the aforementioned National Fund.

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%.

Additionally, Law No. 767 was passed on December 11, 2015 to promote investment in oil and gas exploration and production in Bolivia, to which end it establishes several incentives for: i) the production of crude oil; ii) the production of associated natural gas deriving from exploration in new condensate fields or reservoirs (these two incentives being calculated as a function of production levels and international oil prices, distinguishing in turn between traditional regions, those for which there is geological information and production of commercially-viable hydrocarbons and which are entitled to lower incentives, and non-traditional regions); iii) additional production of associated natural gas from condensate fields in operation tied to reserve and investment levels; and iv) gas fields with dry gas reservoirs or marginal and/or small fields, for which the incentive consists of priority allocation to natural gas export markets.

Note that the manner in which these incentives will be applied, determined and paid is still subject to enacting regulations in the form of a Supreme Decree.

Law No. 767 also has the effect of modifying article 42 of Law No. 3058, stipulating that, in respect of fields in areas subject to Operating Contracts still in production at the end of the contract term, YPFB can either operate these fields directly or via a services provision agreement with the contract Holder by means of a single contract addendum, the term of which can be until the certified proven reserves are exploited within the term of the main contract, negotiating to this end the new technical and financial conditions with YPFB.

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.

Addiotionally, on May 8, 2009 The Natural Gas Delivery Agreements and the Liquid Hydrocarbon Delivery Agreements establishing the terms and conditions governing the delivery of hydrocarbons by the Holder were executed at which time the Payment Procedures stipulating the Holder Remuneration payment mechanism were also executed. The Caipipendi Natural Gas Delivery Agreement was amended on March 26, 2010 with the aim of adding volumes for export to ENARSA Argentina and again on November 28, 2014 in order to additional natural gas natural volumes for dispatch from the Margarita and Huacaya fields to the Brazilian and Argentine export markets, enabling implementation of Phase III of the Caipipendi Area with the corresponding increase in production.

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 agreements shall be adjudicated via specific tenders and establishes minimum requirements for the tender rules;
- It establishes the minimum terms and conditions for concession agreements for oil and gas exploration, development and production;
- It creates the following levies payable by the concession holders: (i) upfront payments (paid upon execution of the agreement); (ii) royalties (monthly payments of between 5% and 10% of oil and/or natural gas production, depending on the terms of the tender); (iii) a special levy (payable in instances of high-volume production); (iv) an area occupancy or retention payment.

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 concessionaries 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.

The main 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.

In 2010, the production allocation regime was introduced for pre-salt areas for which concessions have not yet been awarded and areas of strategic potential, to be defined by the executive branch under Brazilian Law No. 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 its 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.

Canada

In the western Canadian provinces of British Columbia, Alberta and Saskatchewan where the majority of the Company's upstream exploration and production interests in Canada lie, the respective provincial governments own the majority of the subsurface mineral rights to crude oil and natural gas. Generally these provincial governments grant rights to explore for and produce oil and natural gas from provincial "Crown lands" pursuant to leases, licences and permits for varying terms and on conditions set forth in provincial legislation and regulations, including requirements to perform specific work or make payments. In addition to Crown lands, the Company holds interests in leases obtained from freehold mineral owners through direct negotiation.

Companies operating in the Canadian oil and natural gas industry are subject to extensive regulation and control of operations (including land tenure, exploration, development, production, refining, upgrading, transportation and marketing and environmental matters) taxation as a result of legislation and policy enacted at both the federal level by the government of Canada and by the various provincial governments. Oversight of such operations are undertaking by provincial regulatory bodies that include the British Columbia Oil and Gas Commission, the Alberta Energy Regulator, the Saskatchewan Ministry of Economy and the Saskatchewan Ministry of the Environment as well as federal regulatory bodies such as the Canadian Environmental Assessment Agency and the National Energy Board of Canada.

Each province has legislation and regulations that govern royalties in relation to provincial Crown lands as well as production rates and other matters. Royalties from production on Crown lands are determined by governmental regulation and are generally calculated as a percentage of the value of gross production. The rate of such royalties generally depends in part on prescribed reference prices, well productivity, geographical location, field discovery date, method of recovery and the type or quality of the petroleum product produced. Occasionally, the governments of the western Canadian provinces create incentive programs for exploration and development. Such programs can provide for royalty rate reductions, royalty holidays or royalty tax credits. Royalties payable on production from freehold lands are determined by negotiation between the mineral freehold owner and the lessee, although production from such lands is subject to certain provincial taxes.

The conduct of oil and gas exploration and production operations in Canada is highly regulated and subject to significant control by provincial and federal regulatory bodies. Regulatory approval is required for various activities, including the drilling of oil and natural gas wells, construction and operation of pipelines and facilities as well as the storage, injection and disposal of associated substances. In order to conduct oil and gas operations and remain in good standing with the applicable regulators, companies must comply with applicable legislation, regulations, orders, directives and other directions (all of which are subject to governmental oversight, review and revision, from time to time). Non-compliance with such legislation, regulations, orders, directives or other directions can result in fines or other sanctions.

In addition to legislation and regulations relating to operational matters associated with exploration and production, the Canadian oil and natural gas industry is also subject to a variety of provincial and federal legislation in relation to environmental matters, all of which are also subject to governmental review and revision from time to time. Such legislation provides for restrictions and prohibitions on the release or emitting of various substances produced in association with certain oil and gas industry operations, such as sulphur dioxide and nitrous oxide, as well as conditions or prohibitions in operating in certain environmentally sensitive areas. In addition, such legislation sets out the requirements for the satisfactory abandonment and reclamation of well and facility sites. Non-compliance with such legislation can result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage, and the imposition of material fines and penalties.

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, 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 and 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 is considered a mining activity, 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 BOEM is the body responsible for fully reviewing the environmental impact of a given project (whether exploration or development works) under the National Environmental Policy Act (NEPA).

Talisman Energy USA Inc.'s operations in Texas and Pennsylvania are subject to these states' laws. In Texas, the main exploration and production regulatory bodies are the Railroad Commission of Texas (RRC) and the Texas Commission on Environmental Quality (TCEQ), while the main Pennsylvanian authority in this arena is the Pennsylvania Department of Environmental Protection (DEP).

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. This approval is granted by the “Office of Fossil Energy” of the “Department of Energy” (DoE), and it must be obtained by any party looking to market, exchange or use natural gas from overseas.

Trading of crude oil and refined products

A number of US regulatory bodies are empowered to regulate the oil and refined products trading market. The Federal Trade Commission (FTC) has the power to regulate crude trading activities. The Environmental Protection Agency (EPA) supervises the sector from an environmental standpoint and specifically regulates refined products marketed to private consumers such as gasoline and diesel. Trading of financial derivatives is regulated and supervised by the Commodities Futures Trading Commission (CFTC).

On December 18, 2015, the Consolidated Appropriation Act, 2016 was passed (Public law no. 114-113). This piece of legislation repeals section 103 of the Energy Policy and Conservation Act (EPCA), thereby eliminating the ban on exporting crude oil produced in the US. As a result of this legislative development, the executive branch is banned from enforcing regulations implementing the crude oil export ban. However, the legislation preserves the President's power to restrict oil exports in response to a national emergency, enforce trade sanctions and remedy oil supply scarcity or price distortion sustained oil prices significantly above world market levels.

The repeal of this ban gives US-based oil producers increased access to international markets; it is believed that this development could have a major impact on both the US and global economies.

Indonesia

Under Indonesia's 1945 Constitution, all natural resources (including oil and gas) within Indonesian territory are owned and controlled by the State. The regulation of oil and natural gas in Indonesia is based on Law No. 22 of 2001 ("Law No. 22"), which sets out broad principles for the regulation of the industry. A number of implementing regulations promulgated under Law No. 22, as well as ministerial regulations and decrees, give effect to these principles.

Law No. 22 restructured and liberalised the State's control over the oil and gas industry. Under Law No. 22 regulatory role was assigned to two separate government agencies:

(a) BPMIGAS (Badan Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi). However, on 13 November 2012, BPMIGAS was declared unconstitutional by the Indonesian Constitutional Court and its roles and functions were assigned to the Government. The President assigned those roles and functions to The Ministry of Energy and Mineral Resources under Presidential Regulation 95/2012. Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi ("**SKK Migas**") was established under Presidential Regulation 9/2013 and it now performs the same roles and functions as BPMIGAS; and

(b) BPHMIGAS (Badan Pengatur Hilir Minyak dan Gas Bumi)

Following the restructuring of the industry under Law No. 22, BPMIGAS and subsequently SKK Migas succeeded Perusahaan Pertambangan Minyak dan Gas Bumi Negara ("**PERTAMINA**") as the upstream supervisory party to PSCs but did not assume PERTAMINA'S role as a Producer/Contractor.

The Ministry of Energy and Mineral Resources ("**MEMR**") is responsible for approving the first Plan of Development ("**POD**") under production sharing contracts ("**PSCs**") and overseeing the State's ownership and management of oil and gas resources. With assistance from MIGAS, the MEMR formulates government policy, determines the blocks to be opened for bidding, is responsible for approval of transfers by contractors of their participating interest (in consultation with SKK Migas) and issues the licenses required for the conduct of downstream oil and gas business activities, such as the production of LNG using downstream structure.

The Directorate General of Oil and Gas ("**MIGAS**") assists the MEMR in formulating government policy and determining working areas for tender. It also supervises the implementation of upstream and downstream business activities through SKK Migas and BPHMIGAS.

SKK Migas is the Upstream supervisory and implementing body, being the successor body to BPMIGAS as outlined above. As the Upstream supervisor, SKK Migas assists the MEMR in relation to tender preparation, award of PSCs and approval of the first **POD**. SKK Migas also enters into and supervises PSCs. Its key supervisory roles include approval of annual WP&Bs and subsequent PODs, monitoring and reporting on the implementation of PSCs to the MEMR, appointing sellers of the State's share of production (SKK Migas may collect the Government's share of gas but must appoint another party to sell the gas) and managing the assets used by the contractors in the implementation of the upstream oil and gas business activities.

The Ministry of Finance ("**MoF**") is responsible for providing instructions concerning the basis of the Government's share derived from the exploitation of LNG and subordinated by Directorate General of Tax and Directorate General of Customs and Excise, determining the taxes, duties and excise due to activity of LNG development, deciding issues related to government guarantees and formulating, determining and implementing policies on State Owned Assets.

Pursuant to Law No. 22, companies wishing to explore for and exploit oil and gas reserves must do so through a Cooperation Contract with SKK MIGAS. The form of Cooperation Contract typically entered into in respect of upstream activities in Indonesia is a Production Sharing Contract ("**PSC**").

Under a PSC the Government of Indonesia ("**GOI**") retains ownership of the oil and gas (prior to delivery) and the contractor bears all the risk and costs of exploration, development and production in return for an agreed percentage share of oil and/or gas production and recovery of eligible operating costs from production.

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.

In addition, the Constitution stipulates that the country's natural resources are the property of the state and that the terms and conditions of access to and use of these resources by private parties must be regulated by means of organic laws.

Natural and legal persons, whether Peruvian or foreign, who pursue oil and gas activities must expressly subject themselves to the laws of the Republic of Peru, renouncing the right to any diplomatic recourse. Accordingly, any discrepancies arising in respect of execution, compliance and, in general, any matters related to legislated oil and gas activities may be submitted to the Judiciary Power or the national or international courts of arbitration.

The most important authorities with competence over Peruvian oil and gas matters are: the Ministry of Energy and Mining (MINEM for its acronym in Spanish), which is tasked with drafting, passing, proposing and applying sector policy and issuing complementary rules to keep sector regulations updated; the latter Ministry's Oil & Gas Department (DGH), which oversees application of and compliance with sector regulations; the Energy & Mining Investment Oversight Body (OSINERGMIN), tasked with oversight of the natural and legal persons carrying out activities related to the electricity and hydrocarbon sub-sectors and the imposition of penalties for any breaches of the legal and technical obligations issued by the MINEM and PERUPETRO.

The Environmental Assessment and Taxation Body (OEFA) is the technical institution specialized in ensuring compliance with the standards, obligations and incentives laid down in prevailing environmental regulations.

Exploration and Production

The Organic Law of Hydrocarbons (OLH), regulates this natural resource. To provide legal assurance to investors, it states that contracts under its framework 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 (MINEM).

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 Service 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/or 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 sale of products derived from oil and gas is governed by supply and demand. However, under Emergency Decree No. 010-2004, the Peruvian government created the Oil-Derived Fuel Price Stabilization Fund (the "Fund"), an intangible fund designed to prevent high oil price volatility from affecting domestic market. The Fund's equity comprises 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.

However, Emergency Decree No. 01-2015, amended by Law No. 30334 - legislation establishing measures designed to invigorate the economy in 2015 - subsequently stipulated that the Price Band would not be updated (until December 2016) when the IPP increases, but rather only when it decreases, thereby automatically increasing the amount owed by the Fund to the producers. Supreme Decree No. 154-2015-EF enacted a supplementary credit for the purpose of financing the Fund and schedules the injection of new funds for Fund financing purposes on a quarterly basis through June 2016, if warranted.

Elsewhere, article 43 of the Regulation governing the Sale of Liquid Fuels and Other Oil & Gas Derivatives in Peru (enacted by means of Supreme Decree No. 045-2001-EM) obliges producers and wholesale distributors with proprietary or leased storage capacity to maintain, at each storage facility, a minimum average monthly inventory buffer for each class of fuel stored equivalent to 15 consecutive days' supply, based on average dispatches during the six months prior to the buffer calculation, and a minimum daily buffer equivalent to five consecutive days' supplies based on individual facility averages. Article 8 of the Regulation governing the Sale of Liquid Petroleum Gas (enacted by Supreme Decree No. 01-94-EM), as subsequently amended (by means of Supreme Decree No. 045-2010-EM and Supreme Decree No. 015-2015-EM), similarly obliges average buffers equivalent to 15 days' supply and a minimum buffer of 5 days' supply, again based on average dispatches during the prior 6 month period.

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 most 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.

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. (PEDEVESA), 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.

On March 15, 2015 the Legislation authorizing the President of Venezuela took effect to issue presidential decrees with the rank and force of law in matters delegated in him in order to guarantee protection of sovereign rights, the Venezuelan people and the Republic's constitutional order. The head of state is accordingly entitled to legislate on matters of national security and defense as well as commercial, socio-economic, financial, energy and industrial matters and on certain penalty regimes from the administrative, civil and even criminal liability standpoint. This delegation of powers will be in force from the date of its publication in the Official Journal until December 31, 2015.

On January 14, 2016, Extraordinary Official Journal of the Bolivarian Republic of Venezuela No. 6,214 published Decree No. 2,184, declaring a state of economic emergency throughout the entire territory of the Republic. The purpose of this decree was to empower the Executive Branch to adopt the measures it deemed opportune to address the exceptional, extraordinary and circumstantial situation facing the Venezuelan economy. The decree was to be in force for 60 days, starting from its date of publication in the Official Journal, with scope for extension for a period of similar length.

On January 22, 2016, the National Assembly, duly empowered, agreed to revoke Decree No. 2,184 declaring a nationwide state of economic emergency. Pursuant to the terms of article 33 of the Organic Law on States of Emergency, if the National Assembly revokes a decree, the decree is then repealed with immediate effect, losing all legal force, and cannot be enforced by any authority. The aforementioned article 33 also rules that in the wake of revocation by the National Assembly, the Constitutional Chamber no longer has matters to rule on.

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.

CONSOLIDATED MANAGEMENT REPORT
For the financial year 2015

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.

APPENDIX

1. MAIN EVENTS DURING THE PERIOD

The year 2015 has signaled the beginning of the deep transformation process of Repsol[1], driven by significant corporate events and taking place in an economic environment marked by volatile markets and the drop in crude oil and gas prices.

Among the events transforming its corporate identity remark: the acquisition of the Canadian oil company Talisman Energy Inc.[2], converting Repsol into one of the leading private oil and gas companies worldwide, the approval of a new organizational structure in which the Chief Executive Officer (CEO) has assumed all the executive functions and the announcement of its new Strategic Plan 2016-2020, whose key strategic lines are value-creation and resilience even in an environment of low oil and gas prices.

Otherwise, results for the year reveal the advantages of Repsol's integrated model as in a demanding environment in which Group activities have taken place. Thus, positive results obtained in the ordinary course of business (Adjusted Net Income €1,860 million), shows *Downstream*[3] strength while the negative Net Income (€-1,227 million) is explained, mainly by impairments registered (€-2,957 million) as a consequence of the impact of current environment of low prices in *Upstream*[4] assets appraisal.

Hereafter, these events are developed:

ACQUISITION OF TALISMAN ENERGY

On May 8, 2015, Repsol completed the acquisition of Talisman. The investment amounted to €8,005 million, which was financed using Repsol's liquidity, mainly arising from the collection of the compensation from the YPF expropriation and from the sale of the shares not expropriated. After the acquisition, which represented the inclusion of Talisman's debt (€3,994 million at the acquisition date), the Group's credit rating remains unchanged (see section 4.2 Financial Overview).

Talisman is a Canadian company based in Alberta (Canada), incorporated under the Canada Business Corporation Act, and whose shares were listed on the Toronto and New York 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 majority of its activity on two areas: North America (United States, Canada, and Colombia) and Asia-Pacific (Australia, Timor Leste, Indonesia, Malaysia, Papua New Guinea, and Vietnam). Additionally, Talisman has activity in the United Kingdom, Norway, Algeria, and Kurdistan.

The acquisition of Talisman was a transformational transaction in terms of growth, (virtually doubles the *Upstream* segment in terms of production, operated assets, employees and capital employed), but also by the diversification contributed to the composition and the risk profile portfolio and for the incorporation of talent, knowledge and new skills (the complementary nature of Repsol's technical capabilities and those of Talisman improve the potential of the whole company).

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[1] From hereon after, the names "Repsol," "Repsol Group," or "the Company" will be indistinctly used to refer to the group of companies comprising Repsol, S.A., and its subsidiaries, associates, and joint agreements (see Note 1 of the consolidated financial statements).
[2] Hereinafter "Talisman", that on January 1, 2016 has changed its name to Repsol Oil & Gas Canada Inc, see Note 32 "*Subsequent events*" of the consolidated financial statements for the year 2015.
[3] *Downstream* businesses include mainly the activities of Refining, Chemicals, Gas & Power, Trading, Marketing and LPG. See section 2.1 of "Business Model" of this report.
[4] *Upstream* businesses include the activities of Exploration, Development and Production of hydrocarbons. See section 2.1 "Business model" in this report.

For further information regarding the impact of the inclusion of Talisman in the consolidated financial statements of the Group, see section 4.1) in consolidated financial statements at corresponding to year 2015 and the section 4.1 in this Management Report.

NEW ORGANIZATIONAL STRUCTURE

In May, the Company approved its new organizational structure in which the Chief Executive Officer (CEO), Josu Jon Imaz San Miguel, assumed all the executive functions, and he became president of three new top management bodies with full responsibility in their respective areas (Corporate Executive Committee, Exploration and Production Executive Committee and *Downstream* Executive Committee).

The new structure is aligned with best international practices in corporate governance matters, and adapts to the Company's new dimension as a result of the Talisman acquisition as well as the different characteristics of its businesses. This current demanding environment requires boosting our capacity for managing the business in order to increase its efficiency and value creation.

For further information, see section 2.2 in this report.

STRATEGIC PLAN 2016-2020

On October 15, 2015 Repsol publicly presented its strategic plan for the period 2016-2020 ("*Strategic Plan*"). Even in an environment of low prices in crude oil and gas, the Strategic Plan's main purpose is the value creation and increasing resilience, defined as the union of strength and the capacity for adapting to an increasingly changing and complex environment. Meeting these objectives shall be implemented through the efficiency and assets portfolio management.

Key Strategic lines were summarised as follows:

For more information, see section 2.3 of this report.

RESULTS FOR THE PERIOD

€ Million	2015	2014	Variation
Upstream	(909)	589	(1,498)
Downstream	2,150	1,012	1,138
Gas Natural Fenosa	453	441	12
Corporation	166	(335)	501
Adjusted Net Income	**1,860**	**1,707**	**153**
Inventory effect[1]	(459)	(606)	147
Non-recurring income	(2,628)	(86)	(2,542)
Income from discontinued operations	-	597	(597)
Net Income	**(1,227)**	**1,612**	**(2,839)**

Adjusted Net Income amounted to €1,860 million in 2015, 9% higher than in 2014. The notable increase in *Downstream* results, thanks to the strengths of the margins in industrial business and higher sales, improvements in efficiency and a better international environment, as well as better results in *Corporation* as a consequence of the impact of the strong dollar on this currency positions, offset the decrease in *Upstream* results, mainly affected by lower prices.

In *Upstream* results, it has to be highlighted the negative impact due to the reduction in crude oil and gas realization prices (43% and 27%, respectively), partly mitigated by the significant increase in production (that in December reached 711 kboe/d, 95% higher than in the same month of 2014 due to the inclusion of Talisman from May 8, the new wells in Sapinhoá, Brazil, and the start of production at Cardon IV, Venezuela) as well as the improvements in operational efficiency.

In *Downstream*, the result has improved by 113% with respect to the previous year as a consequence of the improved margins and increase in sales volume of Refining and Chemicals industrial businesses, which offset the lower results in the LPG and Gas *& Power* business in North America. These results continue to reflect the quality of the Group's assets making it possible for Repsol to continue at the head of European competitors in terms of margins of industrial and marketing businesses.

Gas Natural Fenosa's results increased by 3% mainly due to the impact of contribution of the Chilean company "*Compañía General de Electricidad"* (*CGE*) in November 30, 2014 and the better performance of the business in Latin America.

Corporation segment presents an adjusted net income of €166 million, mainly explained by improved financial results derived from the US dollar revaluation against the euro, partly offset by Talisman corporate expenses and a higher cost related to its debt.

The Group's **Net Income** in 2015 was a loss of (€1,227 million). This can chiefly be explained by the negative impact of the current environment of low prices of crude oil and gas. Thus, the impact on inventory effect[1] (€459 million) was the result of the drop in the price of crude oil during the period, while non-recurring income mainly are explained by the impairment in the value of assets due to the use of more prudent scenarios related to the future prices of crude oil and gas (€2.957 million), which were only partially offset by the capital gains obtained from the divestment of assets (€376 million, with the divestment in CLH especially noteworthy).

The **EBITDA**[2] of the period, €4,317 million, made it possible to end the year with a **net financial debt**[2] of €11,934 million, which is lower than the figure after the Talisman acquisition, as a result of the

[1] The denominated "inventory effect" reflects the difference between the result calculated at Current Cost of Supply (CCS), commonly used in the industry, and the result calculated based on Weighted Average Cost (MIFO), used by the European accounting rules. The inventory effect reflects the impact on the cost of sales of the ups and downs of prices. See Annex I for the corresponding description.
[2] See Appendix I "Indicator, alternative magnitudes and reconciliation with IFRS"

enhancement of operating cash flow, investments reduction (apart from the effect of the Talisman integration and the exchange rate), as well as cash flows generated by divestments during the period.

For further information, see section 4.1 in this report.

OTHER EVENTS DURING THE PERIOD

In line with the new Strategic Plan 2016-2020, as part of the **active portfolio management**, several divestment agreements were reached during the year:

- The agreement with Ardian investor group for the sale of 10% stake held in the company Compañía Logística de Hidrocarburos (CLH) amounting to €325 million;
- Agreements for the sale of part of the business of piped gas in Spain amounting to €728 million, which in 2015 has materialized only in part and to be completed in 2016;
- The agreement for the sale of 13% in the block of assets Eagle Ford (USA) to Statoil and its acquisition of 15% in the Gudrun field production (Norway); and
- The restructuring operation of the interest in assets of the North Slope project (Alaska) as a result of which Repsol has reduced its participation from 70% to 55% in the area of Colville River Delta and from 70% to 25% in the areas of exploration.

The Company's **financial situation** was affected by the acquisition of Talisman and the consequent increase in debt, which did not represent a change in the Group's credit rating. Moreover, the following transactions led an improvement in the financial structure of the Group:

- In March, subordinated debt was issued in two tranches, each bond with a nominal value of €1,000 million, and maturing 2075, and another of a perpetual nature or without maturity.
- In December, the Talisman bond repurchases amounting to $1,699 million nominal value.

Repsol has maintained **its shareholder remuneration scheme** and closed in January and July 2015 two bonus share capital increases through the "*Repsol Flexible Dividend*" program, which allows shareholders to choose to receive their compensation, in total or in part, in new shares or cash, which involved a payment of €0.96 per share in 2015.

Repsol has maintained its **commitment to society and its employees**. During 2015, approximately a total of €18 million was invested in training and, related to the prevention of employee accidents, Total Frequency Rate was reduced to 2.25 (2.38 in 2014). Otherwise, despite the increase in CO_2 emissions, mainly due to the acquisition of Talisman, actions were taken to reduce 327 Ktons of CO_2, assuming equivalent operating conditions.

MAIN FIGURES AND INDICATORS[1]

Results, financial overview and shareholder remuneration (1)	**2015**	**2014**
Results		
EBITDA	4,317	3,800
Adjusted Net Income	1,860	1,707
Net Income	(1,227)	1,612
Earnings per share (€/share)	(0.87)	1.12
Capital employed (2)	40,623	30,089
ROACE (%)	3.1	4.4
Financial overview		
Net financial debt (3)	11,934	1,935
EBITDA(3) / Net financial debt (x times)	0.36	2.0
Shareholder remuneration		
Total shareholder remuneration (€/share)	0.96	1.96

Main stock indicators	**2015**	**2014**
Share price at close of financial year (€)	10.1	15.6
Average share price (€)	14.8	18.4
Market capitalisation (at closure)	14,172	20,990

Other ways of creating value	**2015**	**2014**
People		
Total employees (4)	29,494	26,141
Number of new hires in the year (5)	6,159	5,077
Staff turnover rate (%)	7	7
Hours of training per employee	45	44
Paid taxes (6)	**11,989**	**12,674**
Safety and environmental management		
Overall Frequency Rate of accidents (7)	0.92	0.85
Total Frequency Rate of accidents (8)	2.25	2.38
Direct CO_2 emissions (million t)	17.84	13.19
Annual CO_2 emissions reduction (million t) (9)	0.327	0.479
No. of spills	21	17

Our business performance (1)	**2015**	**2014**
Upstream		
Proven reserves (Mbep)	2,373	1,539
Proven reserves replacement ratio (%)	509	118
Net daily liquids production (kbbl/d)	207	134
Net daily gas production (Kboe/d)	352	220
Net daily hydrocarbon production (Kboe/d)	559	355
Average crude oil realization price ($/bbl)	45.2	79.6
Average gas realization price ($/kscf)	2.8	3.8
EBITDA	1,512	2,667
Adjusted Net Income	(909)	589
Net Operating Investments(10)	11,270	2,675
Downstream		
Refining capacity (kbbl/d)	998	998
Conversion index in Spain (%)	63	63
Refining margin indicator in Spain ($/Bbl)	8.5	4.1
Service Stations (11)	4,716	4,649
Petroleum product sales (kt)	47,605	43,586
Petrochemical product sales (kt)	2,822	2,661
LPG sales (kt)	2,260	2,506
Gas sales in North America (TBtu)	299	274
EBITDA	3,092	1,284
Adjusted Net Income	2,150	1,012
Net Operating Investments	493	671
Gas Natural Fenosa		
Adjusted Net Income	453	441

Macroeconomic environment	**2015**	**2014**
Brent ($/bbl) average	52.4	98.9
WTI ($/bbl) average	48.8	92.9
Henry Hub ($/MBtu) average	2.7	4.4
Algonquin ($/MBtu) average	4.8	8.1
Exchange rate ($/€) average / closing	1.11 / 1.09	1.33 / 1.21

(1) Where appropriate, figures shown in million euros.
(2) Capital employed from continuing operations at year-end
(3) See a definition of these ratios in the heading "*Results*", in section 4.1 of the document.
(4) Does not include those employees with annual working hours equal to or less than 20% of the hours set in the Collective agreement.
(5) These figures include new employees with fixed and temporary contract; fixed contracts represented 62% and 43% of the total in 2015 and 2014, respectively.
(6) Includes taxes paid which represent a cash expense for the Company, deducted from their earnings, and which are retained or passed on to end taxpayer. Excludes amounts due to be paid in the future or charges from previous periods.
(7) Overall frequency rate with sick leave: number of accidents leading to days lost or deaths recorded over the year, for every million hours worked.
(8) Total frequency rate: number of accidents leading without days lost, to days lost and deaths recorded over the year, for every million hours worked.
(9) CO_2 emissions reduction achieved through the implementation of greenhouse gas reduction actions, compared to 2010 baseline.
(10) These figures include the investment in Talisman amounting to €8,005 million.
(11) Figures include service stations controlled by Repsol and registered service stations, respectively.

[1] The information presented throughout this section reflects all of the Talisman data since the takeover, and unless specifically stated to the contrary, it was prepared in accordance with the Group's reporting model described in Note 5 "*Segment Reporting*" in the annual consolidated financial statements corresponding to 2015 fiscal year. Appendix I of this document reflects the reconciliation between the adjusted figures and the EU-IFRS financial information. Some of the metrics provided in the table are deeply described in Appendix I.

2. OUR COMPANY

2.1. BUSINESS MODEL

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, our effort, talent and enthusiasm, assist us in moving forward in our effort to offer ideal 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 a continual environment of collaboration and collective learning.

Activities

Repsol is an integrated energy company with extensive experience in the sector, and carries out its activity worldwide.

The Repsol Group´s activities are divided into two business areas:

- *Upstream*, relating to the exploration, development and production 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 (LPG) (ii) commercialization, transportation and regasification of natural gas and liquefied natural gas (LNG) and (iii) renewable energy power projects.

Additionally, Repsol has a 30% participation in the Gas Natural Fenosa group, which mainly activities are distribution and commercialization of natural-gas and the generation, distribution and commercialization of electricity.

Value chain of our business

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: **270,512 Km²**
- Finished wells in 2015(*): **32 ended**, **5 ongoing**
- Total proven reserves: **2,373 Mboe**
- Replacement ratio **509 %**
- Developed wells drilled in 2015: **422 gross**
- Active productive wells at December, 31st: **7,994 gross**
- Net production of hydrocarbons per day: **559 Kboe/d**

(*) Includes finished exploration wells and evaluation/appraisal wells.

Downstream

Storage and transportation → Industrial activities → Marketing

Crude oil	Oil products	Chemicals	LPG	Chemicals	Marketing
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

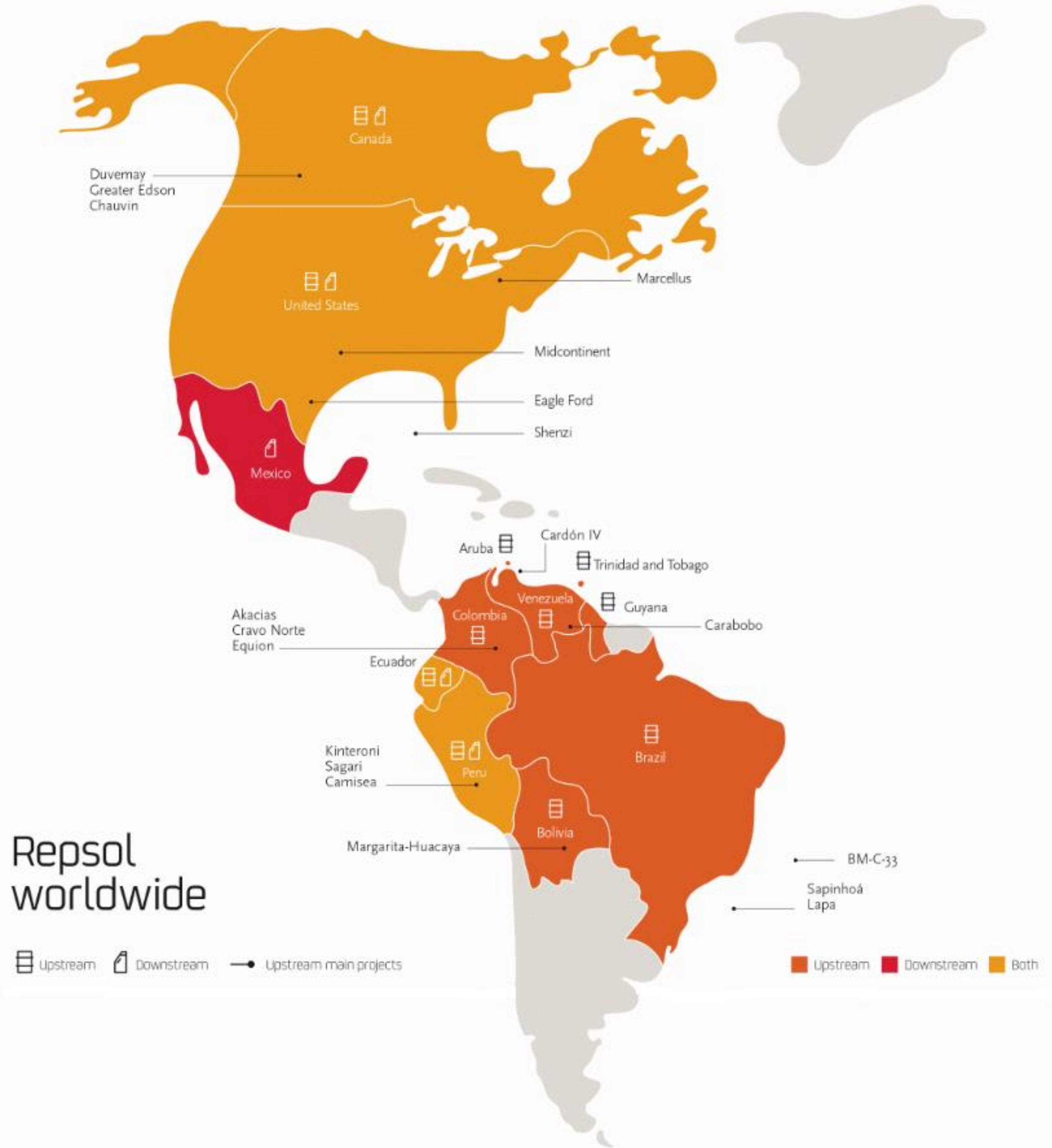
- Processed crude in 2015: **43.3 Million t**
- Refining capacity: **998 kbbl/d**
- Sale of oil products: **47,605 kt**
- Gross petrochemical capacity: **4,838 kt**
- Sale of LPG: **2,260 kt**
- Sale of petrochemical products: **2,822 kt**
- Number of service stations: **4,716**

Gas & Power

Natural Gas	Renewable generation
Transport, marketing, trading and regasification of liquid natural gas	Identify opportunities of renewable generation

- LNG sold in North America **299 TBtu**
- Consent capacity installed: **960 MW**

Our operating markets



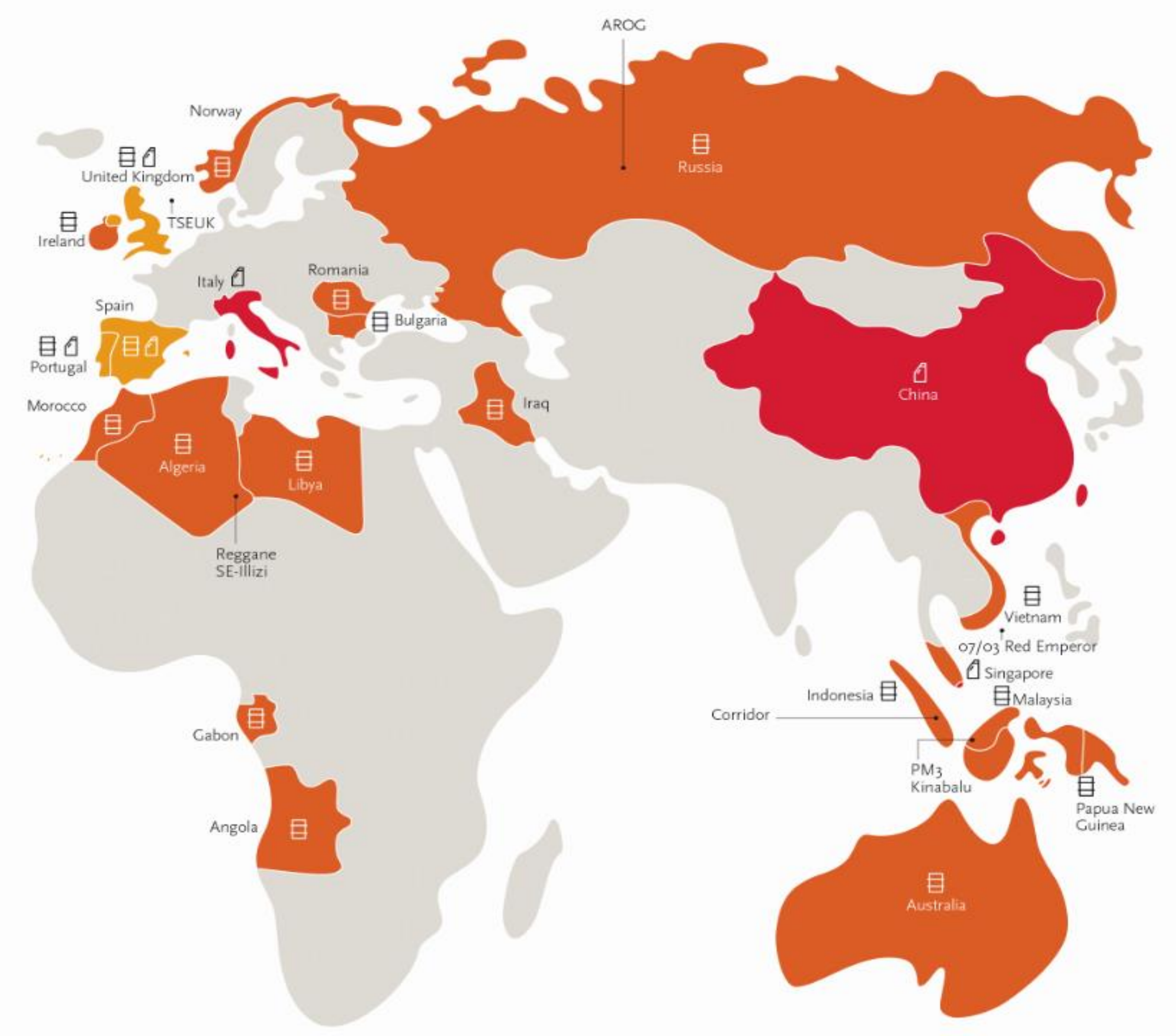
UPSTREAM

We are present in 512,639 km^2 oil and gas Exploration and Production gross acreage, in 30 countries, directly or through our affiliated companies.

There have been around 45 discoveries with exploratory drilling in the past 9 years, including eight of the major findings worldwide according to IHS.

Repsol's hydrocarbon production reached 559 kboe per day in 2015, representing an increase of 58% compared to 2014.

At year-end 2015 Repsol's proven net reserves amounted to 2,373 Mboe, of which 558 Mboe (25%) corresponded to crude oil, condensate and liquefied gases, and the rest, 1,785 Mboe (75%) to natural gas.



DOWNSTREAM

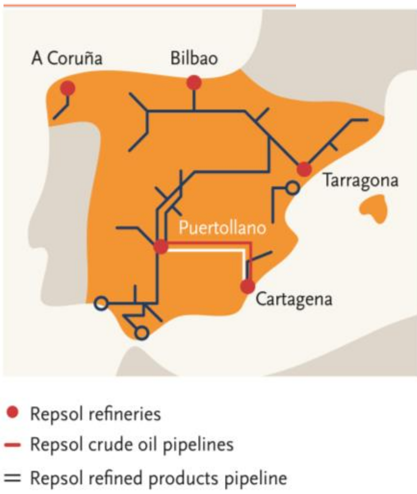
Sales (Thousand Tn)	2015	2014
Oil products sales		
Europe	43,019	39,315
Rest of the world	4,586	4,271
Total	**47,605**	**43,586**
Petrochemical product sales		
Europe	2,396	2,221
Rest of the world	426	440
Total	**2,822**	**2,661**
LPG		
Spain	1,152	1,343
Portugal	133	131
Peru	570	634
Ecuador	405	398
Total	**2,260**	**2,506**

Petrochemical Capacity (Thousand Tn)	2015	2014
Basic	2,603	2,808
Derivative	2,235	2,491

REFINING capacity	Primary distillation (kbbl/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

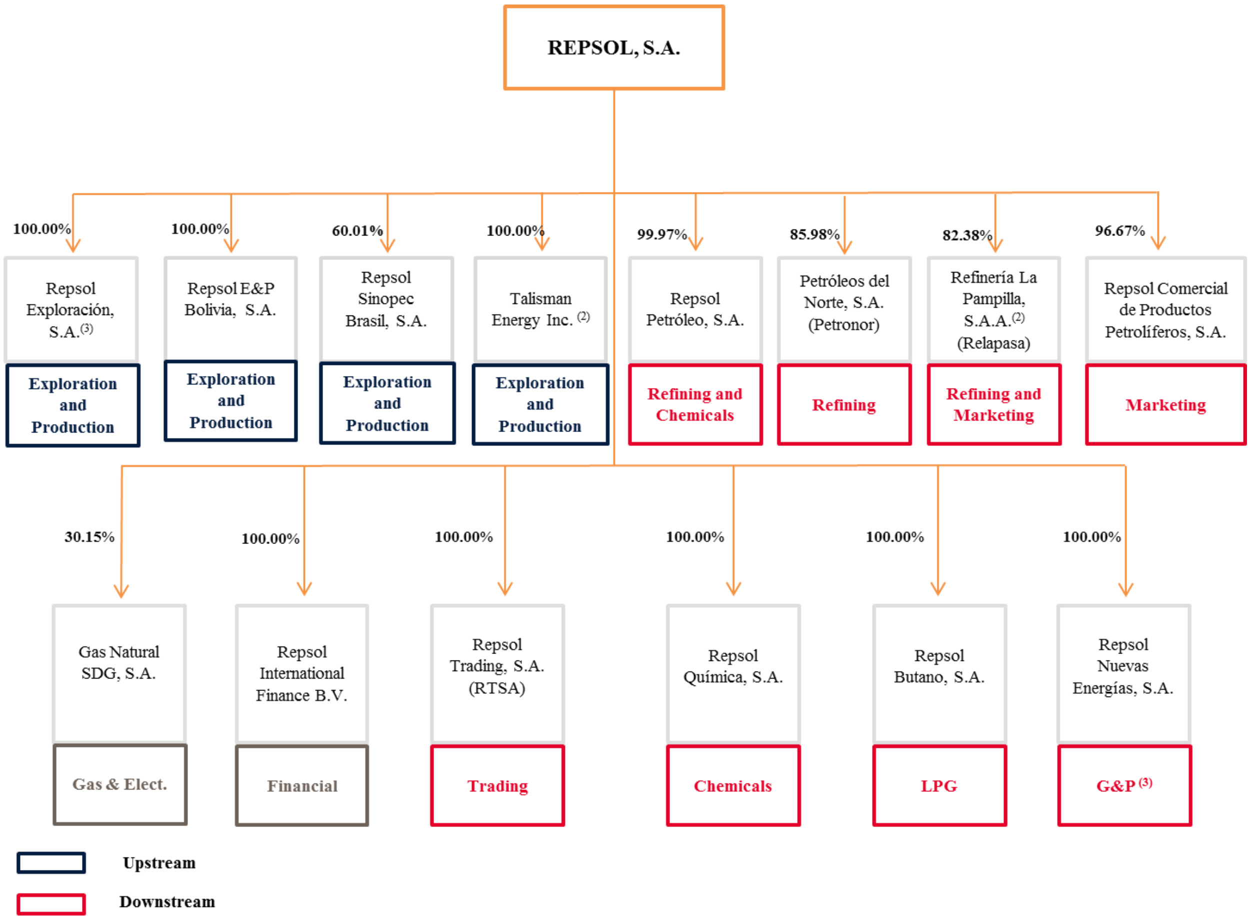
Service Stations	Total
Spain	3,544
Portugal	446
Peru	406
Italy	320

Repsol Refineries in Spain



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 key changes during the year, see Appendix I and Ib of the 2015 consolidated financial statements.

2.2. 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.

On January 28, 2015, the Board of Directors of Repsol agreed as proposal from the Nomination and Remuneration Committee, the appointment of J. Robinson West as independent outside director and joining the Delegate Committee.

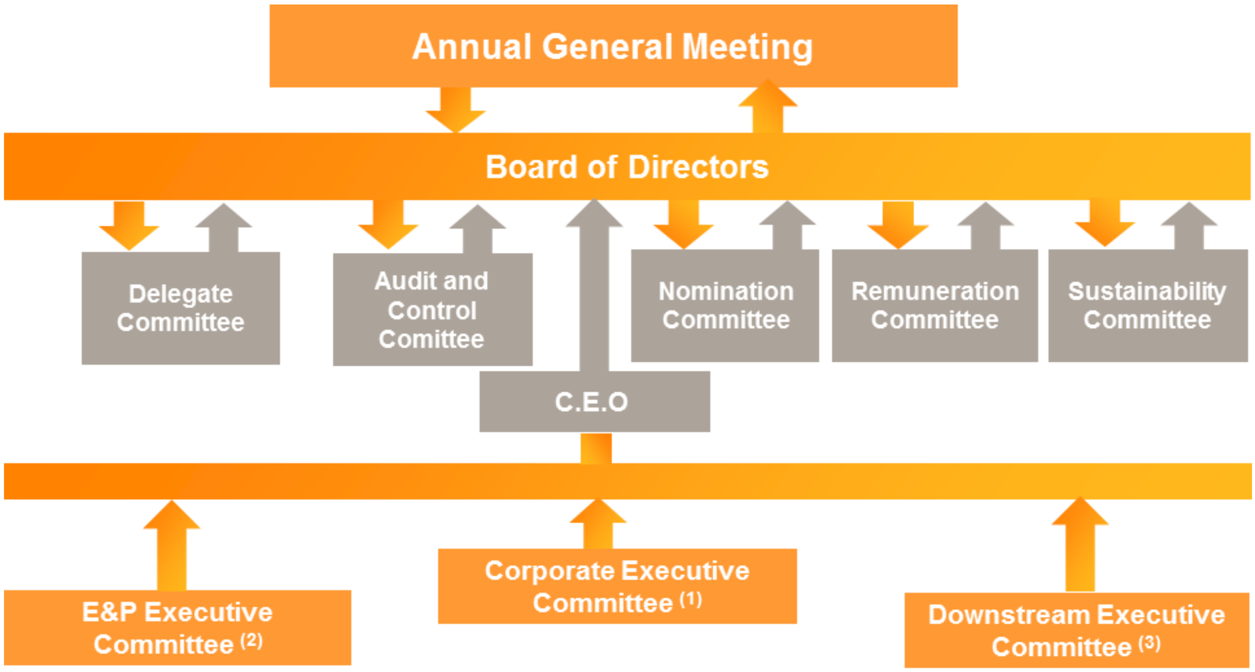
On April 29, 2015 Juan María Nin Genova resigned from the Board of Directors of Repsol. On April 30, 2015, the Board of Directors approved as a proposal from CaixaBank, SA, the appointment of Mr. Gonzalo Gortázar Rotaeche as Director of the Company to fill the vacancy caused by the resignation of Mr. Juan María Nin.

On May 8, 2015, once the acquisition of Talisman Energy Inc. was finalized, Repsol´s Board of Directors, upon proposal of its Chairman and based on a favorable report from the Nomination and Remuneration Committee, approved a new organization chart, reflecting the new Chief Executive Director (CEO), Mr. Josu Jon Imaz San Miguel, which assumed all the executive functions and has strengthened the business management capacity to increase efficiency and value creation.

On June 25, 2015, Repsol Board of Directors resolved to amend its Regulations. The approved amendments include, the split of the Nomination and Remuneration Committee in two separate Committees, one with authorities regarding appointments and the other regarding remuneration. Additionally, the Board has agreed to replace the current Strategy, Investment and Corporate Social Responsibility Committee with a Sustainability Committee.

With respect to Repsol's corporate governance structure, 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.

Presided over by the CEO, three management bodies were created with full responsibilities over their respective areas: Corporate Executive Committee, E&P Executive Committee and *Downstream* Executive Committee.



NOTE: See the Annual Corporate Governance Report for more information on the General Meeting, the Board of Directors and its committees.

(1) Presided by the Chief Executive Officer (CEO). Includes Corporate Executive Directors, Business Executive Directors, and Executive Directors which report to the CEO. The Corporate Executive Committee oversees global strategies, Company policies, and any other transversal decisions.

(2) Presided by the Chief Executive Officer (CEO). Includes E&P Executive Director, Executive Directors and Directors which report to the E&P Executive Director, Executive Corporate Directors, and Executive Directors which report directly to the CEO, Corporate Executive Director of Institutional Relations, and Corporate Economic and Tax Director. The E&P Executive Committee is responsible for high-level *Upstream* business decisions.

(3) Presided by the Chief Executive Officer (CEO), and integrated by the Executive Director of *Downstream*, Executive Directors, and Executive Directors which report directly to the *Downstream* Executive Director, General Corporate Directors, and Executive Directors reporting directly to the CEO and Corporate Economic and Tax Director. The *Downstream* Executive Committee is responsible for high-level *Downstream* business decisions.

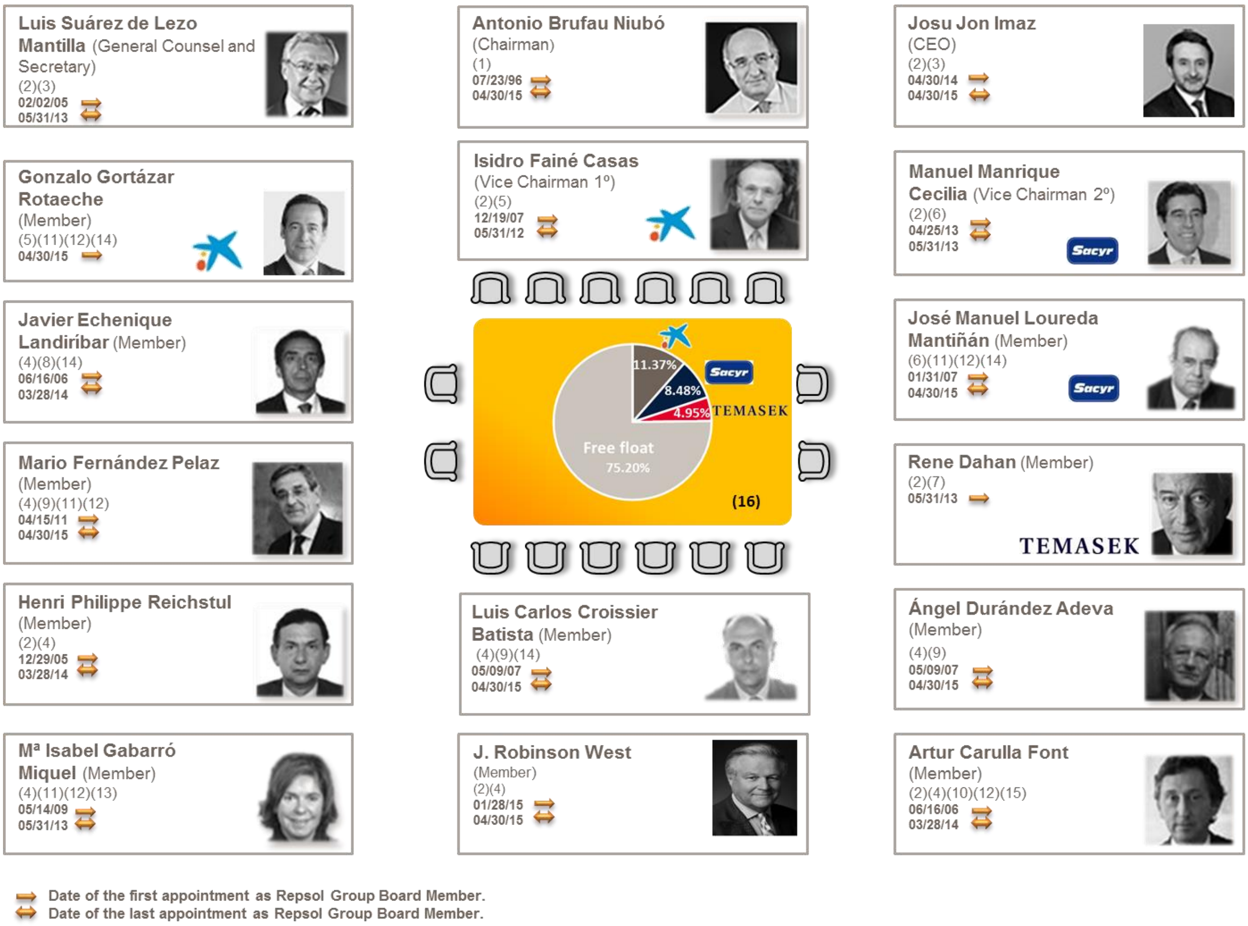
The new organizational structure´s aims include, among other objectives:

- Aligning the organization with Repsol's new assets portfolio. This is based on a one-company model that takes into account the different characteristics of the *Upstream* and *Downstream* businesses.

- Serving Repsol's enlarged global footprint. The integration of Talisman increases Repsol's geographical presence, creating the need to align the structure and operation of the corporate functions.

- Encouraging Repsol's vision of a company focused on sustainable long-term business, technological progress, and social welfare.

The composition of the Board of Directors and its committees at the date of publication of this document is as follows:



NOTE: Updated information related to the profile of the Board of Directors members 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"* and Note 26 "*Remuneration of the members of the Board of Directors and Executives*" of the consolidated financial statements for 2015.

(1) President of the Delegate Committee.
(2) Member of the Delegate Committee.
(3) Executive Director.
(4) Independent External Director.
(5) Institutional External Director proposed by Caixabank, S.A
(6) Institutional External Director proposed by Sacyr, S.A.
(7) Institutional External Director proposed by Temasek.
(8) Chairman of the Audit and Control Committee.
(9) Member of the Audit and Control Committee.
(10) President of Nomination Committee and Remuneration Committee.
(11) Member of the Nomination Committee.
(12) Member of the Remuneration Committee.
(13) President of Sustainability Committee.
(14) Member of Sustainability Committee.
(15) Coordinating Director.
(16) 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).

2.3. STRATEGIC PLAN 2016-2020

With the acquisition of Talisman, objectives included on Strategic Plan 2012-2016 were met:

		// Targets //	// Delivery //	
High growth in Upstream	• Upstream as growth engine	CAGR>7% Prod 2016 ~500 kboepd	>25%/y [(1)] ~650 kboepd	✓
	• Reserves Replacement	RRR > 120%	190% (2011-2014)	✓
Maximize Downstream profitability	• Maximize profitability and cash	€1.2 B/y	€1.3 B/y [(2)]	✓
	• Fully-invested assets	€0.7 B/y	€0.7 B/y [(2)]	✓
Competitive shareholder compensation	• Competitive pay-out ratio	Stable dividend of €1/share	~€1/share per year [(3)]	✓
	• Dividend ~ €1/share		Extraordinary dividend in 2014	✓
Financial strength	• Self-financed plan	Self-financed	Leverage increase (Talisman acquisition)	✓
	• Commitment to maintain investment grade	Maintain investment grade	Achieved	✓

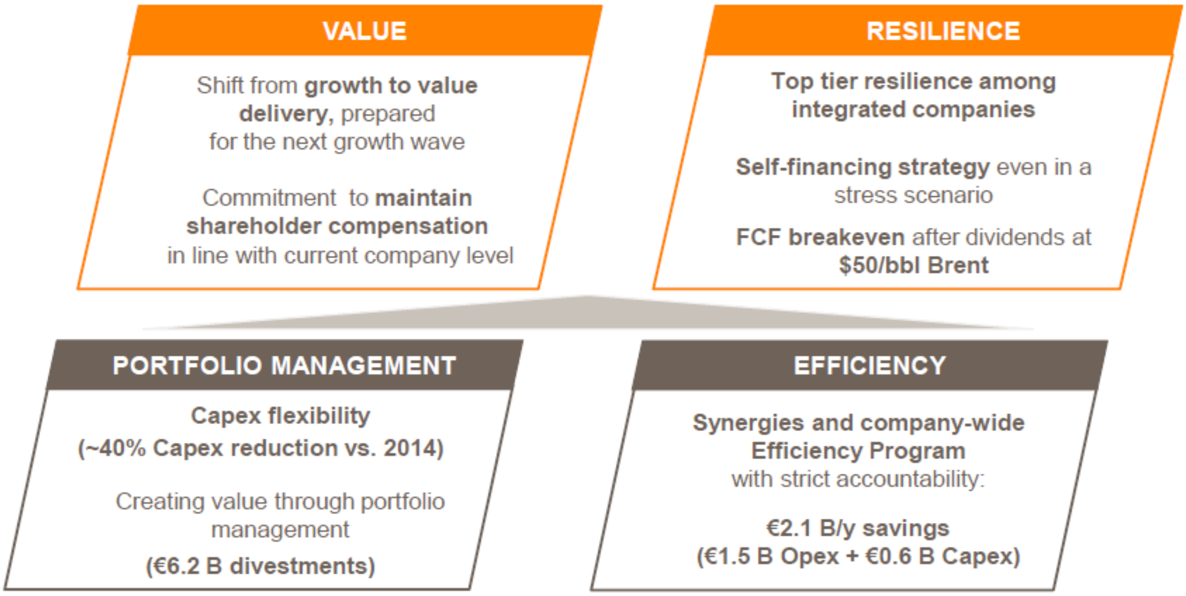
(1) 25% of the analysed compound growth (CAGR) based on 2015 output of 650 kbed (average daily production of Talisman integrated for the overall year). ~7% organic growth of CAGR, excluding the impact of Libya (3% when included).

(2) *Downstream* data does not include business figures for Liquid Natural Gas (LNG) sold in 2013 and 2014.

(3) Remuneration of ~1€/share paid annually through the "Flexible Repsol Dividend" shareholder scheme. Extraordinary dividend of 1€/share paid in 2014 after the YPF compensation agreement.

After a successful implementation of the growth strategy, the company has a new scale now and improved Business profile, which will allow it to move towards the enhancement of that growth, and better use of the opportunities offered by energetic environment.

To achieve this aim of creating value, the company will be focused on the portfolio management business in upcoming years, as well as an ambitious Efficiency Programme. Also, the Repsol´s resilience will allow it to overcome the current atmosphere of lower prices without sacrificing its value strategy.



Upstream Strategy

The key elements of the strategy in *Upstream* business are, as follows:

- Lower investment intensity and value improvement:
  - Flexibility in CAPEX: 40% reduction for the period 2016-2020.
  - Efficiency Programme, totalling $1,200 million per year in 2018.
- Greater resilience: the Brent price necessary for generating positive *Upstream* cash flow dropped to $60/bbl in 2018-2020.
- Geographic focus by type of play[1]: North America, Latin America, and Southeast Asia are key regions (overall they represent nearly 90% of production).
- Active management of the portfolio from its current potential, higher than 900,000 boe. to 750,000 boe of the Plan's final objective.

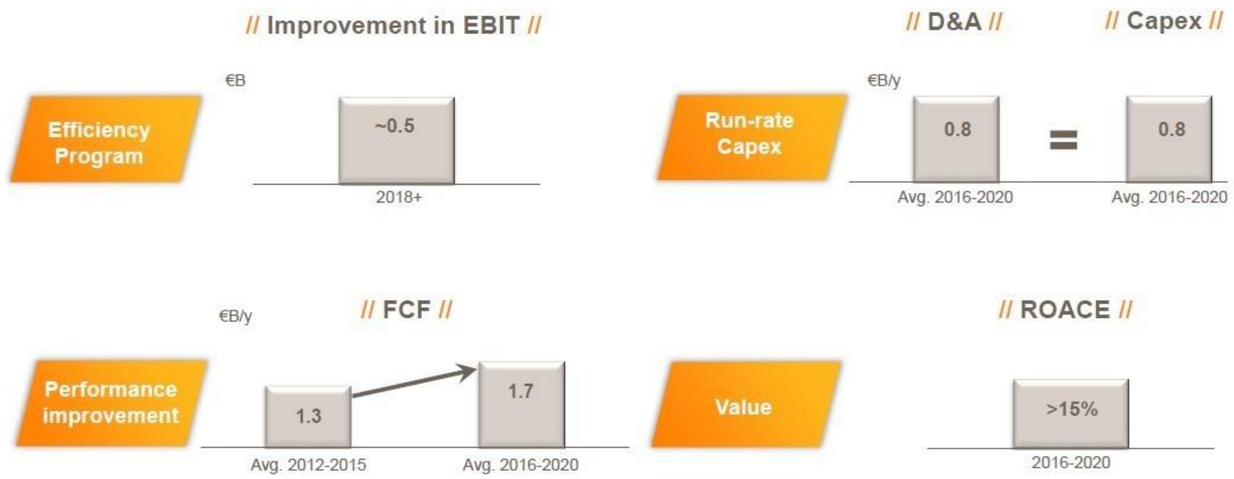
The improvement in *Upstream* metrics during 2016-2020 represents the following commitments:

(1) CAPEX (*Capital expenditures*) or investments. Does not include G&G and G&A exploration costs
(2) ROACE increase figures calculated in the stress scenario

[1] Family of deposits and/or prospectus, which share the same reservoir rock, storage, caprock and the same history of generating hydrocarbons, migration, and loading.

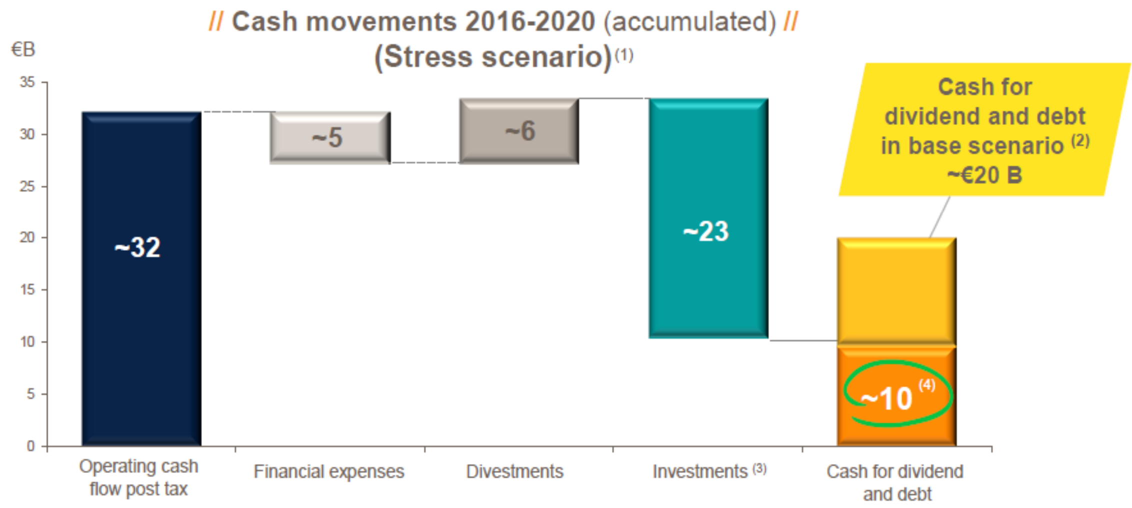
Downstream Strategy

The *Downstream* strategy involves the generation, through the high quality of its asset portfolio, of €1,700 million of annual free cash flow (average 2016-2020), as well as an increase in earnings before interest and taxes (EBIT) of ~€500 million/year thanks to efficiency measures and margin improvement outlined in the Efficiency Programme. The *Downstream* strategy is reflected in the following commitments:



Corporate strategy and financial Outlook

The Strategic Plan 2016-2020 is self-funded, which will allow to reduce debt, even in an stress scenario throughout the whole period.



(1) Stress scenario: Brent = $50/bbl, HH = $3.5/Mbtu and Repsol's refining margin indicator of $6.4/bbl from 2016 to 2020.

(2) Base scenario: Brent = $65/bbl and HH = $3.5/Mbtu in 2016, increasing to $75/bbl and $4.0/Mbtu in 2017, $85/bbl and $4.6/Mbtu in 2018, $90/bbl and $4.7/Mbtu in 2019, and $91.8 bbl and $4.8/Mbtu in 2020, with a constant refining margin of $6.4/bbl. Remuneration of ~1€/share paid annually through the "Flexible Repsol Dividend" shareholder scheme.

(3) For investments of ~€23,000 million, ~€19,000 million correspond to *Upstream* and ~€4,000 million correspond to *Downstream*.

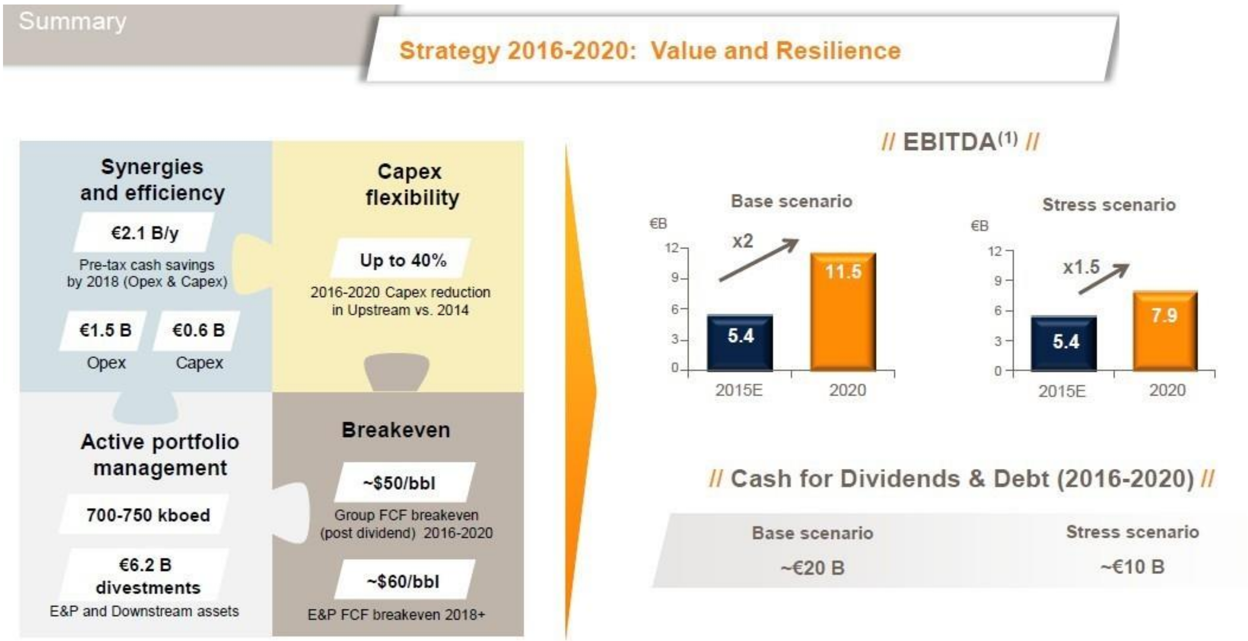
(4) Free cash flow sensitivities (accumulated 5 years): Brent +$5/bbl = €1,500 million; HH +$0.5/Mbtu = €700 million; Repsol refining margin +$1/bbl = €1,100 million.

The Talisman integration synergies and the Efficiency Programme will represent savings equivalent to €422 million per year.

Also, the strategic plan made it possible to move ahead with the Company's carbon strategy in line with the ongoing Efficiency Programme to reduce energy consumption 12% for the 2014-2020 period, CO_2 emissions 13% in 2020 (vs. 2010 CO_2 levels).

Its financial strategy ratifies its debt reduction commitments, and focus on maintaining a constant rating and shareholder remuneration in line with current levels.

Repsol's 2016-2020 strategy can be summarised in the following commitments:



(1) EBITDA based on CCS (Current Cost of Supply)

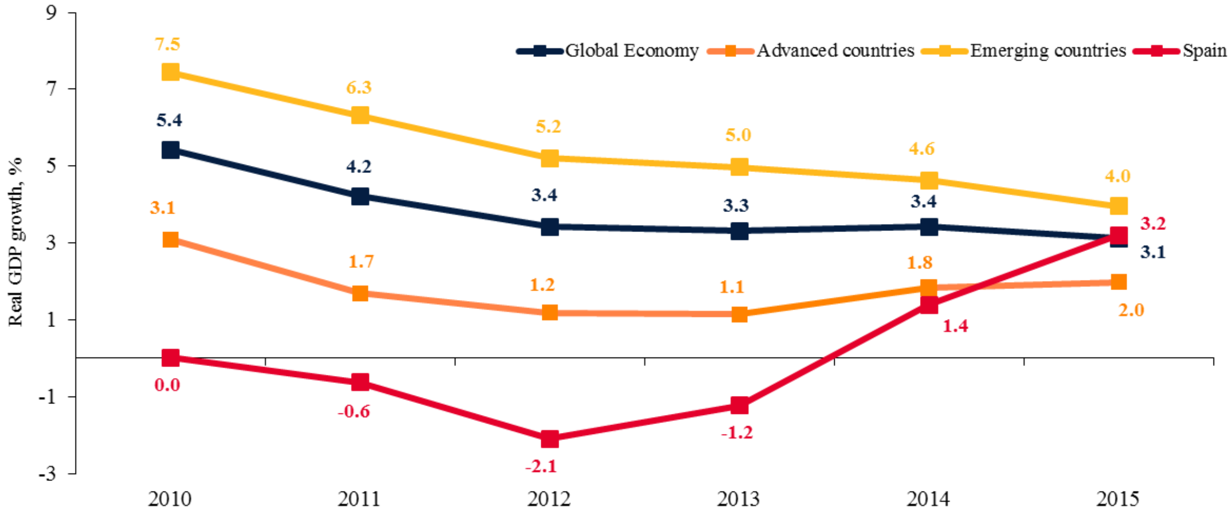
Since the publication of the Strategic Plan 2016-2020, the global energy situation suggests further deepening of measures included in Group's strategy: to advance in the attainment of synergies and efficiencies, as well as to apply CAPEX flexibility that offer the portfolio to a lower oil prices (additional adjustments in exploration, non-conventional, or special investment projects). In this manner, Repsol maintains the cash flow balance for price levels lower than stress baseline scenario, and reachs free cash flow breakeven at $ 40/bbl of Brent.

3. MACROECONOMIC ENVIRONMENT

RECENT ECONOMIC EVOLUTION

In 2015, the global economy moderated its growth driven mainly by a slowdown in emerging economies, which were affected by the commodity price decrease and reduced capital inflows. Global growth is expected to be at 3.1% in 2015, 0.3 percentage points (p.p.) below the 2014 figure. In parallel, the advanced economies continued to recover, although at a slower pace.

Evolution of global GDP



Source: International Monetary Fund (IMF, WEO Update 2016) and Repsol's Business Environm. Study & Analysis Division.

The United States grew at a rate of 2.4% in 2015 (according to first GDP estimation), pushed by private consumption, which in turn was underpinned by sustained job growth. However, growth was lower than expected at the start of the year due to foreign demand weakness and dollar strength. In this context, the Federal Reserve increased its reference interest rates by 25 b.p. (basis points) in December 2015, beginning an interest rate normalization process after years of quasi-zero interest rates.

The Eurozone's growth, although moderate, has been surprisingly favorable. Eurozone growth is expected to be around 1.5% in 2015 thanks to a stronger internal demand, booted on oil prices, better financial conditions and a shift towards fiscal neutrality. The absence of inflationary pressure, in part shaped by low oil prices, permitted the European Central Bank (ECB) to approve an extensive range of conventional and non-conventional measures which were extended in its December meeting.

The Spanish economy is growing more than twice as fast as the Eurozone as a whole (according to 4Q 2015 flash GDP growth was at 3.5% a/a and around 3.2% for the whole 2015). The improvements in the labor market and people confidence are responsible for this growth differential. Additionally, the growth in Spain proving solid as it is underpinned not only by growth in consumption and investment, but also in exports. In recent years, Spanish exports of goods and services have been growing faster than international exports volumes.

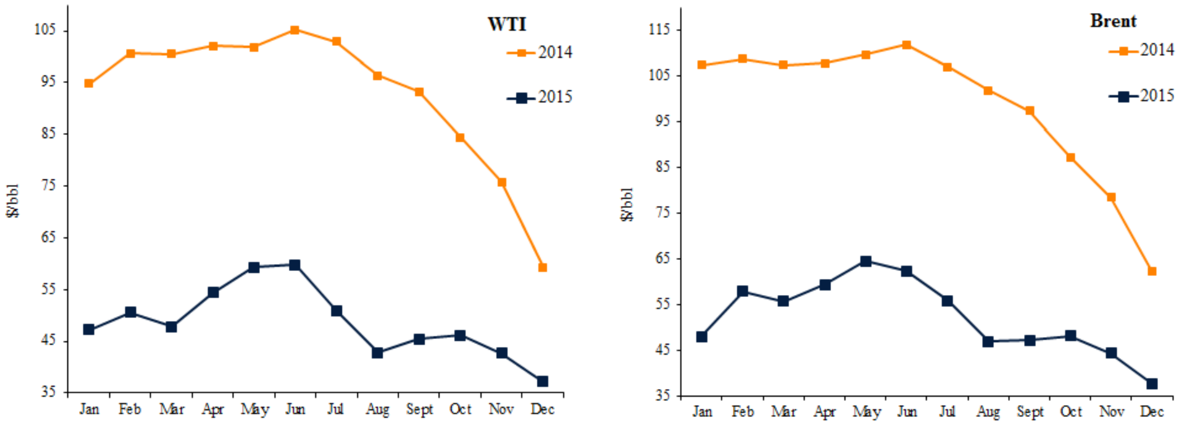
Emerging markets expected growth is at 4% in 2015, which would confirm the slowdown trend initiated after 2011, in a context of lower export prices and less favourable financial conditions. More recently, the economic weakness in China added greater uncertainty to the emerging markets.

EVOLUTION OF THE ENERGY SECTOR

Crude oil - Brent

In 2015, the average Brent crude oil price decreased 47% in comparison with 2014 average of $98.9 per barrel ($/bbl) to 52.4$/bbl. The price decrease is mainly attributable to surplus market supply, which had an influence in OPEC and non-OPEC dynamics.

Evolution of Brent and WTI prices per barrel



Source: Bloomberg and Repsol's Business Environm. Study & Analysis Division.

From the OPEC side, during 2015 OPEC cartel decided to stick with the policy initiated in November of 2014 of defending its production share. On average, aggregate OPEC production averaged almost 1.4 million barrels per day (Mbpd) more than the market needed. OPEC's strategy has been to leave the market to its own, to wait for low prices to rid the market of high-cost production and, above all, focused on not losing market share.

Production in non-OPEC nations fell by around 600 thousand bp/d in 2015. This supply adjustment was smaller than expected, due mainly to two factors: i) a slower than expected adjustment in response to price signals on the part of shale oil production in the US thanks to intermediate factor cost cuts and production efficiency gains; and ii) the start-up of production at new projects, mainly offshore, where the investment process had concluded before prices began to tumble in June 2014.

In the short and medium term, investment will be the main driver of production; which historically, has been corrected during periods of low prices. In the current environment, therefore, in which the outlook for prices is not encouraging, a drop in supply on the back of declining investment would seem inevitable.

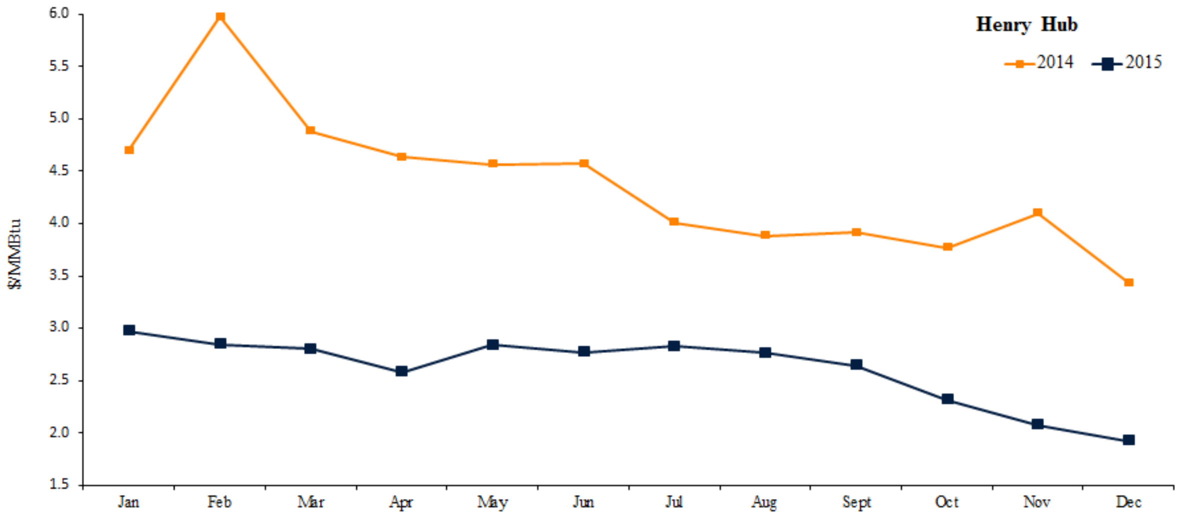
On the demand side, the low crude oil prices observed in 2015 drove fuel prices lower and had the effect of transferring income from oil producing nations to oil consuming nations; which together have led global demand for oil registered growth of 1.8% in 2015, in line with the long-run average, after three years growing at just 1%. However, warmer-than-usual winter temperatures eroded demand in the fourth quarter of 2015.

The interaction of all of these demand and supply factors generated a situation of surplus supply which lasted for all of 2015, especially in the early part of the year.

Gas Natural – Henry Hub

Henry Hub natural gas spot prices, meanwhile, remained very low in 2015, averaging \$2.7/MBtu, marking a correction of close to 40% from the 2014 average (\$4.4/MBtu).

Evolution of Henry Hub prices



Source: Bloomberg and Repsol's Business Environm. Study & Analysis Division.

Generally, gas market fundamentals have been weak, marked by surplus supply which left inventories at a record high in the last month of 2015. At year-end, inventories reached maximum figures with 14% higher year-on-year in December and stood 12% above the trailing five-year average.

Production, meanwhile, continued to increase, despite the decline in prices and drilling activity (active wells), fueled mainly by higher output at the largest shale plays (Marcellus/Utica) as well as higher output associated with crude production.

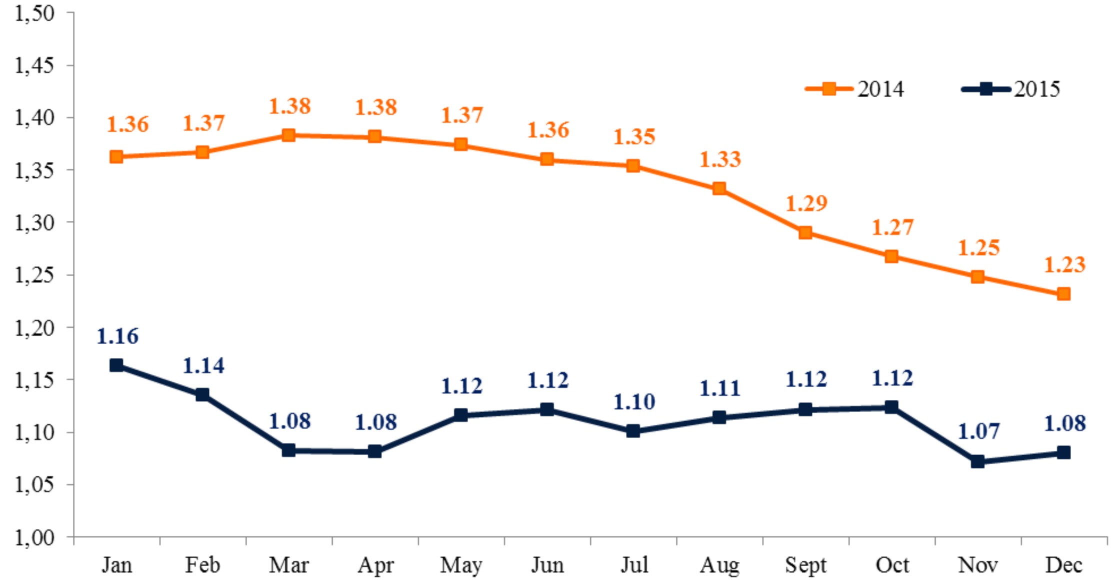
This trend was widespread all year long. However, growth in production is beginning to show signs of slowing (falling at Marcellus since September and at the most important associated gas plays - Eagle Ford and Bakken - since August).

Demand was generally weak. By segment: i) the residential-commercial segment consumed less due to mild weather; ii) while industrial consumers were hit by the economic slowdown; iii) the power segment drove demand in 2015; higher gas-fired power generation due to the withdrawal of coal-fired stations and maintenance work at nuclear power plants was offset by growth in generation from renewable sources and low carbon prices.

EVOLUTION OF EXCHANGE RATE

The euro continued to depreciate against the dollar in 2015, extending the slide initiated in the second half of 2014, shaped by divergent monetary policy messages from the Federal Reserve relative to the European Central Bank. Nevertheless, the euro was relatively stable during the second half of the year, hovering at around the 1.10 mark.

Evolution of the EUR/USD exchange rate (monthly average)



Source: Bloomberg and Repsol's Business Environm. Study & Analysis Division.

The first quarter of 2015 was characterized by dollar strength related to the euro, as well as emerging market currencies. On the one hand, monetary policy divergence widened with the ECB announcing in January a €1,200 million asset purchasing program divided in monthly buybacks of €60,000 million through September 2016, just as the market began to price in the expectation that the US would soon start to tighten its monetary policy. On the other hand, the currencies of commodity exporter nations were weakened by the low oil prices.

In the following quarters, the monetary divergence eased as the anticipated rate hike in the US was pushed back due to trade weakness on the back of the strong dollar. Growing risk in the emerging market economies further cautioned against tightening monetary conditions.

Financial market uncertainty spiked in August with China as the main source of concern. In addition to a sharp Chinese stock market correction, the authorities decided to let the renminbi depreciate somewhat. This measure was interpreted by the market as a sign of economic weakness in China and the emerging markets as a whole, prompting massive capital outflows from these economies.

Central bank divergence returned to the fore towards the end of the year. Faced with solid job creation numbers on the US, the Federal Reserve decided to raise rates in December, while the ECB, concerned by low inflation and aware of the effectiveness of its quantitative assets purchasing program, decided to extend its €60,000 million monthly buybacks until March 2017. This divergence is fueling dollar appreciation, making commodity prices more expensive in local currencies and exerting downward pressure on oil prices.

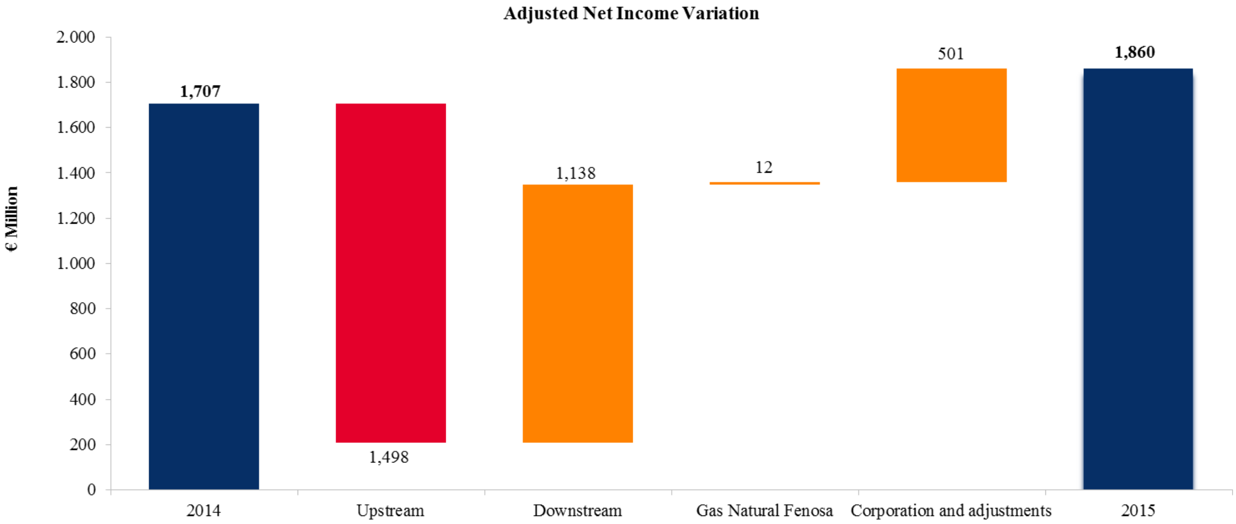
4. RESULTS, FINANCIAL OVERVIEW, AND SHAREHOLDER REMUNERATION

4.1 RESULTS[1]

€ Million	2015	2014	Variation
Upstream	(909)	589	(1,498)
Downstream	2,150	1,012	1,138
Gas Natural Fenosa	453	441	12
Corporation	166	(335)	501
Adjusted Net Income	**1,860**	**1,707**	**153**
Inventory effect	(459)	(606)	147
Non-recurring income	(2,628)	(86)	(2,542)
Income from discontinued operations	-	597	(597)
Net Income	**(1,227)**	**1,612**	**(2,839)**

The macroeconomic enviroment has crucially influenced in 2015 results, chiefly reflected in the long decline of crude oil and gas prices and the volatility of the financial markets.

Adjusted Net Income in 2015 increased to €1,860 million, 9% higher than in 2014. Lower *Upstream* results, caused by the drop in crude oil and gas prices, were offset by notable *Downstream* results, especially in the industrial businesses, reaffirming the advantages of Repsol's integrated business model, as well as *Corporation*, thanks to its improved financial result generated by the impact of the appreciation of the dollar on the positions in this currency. This result includes the Talisman operations since the date of acquisition by Repsol (May 8).



EBIDTA reached €4,317 million vs. €3,800 million during the prior year, which represented 14% increase, mainly driven by the *Downstream* industrial businesses and supported by Talisman contribution.

[1]All the information presented throughout this section, unless expressly stated to the contrary, was prepared in accordance with the Group's reporting model, which is described in Note 5 "*Segment reporting*" in the financial statements corresponding to December 31, 2015. Appendix III of that document includes the reconciliation between the adjusted figures and those corresponding to IFRS-EU financial information, complemented by the reconciliations presented in Appendix I of this Management Report.

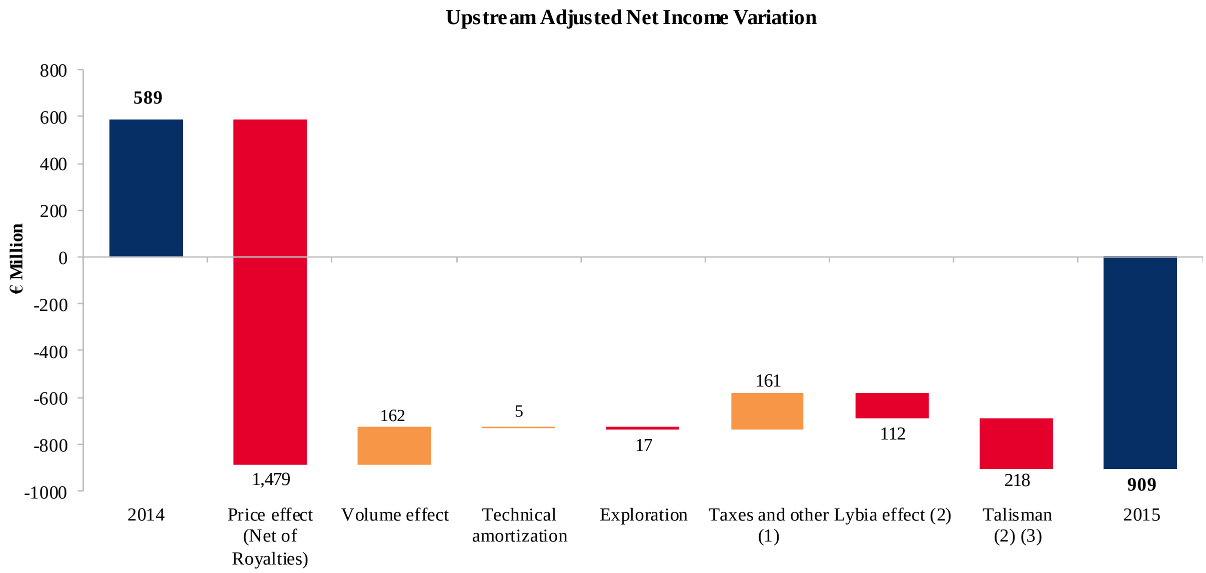
Upstream

Adjusted net income from *Upstream* operations in the year 2015 was €-909 million, compared to the €589 million during the same period of 2014.

Production increased 57%, reaching an annual average of 559 Kboe/d (698 Kboe/d during the fourth quarter), mainly due to the contribution of the Talisman assets (202 Kboe/d), and the ramp-up of production of new wells located in Sapinhoá (Brazil) and Cardón IV (Venezuela). All of this took place despite the decreased production in Trinidad & Tobago, attributable to operational incidents and field shutdowns, as well as the lack of production in Libya for country's security issues.

Despite the increase in production, the adjusted net income of *Upstream* during the period reflected a strong drop with regard to the prior year. This lower result can mainly be explained by the reduction in oil and gas realization prices (43% and 27%, respectively), as well as the negative impact on corporate tax expense as a consequence of the devaluation of several local currencies (mainly Brazil and Colombia). Additionally, a slight increase in exploration costs was arisen due to drilling costs, chiefly in Angola, Norway, Peru, Romania and the United States.

The following represents the variation of the adjusted net income of *Upstream*:



(1) Mainly includes income tax expense and the effect of the exchange rate.
(2) Adjusted Net Income
(3) See section 4 in "*Noteworthy events during the year*".

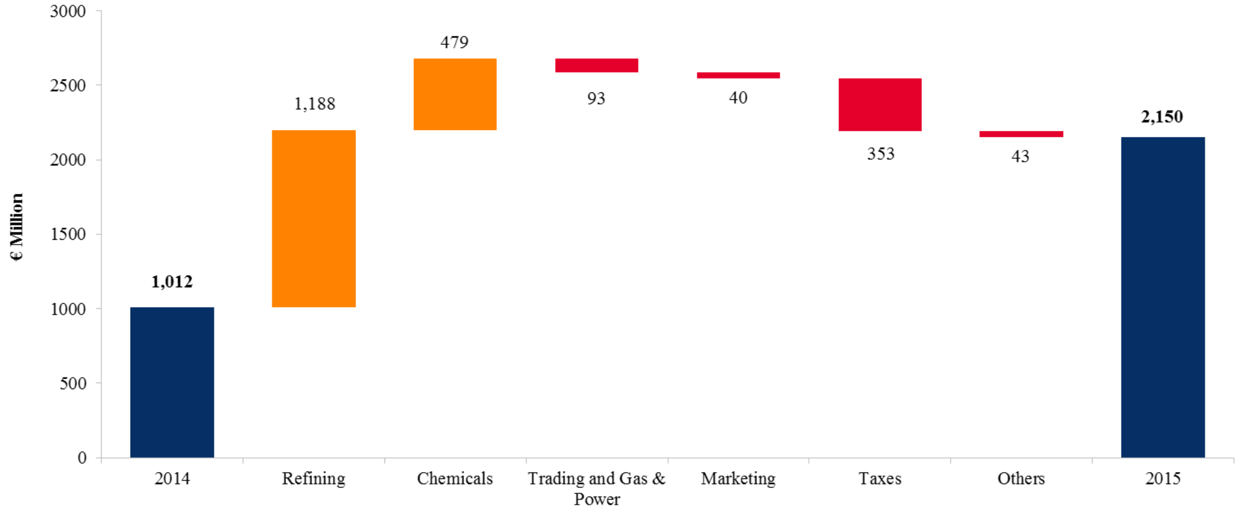
EBITDA amounted to €1,512 million, which includes the Talisman results obtained since May 8 (€638 million).

Net Operating investments totalled €11,270 million, which €8,005 million are related to Talisman acquisition. Excluding this effect, together with investments made from May 8 by Talisman, operating investments in dollars fell by 22% compared to 2014.

During the year, 19 exploratory and 13 appraisal drills concluded, which 16 were positive, 13 negative (all exploratory), and 3 are still in evaluation.

Downstream

Adjusted net income for the *Downstream* segment in 2015 amounted to €2,150 million, which represents an increase of 113% with respect to the same period in 2014.



This increase is mainly due to:

- In the Refining business, improved margins and the increase of the volume of production (10%) and the oil products sold. The improvement in refining margins (Spain's margin indicator was \$8.5/bbl vs. \$4.1/bbl in 2014), favourably determined by lower energy costs, strengthening product spreads, and the wider spreads between heavy and light crude oil. Changes in the \$/€ exchange rate contributed to the improved results.

- Improved margins in the Chemical business, supported by an improved international environment, as well as an increase in sales volume (6%), fewer operational incidences, and a greater impact of efficiency measures.

- Lower *Gas & Power* results, despite greater sales volumes, decreased margins by drop in market prices, partially offset by improved *Trading* results.

- Lower Commercial businesses results, mainly affected by the drop in the results of the LPG areas partially offset by the improved results of the lubricant, asphalt, and specialties businesses. Results in *Marketing* are in line with those for prior years.

These results continue demonstrating the quality of the Group's assets which allowed Repsol to maintain its leading position among European competitors in terms of industrial and commercial business margins.

EBITDA amounted to €3,092 million, which is 141% higher than 2014. Operating investments total €942 million, 34% higher than 2014.

Gas Natural Fenosa

Adjusted net income for Gas Natural Fenosa in 2015 was €453 million, vs. €441 million in 2014. This increase is due to the inclusion of the Chilean company Compañía General de Electricidad (CGE) on November 30, 2014, as well as the improvement in the performance of the Latin American businesses, partially offset by the declining performance of wholesale gas sales and the commercialization electricity business in Spain and the effect of extraordinary results obtained during 2014 (the sale of the telecommunications business, impairment of the Damietta plant in Egypt, and the impact of tax reform in Spain).

Corporation and adjustments

During 2015, an adjusted net income of €166 million was recognised, vs. €-335 million in the same period of 2014. This variation can mainly be explained by improved financial results arising from the effect of exchange rate on the dollar positions, which offset the increased finance and corporate expenses arising from the inclusion of Talisman since its acquisition on May 8.

Net Income

Adjusted Net Income (€1,860 million) should include the effects of:

- *Inventory effect* (€-459 million): this effect is the result of the decrease in crude oil prices and is associated with the valuation of crude oil and products to Weighted Average Cost (MIFO), instead of the Current Cost of Supply (CCS) and it reflects the negative impact of the long decline in crude oil prices. However, the inventory effect, has improved compared to previous year by 24%.

- *Non-recurring income* (€-2,628 million): the year 2015 mainly includes impairment and write-downs of assets, (€2,957 million after taxes), partially offset by gains on divestments (€376 million: CLH by €293 million, exploration licenses in Canada for €45 million and piped gas assets by €38 million), and the repurchase of Talisman bonds (€155 million).

- *Income from discontinued operations*: the year 2014 included the positive effect of the sale of the investment in Repsol Comercializadora de Gas, S.A (€319 million), and the results associated with YPF, S.A. expropriation.

Based on this outcome, the Group's **Net Income** in 2015 was €-1,227 million. The notable decrease in the net income compared to 2014 (€1,612 million) is explained by the significant impairment recognised in 2015, and the lower gains on divestments of assets in 2015 vs. 2014.

Performance indicators

The main financial performance indicators for 2015 and 2014 are as follow:

PERFORMANCE INDICATORS	12/31/2015	12/31/2014
Return on average capital employed (ROACE) [(1)] (%)	3.1	4.4
Earnings per share (€/share)	(0.87)	1.12

(1) ROACE: (recurring operating income to Weighted Average Cost (MIFO) after taxes + recurrent income from investees) / (average capital employed from continuing operations of the period).

NOTEWORTHY EVENTS DURING THE YEAR

Impairment, write-downs and other provisions

Markets are currently highly volatile and with low crude oil prices, making it necessary to review the assets' value. Therefore, impairment provisions and extraordinary write-downs were recognised at year end, being the breakdown by business segment the following:

€ Million	**12.31.2015**
Upstream	**3,669**
Productive and under development assets	2,933
Exploratory assets [(1)]	736
Downstream	**438**
Corporation	**46**
TOTAL before taxes	**4,153**
TOTAL after taxes	**2,957**

(1) Does not include exploratory permit and negative drills amortised during the normal course of operations, recognised as exploration costs under the Adjusted Net Income in *Upstream*.

In the *Upstream* segment, impairment arose from the evaluation of the recoverability of the assets' value (mainly, price decks) based on a more prudent hypothesis aligned with the current market outlook. The corresponding provisions, therefore, are adjusted in future years at market conditions, and if they improve, will be reversed.

The main impairment in the *Upstream* segment (before taxes) correspond to:

a) Productive and under development assets:

Impairment before taxes	***€ Million***
North America	1,073
Southeast Asia	553
Latin America[(1)]	924
Europe and North Africa	383
TOTAL	**2,933**

(1) Impairment calculated according to the Group's reporting criteria.

b) Exploratory assets:

- Exploratory wells amounting to €320 million before taxes, mainly in the US and Angola, and to a lesser degree, Libya, Malaysia, and Brazil.

- Exploration permits amounting to €242 million before taxes, mainly in the US and Angola, and to a lesser extent, Indonesia.

- Provisions for onerous contracts related to the exploration activity (mainly, *offshore* drilling platforms), in the amount of €174 million.

The *Downstream* segment, an impairment of €362 million before taxes was recognised (net the reversal of the onerous contract provision) in the North America *Gas & Power* business (mainly the Canaport regasification plant, and associated gas pipeline transport commitments in North America), due to the outlook for gas volumes, prices, and margins.

For further information regarding impairment recognized during the year, see Notes 14 and 22 of the 2015 consolidated financial statements.

Talisman first consolidation in the consolidated financial statements of the Repsol Group

Talisman acquisition represents an investment of €8,005 million, corresponding to the purchase price of 100% of its ordinary shares ($8,289 million) and its preference shares (CAD 201 million), and the effect of derivative hedging exchange rate in the purchase price.

In accordance with accounting standards, the first-time consolidation of the assets and liabilities of Talisman in the Repsol Group's consolidated financial statements took place based on its fair value at the acquisition date (May 8).

As a result of that valuation, integrated assets were recorded in the amount of €20,546 million, including goodwill totaling €2,510 million, and liabilities of approximately €12,541 million. Goodwill, which includes deferred taxes after accounting revaluation of the acquired assets, is widely justified by the synergies expected to be realized as a consequence of the integration.

Valuation of Assets and liabilities	***€ Million***
Upstream Business	14,356
Other Net assets and liabilities	(4,754)
Financial Debt[1]	(4,107)
Goodwill	2,510

[1] Financial debt calculated without considering the debt of companies integrated using the equity method. Financial debt has been prepared in accordance with the Group's reporting method, and at the moment of acquisition, amounted to €3,499 million, and was partially repurchased in December in the amount of €1,699 million after the repurchase of the TLM bonds.

The valuation was contrasted with two reports from prestigious independent appraisers.

Results contributed by Talisman

The Repsol Group's results arising from the Talisman business since May 8, 2015 are included. According to the Group's business segment reporting model, the Talisman results are distributed as follows:

	€ Million
Upstream	(218)
Corporation	(160)
Adjusted Net Income	(378)
Non-recurring income [1]	(1,007)
Net Income	**(1,385)**

[1] Talisman's non-recurring income mainly includes the impairment of the TLM assets.

Further information on the Talisman business combination can be found in Note 4.1 of the financial statements corresponding to December 31, 2015.

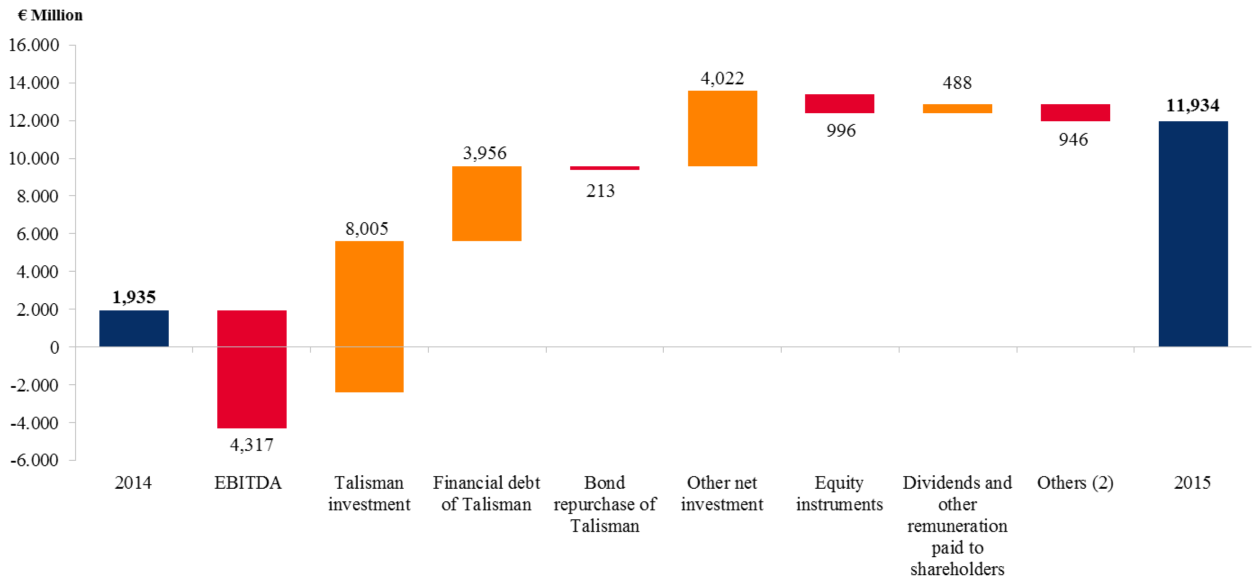
4.2. FINANCIAL OVERVIEW[1]

In 2015, Repsol's financial situation was affected by the Talisman acquisition and the resulting increase in indebtedness, which has not impacted in the Repsol's credit rating. On the other hand, the Group has completed two significant transactions which have improved its financial structure: firstly, the issuance of subordinated bonds, and secondly, the partial repurchase of Talisman bonds.

Indebtedness

The Consolidated Group's net financial debt at year-end 2015 was €11,934 million, compared to €1,935 at December 31, 2014. The evolution of net financial debt in 2015 is explained below:

Change in net debt (1)



(1) Appendix I provides a detailed description of the composition of net debt and reconciles these figures with the net debt reported in the financial statements prepared under IFRS-EU.
(2) Primarily includes income tax expense, net interest expense and changes in working capital.

Main financing operations issued during the year 2015[2] have been as follows:

Bond issues

Date	Concept	Issuer	Currency	Fair Value (€Million)	Rate	Issue price	Maturity
March	Issue	Repsol International Finance B.V.	Euros	1,000	4.500% (1)	100.00%	60 years
March	Issue	Repsol International Finance B.V.	Euros	1,000	3.875% (2)	100.00%	Perpetual
December	Issue (3)	Repsol International Finance B.V.	Euros	600	2.125%	99.90%	5 years

(1) The bonds bear a fixed annual coupon of 4.5% from the date of issuance until March 25, 2025 (inclusive), payable annually as of March 25, 2016; and, as of March 25, 2025 (inclusive), an annual fixed coupon equal to the 10-year swap rate plus an applicable margin.
(2) The bonds bear a fixed annual coupon of 3.875% from the date of issuance until March 25, 2021 (inclusive), payable annually as of March 25, 2016; and, as of March 25, 2021 (inclusive), a fixed annual coupon equal to 6 years swap rate plus an applicable margin.
(3) Issuance under the Program of medium-term bonds (European Medium Term Notes "EMTN") guaranteed by Repsol, S.A. allowing issue up to an aggregate principal amount of €10,000 million.

[1] All of the information provided in this section, unless expressly stated otherwise, has been prepared using the Group reporting model described in Note 5 "*Segment reporting*" at December 31, 2015 annual financial statements. Appendix I of this report reconcile the main adjusted figures with the information reported under IFRS-EU.
[2] RIF has a €2,000 million Euro Commercial Paper Program (ECP) arranged on March 5, 2013 which is guaranteed by Repsol, S.A. In addition, Talisman Energy Inc. arranged a US Commercial Paper Program (USCP) in October 2011 under which it can issue up to $1,000 million.

Repayments or bond repurchases

Date	Concept	Issuer	Currency	Nominal refunded / Nominal repurchased (million)	Coupon
May	Repayment	Talisman Energy Inc.	Dollars	375	5.13%
December	Repurchase	Talisman Energy Inc.	Dollars	127	7.75%
December	Repurchase	Talisman Energy Inc.	Dollars	243	7.25%
December	Repurchase	Talisman Energy Inc.	Dollars	27	5.75%
December	Repurchase	Talisman Energy Inc.	Dollars	360	5.85%
December	Repurchase	Talisman Energy Inc.	Dollars	468	6.25%
December	Repurchase	Talisman Energy Inc.	Dollars	474	5.50%

For more information, see Note 15 "*Financial liabilities*" in the 2015 consolidated financial statements.

The **maturity of gross debt** at year-end is as follows:

Gross Debt [(1)] [(2)] (€ Million)	Total
Maturity 2016	4,253
Maturity 2017	1,599
Maturity 2018	998
Maturity 2019	1,897
Maturity 2020	2,017
Maturity 2021 and after	4,115
TOTAL	**14,879**

Maturity of Bonds [(1)] issued at December 31, 2015

Year	Currency	Nominal	%	Maturity
2016	€	850 [(3)]	4.25	feb-16
	$	150 [(4)]	8.50	mar-16
2017	€	886 [(3)]	4.75	feb-17
	£	250 [(4)]	6.63	dec-17
2018	€	750 [(3)]	4.38	feb-18
2019	€	1,000 [(3)]	4.88	feb-19
	$	573 [(4)]	7.75	jun-19
2020	€	1,200 [(3)]	2.63	may-20
	€	600 [(3)]	2.13	dec-20
2021 and after	$	600 [(4)]	3.75	feb-21
	€	1,000 [(3)]	3.63	oct-21
	€	500 [(3)]	2.25	dec-26
	$	57 [(4)]	7.25	oct-27
	$	98 [(4)]	5.75	may-35
	$	140 [(4)]	5.85	feb-37
	$	132 [(4)]	6.25	feb-38
	$	126 [(4)]	5.50	may-42
	€	1,000 [(5)]	4.50 [(6)]	mar-75

(1) Does not include €1,000 million of perpetual subordinated bonds issued by Repsol International Finance, B.V (RIF) on March 25, 2015.
(2) Includes derivatives of exchange rates and interest.
(3) Notes issued by RIF under its *Euro 10,000,000,000 Guaranteed Euro Medium Term Note Programme* (EMTN), which is guaranteed by Repsol S.A.
(4) Issues made through Talisman Energy Inc. under the scope of its *Universal Shelf and Medium-Term Note Shelf Programs* in the US and Canada, respectively.
(5) Subordinated 60-year bonds issued by RIF and guaranteed by Repsol S.A.
(6) Coupon scheduled for reset on March 25, 2025 and March 25, 2045.

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 four years, and covering 61% of its gross debt. The Group had €6,360 and €3,312 million in undrawn credit lines at year-end 2015 and 2014, 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 FINANCIAL SITUATION	2015	2014
Net financial debt (€ Million)	11,934	1,935
Net financial debt / Total capital employed (%)	29%	6.4%
EBITDA / Net financial debt (x times)	0.36	2.0

For additional information, see Note 16 "*Financial Risk and Capital Management*" in the consolidated financial statements.

Credit rating

At the date of the preparation of the document, credit ratings assigned to Repsol, S.A. by rating agencies are the following:

	STANDARD & POOR'S		MOODY'S		FITCH RATINGS	
TERM	**Repsol, S.A.**	**Talisman Energy Inc**	**Repsol, S.A.**	**Talisman Energy Inc**	**Repsol, S.A.**	**Talisman Energy Inc**
LONG-TERM	BBB-	BBB-	Baa2	Baa3	BBB	BBB-
SHORT-TERM	A-3	A-3	P-2	P-3	F-3	F-3
OUTLOOK	NEGATIVE WATCH	NEGATIVE WATCH	NEGATIVE REVIEW	NEGATIVE REVIEW	STABLE	STABLE
LATEST DATA REVIEW	02/01/2016	02/01/2016	01/22/2016	01/22/2016	12/22/2014	09/26/2014

Treasury shares and own equity investments

During 2015 transactions took place with treasury shares and equity instruments of little relevance. For further information on treasury shares and equity instruments, see Note 13 "*Equity*" of the consolidated financial statements corresponding to December 31, 2015.

Average payment period to suppliers

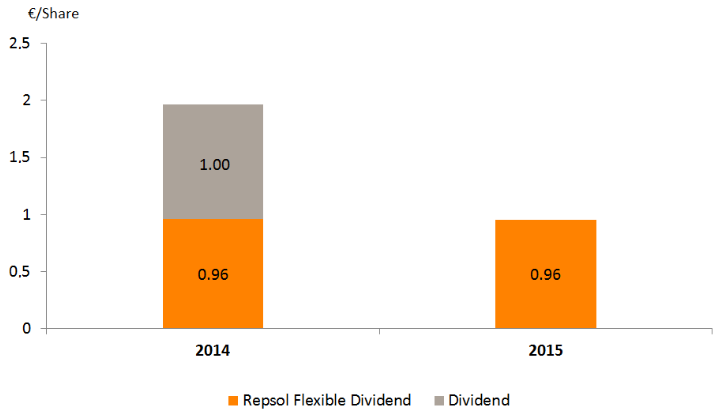
The average payment period to suppliers for Spanish Group companies was 29 days in 2015, which is below the 60-day cap stipulated in Spanish Law 15/2010 of July 5, 2010 (modified through Second Final Provision Law 31/2014), establishing measures to combat supplier non-payment. For further information, see Note 19 "*Trade payables and other payables*" of the 2015 consolidated financial statements.

4.3. SHAREHOLDER REMUNERATION

Repsol intends to maintain attractive remuneration for its shareholders in line with that of previous years, although it does not have a formal dividend distribution policy. Nonetheless, shareholder remuneration eventually agreed by Repsol will depend on various factors, including the trend of its business and operating results.

In 2012, Repsol started a scrip dividend scheme under the "Repsol Flexible Dividend" program. 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. Under this program, the Company's shareholders can choose to receive their remuneration totally or partially in paid-up shares or in cash by selling allotment rights that they receive either in the market at market price or to Company itself.

Shareholder remuneration in 2015 and 2014, including cash dividend and script dividend under the "Repsol Flexible Dividend" program, was as follows:



The remuneration of 1.96 €/share for 2014 includes the sum of the irrevocable purchase commitment of free of charge allocation rights assumed by Repsol in its two bonus share capital increase executed in January and July 2014 (€0.477 and €0.485 per right, before witholdings respectively), under the remuneration scheme called "*Repsol flexible dividend*" and an extraordinary interim dividend from results for the year 2014 of €1 gross per share. As a result, Repsol paid a total amount of €1,712 million to its shareholders in 2014 and delivered 47,800,482 new shares for an equivalent amount of €876 million.

In 2015, shareholder remuneration of €0.96/share included the amount of the irrevocable commitment assumed by Repsol to buy back bonus share rights awarded as part of the two bonus share issues completed in January and July 2015 (at €0.472 and €0.484 per right, before withholdings, respectively), under the scope of its *Repsol Flexible Dividend* scheme. In 2015, Repsol paid out a total of €488 million to its shareholders (before withholdings) and delivered 50,088,670 new shares with an equivalent value of €814 million to those shareholders who opted to take their dividends in the form of Company shares.

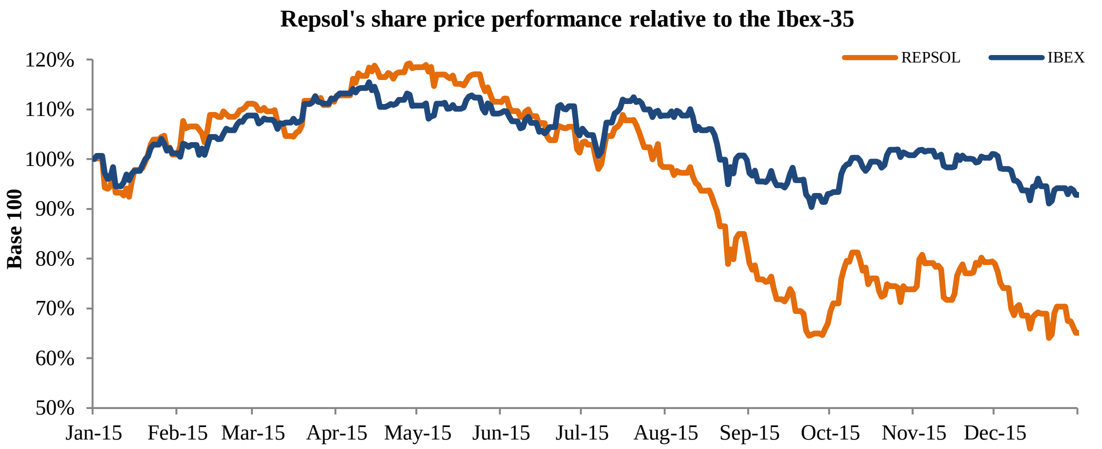
Additionally, in January 2016 within the "*Repsol Flexible Dividend*" program, and to replace what would have been the dividend on account for the financial year 2015, Repsol made a cash payment of €228 million (€ 0.466 gross per right) to those shareholders who chose to sell their free of charge allocation rights to the Company, and distributed 41,422,248 shares, for an equivalent amount of €425 million, to those who chose to receive new shares of the Company.

At the date of the preparation of these Financial Statements, the Board of Directors of the Company has agreed to propose to the next General Shareholders' Meeting, within the "*Repsol Flexible Dividend*" programme and on the dates the complementary dividend has traditionally been paid, a proposal of a capital increase charged to voluntary reserves from retained earnings, equivalent to a retribution of approximately €0.30 per share.

For additional information on the total remuneration received by shareholders, and the aforementioned capital increases issued under the "*Repsol Flexible Dividend*" program, see sections 13.1 *"Share Capital"* and 13.6 *"Shareholder remuneration"* of Note 13 "*Equity*" of the consolidated financial statements corresponding to December 31, 2015

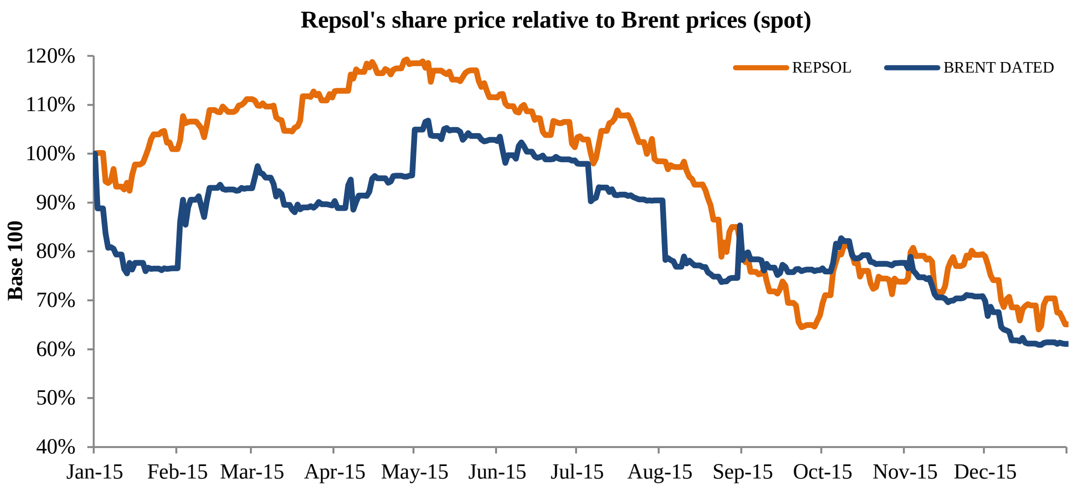
Our share

During 2015, the performance of the main European stock markets was affected by volatility caused by macroeconomic uncertainty and the sharp correction in benchmark oil prices. Repsol's shares performed in line with the Ibex-35 during the first half of the year, underperforming Spain's benchmark blue chip index in the second half of the year, while remaining in line with the rest of the oil sector.



Source: Bloomberg.

Major companies in the European and American oil sector suffered widespread declines in the stock market in 2015 due to the collapse in oil prices has caused. The Brent benchmark reached values below $40 per barrel in the second half of the year. Repsol will face this adverse environment with the support of its new Strategic Plan 2016-2020, which is based on creating value and resilience in the current pricing environment.



Source: Bloomberg. Price of Brent “spot”.

Repsol's share price performed largely in line with its European comparables during the first half of the year, moving away of the sector average during the second half. Also, the worst performing of the Ibex 35 against other European benchmark indexes affected negatively on Repsol´s share price.

The Group's main stock exchange indicators for 2015 and 2014 are presented below:

MAIN STOCK EXCHANGE INDICATORS	**2015**	**2014**
Shareholder remuneration (€/share) [1]	0.96	1.96
Share price at close of financial year [2] (€)	10.12	15.55
Average share price (€)	14.77	18.40
Maximum price for the period (€)	18.54	20.91
Minimum price for the period (€)	9.96	15.55
Outstanding shares at end of period (million)	1,400	1,350
Market capitalization at end of period (€ million) [3]	14,172	20,990
PER[4]	(11.6)	13.2
Dividend yield paid [5] (%)	6.2	10.7
Book value per share [6] (€)	19.8	20.69

(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 BY BUSINESS AREAS

5.1. UPSTREAM

5.1.1. SUMMARY INFORMATION

Our activities

The Repsol *Upstream* Division includes oil and natural gas exploration and production activities, and manages its project portfolio in order to create value with a strong focus on efficiency and resilience and a commitment to safety and the environment in line with the Strategic Plan announced in October 2015. The main exploration and production activities are:

- **New areas**: Identification and entry into new projects (organic or inorganic growth).
- **Exploration**: Geological, seismic and geophysical activities and drilling exploratory wells in the search for hydrocarbon resources.
- **Evaluation**: Drilling appraisal wells, definition of the resources discovered and determination of their commercial viability.
- **Development**: Drilling production wells and facilities for starting production of the reserves.
- **Production**: Commercial exploitation of hydrocarbons.

Main figures

	2015	2014
Net undeveloped acreage (Km^2)	270,512	188,278
Net developed acreage (Km^2)	4,978	1,035
Reserves of crude oil, condensate and LPG (Mboe)	588	441
Natural Gas Reserves (Mboe)	1,785	1,098
Proven Reserves Replacement Ratio (%)	509	118
Reserve replacement cost (three-year average) ($/boe)	7.5	13.6
Net daily production of liquids (kbbl/d)	207	134
Net daily production of gas (Kboe/d)	352	220
Net daily production of hydrocarbons (Kboe/d)(1)	559	355
Average crude oil realization price ($/bbl)	45.2	79.6
Average gas realization price ($/kscf)	2.8	3.8
Extraction cost (2) (net lifting cost - $/Boe)	8.6	5.3
Finding cost (three-year average) ($/boe) (3)	11.6	8.4

(1) The hydrocarbons production provided by Talisman assets since May 8, amount to 203 Kboe/d. The amount allocated during December 2015 amounts to:

	Dec 2015
Net daily production of liquids (kbbl/d)	118
Net daily production of gas (Kboe/d)	209
Net daily production of hydrocarbons (Kboe/d)	327

(2) Net Lifting Cost: Lifting Costs / Net Production
(3) Finding cost: (Acquisition and Sale of exploration acreage + Exploration investments) / Discoveries and Extensions

Our performance in 2015

€ Million	2015	2014	Var.
EBITDA	**1,512**	**2,667**	(44)%
Europe, Africa and Brazil	(124)	205	(160)%
Latin America	(27)	653	(104)%
North America	(112)	195	(157)%
Asia and Russia	19	22	(14)%
Exploration and other	(665)	(486)	37%
Adjusted Net Income	**(909)**	**589**	**(254)%**
Net operating investment(1)(2)	**11,270**	**2,675**	**321%**
Exploration Cost	**867**	**734**	18%
Effective Tax Rate	**(15)**	**50**	**(65)**

(1) Gross investments minus divestments of the period.
(2) Gross investments in the period, excluding the price already paid related to Talisman acquisition are broken down, in 2015, as follows:

- Development investments (represented 70% of total investments): United States (22%), Venezuela (19%), Trinidad & Tobago (15%), Brazil (11%), Canada (9%), the U.K (6%), Bolivia (5%) and Algeria (5%).
- Exploration investments (represented 25% of total investments): United States (38%), Angola (19%), Europe (15%), Brazil (7%), and Russia (5%).

Main events of the period

- **Exploratory campaign:** in 2015 the drilling concluded of 19 **exploratory wells** and 13 *appraisal wells* were concluded, 16 with positive results, (4 exploratory and 12 *appraisal),* 13 negative (all of them exploratory) and 3 wells, that as of 31 December were still under evaluation (2 exploratory and 1 *appraisal*). At year-end 2015, there were 4 exploratory and 1 *appraisal* wells ongoing. In addition, the Wedan (Libya) well is suspended for causes non related to the operation.
- In January 2015, development drilling activities began at the important **Reggane Nord gas project.** The estimated duration of this development phase is 36 months; gas production is forecasted to begin in 2017. Repsol participates in the project with a 29.25%, operating jointly with the Algerian national company Sonatrach (40%), the German RWE Dea AG (19.5%), and the Italian firm Edison (11.25%).

- In February of 2015, Repsol announced a **new gas discovery in Bolivia**, in the Margarita- Huacaya block, with the **Margarita-8** appraisal well. This discovery represents an increase in the Caipipendi area's reserves, and consolidates Repsol's position as a Bolivian gas producer. The block is located in the southern area of the country, and is operated by Repsol with a 37.5% share.

- In February 2015, **there was a discovery in Russia** with the exploratory well **K-4** in the Karabashskiy-2 block. Also, in May the appraisal well **6-P** located in the Karabashskiy-1 block finished with positive results. Both blocks are 100% owned by Repsol.

- On April 20, 2015, Repsol announced **a new gas discovery in the Illizi basin** located in southeast Algeria. This is the fourth exploratory discovery in the area, and was made in the **Tan Emellel Sud-Ouest-2 (TESO-2)** exploratory well within the Sud Est Illizi block. Repsol owns 52.5% of the exploratory phase, and operates the discovery consortium including the Italian company Enel (27.5%) and the French GDF-SUEZ (20%).

- During April of 2015, within the winter exploration and appraisal campaign in the **Alaska North Slope**, two evaluation/appraisal wells revealed positive results **(Q-8 and Q-301)** and one exploratory well **(Q-9)**. The success of this year's exploratory campaign reaffirms the area's high potential achieved in previous years.

- On May 4, 2015 Repsol announced the **second gas discovery** in Bolivia**, in the Margarita- Huacaya block,** with the **Margarita-7** appraisal well.

- On May 8, the **acquisition of the Canadian firm Talisman Energy** was finalized; all of its assets were incorporated into the Repsol portfolio.

- On May 10, **in the United Kingdom** (*UK*), production in the Tartan field began again, after having stopped since the third quarter of 2012. In June in the UK Piper / Tweedsmuir and Bleo Holm fields, production was restarted.

- In May 2015, the **Malaysian Kinabalu expansion** project was approved. This project consisted in a new platform, lines connecting the existing Kinabalu installations, and the perforation of 10 additional productive wells.

- In March and May 2015, **2 new wells located in the Northern Sapinhoá** area began production with the "*Cidade de Ilhabela*" FPSO (Floating Production, Storage and Offloading). In 2016, it is expected that the production plateau of 150,000 daily barrels of crude oil should be reached in the northern section of the Sapinhoá megafield in block BM-S-9 located in deep Brazilian waters. The production plateau was reached in 2014 in the **southern Sapinhoá area**; a new well began production in March of 2015, through the FPSO "*Cidade de São Paulo*" which has a production capacity of 120,000 daily barrels of crude oil.

- In May production in the Montrose platform and in July in Arbroath, within the redevelopment project area MonArb restarted. These works allowed the beginning of the well Godwin in July.

- On June 23, 2015, YPFB Andina, in which Repsol owns 48.3%, announced an important crude oil discovery in the **Santa Cruz Bolivian region**, with the exploratory well **Boquerón (BQN-4)**.

- In June, the Repine compressor was received, which allowed that several wells were put into production in the Friendsville area, in the Marcellus basin in United States.

- In July, production of the **Perla mega-gas field** located in Venezuela's Cardón IV block started. In May it was successfully completed the installation of the main gas production platform. The first phase of development of the field Perla made possible to achieve a total production of 150 Mscfd in October. In December production reached 500 Mscfd.

- In July the declaration of commerciality of the important discovery "*Red Emperor / CRD*" was completed in **Vietnam**.

- During the first half-year, an agreement was reached with COPI (Conoco Phillips Indonesia) to extend the duration of the PGN Gas Sale Agreement for the sale of gas from the **Indonesian corridor field,** until the PSC contract for the block ends.

- Final approval was received from the authorities in **Indonesia** to gain entry through a 51% investment in the East Jabung PSC block.

- In the third quarter in Algeria in Sud Est Illizi block, **two drilling evaluation** / appraisal wells (NDC-3 and TDE-2) were completed **with positive results**.

- In September, Repsol sold BG Group the exploration permits for Blocks EL1123 (Statoil: 75%; Repsol: 25%), EL1125 and EL1126 (Statoil: 50%; Chevron: 40%; and Repsol: 10%) located in Canada, generating a pre-tax gain of €60 million.

- In October, within the evaluation plan in the BM-C-33 block in offshore of Brazil, the evaluation / appraisal drill **Pao de Acucar-1** was completed with positive results and at the end of the year, also with positive results, a second evaluation / appraisal well (Pao de Acucar-2).

- In October, within the Alaska North Slope project, Repsol reached an agreement with his partner Armstrong Oil & Gas by which this company acquired an additional 15% in the area of development of Colville River Delta and 45% in the exploration area.
- In October, a new well entered in production in the Duvernay basin in Canada.
- In November, 4 new wells entered in production in the east Eagle Ford area.
- In Colombia, Equion (a joint venture that is 49% owned by Talisman and 51% by the Colombian company Ecopetrol) finished 2 development wells (FL Tp-12 y FR If-14).
- In November, evaluation / *appraisal* well LPÑ-91D in Bolivia concluded with positive results.
- In the last quarter 2015, two new wells finished with positive results (one exploratory and one appraisal) in Algeria in Sud Est Illizi block.
- In December 2015 Repsol agreed with Statoil to give it a 13% interest (holding 37%) and operation in Eagle Ford in exchange for a 15% stake in the Gudrun producing field in Norway.
- Due to the serious **instability of Libya**, production was interrupted during the year.

5.1.2. UPSTREAM ACTIVITIES

The information contained in this section can be supplemented with the "*Information on oil and gas exploration and production activities*," which the company publishes annually[1].

Exploration and development

At year-end 2015, Repsol's *Upstream* division was involved in oil and gas exploration and production blocks in 30 different countries, either directly or through investee companies. The company was the operator in 26 of them.

The tables below display information on Repsol's acreage and exploration and development activities by geographical area:

	Developed and non-developed acreage (2015)			
	Developed (1)		Undeveloped (2)	
(km^2)	Gross (3)	Net (4)	Gross (3)	Net (4)
Europe	**1,428**	**525**	**68,862**	**32,409**
Norway	324	92	10,676	4,608
U.K.	1,082	416	2,148	684
Rest of Europe	22	17	56,038	27,117
Latin America	**2,974**	**698**	**142,580**	**61,725**
Brazil	549	36	2,736	407
Colombia	651	134	73,357	27,460
Peru	200	28	21,772	13,359
Trinidad & Tobago	180	66	7,973	3,327
Venezuela	789	189	2,200	664
Rest of Latin America	605	245	34,542	16,508
North America	**5,435**	**2.358**	**44,054**	**24,540**
Canada	2,518	1,747	27,730	17,400
United States	2,917	611	16,324	7,140
Africa	**2,670**	**673**	**97,921**	**59,966**
Asia and Oceania	**1,759**	**724**	**144,956**	**91,872**
Indonesia	1,010	390	27,940	23,818
Malaysia	414	199	8,456	4,162
Russia	221	108	10,771	9,670
Rest of Asia and Oceania	114	27	97,789	54,222
Total	**14,266**	**4,978**	**498,373**	**270,512**

(1) Developed acreage is the area assignable to production wells. The amounts shown belong to the exploitation acreage.
(2) Undeveloped 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. Also includes exploratory areas.
(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.

[1] 2014 information became public through relevant fact CNMV on February 26, 2015 and can be found on our website. 2015 information will be published at the same time as this report and can be also accessed through the CNMV or on our website.

	Acreage							
	Gross acreage (km^2) (1)				Net acreage (km^2) (1)			
	Development		Exploration		Development		Exploration	
	2015	2014	2015	2014	2015	2014	2015	2014
Europe	**2,882**	**399**	**67,408**	**64,367**	**1,312**	**332**	**31,622**	**28,420**
Norway	853	-	10,147	11,776	411	-	4,289	3,834
U.K.	1,630	-	1,600	-	569	-	531	-
Rest of Europe	399	399	55,661	52,591	332	332	26,802	24,586
Latin America	**18,119**	**17,547**	**127,435**	**99,690**	**5,884**	**5,759**	**56,539**	**43,671**
Brazil	1,185	1,185	2,100	2,100	147	147	296	296
Colombia	1,647	1,075	72,360	32,071	276	151	27,318	12,720
Peru	2,020	2,020	19,952	25,920	202	202	13,185	11,790
Trinidad & Tobago	5,579	5,579	2,574	2,574	2,363	2,363	1,030	1,030
Venezuela	2,990	2,990	-	-	853	853	-	-
Rest of Latin America	4,698	4,698	30,449	37,025	2,043	2,043	14,710	17,835
North America	**16,205**	**10,168**	**33,284**	**21,178**	**6,442**	**919**	**20,456**	**8,393**
Canada	5,934	-	24,314	12,438	4,375	-	14,772	2,599
United States	10,271	10,168	8,970	8,740	2,067	919	5,684	5,794
Africa	**12,846**	**12,059**	**87,745**	**82,457**	**2,709**	**2,564**	**57,930**	**53,693**
Asia and Oceania	**10,328**	**2,082**	**136,387**	**65,728**	**4,319**	**1,022**	**88,277**	**44,540**
Indonesia	4,837	-	24,113	42,512	1,809	-	22,399	29,252
Malaysia	2,311	-	6,559	-	1,014	-	3,347	-
Russia	1,411	2,082	9,581	8,615	691	1,022	9,088	8,615
Rest of Asia and Oceania	1,769	-	96,134	14,601	805	-	53,443	6,673
Total	**60,380**	**42,255**	**452,259**	**333,420**	**20,666**	**10,596**	**254,824**	**178,717**

(1) 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.

Finished and ongoing exploratory wells [1]

	Positive		Negative		Under evaluation		Total		Ongoing	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Europe	**-**	**-**	**6**	**1**	**-**	**1**	**6**	**2**	**1**	**3**
Norway	-	-	4	1	-	1	4	2	-	-
U.K.	-	-	-	-	-	-	-	-	-	-
Rest of Europe	-	-	2	-	-	-	2	-	1	3
Latin America	**-**	**1**	**2**	**3**	**1**	**2**	**3**	**6**	**1**	**2**
Brazil	-	1	-	1	1	-	1	2	-	1
Colombia	-	-	-	1	-	1	-	2	1	-
Peru	-	-	2	-	-	-	2	-	-	1
Trinidad & Tobago	-	-	-	1	-	1	-	2	-	-
Venezuela	-	-	-	-	-	-	-	-	-	-
Rest of Latin America	-	-	-	-	-	-	-	-	-	-
North America	**1**	**1**	**2**	**1**	**-**	**1**	**3**	**3**	**-**	**2**
Canada	-	-	1	-	-	-	1	-	-	1
United States	1	1	1	1	-	1	2	3	-	1
Africa	**2**	**-**	**3**	**7**	**-**	**2**	**5**	**9**	**-**	**2**
Asia and Oceania	**1**	**2**	**-**	**2**	**1**	**-**	**2**	**4**	**2**	**1**
Indonesia	-	-	-	-	-	-	-	-	2	-
Malaysia	-	-	-	-	1	-	1	-	-	-
Russia	1	2	-	-	-	-	1	2	-	1
Rest of Asia and Oceania	-	-	-	2	-	-	-	2	-	-
Total	**4**	**4**	**13**	**14**	**2**	**6**	**19**	**24**	**4**	**10**

[1] Does not include the Wedan well in Libya (suspended for reasons beyond the operator's control) or evaluation/appraisal wells. Drilling concluded at 13 evaluation / appraisal wells in 2015, with positive results at 12 and one well in evaluation. Drilling at one evaluation/ appraisal wells was ongoing at year-end.

Finished development wells

	Positive		Negative		Under evaluation		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Europe	**4**	**-**	**-**	**-**	**-**	**-**	**4**	**-**
Norway	3	-	-	-	-	-	3	-
U.K.	1	-	-	-	-	-	1	-
Rest of Europe	-	-	-	-	-	-	-	-
Latin America	**62**	**78**	**3**	**5**	**5**	**8**	**70**	**91**
Brazil	10	9	-	-	1	-	11	9
Colombia	20	26	-	-	-	1	20	27
Peru	-	1	-	-	-	-	-	1
Trinidad & Tobago	3	5	-	-	2	2	5	7
Venezuela	22	28	2	3	-	5	24	36
Rest of Latin America	7	9	1	2	2	-	10	11
North America	**282**	**471**	**1**	**1**	**16**	**1**	**299**	**473**
Canada	30	-	-	-	6	-	36	-
United States	252	471	1	1	10	1	263	473
Africa	**2**	**8**	**1**	**-**	**-**	**-**	**3**	**8**
Asia and Oceania	**43**	**34**	**3**	**3**	**-**	**-**	**46**	**37**
Indonesia	1	-	-	-	-	-	1	-
Malaysia	-	-	-	-	-	-	-	-
Russia	42	34	2	3	-	-	44	37
Rest of Asia and Oceania	-	-	1	-	-	-	1	-
Total	**393**	**591**	**8**	**9**	**21**	**9**	**422**	**609**

Production

Average **net production** for 2015 (559 Kboe/d) was 58% higher than in 2014 (355 Kboe/d), December production reached 711 Kboe/d, 95% higher than the same month last year. This increase has been driven mainly by the acquisition of Talisman's assets on May 8, 2015. These assets contributed 203 Kboe/d to average production in 2015. In addition to the Talisman effect, production increased on the back of the start-up and ramping-up of strategic projects in Brazil, Bolivia and Venezuela (specifically, Cardón IV, where gas was extracted for the first time on July 25), offsetting the absence of production in Libya where safety concerns prevailed and a slowdown in activity in Trinidad & Tobago as a result of several maintenance work.

	Net production of liquids and natural gas by geographical area						Productive Wells by geographical area			
	Liquids (Mbbl)		Natural gas (bcf)		Total (Mbep)		Oil		Gas	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Europe	**9**	**2**	**7**	**1**	**10**	**2**	**231**	**9**	**2**	**1**
Norway	3	-	6	-	4	-	67	-	-	-
U.K.	5	-	1	-	5	-	154	-	1	-
Rest of Europe	1	2	-	1	1	2	10	-	1	1
Latin America	**35**	**27**	**419**	**412**	**110**	**101**	**1,130**	**1,113**	**233**	**199**
Brazil	11	6	3	3	12	6	26	21	-	-
Colombia	4	1	10	-	6	1	414	394	17	-
Peru	4	4	52	53	13	14	-	-	27	27
Trinidad & Tobago	4	4	216	244	43	49	91	101	55	55
Venezuela	5	5	69	48	17	13	376	367	34	27
Rest of Latin America	7	7	69	64	19	18	223	230	100	90
North America	**18**	**10**	**182**	**14**	**51**	**13**	**2,852**	**1,128**	**2,664**	**-**
Canada	5	-	48	-	14	-	1,151	-	1,593	-
United States	13	10	134	14	37	13	1,701	1,128	1,071	-
Africa	**3**	**6**	**16**	**11**	**5**	**7**	**86**	**238**	**78**	**83**
Asia and Oceania	**10**	**4**	**98**	**14**	**28**	**6**	**619**	**379**	**99**	**8**
Indonesia	1	-	63	-	12	-	89	-	55	-
Malaysia	3	-	19	-	6	-	87	-	36	-
Russia	4	4	15	14	7	6	403	379	8	8
Rest of Asia and Oceania	2	-	1	-	3	-	40	-	-	-
Total	**75**	**49**	**722**	**452**	**204**	**129**	**4,918**	**2,867**	**3,076**	**291**

Average realization prices for crude oil and gas by geographical area are as follows:

	At December 31, 2015		At December 31, 2014	
	Average crude oil realization price	Average gas realization price	Average crude oil realization price	Average gas realization price
	($/Bbl)	($/Boe)	($/Bbl)	($/Boe)
Europe	50.92	34.36	101.75	62.66
Latin America	44.02	14.53	76.27	21.65
North America	44.28	11.74	91.55	27.42
Africa	52.51	0.00	97.42	-
Asia and Oceania	42.99	27.50	47.21	9.28
Total	**45.16**	**15.75**	**79.58**	**21.52**

The following table provides figures on the **main productive and under development assets** for *Upstream* division by country at December 31, 2015, likewise stating the percentage that Repsol holds in each of them.

Country	Main blocks	% Repsol	Productive (P) / Under Development (D)	Operated (O) / Not operated (NO)	Liquids (L) / Gas (G)
Europe					
Norway	Non-operated blocks (Brage, Brynhildg)	10% to 33.84%	P	NO	L-G
Norway	Operated blocks (Gyda, Varg)	31% to 100%	P	O	L-G
United Kindom	TSEUK	51.00%	P	O	L-G
Latin America					
Trinidad & Tobago	BP TT	30.00%	P	NO	L-G
Trinidad & Tobago	TSP	70.00%	P	O	L-G
Brazil	BM-S-9 (Sapinhoá)	15.00%	P	NO	L-G
Brazil	BM-S-9 (Lapa)	15.00%	D	NO	L-G
Brazil	Albacora Leste	6%	P	NO	L-G
Bolivia	Margarita - Huacaya	37.50%	P	O	L-G
Bolivia	Sábalo	24.46%	P	NO	L-G
Bolivia	San Alberto	24.46%	P	NO	L-G
Colombia	Equion	49.00%	P	O	L-G
Colombia	CPO-9 Akacias	45.00%	P / D	NO	L
Colombia	Cravo Norte	5.63%	P	NO	L
Peru	Block 56 (Camisea)	10.00%	P	NO	L-G
Peru	Block 88 (Camisea)	10.00%	P	NO	L-G
Peru	Block 57 (Kinteroni & Sagari)	53.84%	P / D	O	L-G
Venezuela	Cardón IV (Perla)	50.00%	P / D	O	G
Venezuela	Quiriquire (Gas)	60.00%	P	O	G
Venezuela	Barua Motatan	40.00%	P	O	L
Venezuela	Carabobo	11.00%	P / D	O	L
North America					
United States	Shenzi	28.00%	P	NO	L-G
United States	Midcontinent	9.32%	P	NO	L-G
United States	Eagle Ford	37.00%	P	NO	L-G
United States	Marcellus	83.79%	P	O	G
Canada	Greater Edson (Wild River, Edson…)	64% to 78%	P	O	L-G
Canada	Chauvin	65% to 69%	P	O	L-G
Canada	Duvernay	88% to 100%	P	O	L-G
Africa					
Algeria	Tin Fouyé Tabenkor (TFT)	30.00%	P	O	L-G
Algeria	Reggane	29.25%	D	O	G
Asia					
Russia	SK	49.00%	P	O	L-G
Russia	SNO	49.00%	P	O	L
Russia	TNO	49.00%	P	O	L
Indonesia	Corridor	36.00%	P	NO	L-G
Malaysia	PM3	35% to 41.44%	P	O	L-G
Malaysia	Kinabalu	60.00%	P	O	L
Vietnam	Block 15-2/01 (HST / HSD)	60.00%	P	O	L-G
Vietnam	Block 07/03 (CRD/Red Emperor)	46.75%	D	O	L-G

Reserves

At year-end 2015, Repsol's **proven reserves**, estimated in accordance with SPE/WPC/AAPG/SPEE Petroleum Resources Management System criteria (a system more commonly known by its acronym, SPE-PRMS, with SPE standing for the Society of Petroleum Engineers) amounted 2,373 Mbep, of which 588 Mbep (25%) corresponded to crude oil, condensate and LPG, with the remainder, 1,785Mbep (75%), accounted for by natural gas.

	Proven Reserves	
Million barrels of oil equivalent	2015[(1)]	2014[(2)]
Europe	51	3
Latin America	1,480	1,311
North America	520	60
Africa	128	125
Asia	194	40
Oceania	-	-
TOTAL	**2,373**	**1,539**

(1) As of December 31, 2015, in order to facilitate the integration of the Talisman group (which estimates its reserves using the Canadian Administrator's National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities, which in turn relies on the conceptual framework of the Canadian Oil and Gas Evaluation Handbook "*COGE Handbook*") and enable consistent reserve and resource management, the Repsol Group has decided to use the SPE-PRMS criteria for proved reserve reporting purposes.

(2) Until 2014, Repsol had been voluntarily applying the oil and gas reserves reporting and disclosure guidance and framework established by the Securities Exchange Commission (SEC) to estimate its proved reserves and the criteria established by the Society of Petroleum Engineers' SPE/WPC/AAPG/SPEE Petroleum Resource Management System (SPE-PRMS) to estimate its probable and possible reserves.

In 2015, the development of these reserves was positive, with a total incorporation of 1,038 Mboe, mainly from the Talisman acquisition, the extensions and discoveries in USA, and review of the previous estimation in Trinidad & Tobago and Venezuela. In 2015, the company achieved a reserves replacement ratio (measuring total additions of proven reserves over the period relative to production for the period) of 509% (2014 118% y 2013 275%) for crude oil, condensate, LPG and natural gas (294% for crude oil, condensate and LPG, and 635% for natural gas), in line with the long-term objectives, incorporating resources which significantly strengthen the future growth. The organic reserve replacement rate (excluding purchases and sales) reached 159% for crude oil and condensed oil, LPG and natural gas (60% in crude oil and condensed oil and LPG, and 218% in natural gas).

5.1.3 EVENTS OF THE PERIOD

NORTH AMERICA

United States

- The acquisition of Talisman (on May 8, 2015) meant the addition of two important *Shale Gas* assets, a dry gas one (**Marcellus**) and a liquid-rich shale asset (**Eagle Ford**). These assets, along with the Shenzi and Mississippian Lime assets and the exploration portfolio, with significant discoveries made (Alaska North Slope, León, etc.), significantly reinforce Repsol's position in the US, which is currently one of the Group's key strategic countries.

  - **Marcellus Shale**, Repsol's participation in this area is located mainly in the Pennsylvania state, and in lesser extent in the New York state. It includes six areas: Jackson, Friendsville, Chaffe, Columbia, Troy and Statelands. The gas compression infrastructure build-out was completed at Friendsville in 2015, increasing existing production.Thorne and York 1H wells went into production in June and Bennet well in November.

    In Pennsylvania, Repsol has midstream assets consisting of approximately 277 miles of gathering/transmission pipelines and eight compression and processing gas plants. The pipeline system has throughput capacity of 1.5 bcf/d. The New York midstream assets currently consist of approximately 195 miles of gathering/transmission pipelines with throughput capacity of 125 mmcf/d and seven gas plants.

- **Eagle Ford Shale**. The Eagle Ford area is located in South Texas and encompasses seven areas: Cooke, SM, STS, Celero, McMullen, Choke Canyon and KDB. In November 2015, four new wells in the eastern area of Eagle Ford went into production. An agreement was announced with Statoil in December 2015 under which Repsol has exchanged a 13% interest in Eagle Ford for a 15% interest in the *Gudrum* production field in Norway. In addition, the two companies agreed that Statoil will operate the entire Eagle Ford joint venture. In the wake of the transaction, Repsol holds a 37% interest in this asset.

- The exploratory well at the Key Largo prospect located at Walkter Ridge Basin, operated by Marathon, concluded unsuccessfully in January 2015. Repsol holds a 40% working interest in this project.
- In April 2015, as part of the winter exploration and appraisal campaign at North Slope, Alaska, it was concluded with positive results two evaluation/appraisal wells (Q-8 and Q-301) and one exploration well (Q-9).
- In September, drilling began on the first appraisal well at the León discovery, made in 2014 in the ultra-deep waters of the Gulf of Mexico operated by Repsol with 60% interest.
- In October 2015, Repsol reached an agreement with Armstrong Oil & Gas restructuring their respective interests in their North Slope joint venture in Alaska. Under the terms of the agreement, Armstrong acquired a 15% working interest (to add to its 30%) in the initial development area (Colville River Delta). Repsol has retained a 55% interest in this area. In addition, Armstrong has the option of acquiring a further 6% and assuming operatorship in the development area. Armstrong also acquired a 45% working interest (on top of its 30%) and operatorship in the exploration area. Repsol has retained a 25% interest in this exploration area.
- At Shenzi (28% Repsol), a productive asset located in deep waters in the Gulf of Mexico, two new wells B104 and H103 went into production in February and April, respectively, as part of the ongoing development work in the North Area. During October, the second horizontal drilling (*sidetrack*) at the Shenzi North well concluded successfully.

- In the Midcontinent unconventional asset, located between the states of Kansas and Oklahoma, in which Repsol has an interest as a result of the agreement executed in 2012 with US oil company SandRidge Energy, development drilling activity fell by 45% year-on-year in 2015 to around 230 wells.

Canada

- After the acquisition of the Canadian company Talisman, on May 8, 2015, Repsol's portfolio has grown substantially in this country and Canada has become a key strategic country for Repsol. The new assets are located in the following areas:

  - **Greater Edson**. An oil and gas production area located in Edson (Alberta) with an average working interest of 75%. It encompasses six areas: Edson, Sundance/MedLodge, Ansell and Minehead in the south, and Wild River and Bigstone in the north.
  - **Chauvin**. An area located in Alberta / Saskatchewan with stable production of conventional heavy oil.
  - **Duvernay**. This is non mature play. It is at the initial stage of development and appraisal, producing oil and gas, and is located in central-western Alberta. In 2015, drilling continued to apraise the southern area. In October 2015, production began at a new well.

- **Montney**. The Talisman acquisition added the Groundbirch and Saturn assets in this gas production area to Repsol´s portfolio, after having transferred the remaining assets in Montney.

- Drilling of the Aster C-93 exploration well in Block EL-1110, operated by Husky, concluded unsuccessfully in February.
- In September 2015, Repsol sold to British Gas (BG) its interests in three offshore exploration blocks located in Newfoundland, off Canada's Atlantic coast. At the EL1123 Block operated by Statoil, Repsol held a 25% interest; while it held a 10% interest in the EL1125 and EL1126 Blocks (operated by Statoil).

LATIN AMERICA

Brazil

Repsol has an important presence in Brazil through the company Repsol Sinopec Brasil, an alliance established between Repsol (60%) and Chinese company Sinopec (40%), with a significant and well-diversified portfolio of assets which includes productive fields such as Sapinhoá and Albacora Leste and assets containing major finds made in recent years in Blocks BM-S-9 (Lapa, under development) and BM-C-33.

- In 2015 (March and May), two new wells went into production in the northern area of Sapinhoá, at Block BM-S-9 in the pre-salt deep waters of the Santos Basin in Brazil. The wells were connected to the “Cidade de Ilhabela FPSO” facility, with has a daily production capacity of 150,000 barrels of oil and six million cubic metres of gas. The gas injection works designed to increase production began in June 2015.

  In mid-November 2014, North Sapinhoá area was put into production. The development plan target for the northern Sapinhoá acreage is to lift *plateau* production to 150,000 boe/d in 2016.

  Production of crude oil at the Sapinhoá mega-field began in January 2013 in the southern area, where a new well was put into production in March 2015 via the “*Cidade de São Paulo*” FPSO facility. Production in the southern acreage reached in 2014 its “*plateau*” level with a capacity of 120,000 barrels of crude oil and 5 million cubic metres of gas per day.

  Once *plauteu* production is reached in the northern area in 2016, total gross production at Sapinhoá will reach 270,000 barrels of oil per day, making Repsol one of the largest oil producers in Brazil.

  Repsol Sinopec Brasil holds a 25% working interest in this important venture, in which Petrobras (45% and operatorship) and BG (30%) are also partners.

- Under the scope of the development plans for the major discovery at Block BM-S-9 known as Lapa (formerly known as Carioca), in 2015, development work continued in the north-eastern area with the aim of initiating production in the last quarter of 2016. Against this backdrop, the development well drilling (P-NE-02) finished in August 2015. The good results in terms of the Lapa 9 development well productivity in the South area also warrant developing this second phase of the Lapa project.

- At the Albacora Leste production field, (10% interest Repsol Sinopec Brasil), located in the offshore Campos Basin, new wells were put into production in February and October 2015. In the Albacora Leste pre-salt waters, the Arapuça exploration well finished in July 2015 with encouraging results which were still under evaluation at year-end.

- At the BM-C-33 Block, in the Campos Basin deep waters, the Pão de Açúcar-1 appraisal well finished in October 2015 with positive results. At the end of the year 2015 a second appraisal well (Pão de Açúcar-2) concluded successfully.

Repsol has made four important discoveries as operator at this block: Seat-2 (2014), Pão de Açúcar (2012), Gávea (2011) and Seat (2010). On aggregate, these discoveries constitute one of the biggest made to date in the pre-salt play in the Campos Basin. Block BM-C-33 is held by Repsol Sinopec Brasil (35%), together with Statoil (35%) and Petrobras (30%).

In December 2015, Repsol Sinopec Brasil (a 60%-owned by Repsol) announced it had approved the proposal to pass operatorship of Block BM-C-33 to Statoil. Repsol-Sinopec Brasil will retain a 35% working interest in this venture.

Bolivia

- In February 2015, Repsol announced a new gas discovery in Bolivia, at the Margarita-Huacaya Block (located within the Caipipendi Area), following the additional exploratory drilling at the Margarita-8 *appraisal* well. The drill revealed a new reservoir of gas at the Santa Rosa formation at a depth of 5,250 metres. This discovery marks growth in the reserves in the Caipipendi Area and reinforces Repsol's position as gas producer in Bolivia. This Block is located in southern Bolivia and is operated by Repsol, with a 37.5% working interest. The other partners in the joint venture are BG (37.5%) and PAE (25%).

  The Margarita 8 well is part of the field of the same name which was discovered in 1998. Contractually it is part of the Caipipendi Area and is located in southern Bolivia, specifically in the department of Tarija. It also stretches into the department of Chuquisaca.

- On May 4, it was announced the second gas discovery in the year at the Margarita-Huacaya Block following the additional exploratory drilling at the Margarita-7 appraisal well. The positive results of this drill are currently being evaluated.

- In June an important oil discovery was made with the Boquerón 4 evaluation/ appraisal well (BQN-4) in the Boquerón field in Santa Cruz Department. This discovery is one of the most important oil discoveries made in Bolivia in recent years. The Boquerón 4 well went as deep as 3,237 metres.

- In August drilling at the Río Grande 102 appraisal well (RGD-102) at the Río Grande Block finished with positive results. Repsol has a 48.33% interest in this venture through YPF B Andina, S.A.

- In November 2015, the president of Bolivia and the chairman of Repsol announced the completion of phase three of the Margarita-Huacaya project. Margarita-Huacaya is one of Bolivia's biggest-producing gas fields. In August 2015, in conjunction with the start of production at the Margarita-8 well, production peaked at a record 19 million cubic metres per day, equivalent to over 30% of all production in Bolivia.

  Phase one of this strategic project entered production in May 2012, with the commissioning of the gas processing facility, the fluid gathering system, gas pipelines and completion of the wells: total gas production jumped from three to nine million cubic metres per day in 2012. Phase two was inaugurated in October 2013, lifting gas production capacity to 15Mm^3/d. Phase three was approved in 2014 with a view to boosting production to 18 million cubic metres per day by early 2016, a milestone achieved in February 2015.

  Drilling at the LPÑ-91D appraisal well at the La Peña Block finished with positive results in November. Repsol has a 48.33% interest in this venture through YPF B Andina, S.A.

Peru

- Development work continued at Block 57 in 2015 with the goal of bringing the Sagari discovery into production. The final investment decision (FID) was approved in October. The other major discovery at Block 57, Kinteroni, continued to produce without incident following its start-up in March 2014.

Block 57 is located in the Ucayali-Madre de Dios Basin. Repsol is the operator, with a working interest of 53.84%.

- One exploration well at Block 76, where Repsol's interest is 35% concluded unsuccessfully in May 2015. Another exploration well at Block 88 with a Repsol participation of 10%, finished in October also, unsuccessfully.

Venezuela

- In April 2015, the “Rafael María Baralt I” hydraulic-powered snubbing unit was commissioned at the Petroquiriquire operating base in the Barúa field. The hydraulic overhaul unit enables well intervention in order to replace the production system and boost productivity. The work being performed by this unit will increase and maintain, in the short and medium term, production at the Barúa and Motatán fields.
- Production began at the giant Perla gas field in the Cardón IV Block, in July 2015. The gas processing plant was inaugurated in August, the main gas production platform having been already installed in May. A second, third and fourth well were put into production in September, October and November, respectively, enabling delivery by October 2015 of the gas production target set for phase one of development of the field with total production of 150 million standard cubic feet per day; production peaked at 500 million standard cubic feet per day in early December. The target for phase two is to lift total stable production to 450 million cubic square feet per day, with scope for bringing this level to 800 and even 1,200 million standard cubic feet per day during subsequent development phases. The Cardon IV block is owned by Repsol (50%) and Eni (50%).
- At Carabobo project, drilling and infrastructure build-out work continued in 2015 to ensure full development of this heavy oil production project in which Repsol holds an 11% interest. The contracts for the supply (*Long Lead Items*) of the for the 60kboe/d plant were awarded by tender in September. Production at the first well envisaged by the accelerated development plan devised for the Carabobo field began in 2012. Close to 40 productive wells were in operation by year-end 2015.

Trinidad & Tobago

- In 2015, production at the *offshore* fields of bpTT, operated by BP (70% interest), in which Repsol holds a 30% interest, was somewhat affected by scheduled maintenance works carried out during the year.

- Planned maintenance works also affected TSP in 2015. Repsol is this asset's field operator with a 70% interest in the consortium.

- In 2015, development works of the Juniper *offshore* gas project continued in bpTT. The start of production is expected in 2017.

Colombia

- On May 8, Talisman's assets were added to the Repsol portfolio. Most notably Equion, a joint venture between Repsol with 49% and Colombia's Ecopetrol with 51%, which holds rights over a series of blocks, has interests in three gas pipelines and is working on the Piedemonte expansion project.

  During the first half of 2015, Equion completed two new development wells (FL Tp-12 and FR If-14).

  Noteworthy among the assets acquired:

  - A 45% interest in the block operated by Ecopetrol, CPO-9, where a hydrocarbon discovery with the Nueva Esperanza-1 exploration well was announced in 2014 and the important Akacias field is in the development phase. At the Akacias field, progress was made in 2015 on defining the development plan with a view to taking the final investment decision in 2016.

- The non-operated CPE-6 Block, with an ownership interest of 50%, where work is underway towards declaring the discovery commercially viable. An agreement was announced in December 2015 with Pacific E&P for the sale of this interest in Block CPE-6.

AFRICA

Repsol's African footprint extends to North Africa, Algeria, and Libya. It also has a presence in Angola, Morocco, and Gabon.

Algeria

- On May 8, Repsol received four non-operated production and development blocks from Talisman. Specifically, Repsol gained a 35% interest in the Greater Menzel Lejma North and Menzel Lejma Southeast Blocks, both productive, a 2% interest in Ourhoud, also productive, and a 9% interest in the EMK development block.

- In January 2015, development drilling began at the important Reggane Nord gas project. The production test at the first well drilled (KL-39 in the Kahlouche field) yielded very satisfactory results, confirming the area's productivity.

  A major milestone was achieved in the second quarter of the year in terms of bringing Reggane to production. The Groupement Reggane, (a consortium formed by Sonatrach, Repsol, RWE Dea and Edison International), which is the operator of the development of the project signed the engineering, procurement, construction, commissioning and start-up (EPCCS) agreement for the surface facilities. The contract includes the construction of a gas treatment plant with nominal capacity of 8 million metric cubic metres per day, the producer well gathering network and the gas export line that will connect the plant to the grid pipeline (GR-5). Execution of the works will take an estimated 36 months and gas production is expected to begin in 2017. Once fully ramp-up, production is targeted to reach 8 million cubic metres per day.

  The infrastructure construction work also began in 2015: drill rigs, temporary landing strips and definitive roads and tracks to the plant and the wells across the Kahlouche field.

  This gas project in the Algerian Sahara Desert includes the development of six fields (Reggane, Kahlouche, Kahlouche Sud, Sali, Tiouliline, and Azrafil Sudest) in the Reggane Basin. Repsol has a 29.25% interest in this project.

- In January, the company's mining rights at the Boughezoul exploratory block were officially incorporated to the acreage. Repsol is the operator, with a 51% working interest during the exploration phase (25% in the subsequent development phase).

- In 2015, five drills were finished (two exploratory wells, TESO-2 and OTTS-1, and three appraisal wells NDC-3, TDE-2 and TDE-3), all with positive results, at the Sud Est Illizi Block in south-eastern Algeria. Repsol, with a 52.5% interest during the exploration phase, is the operator. The consortium also includes Enel (27.5%) and GDF Suez (20%). During the hypothetical development and production phases, the state-owned company, Sonatrach, will see its interest increase to 51%, with the rest of the consortium members retaining the remaining 49%, in the above proportions.

- On April 20, 2015, Repsol announced a new gas find at the Sud Est Illizi Block with the Tan Emellel Sud Ouest 2 exploration welll (TESO-2). This discovery comes on the heels of the two discoveries made in 2012 (TIHS-1 and TESO-1) and another in 2013 (TDE-1). During the third quarter of 2015, in the Sud Est Illizi Block, two appraisal wells (NDC-3 and TDE-2) finished with positive results. Another two wells, one exploratory (OTTS-1) and the other an appraisal well (TDE-3), also finalized successfully during the last quarter.

The success of the exploratory work performed in 2015 confirms the Sud Est Illizi Block's high potential.

- In 2015, accumulated gas production at the Tin Fouyè Tabankort (TFT) field since its start-up reached the equivalent of three years' total natural gas consumption in Spain. This wet gas field began production in May 1999 and is operated jointly by Repsol (30%), Total (35%) and the state-owned oil company, Sonatrach (35%).

Libya

- Due to the political instability in Libya, production remained suspended during the year.

Angola, Gabon, and Morocco

- Three exploration wells concluded in Angola in 2015 with negative results, two at Block 37, operated by ConocoPhillips, and the third at Block 22, operated by Repsol.
- In Gabon, 3D marine seismic was acquired at the Luna Muetse exploration block in 2015, where Repsol is operator with an 80% interest, with a view to evaluating its potential.
- In Morocco during 2015, a “reconnaissance” contract was entered into with ONHYM (“*Office National des hydrocarbures et des Mines”*) at a new zone with a view to evaluating its potential and assessing the scope for applying for exploration rights in the future. This contract is pending official ratification by the Moroccan authorities.

EUROPE

Spain

- The Sandía-1x exploratory well finished in January 2015. The drill is located at the “Canarias 1-9” permits, where Repsol is the operator, with a 50% share. After the analysis of the samples obtained, it was concluded that the gas found lacked sufficient volume and quality to warrant its commercial exploitation.
- In early February 2015, oil production recommenced at the Rodaballo-1 well in the Rodaballo field operated by Repsol in the Casablanca area off the coast of Tarragona. This well had been closed since 2011 due to well completion mechanical problems and paraffin clogging.

Norway

- Repsol's exploration assets in Norway received a boost on May 8 when Talisman's assets in this country were added to the portfolio, most notably operatorship of the Blane, Gyda, Rev, Yme and Varg fields with working interests ranging between 31% and 100%. Repsol also received non-operated interests in the Brage, Veslefrikk, Huldra, Brynhild and Tambar East fields, with interests ranging between 10% and 34%.
- Infill well 31/4-A-18C was drilled at Brage, enabling an increase in production in the area.
- In 2015, 4 exploration wells were completed in Norwegian waters, all with negative results.

- An agreement was reached with Statoil in December 2015 under which Repsol received a 15% interest in the Gudrum production field in Norway in exchange for a 13% interest in Eagle Ford in the US.

United Kingdom

- After the acquisition of Talisman on May 8, Repsol's UK asset portfolio was boosted in this country. These assets are held by the TSEUK joint venture where Talisman holds 51% and the Sinopec Group, owns the remaining 49%. The joint venture was set up to explore and exploit hydrocarbons in the North Sea.
- TSEUK exploits more than 40 fields, 75% of which are operated. TSEUK also holds interests in a series of production facilities and oil pipelines, including outright ownership of the “Flotta Terminal”, a crude oil storage and processing facility in the Orkney Islands, off the coast of Scotland.
- Production at the Tartan field, which had been suspended since the third quarter of 2012, restarted on May 10.
- In May, in the scope of the redevelopment project of MonArb, production was restarted in the Montrose platform, and in July in Arbroath, after a year of stoppages due to improvement works on the facilities. Due to that production was restarted in the Godwin well.
- Production at Piper/Tweedsmuir and Bleo Holm was restarted in June.
- Repsol achieved its highest level of production in the UK since October 2011 on October 28, 2015, when net production topped 27,000 boe/d.
- In December 2015, it was announced thtat Talisman-Sinopec UK (TSEUK) agreed with Statoil the sale of its 31% participation in Alpha Sentral field, in the United Kingdom.

Portugal

- In April 2015, a farm-out agreement was reached with Kosmos Energy of the US giving the latter an interest in four exploration blocks operated by Repsol in the ultra-deep Portuguese waters of the Peniche Basin. In the wake of this agreement the consortium consists of Repsol (operator and a 34% interest), Kosmos Energy with 31%, Galp with 30% and Partex with 5%. In 2015, the consortium acquired 3,200 km^2 of 3D seismic data at one of the blocks (Camarão).
- In September, Repsol announced its entry into the offshore exploration blocks 11 (Sapateira) and 12 (Caranguejo). Repsol will operate these two new blocks with a 70% interest.

Romania

- In 2015, 2D onshore seismic data was acquired at the Targu Jiu exploration block in which Repsol has a 49% interest.
- In September, testing began in the Targoviste exploration well at the Piscuri 4000 exploration block (Repsol 49%) with a view to evaluating its potential. This work was temporarily halted in November due to operating problems.

ASIA AND OCEANIA

Indonesia

- On May 8, Talisman assets were incorporated to the Repsol portfolio. The Indonesian assets acquired from Talisman include an interest in four production-sharing contracts (“PSC” *Production Sharing Contract*) at the Corridor (36%), Ogan Komering (50%) and Jambi Merang (25%) productive blocks in southern Sumatra, and a 42.4% interest in the Wiriagar PSC Block (which includes the Tangguh

LNG project) in West Papua. The Talisman acquisition also brought exploration mineral rights at the Sakakemang Block (90%) and East Jabung Block (51%), both located in in South Sumatra, and in the Andaman III PSC Block (100%) (North Sumatra). Lastly, Talisman has contributed a 6% interest in the gas pipelines that run from Grisik to Duri and from Grisik to Singapore, which are used to transport gas from the Corridor Block.

- Corridor. Talisman has contributed a 36% non-operated interest in the important gas-producing block called Corridor PSC where its interests in two of the fields (Gelam and Suban) are 30.96% and 32.4%, respectively. Most of the natural gas produced in the Corridor Block is sold under long-term offtake agreements with PT Chevron Pacific Indonesia, Gas Supply Pte. Ltd. and PT Perusahaan Gas Negara. In addition, during the first half of 2015, the Corridor gas offtake agreement with COPI (Conoco Phillips Indonesia) was extended until the end of this block's profit-sharing contract.

- Talisman holds a 25% interest in the Jambi Merang Block and a 3.01% in the Tangguh LNG project, where the final investment decision to expand current processing capacity is expected to be taken in 2016.

- In 2015, two exploratorion wells were drilled at the Jantung Baru-1X (JTB-1X) and North Meraksa-1X (NRM-1X) wells; the related production tests are pending.
- During the first half of 2015, the Indonesian authorities gave official approval for the 51% interest and operatorship assumed at the East Jabung PSC Block.

Malaysia

- In 2015, Repsol entered the Malaysian exploration and production market via Talisman (whose assets in this market are all *offshore*) with effect from May 8.

  Noteworthy among these assets is PM-3 CAA PSC, an operated productive block, and the associated production facilities, in which the company has a 41.44% interest, except for the Bunga Kekwa 8G-31 sub-block in which the interest is 35%. Negotiations to renew the license for this block, which expires in 2017, are currently advanced and the license is expected to be renewed without incident. Progress was made at the Bunga Pakam project in 2015. This project could transition to the execution phase in a few months' time, which would mark phase six of development of the PM-3 CAA Block.

  The Kinabalu Oil PSC Block operated with a 60% interest is another important asset in this market. It is a mature offshore oil field in the Sabah Basin of Malaysia. The final investment decision (FID) to re-develop the Kinabalu field was taken in May 2015. The redevelopment consists of a new platform, connection lines with the existing Kinabalu facilities and the drilling of 10 additional productive wells.

  Repsol also received a 60% interest in two development blocks, PM-305 and PM-314, as well as interests in two exploratory blocks, SB-309 (70%) and SB-310 (35%; this interest is in the process of being sold to SapuraKencana), all of which offshore and operated.

Russia

- In 2005, two wells in Russia (one of which exploratory and one of which an evaluation/*appraisal* well), concluded with positive results. The K-4 exploratory well at the Karabashskiy-2 Block yielded a find in the first quarter and in May the evaluation/*appraisal* well 6-P in the Karabashskiy-1 Block concluded successfully. Both blocks are 100%-owned by Repsol through Eurotek-Yugra company.
- In March 2015, an agreement was reached with the Republic of Tatarstan to enable Tatnefteodacha, an AROG subsidiary (49% Repsol and 51% NNK), to treat its crude oil at the facilities of Tatneft, the state oil company, and transport it through its system to Transneft's main oil pipeline.

- With respect to the TNO and SANECO productive assets, in AROG, work continued throughout 2015 with the drilling campaign in order to increase crude oil production in both areas.

Vietnam

- Repsol also entered this market by virtue of the Talisman acquisition, which closed on May 8. As a result of the acquisition, it acquired mineral rights over 8 exploration blocks, all of which operated, with interests ranging between 40% and 80%. More specifically, Talisman contributed Blocks 133 and 134 (49% interest), Blocks 135, 136 and 05-2/10 (40%), Block 07/03 (which includes the important *Red Emperor/CRD* discovery) with a 46.75% and Blocks 146 and 147 with a participation of 80%.

  In January 2015, the venture partners in Block 07/03, together with PetroVietnam, approved the development plan for the discovery known as "*Red Emperor / CRD"* and the discovery was declared commercially viable in July. The final investment decision (FID) for the development and start-up of this important discovery is expected to be taken in 2016.

  Repsol also received via Talisman a 60% interest in Block 15-2/01, a productive asset which includes the HST/HSD fields, in its capacity as shareholder in Than Long Operating Company ("JOC"), which operates this block in the Cuu Long Basin, Vietnam's biggest oil-producing region.

The Iraqi Kurdistan region

- The Talisman acquisition in 2015 contributed interests in two operated development blocks, Kurdamir and Topkhana with an interest of 40% and 60% respectively. Analysis and evaluation of the various development alternatives continued in 2015. These blocks are located south of the Piramagrun and QalaDze exploration blocks which are operated by Repsol with a 50% interest.

Australia

- On May 8, the Talisman acquisition brought Repsol interests in 3 productive blocks in Australia, specifically the Laminaria, Corallina and Kitan offshore blocks located in the north-east.

- In September, a sale-purchase agreement was signed with West Side company for the sale of Repsol's interests in the Laminaria and Corallina fields. The agreement is subject to approval by the Australian authorities.

Papua New Guinea

With the Talisman assets addition on May 8, Repsol started its E&P activities in Papua New Guinea. Eight exploration blocks were incorporated (five of which operated) with interests between 22% and 60% and one development block (PDL/PL10) operated with 40% interest.

5.2. DOWNSTREAM

5.2.1. SUMMARY INFORMATION

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. It is performed through six divisions:

- **Refining:** production of fuel and other oil-derived products.
- **Marketing:** commercialization and sale of the company's oil products thorugh service stations network and other sales channels.
- **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

	2015	2014
Refining capacity (kbbl/d)	**998**	**998**
Europe (including stake in ASESA)	896	896
Rest of the world	102	102
Conversion index (%)	**59**	**59**
Crude oil processed (million t)	**43.3**	**39.5**
Europe	39.8	36.2
Rest of the world	3.5	3.3
Refining margin indicator ($/Bbl)		
Spain	8.5	4.1
Peru	7.0	4.8
Number of service stations	**4,716**	**4,649**
Europe	4,310	4,275
Rest of the world	406	374
Oil product sales (kt)	**47,605**	**43,586**
Europe	43,019	39,315
Rest of the world	4,586	4,271
Petrochemical product sales (kt)	**2,822**	**2,661**
Europe	2,396	2,221
Rest of the world	426	440
LPG sales (kt)	**2,260**	**2,506**
Europe	1,285	1,474
Rest of the world	975	1,032
LNG sold in North America (TBtu)	**299**	**274**
LNG regasified (100%) in Canaport (Tbtu)	**23**	**18**

Our performance in 2015

€ Million	2015	2014	Variación
EBITDA	**3,092**	**1,284**	**141%**
Europe	1,845	784	135%
Rest of the world	305	228	34%
Adjusted Net Income	**2,150**	**1,012**	**113%**
Inventory Effect	(459)	(606)	24%
MIFO recurrent net income	**1,691**	**406**	**316%**
Net operating investments	**493**	**671**	**(27)%**
Effective Tax Rate	**27.0**	**31.5**	**(4.5)**

In 2015 and 2014, most investments were made in operational, facilities, and fuel quality improvements, as well as security and environmental matters.

Main events of the period

- The **sale of the bases of Group III in the ILBOC (Cartagena) plant** which began at the end of 2014 reached a new milestone, as it is now present in several countries, such as Spain, France, Portugal, Italy, Croatia, Greece, Israel, Tunisia, Morocco, Turkey, and Algeria.
- Repsol launched a **new line of motorcycle lubricants** during the last quarter of 2014, and has now begun selling it worldwide as part of its focus on business internationalization, as well as to capture a significant share of the market. This line incorporates GP motorcycle technology, with maximum quality and earning the most demanding certifications in the market, being prepared to meet all its clients' demands.
- On February 20, 2015, Ministerial Order IET/289/2015 was approved, which establishes the financial contributions to the **National Energy Efficiency Fund in 2015.**

- On March 9, Ministerial Order IET/389/2015 was published, which modifies the **formulas of regulated price of bottled and piped LPG**, changing the quotes and freight costs for raw materials as well as their weighted amounts. The impact is around €80/tn of lower recognized cost.

- In April, Repsol and the Mexican group KUO reached an **agreement to strengthen their alliance with Dynasol**, a joint venture in existence since 1999. As a consequence, Repsol will contribute its Spain-based business for chemical accelerants which vulcanize rubber, while the KUO Group will contribute its synthetic rubber in emulsion form and nitrile rubber, which are based in Mexico and China. During 2015, the transaction has received approval from governmental and competition authorities and the new company has become operational in October 2015.

- In addition, during the period, Dynasol set up two new plants in China through two joint ventures (JVs), which are 50% with the Chinese partner Shanxi Northern Xing'an Chemical Industry (Xing'an) and, the another one, 50% with Jiangsu GPRO Group. The new companies have a total installed capacity of 100,000 t/year of rubber on stirene base / butadiene and 30,000 t/year of nitrile rubber and they are located in the provinces of Liaoning and Jiangsu respectively.

- At the beginning of May, Repsol launched its **new bottled LPG**, "Repsol light" bottle, with an updated image, keeping its familiar orange color, but weighing less (7 kg) than the traditional bottle, whose price is not regulated by RDL 8/2014

- The Council of Ministers, held in June 28, approved the **2014-2020 AV (Alternative Vehicles)** plan, through which the government will support the use of alternative fuels in land transportation, with the following to be developed: Natural gas, LPG, electrical, hydrogen and biofuels, grouped into three areas: industrialization (manufacturing and implementation of these technologies in Spain), market generation (vehicle parcs), and the infrastructure rollout for each alternative fuel.

- In June 2015, the **first offload of the product took place in the Coruña refinery from Punta Langosteira External Port.** In consequence, the activity has been taken from refinery cargo platform to External Port, where 60% of its traffic will be located before April 2018.

- On 30 September 2015 the Board of Directors of Repsol SA approved the sale of part of piped gas business to Gas Natual Distribución and Redexis Gas.

- In November 2015, notification was received regarding the first ruling in respect of the Supreme Court cassation appeal lodged by the State Attorney's Office, which finds no grounds for the appeal lodged and upholds Repsol Butano's entitlement to receive damages amounting to €26 million, in relation to the resolutions determining the maximum retail prices for regulated LPG containers for the fourth quarter of 2011 and the first quarter of 2012. No appeal lies against this judgment.

- During the year, progress was made **on works at La Pampilla Refinery** to adapt it to new fuel quality specifications in Peru. In September 2016, first phase of the Project regarding to the low sulfur diesel module will start working.

- As part of its ongoing strategic commitment to technological innovation, in 2015, Repsol launched **Neotech,** a very high-quality fuel, with a unique formulation, allowing our customers to get the best performance from their vehicles with the lowest consumption. This exclusive formula has been developed and patented by Repsol in order to care the maximum engine and retain the initial performance of our customers' vehicles.

- On the other hand, Repsol is offering a new program **Repsol Más,** with loyal functions and payment cards, adapted to recent digital advances and that makes the use of Big Data easy for our area of Customer Intelligence in order to strengthen its relationship with its clients.

- Repsol continues its expansion policy in the business of Autogas. In 2015 it has increased by 48 the number of service stations offering this product in Spain.

- The Group has maintained its policy of close **association with leading companies in the market**:
  - Repsol and **El Corte Inglés** are collaborating in development and deployment of the new Supercor shops Stop & Go service stations Repsol.
  - Repsol and **Renault** have agreed to promote the sale of Renault and Dacia AutoGas vehicles.
  - Repsol and **Michelin** have a strategic alliance designed to **favour traffic and the sale of their respective products**.

5.2.2. REFINING

Current situation

The year 2015 was marked by high refining margins, mainly related to lower energy costs associated to the decrease of international oil prices driven by growth in market supply. Heavy crude oil discounts also helped to buoy conversion capacity margins such as refining in Repsol. By product, demand rose in the US thanks to lower prices, driving a strong performance in gasolines. Middle distillate margins deteriorated in the second half of 2015 due to higher product supply in Europe as a result of higher production by local refineries, coupled with new capacity in the Middle East; this was compounded by the fact that demand was unseasonably low towards the end of the year as a result of mild temperatures.

As long as crude oil prices remain low at short term, margins are expected to be high for the reasons outlined above. An oil price recovery, on the other hand, would impact energy costs, although it would also enable a higher discount on heavy crude oil than at present, giving players with conversion capacity a competitive advantage.

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 an 82.38% stake and is the operator, is 102 thousand barrels of oil per day.

The refining margin in Spain stood at $8.5 per barrel in 2015, higher than 2014 ($4.1 per barrel). In Peru, the annual refining margin came in at $7.0 per barrel, in comparison to the $4.8 per barrel during 2014.

The following table shows the refining capacity of the plants in which Repsol had an interest on December 31, 2015:

Refining capacity (1)	Primary distillation (thousand barrels per day)	Conversion index (2) (%)	Lubricants (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 consolidated financial statements. The reported capacity in Tarragona includes the shareholding in ASESA.
(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 43 million tons of crude oil, representing an increase of 10% compared to 2014. The average use of refining capacity was 88.9% in Spain, higher than the 80.8% recorded in the preceding year. In Peru, refinery use was also higher than in 2014, from 64.4% to 67.6% in 2015.

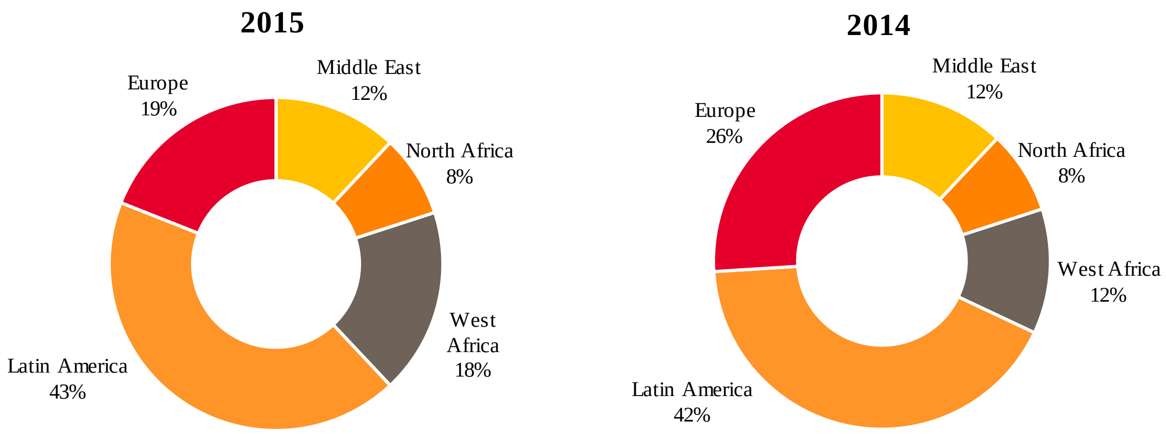
The table below provides a breakdown of refinery production, by main products:

Refinery intake (*Thousand tons*)	**2015**	**2014**
Crude oil	43,334	39,480
Other refinery intake	8,486	8,163
Total	**51,820**	**47,643**

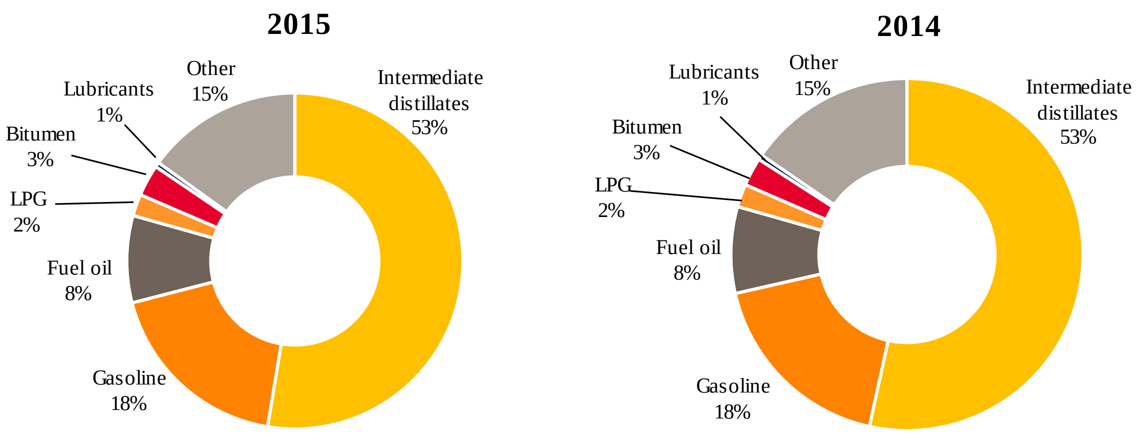
Refining production (*Thousand tons*)	**2015**	**2014**
Intermediate distillates	25,388	23,673
Gasoline	8,880	7,985
Fuel oil	4,041	3,521
LPG	1,010	930
Bitumen (1)	1,465	1,152
Lubricants	221	203
Other (including petrochemicals) (2)	7,268	6,847
Total	**48,273**	**44,311**

(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.
(2) Includes the number of petrochemical products (1,901 thousand tons in 2015 and 1,805 thousand tons in 2014).

Origin of crude oil processed



Refining production



OIL PRODUCTS SALES

Thousand tons	**2015**	**2014**
Sales by geographic area		
Sales in Europe	**43,019**	**39,315**
Own marketing	**21,124**	**19,530**
Light products	17,326	16,846
Other products	3,798	2,684
Other sales [(1)]	**7,771**	**7,329**
Light products	7,508	6,927
Other products	263	402
Exports [(2)]	**14,124**	**12,456**
Light products	6,295	4,466
Other products	7,829	7,990
Sales rest of the world	**4,586**	**4,271**
Own marketing	**2,073**	**2,074**
Light products	1,917	1,909
Other products	156	165
Other sales [(1)]	**1,221**	**1,271**
Light products	1,049	1,097
Other products	172	174
Exports [(2)]	**1,292**	**926**
Light products	468	390
Other products	824	536
TOTAL SALES	**47,605**	**43,586**
Sales by distribution channel		
Own marketing	**23,197**	**21,604**
Light products	19,243	18,755
Other products	3,954	2,849
Other sales [(1)]	**8,992**	**8,600**
Light products	8,557	8,024
Other products	435	576
Exports [(2)]	**15,416**	**13,382**
Light products	6,763	4,856
Other products	8,653	8,526
TOTAL SALES	**47,605**	**43,586**

(1) Includes sales to oil product operators and bunker sales.
(2) Expressed from country of origin.

The refining business activities are framed within the Strategic Plan, which includes greater integration between the refining and marketing activities and a clear goal to reduce energy costs and CO_2 emissions. Investments made in Cartagena and Bilbao refineries, and the corresponding improvement in the overall margin of the refining system, have been key to placing Repsol at the head of the integrated European companies in terms of efficiency, creation of guaranteed value, and resilience against scenarios for low oil prices.

Thanks to the quality and operating excellence of its industrial assets, management of its vertically-integrated refining system, efficiency gains, and emission cuts, Repsol was awarded as “Best Energy Company of the Year” in the *Downstream* business, selected from more than 200 candidates across 25 countries by the oil and gas specialist agency Platts, during the Global Energy Awards ceremony in New York on December, 2015.

In addition, to a host of measures designed to take out efficiency gains, management sought to continue to make the business more competitive by enhancing management of its markets and market access from a logistical standpoint and of the relationship with the business environment, all of which framed by careful human capital management and an active health, safety, environmental and innovation policy.

5.2.3. 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.

In April 2015, Repsol and Mexican Grupo KUO struck an agreement to expand the scope of their Dynasol alliance, the synthetic rubber joint venture set up in 1999. As a result of this new agreement, Repsol has contributed its rubber vulcanization accelerators unit, located in Spain, while Grupo KUO has provided its synthetic emulsion rubber and nitrile rubber units, based in Mexico and China. The transaction was approved by both the government and anti-trust authorities in 2015 and the new company began to do business in October 2015.

Also, in 2015, Dynasol also set up two new plants in China via 50/50 joint ventures (JVs) with Chinese partners, Shanxi Northern Xing’an Chemical Industry (Xing’an) and Jiangsu GPRO Group. The new plants have installed capacity of 100,000 tons (t) per year of styrene-butadiene synthetic rubber and 30,000 t/year of nitrile rubber capacity and are located in the provinces of Liaoning and Jiangsu, respectively.

The commissioning of this new capacity in China, coupled with the above-mentioned agreement to expand the scope of the alliance with KUO, makes Dynasol in one of the world's leading synthetic rubber producers, as well as, a global player with factories in Europe, America and Asia.

It is also worth highlighting the execution, in conjunction with the multiannual stoppage programmed, of the project for optimization the Puertollano cracker. This work has reduced and tailored ethylene production to meet the industrial complex's needs, while also delivering considerable energy savings. In line with this optimization, and as had been announced, the company stopped producing high density polyethylene (HDPE) commodity at Puertollano in February 2015.

Meanwhile, the work to adapt the HDPE plant in Tarragona to produce metallocene polyethylene grades continued in 2015. This facility should come on stream in 2016 and will further add to the company's product range.

In the following table reflects the production capacity in 2015 and 2014 of the Group's main petrochemical products:

PRODUCTION CAPACITY *(Thousand tons)*	**2015**	**2014**
Basic petrochemicals	**2,603**	**2,808**
Ethylene	1,214	1,362
Propylene	864	904
Butadiene	185	202
Benzene	290	290
Methyl tert-butyl ether / Ethyl tert-butyl ether	50	50
Derivative petrochemicals	**2,235**	**2,491**
Polyolefins		
Polyethylene (1)	793	883
Polypropylene	505	520
Intermediate products		
Propylene oxide, polyols, glycols, and styrene monomer	937	937
Rubber (2)	-	115
Other (2)	-	36

(1) Includes ethylene vinyl acetate (EVA) and ethylene butyl acrylate (EBA) copolymers.
(2) Change in reporting criteria. This item does not include the alliance capacity of Dynasol.

Earnings in the chemicals business improved year-on-year in 2015 thanks to a more favorable international environment shaped by strong demand, higher margins, and significant efficiency gains. These efficiency measures were designed to consolidate the margin gains derived from commodity fueling flexibility at the crackers and the commissioning of several important investments in energy efficiency, most significantly at the Puertollano cracker following the programmed maintenance stoppage in February 2015.

Third-party sales volumes rose by 6.0% year-on-year to 2.8 million tons in 2015 (2.6 million tons in 2014), driven mainly by a modest recovery in the polyolefin market, Repsol's main segment and high operational reliability of the plants.

With regards to margin environment, the year was marked by great volatility in the price of crude oil and naphtha. As a result, prices rose to their highest levels in recent years.

Thousand tons	**2015**	**2014**	**Variation**
Sales by type of product			
Basic petrochemicals	948	874	8.4%
Derivative petrochemicals	1,874	1,787	4.9%
TOTAL	**2,822**	**2,661**	**6.0%**
Sales by region			
Europe	2,396	2,221	7.9%
Rest of the world	426	440	(3.4)%
TOTAL	**2,822**	**2,661**	**6.0%**

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.

The main outlays incurred in 2015 related to expansion of the scope of the Dynasol alliance, detailed above, have been the Puertollano cracker adaptation work, the work being carried out to adapt the high density polyethylene plant in Tarragona for production of metallocene grades and other investments designed to continue to make commodity fueling increasingly flexible. The last two projects are due for start-up in 2016.

5.2.4. MARKETING

Repsol commercializes its range of products through an extensive network of service stations and dealers. In addition, marketing includes other sales channels and the commercialization of a wide range of products such as lube oils, bitumen, sulfur, oils, paraffins and derivatives.

Total marketing sales were 23,197 thousand tons in 2015, an increase of 7.4% compared with the same period in 2014. In 2015 a recovery of the domestic consumption is noticed, along with the international growth and new business opportunities.

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 2015, Repsol had a network of 4,716 service stations in countries where the *Downstream* division operates. In Spain, the network comprised 3,544 points of sale, while 30% were company operated. Service stations in other countries were spread throughout Portugal, Italy and Peru.

The *Downstream* had the following points of sale (service stations and supply units) as of December 31. 2015:

Country	**Number of the point of sales**
Spain	3,544
Portugal	446
Peru	406
Italy	320
Total	**4,716**

Law 11/2013 of July 26 introduced a number of measures aimed to ensure fuel price stability and to increase competition in the sector. This law was completed by Law 8/2015 (for further information, see Appendix IV of the 2015 consolidated financial statements). 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 remains strategically allied with market leaders such as El Corte Inglés, Nespresso or Disney. Repsol and El Corte Inglés are working together to set up Supercor and Stop & Go stores within Repsol's service stations.

In 2015, several key projects have been launched in various segments enhancing brand value and product quality through innovation, operational excellence and a committed human team.

As part of its ongoing strategic commitment to technological innovation, in 2015, Repsol launched Neotech, a very high-quality fuel, with a unique formulation, allowing our customers to get the best performance from their vehicles with the lowest consumption. This exclusive formula has been developed and patented by Repsol in order to care the maximum engine and retain the initial performance of our customers' vehicles.

It also launched Bienergy, new heating oil more efficient in terms of energy and environment and essential for new generation boilers. The launch of this product represents an estimated savings of up to 30% as tested at the Repsol Technology Centre and environmentally more attractive product.

In parallel, with a view to reinforcing its bond with its customers, Repsol rolled out a new loyalty card range, **Repsol Mas**, with new awards and payment methods, designed for the latest digital developments and facilitates the use of Big Data for our area of Customer Intelligence.

Also in 2015, **Customer Plan** has been rolled out, a project designed to turn customer service into a competitive advantage by offering the best Service Stations network (the cleanest, the most available and the best team) and offering customers an unrivalled service station experience over a short to medium term horizon.

Repsol leader in Europe has continued with its international expansion producing and commercializing green fuel grade coke, being 49% of the sales made in foreign markets and reaching a total of 17 countries mainly in Europe and North Africa.

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 continued being as the more important 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 were launched, enabling Repsol to achieve a better supply foothold in the country.

Confirming the growth and consolidation strategy, over 50% of Lubricants, Bitumen, and Specialties sales are made in the international market, operating in over 90 countries and with 69 international distributors of lubricants. Strengthening its international presence, a new commercial office was opened in November, 2015 this time in Sao Paulo (Brazil). On the other hand, there has to be highlighted the progress in Base III oil commercialization after the start-up in Cartagena plant, in the fourth quarter of 2014.

True to its social commitment, in 2015 Repsol maintained its policy for the employment and integration of people with disabilities, collaboring with ONCE and Fundosa, and advanced in its commitment to sustainability, respect for the environment and safety of people, developing environmentally-friendly products at Repsol Technology Centre, as Repsol Bio Telex 68 oil and green bitumen.

5.2.5. 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 2015, the company operated in these four European and Latin American countries.

LPG sales in 2015 amounted to 2,260 thousand tons. Otherwise, total sales in Spain decreased 14% year on year, primarily due to decrease in the petrochemical sales while retailer demand has slightly increased (+0.4%). In Spain, Repsol distributes bottled, bulk, and piped LPG through the collective distribution and Autogas networks, with over 5 million active customers. Bottled LPG sales accounted for more than 62% of total retail LPG sales in Spain, through a network of 212 distribution agencies.

Sales volume of LPG by geographical area (Thousand tons)	**2015**	**2014**
Europe	**1,285**	**1,474**
Spain	1,152	1,343
Portugal	133	131
Latin America	**975**	**1,032**
Peru	570	634
Ecuador	405	398
Total	**2,260**	**2,506**

Sales volume of LPG by product	**2015**	**2014**
Bottles	1,286	1,281
Bulk, piped and other (1)	974	1,225
Total	**2,260**	**2,506**

(1) 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, with more than 9kg tare.

On March 9, Ministerial Order IET/389/2015 was published, which modifies the automated maximum pre-tax retail price of LPG bottled, changing the quotes and freight costs for raw materials as well as their weighted amounts. The same Ministerial Order updates the automatic pricing for piped LPG.

Royal Decree-Law 8/2014, of 4 July, 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. In May 2015, Repsol launched a new, light, more modern container that meets the conditions for sale at unregulated prices.

On September 30, 2015, the Board of Directors of Repsol S.A. approved the sale of part of the piped LPG business to Gas Natural Distribución and Redexis Gas. These assets were sold to the two companies for an aggregate €652 million parcially completed in 2015, triggering the recognition of after-tax gain in this period of €38 million. The supply point sale agreements are expected to close in 2016 and are subject to receipt of the corresponding government permits. In addition, in 2016, the piped gas business in northern Spain and Extremadura was sold to Grupo EDP and Gas Extremadura, respectively, for an aggregate sum of €136 million.

In Portugal, Repsol distributes bottled, piped and bulk LPG and Autogas to end customers while also supplying other operators. Sales in 2015 reached 133 thousand tons, making the company the third largest operator with over 19% market share.

In Latin America, Repsol commercializes bottled, bulk, piped and automotive LPG in the home, commercial and industrial markets of Peru and Ecuador with sales of 975 thousand tons.

AutoGas (LPG vehicles) is the most widely used alternative fuel in the world, with over 25 million vehicles (13 million in Europe). Although it has yet to make any meaningful impact on the Spanish market, sales grew by 20% in 2015 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 896 service stations equipped with AutoGas pumps at year-end 2015, 585 service stations, of which over 353 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 IV in the 2015 consolidated financial statements.

5.2.6. 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.

On December 31, 2015, the Group maintains its regasification and transport assets and its marketing businesses in North America, as their main assets of Gas & Power, the regasification plant in Canaport and its pipelines in Canada and USA.

International Reference Prices	**2015**	**2014**	**Variation**
Henry Hub ($/Mbtu) average	2.7	4.4	(1.7)
Algoquin ($/Mbtu) average	4.8	8.1	(3.3)

Natural Gas in North America	**2015**	**2014**	**Variation**
LNG regasified (100%) in Canaport (Tbtu)	23	18	5
LNG sold in North America (TBtu)	299	274	25

In 2015, US natural gas production rose by 6% from 2014, driven by sharp growth in gas-fired power generation (+19%) and growth in exports to Mexico (+19%); overall demand for gas rose by 3%. Storage volumes hit record levels, topping 4Tcf. These developments, coupled higher investments in transportation, warmer-than-seasonal temperatures and the global drop in energy prices drove US natural gas prices lower and sent volatility higher.

Trading volumes increased by close to 9% in the US Gas & Power segment, albeit realized at lower prices and reduced volatilities so that profit margins were affected. It is worth highlighting the fact that prices had hit a record high in the north-east in the first quarter of 2014 due to the polar vortex that hit the region, among other factors. During winter of the first quarter of 2015, realized prices, while still attractive, dipped considerably year-on-year.

In 2014, Repsol began the process of requesting the Canadian authorities' permission to increase the optionality of the gas liquefaction plant with capacity of 5 Mt/year in Canaport, using the location of current regasification assets to its advantage. In 2015, Repsol decided to defer development of this project due to the prevailing market environment and the challenges implicit in restructuring this business.

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 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 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.

At year-end 2015, Repsol holds rights to develop, build and operate 960 MW of *offshore* wind power capacity in the UK (stated at its ownership interest). These projects will allow Repsol to apply its technological capabilities and experience handling large-scale engineering projects to the *offshore* segment.

During these projects' development phase, which will finish between 2015 and 2016, preliminary studies and works required for building and commissioning of the facilities will be made by Repsol, whose commissioning date will take place in 2018 or later. The Group expects to take the final investment decision on these projects in the course of 2016.

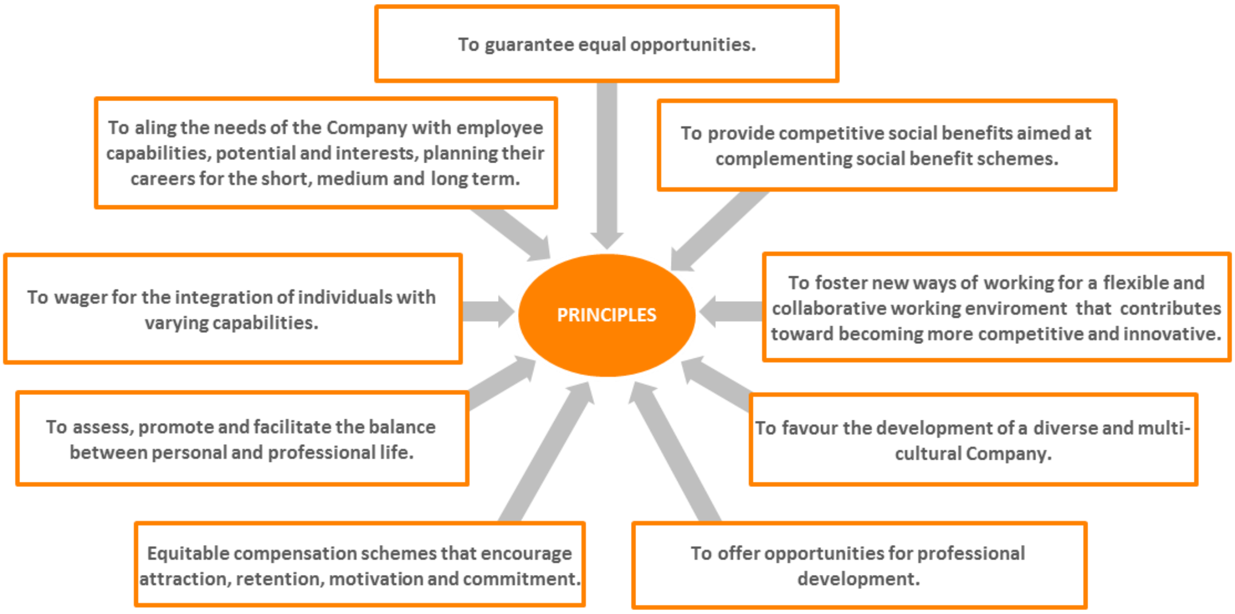
In 2015, Repsol entered into an agreement with EDPR for the exchange of each party's respective interests in the UK assets such that each will end up with 100% of the project it operates, namely Inch Cape (Repsol) and Moray Firth (EDPR). Under the terms of this agreement, each party will finance 100% of the project it operates - but only that project. This transaction closed 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 various teams. This is an organization which is distinguished by its team of multidisciplined 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:



During 2015, our main activity was focused on the integration of employees Talisman origin. The acquisition of this company represents an important opportunity for growing and evolving into a stronger company, placing value of all available talent. Our challenge is to minimize the impact of cultural integration of both companies and work as a larger and more diverse integrated company.

It should be noted the deployment of an Internal Communication Plan at the acquisition date, in order to inform new employees about new structure organization and principles, integration and change process as well as vision and values of Repsol, that underpin our culture, and are present in all areas of people management, among others, our processes, policies and tools.

After determining that Talisman's corporate values were aligned with Repsol's, strengths have been identified, as well as areas for improvement and synergies between both companies.

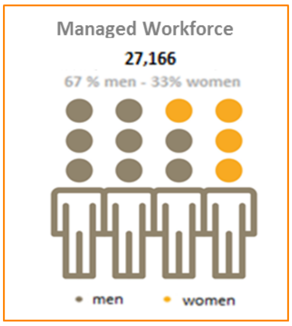
The result of this process is reflected in the development of an action plan aimed at achieving the strategic objectives and challenges of Repsol, geared towards efficiency.

[1] All information provided in this section has been prepared corresponding to December 2015 in accordance with the Group reporting model (see Note 5 "*Segment Reporting*" of the consolidated financial statements at December 31, 2015).

PEOPLE MANAGEMENT

On December 31, 2015, a total of 27,166 employees formed part of entities whose *People management* was directly managed by Repsol, and all the figures included in this section exclusively refer to them, apart from sections in which the contrary is specified. Managed workforce increased by 2,706 people, compared to 2014 mainly due to theTalisman acquisition.

STAFF	2015	2014
Total workforce at December 31, 2015	29,494	26,141
Managed workforce [(1)]	27,166	24,460
Non-Managed workforce	2,328	1,681
Accumulated average managed workforce	27,887	24,335
No. of new hires in the year [(2)]	6,159	5,077

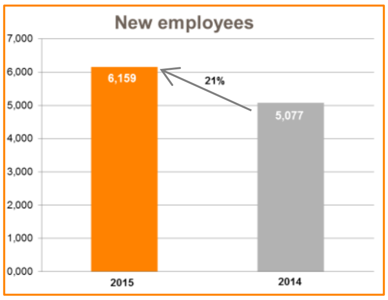


(1) Data 2014 excludes those employees with annual working hours equal to or less than 20% of the hours set in the collective agreement.

(2) Reporting criteria has been modified aligning it with data provided in other reports. The change involves only consider new hires of permanent and eventual character without previous employment relationship with the company. Permanent contracts of data 2015 and 2014, correspond to 62% and 43%, respectively.

Following the publication of the Strategic Plan, we began the implementation of the optimization measures contained therein. As a result, there was a decrease in the managed workforce of 483 permanent employees compared to the interim June 2015 Management Report.

TOTAL MANAGED WORKFORCE	2015	2014
MANAGED WORKFORCE BY COUNTRY		
Total workforce in Spain	17,184	17,303
Total workforce in Peru	3,109	2,996
Total workforce in Portugal	1,229	1,237
Total workforce in Canada	1,122	50
Total workforce in United States	891	500
Total workforce in Malaysia	853	-
Total workforce in Ecuador	827	891
Total workforce elsewhere in the world	1,951	1,483
MANAGED WORKFORCE BY BUSINESS		
Total workforce in Corporation	2,945	2,521
Total workforce in Downstream	18,862	18,693
Total workforce in Upstream	5,359	3,246
MANAGED WORKFORCE BY JOB CATEGORY		
Executives	325	306
Technical Managers	2,694	2,065
Technical workers	13,642	11,972
Administrative workers	1,406	1,044
Manual workers	9,099	9,073



ATTRACTING TALENT

The year 2015 has been characterized by the addition of 2,903 professionals from Talisman, so this year we have focused our efforts on the management of internal talent.

We have continued promoting different ways to motivate and engage our professionals, reinforcing the development of a culture of multinational company, opened to diversity and multiculturalism.

Even in an environment of commitment to efficiency in the Company, we carry on incorporating young talent, adapting our Master's Degree programmes to the current context, and continuing University interships and Vocational Trainings which reflect our commitment to facilitate their integration in the labour market.

ATTRACTING TALENT (1)	**2015**	**2014**
Hiring of New Repsol Professionals (2)	117	49
University Internship agreements to boost Training (3)	455	391
Medium and Higher Level Vocational Training Internships (4)	150	147

(1) The above data corresponds to companies managed by Repsol Group excluding companies of Talisman.
(2) Program to recruit and incorporate young talent, educating through any of the three Masters programmes offered by Repsol (Hydrocarbon Exploration and Production, Refining, Petrochemicals and Gas, and Energy Management). The increment compared to 2014 was due to a change in the start dates of two of the Masters programmes.
(3) 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.
(4) These include students from Medium and Higher Level vocational training cycles, with a high percentage of these joining Repsol through different job vacancies. In 2015, the commitment acquired by Repsol with the FP Dual program is still in force.

RETAINING TALENT

During the integration with Talisman, special focus was placed on retaining key profiles for the *Upstream* business.

RETAINING TALENT	**2015**	**2014**
Total staff turnover rate (1)	7%	7%
Total voluntary staff turnover rate (2)	3%	3%
Executive rotation rate (3)	8%	4%

(1) Corresponds to the total permanent staff leaving the Company, regardless of the % of occupancy, from the total permanent staff at year-end.
(2) Corresponds to the total voluntary permanent staff leaving the Company, 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.

Voluntary rotation rate remains as previous years. With regards to the increase in executive rotation rate, it is mainly due to the organizational renewal derived from Talisman acquisition decreasing the number of directors in 21 as compared to the information contained in the Interim Management Report.

The Company has several tools to retain talent and manage its workers'development: compensation with flexible salary packages, training, and development with programmes suited to each employee once their needs have been identified, as well as internal mobility programmes.

Compensation

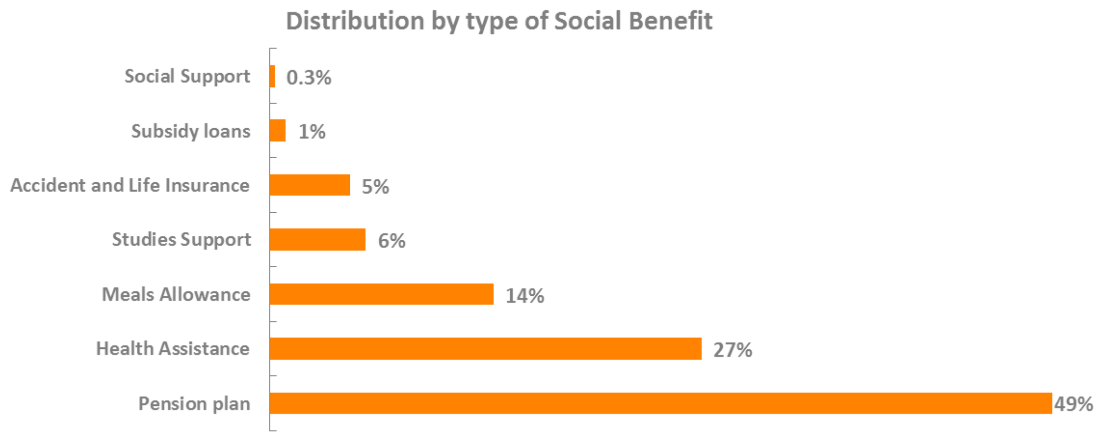
Remuneration is an element designed to make it easier to attract, retain, motivate, and commit professionals who provide their talent to the Organisation. Schemes vary to provide greater opportunities of flexibility to employees.

The focus of remuneration is to promote individual performance and the recognition of personal merit, as well as cooperation and teamwork, ensuring external competitiveness and internal fairness within a global environment.

COMPENSATION	2015	2014
Average personnel costs per employee (euros) [1]	75,047	67,217

(1) Corresponds to personnel expenses (including social security expenses and others except indemnities and travel expenses) in the consolidated average accumulated workforce.

In 2015, the total spending on social benefits for employees of the managed workforce amounted €129.1 million, compared to €97.8 million in 2014. The integration of the Talisman employees' expenses has driven this increase, mainly in North America, highlighting the Pension Plans and Health Care expenses.



During 2015, we have worked on the evolution of existing compensation models for both companies to be able to define a single and competitive compensation model with international standards, integrated and applicable in all countries and businesses.

On the other hand, the remuneration model of collective international assignment is also under review, with the dual purpose of unifying the Repsol and Talisman models, while giving businesses greater flexibility.

Furthermore, during the year, we continued with the flexible remuneration programme. This programme is a personalised remuneration system in which employees voluntarily decide how they would like to receive part of their annual remuneration. In many cases, the net remuneration increases, thanks to a lighter tax burden as a consequence of choosing variable products depending on the taxation applicable in each country. Especially noteworthy are day care, upgraded medical insurance, share-based remuneration, and additional Pension Plan contributions.

For more information regarding to pension plans, medium-and long-term incentives for employees, and share-based employee compensation plans, see Note 27 to the consolidated financial statements for the year 2015. In relation to the remuneration of the members of the Board of Directors and senior management, see Note 26 to the consolidated financial statements and the Annual Corporate Governance Report.

Training

Repsol is a company that values, promotes and facilitates staff training as the key driver in their personal and professional development, contributing to the improvement of professional skills necessary for effective performance in the implementation of Repsol's strategy.

TRAINING (1)	2015	2014
Total investment in training (€ million)	18	18
Investment per employee (€)	741	717
Total Training hours / year	1,074,858	1,083,033
Average hours / year per employee	45	44
Dedication rate (2)	2.64%	2.63%
% of employees receiving training	96.4%	92.4%
No. of participations	23,185	22,612

(1) Data reflected in the above table corresponds to companies managed by Repsol Group excluding companies of Talisman.
(2) Corresponds to the % of annual working hours dedicated to training. It is calculated over the accumulated average workforce.

In 2015, we have continued to integrate training for new professionals graduate through professional Master's Degree programmes in the areas of *Upstream*, Refining, Petrochemical and Gas, and Management. These programmes have evolved towards more integrated contents and flexible methodologies, "*blended*", adapting to the strategic needs of each business, including those arising following the acquisition of Talisman. During the year, a total of 142 students from 11 different countries have participated and finished these programmes. This is also oriented to providing students greater flexibility in their employability in the Company's various businesses.

This year was also characterized by the initial integration work for new employees after the Talisman acquisition, materializing in joint training activities for all employees in the new Repsol. As an example, the E&P Master's degree program started in September 2015, with 7 Talisman students (4 from Canada, 2 from Malaysia and 1 from Vietnam).

In the *Upstream* business, in-class training programmes continued, with more than 120 courses in technical subjects supplemented with an important online offer with more than 200 titles and field schools in exploration and production wells. In addition, during 2015 we continued with 48 editions of the EOS (*Excellence in Operations and Sustainability*) program to strengthen the leadership in safety culture.

In the industrial area, more than a hundred technical courses related to engineering, operations, and maintenance were made available to employees, and we have continued with the deployment of Safety and Environment culture programmes (SE) through the SE Commitment programme for operators.

In the commercial area, the launch of transformation programmes was noteworthy, such as the "Customer Plan" aimed at the entire team of service stations in own networks and registered service stations, to achieve a true focus on the client. Furthermore a training program for new service station staff took place in Peru, with the attendance of 795 employees.

Regarding leadership and management, the advanced management programmes (for unit heads) were renewed, based on methodologies designed to boost innovation and address the real challenges facing an innovative company. It has consolidated the new team leaders program launched in 2014, with more than 200 students already trained in many different countries and functional areas of the Company.

Another important landmark is the launch, during 2015, of the internal trainer school with the aim of promoting the collective learning culture and ensuring the relevance and training to transfer the knowledge of the position.

In 2015 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.

We have continued to increase the development of online methodologies in order to universalize access and making training activities available to a larger number of employees.

Training has continued following the Company's commitment to help people with disabilities, through an increasing number of programmes aimed at these groups (not Company employees) in order to facilitate their employability in the sector. Specifically, we have developed eight training activities with the participation about 100 people.

Another of the most notable landmarks has been obtaining CLIP Accreditation (*Corporate Learning Improvement Process*), which shows the quality of programmes and Training Repsol processes and commitment to continuous improvement. Only 14 companies worldwide have this distinction awarded by the EFMD (*European Foundation for Management and Development*), with Repsol as the first petroleum company obtaining it.

Development and performance evaluation

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, in accordance with the needs of the Company, the best-prepared individuals with the profile and skills required to assume roles that are more complex and entail greater responsibility. Promotion is the mechanism for recognition that accompanies professional advancement.

PROFESSIONAL CLASSIFICATION CHANGES[(1)]	**2015**	**2014**
No. of people	1,619	1,932
% Women	39%	35%

(1) Data in the table above include those companies managed by Repsol Group excluding Talisman companies.

The Company's main tool for the evaluation of potential and planning of development actions is called *People Review*.

PEOPLE REVIEW ASSESSMENTS INDICATORS	**2015**	**2014**
People tested by *People Review* [(1)]	3,078	2,426

(1) This program provides a detailed assessment, generating a shared vision of each employee: their strengths, areas of improvement, and professional profile.

Throughout 2015, important efforts were made to complete the talent map at all levels of management throughout the Company. Hence, today our information includes data for nearly all our employees (Director and management positions excluded from the agreement). Specifically, during the final quarter of 2015, a specific *People Review* action plan was rolled out to assess over 500 individuals belonging to the Talisman workforce, thereby integrating best development practices into the Company.

Of the 216 sessions carried out during 2015, 40 were comparisons involving 188 people. The purpose was to compared information obtained during previous years, mainly of “High Potential” employees, updating its validity, while also monitoring the achieved of the development plans agreed originally.

17 *People Review* sessions with Directors were carried out. These were designed to evaluate potential, strengths, and areas for improvement included in the Director profile, and also to create development plans. The results of the culture survey carried out in June were analyzed, during which the impact of leadership was evaluated, among others.

During 2015, the performance of 18,275 employees was evaluated. Talisman employees under performance evaluation is the main reason of the increase over 2014. In this year, the criteria and processes established at the start of the year for each company were maintained, and a new organizational model is being created at the same time.

Internal mobility and internationalization

Mobility is part of Repsol's culture, and is key both for 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 achieving the best profiles assignation to the new integrated structure of the Company.

International mobility contributes to this professional development, ensuring a global response to the Company's needs and thus facilitating a corporate culture with international scope and integrated management.

MOBILITY AND INTERNATIONAL CAREER	2015	2014
No. of mobilities (1)	2,989	2,881
% of women (of no. of mobilities) (1)	37	33
No. of employees on international assignment	728	690
Incorporation of professionals to international workforce	114	145

(1) Data reflected on the table corresponds to companies managed by Repsol Group excluding companies of Talisman.

LABOUR RELATIONS

LABOUR RELATIONS	2015	2014
No. of employees with permanent employment contracts	24,668	22,248
No. of employees with temporary contracts	2,498	2,212
Absenteeism rate (1)	3.72%	3.31%

(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 the year 2015 have been signed: the X Repsol Petróleo, S.A. Collective Agreement, the Repsol Investigaciones Petrolíferas, S.A. Collective Agreement, the IV Repsol Trading Collective Agreement, and the XII Repsol Química Collective Agreement.

Also have been signed the VII Campsared Union Agreement, the VI Repsol Lubricantes and Especialidades, S.A. Complementary Agreement to Chemical Industry General Agreement, the IV Solred, S.A. Union Agreement (2014-2015), the Repsol Exploración, S.A. Collective Pre-Agreement (2014-2015), the Dynasol Act of Accession to the XII Repsol Química Collective Agreement, the Sesema Act of Accession to the Chemical Industry Agreement, the Extension Act to the III Solred, S.A. Union Agreement, complementary to the contents of the Madrid Collective Offices Agreement, and the Repsol Exploración, S.A. Preliminary Agreement Act (2014-2015). Finally, and within the scope of social dialog, during 2015, the following meetings were held in the heart of monitoring progress of the VII Framework Agreement to approach the general guidelines of staffing forecast and possible mechanism to achieve that goal.
At an International level, agreements were signed in Brazil, Peru and Portugal..

The European Works Committee´s ordinary annual meeting took place on December, 17. The following Unions and employees 'representatives attended the aforementioned meeting: COFESINT, FIEQUIMETAL (from Portugal), CCOO, UGT and STR (from Spain) and a representative (from Norway).

BALANCING PERSONAL AND PROFESSIONAL LIFE, DIVERSITY AND EQUAL OPPORTUNITIES

In 2015, we continued to promote changes in the way we work, ensuring equal opportunities and promoting and facilitating work-life balance.

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. We are evolving towards contribution and value creation culture.

Among the measures designed to achieve this work-life balance continues being notable the teleworking programme, best valued program by employees.

TELEWORKING INDICATORS (1)	2015	2014
No. of Teleworkers Worldwide	1,716	1,411
No. of Teleworkers in Spain	1,620	1,328
No. of Teleworkers rest of the world	96	83

(1) Data reflected on this tablecorresponds to companies managed by Repsol Group excluding companies of Talisman.

Repsol is widely recognised as one of the best employers in Spain, due, among other aspects, to its firm commitment to a good work-life balance. In this regard, in its study entitled ‘Situación de la Conciliación en España’ (the work-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-life balance.

In Spain, an analysis on the performance of employees on the teleworking programme has been carried out since 2015. The results have reflected that the individuals involved in the program receive high performance reviews. 47% of tele-workers were evaluated as outstanding or excellent, with just 41% of office-based workers receiving this rating.

Repsol’s workers are allowed to work flexibly in order to adapt their workday to their personal circumstances as long as their work activity makes it possible, and in accordance with their use, customs, and restrictions set in each country or geographic area.

Repsol offers a plan designed to integrate persons with disabilities covering all areas of the organization. In 2015, we have continued with our commitment to training as a door to the job market, based on occupational training as well as grant and internship programmes, and access to our Master’s Degree programmes. 5% of our new professionals are people with disabilities.

As at December 31, 2015 we had 663 disabled employees, or 2.7%[1] of our workforce.

In Spain in 2015, we exceeded the legislation applicable requirements according to LGD (General Law on the Rights of Persons with Disabilities and their Social Inclusion), with 4% of employees, being 617 hired, and another 163 equivalent people hired through other channels.

[1] Data reflected corresponds to companies managed by Repsol Group excluding companies of Talisman.

INTEGRATION [(1)]	**2015**	**2014**
No. of employees with disabilities in Spain	546	541
No. of employees with disabilities in Ecuador	34	35
No. of employees with disabilities in Peru	43	42
No. of employees with disabilities in Portugal [(2)]	17	18
No. of employees with disabilities in Venezuela	12	12
No. of employees with disabilities in Brazil	9	8
No. of employees with disabilities in Italy	1	1
No. of employees with disabilities in Russia	1	-
Total number of disabled employees	**663**	**657**

(1) Data reflected on the table corresponds to companies managed by Repsol Group excluding companies of Talisman.
(2) Data reported in 2014 in Portugal has been corrected becoming 18 employees. It has also been corrected total with a total of 657 people with disabilities. The percentage of the workforce is maintained at 2.7%.

Of special relevance has been the edition of the II White Book of Different Capacities, titled "*Diverse Talent"*, the II Guide to Surpass Barriers, and the II Accesible Service Stations Guide, as potential sources of information, communication, and awareness worldwide.

Repsol is present in 40 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	**2015**	**2014**	**Destination**	**2015**	**2014**	**Destination**	**2015**	**2014**
Spain	65	64	Norway	12	10	Singapore	7	3
USA	23	22	Trinidad & Tobago	12	13	Iraq	7	7
Canada	20	6	Australia	11	-	Angola	7	7
Algeria	16	16	Russia	11	12	Ecuador	7	8
Brazil	16	20	Venezuela	10	9	Indonesia	7	3
Portugal	15	16	Peru	9	9	Colombia	5	7
Malaysia	12	-	Vietnam	8	-	Bolivia	5	5

Repsol continues naturally increasing the percentage of women throughout all its groups and businesses.

In 2012 we acquired a voluntary commitment to "European Round Table" (ERT) to increase the percentage of women in executive and management positions in Spain and in Europe (2020 targets: 29% and 27% respectively.

These objectives, nearly achieved, have driven us to set new challenges, committing ourselves to reach in 2020, 31% in Spain and 29% in Europe.

Gender indicators	**2015**	**2014**
No. of women in the workforce	8,976	8,117
No. of women managers	49	47
% of women in management positions in Spain[(1)]	29	27
% of women in management positions rest of the world[(1)]	24	23

(1) Includes categories of Executives and technical managers excluded of collective agreement.

Repsol, S.A. is one of Spain's most renowned companies, having been recognized with the Equality Distinction Award granted by the Ministry of Health, Social Services, and Equality. In 2014, this award was extended for other 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 of 2014, the Company signed a collaboration agreement with the Ministry to reinforce its commitment to boost the balanced participation of both genders in top positions, including 37% in Management Committees to 2017. In 2015, the percentage was 35% (including Directors, Technical Managers, and agents excluded from the Agreement).

After the Talisman acquisition, the percentage of women in the Company was maintained in nearly all age groups.

	2015			**2014**		
	Women	**Men**	**% Women**	**Women**	**Men**	**% Women**
Aged under 20 years	77	78	50%	88	81	52%
Aged 21 - 30 years	1,521	2,112	42%	1,503	1,981	43%
Aged 31 - 40 years	3,634	5,937	38%	3,492	5,526	39%
Aged 41 - 50 years	2,484	5,061	33%	2,087	4,361	32%
Aged 51 - 60 years	1,154	4,312	21%	889	3,963	18%
Older than 60 years	106	690	13%	58	431	12%
Total	**8,976**	**18,190**	**33%**	**8,117**	**16,343**	**33%**

We have continued moving forward with the equity analysis in different aspects of people management (development, remuneration, performance, etc.), considering age, gender, nationality, and disability. Our methodology was verified in 2014 by the Carlos III University and the Foundation for Advanced Social Research, and certified on June 3, 2015 by the Foundation. This validates our methodology for analyzing salary gaps, and makes it possible to analyze equal opportunities in potentially vulnerable groups.

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 to be a sustainable and competitive Company and that must be increasingly safe and environment responsible.

We periodically perform a diagnosis that allows us to identify our major challenges and opportunities on this matter, taking into account the expectations of our stakeholders, industry trends, regulation that could take place in the short-term and, in particular, the Company's strategic plan.

This diagnosis allows us to identify the most relevant issues for action and is materialized, with the commitment of senior management, in the definition of targets and work plans.

The Executive Committee establishes the safety and environmental strategic objectives of the Company, which are the basis for drawing up objectives and annual action plans for all of the Company businesses. In 2015, the Sustainability Commission was set up, with the mission of knowing and orienting the policies, goals, action plans, and Company practices in security and environmental matters.

Among the main lines of activity with regard to Safety and Environmental issues, the following stand out:

- Risk management effectiveness of safety and environment
- Improvement of operational efficiency
- Promotion of a global culture of 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.

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 EFFECTIVENESS OF SAFETY AND ENVIRONMENT

In order to ensure that Repsol installations are safe, and to protect the parties involved, the correct identification, evaluation, and management of the risks association to processes and industrial assets is fundamental.

Risk analysis is performed throughout the entire lifecycle of the Company's assets, applying the highest international standards in the designing stage and implementing strict operation and maintenance procedures, all aimed at preventing incidents associated with the industrial processes involved.

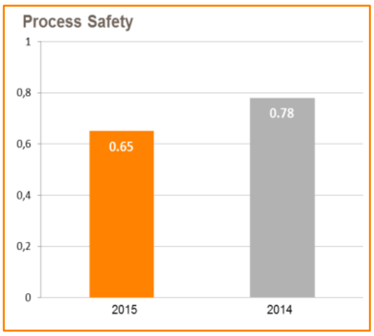
Process safety allows Repsol to address its main safety-related challenges. It facilitates the management of each risk, encompassing even those less likely to materialise but that could have significant consequences for people, the environment, the facilities or the reputation of the Company.

In 2014, the Company base line of security accidents was created, and 2015 was the first year in which specific goals were defined in this regard.

[1] The magnitudes and indicators of this section have been calculated according to corporate rules establishing common criteria and methodology to be applied on HSE. Data supporting environmental information come from subsidiaries in which we have majority ownership and / or control of operation and where we account for 100% of them. In safety, we include data relating to 100% of the employees of the subsidiary companies where we have majority ownership and/or control operation.

Repsol tracks its performance following the definitions established by IOGP[1], API[2] and CCPS[3], international benchmarks in this field. We should stress that accidents have gone down from 17% in 2015 with respect to the prior year, improving the yearly objective.

PROCESS SAFETY INDICATORS [(1)]	2015	2014
PSIR [(2)] TIER 1 + TIER 2	0.65	0.78



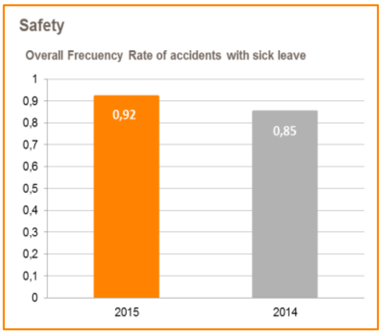
(1) A security process accident is one in which the first line of control has been breached, with the following happening simultaneously:
- A chemical process or product is involved.
- It occurs at a specific location: the incident takes place in a production, distribution, storage, auxiliary services (utilities) area, or at pilot plants related to the chemical process or product involved. This includes tank storage areas, auxiliary support areas (i.e., boilers, water-treatment plans), and pipe distribution networks controlled by the installation. Drilling operations also fall under this category.
- It results in the release of unplanned or uncontrolled matter, including non-toxic and non-inflammable matter (e.g. vapor, hot water, nitrogen, compressed air or CO_2), with determined levels of consequence.

  Depending on defined thresholds, the security processes accident is classified as Tier 1 or Tier 2

(2) PSIR: *Process safety incident rate*

In addition, we continue to work on reducing **personnel accidents**.

OCCUPATIONAL SAFETY INDICATORS [(1)]	2015	2014
Overall Lost Time Injury Frequency Rate (LTIFR)[(2)]	0.92	0.85
Lost Time Injury Frequency Rate for company employees	1.12	0.92
Lost Time Injury Frequency Rate (FR) for contractor staff	0.79	0.78
Total Recordable Incident Rate (TRIR)[(3)]	2.25	2.38
No. of company employees fatalities	-	-
No. of contractor's staff fatalities	2	-



(1) To handle safety incidents, Repsol has corporate regulations establishing a common criteria and methodology for registering incidents in the company, which is complemented by an incident management guide.
(2) LTIFR: number of lost time accidents and fatal accidents recorded over the year, per million work hours.
(3) TRIR: number of accidents without lost time, with lost time and fatal accidents over the year, per million work hours.

During 2015, two work-related deaths took place during the collapse of construction land at the new LPG bottling plant in Cuzco (Peru). After the accident, an exhaustive investigation was carried out to determine its causes, and the necessary measures were established to ensure that this type of accident never occur again.

As it reported in the previous table, the LTIFR has increased 8% with regards to the prior year. Since 2014, we also have established TRIR targets, indicator that increases the scope to other types of accidents, encompassing those with lost days and without. The TRIR is the most appropriate indicator currently for evaluating accident targets. In 2015, this index went down 5% with regard to the prior year.

Repsol hopes to move forward in reducing accident rates, and with this in mind in 2015 began working on its *SMArtKey* anticipatory Safety Plan. It is articulated in three areas: People, Processes, and Plants, and was designed to prevent industrial accidents. It is applicable to businesses susceptible to these types of accidents: E&P, Spanish Refining, Chemical, LPG, and Repsol Peru.

Furthermore, considering that road transport is still a leading cause of accidents among our employees and contractors, Repsol carries on working on the improvement of the safety of this area. Repsol has implemented, with positive results, improvement plans in the countries with the highest incident rate for

[1] The International Association of Oil & Gas Producers.
[2] American Petroleum Institute.
[3] Centre for Chemical Process Safety.

this type of accident. For example, LPG Peru implemented a monitoring center which assesses the leading causes of transportation accidents (speed, lack of rest, and night-time transportation). This was in addition to control point inspections on routes, in which a drastic reduction in excess speed and an improvement in resting periods required for carrying these activities out were observed.

We are convinced that achieving the goal of zero accidents is possible and requires the commitment 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.

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 this regard, we continue working on our HEADS (Hydrocarbon Early Automatic Detection System), a proprietary pioneering technology developed to automatically detect the presence of hydrocarbons in the sea with a response time of less than two minutes.

When a spill occurs, we activate our emergency response mechanisms, and subsequently establish new preventive actions to avoid a re-occurrence.

These mechanisms are a critical element at Repsol, essential for minimizing 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	**2015**	**2014**
Number of spills > 1 barrel that have reached the environment	21	17
Oil spills that have reached the environment (tons)(1)	23	316

(1) Figures corresponding to oil spills over than one barrel.

In 2015, 23 tonnes of hydrocarbons were spilled, which is less than the prior year; it is important to note that no relevant spills[1] took place. The increase in the number of spills is mainly due to the Talisman incorporation.

[1] A relevant oil spill (depending on the quantity spelt and de sensitivity of the area) is considered that one that reaches the environment and meets some of the following conditions: is greater than 100 bbl, is greater than a 10 bbl spill and it is produced in a sensible area or any spill of other substances that it is not an hydrocarbon, which is greater than a 10 bbl with environmental relevance due to its high salinity, acidity, toxicity, lack of biodegradability, etc.

IMPROVEMENT OF 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 target of reducing CO_2 eq by 1.9 million tons for the period 2014-2020. The plan includes reducing energy consumption and emissions by continuing to search for sustainable business opportunities related to renewable generation and electric mobility. During 2015 Repsol has demonstrated its commitment to continuous improvement and has promoted actions that have reduced 327[1]kt of CO_2 equivalent, which represents that since 2014, and in just 2 years, a reduction of nearly 40% of the established target was achieved for the entire period.

Repsol continues implementing its Energy Management System in its installations, in accordance with ISO 50001 regulations. In 2015, the chemical area of the Tarragona Industrial Facility was certified, so 8 of the refineries, chemical plants, and Exploration and Production assets are now certified, and also have been certified eight manufacturing and storage facilities for lubricants, asphalts, and specialties, which have achieved multisite format certification. This permits to formalize the Company's energy policies and vision, and establish medium- and long-term goals and targets within its continual improvement process.

An additional reflection of our commitment to fighting against climate change is Repsol's inclusion in the *Oil & Gas Climate Initiative* (OGCI) [2] during June 2015, in coalition with nine Oil and Gas sector companies. Our CEO, Josu Jon Imaz, signed the adhesion document, and leads this commitment. This is a voluntary initiative designed to share best practices and technological solutions between members, to thereby coordinate actions and intensify our investments, while accelerating the battle against climate change.

Also, as a co-signee of the "*Paris Pledge for Action*", Repsol supports the agreement made during the 21st session of the United Nations Framework Convention on Climate Change (COP21) to not increase the average temperature of the planet in 2ºC with respect to the pre-industrial period, working so that the Company can be part of the solution to climate change.

During 2015, Repsol earned the maximum number of points (100) in the transparency of reporting CO_2 management, according to *Climate Disclosure Project* (CDP) sustainability index. This qualification reflects that Repsol has provided exhaustive information on its climate change strategy, its processes, and the management of risks, as well as measurement and management of its carbon footprint.

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. In 2015, the carbon footprint of "*Coque Verde Combustible*" was calculated and verified, thereby increasing the number of products assessed to 14. In addition, the carbon footprint scope of lubricants was increased, including usage stages and end of life to thus complete the cycle.

Our commitment to sustainability is likewise reflected in numerous pioneering R+D+i projects in the industry. Thanks to these studies, a pilot polycarbonate polyol (product using CO_2 as its raw material) ecodesign project was conducted, reducing the carbon footprint with regard to conventional polyols.

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[1] Data being verified under ISO 14064. Once verification is completed, it will be available on the website of Repsol.
[2] *http://www.oilandgasclimateinitiative.com/*.

Repsol launched a new heating diesel fuel in November 2015 (BiEnergy e+10), which is especially designed for using in recent generation boilers, with a 30% improvement in energy efficiency, and the reduction of CO_2 emission with respect to normal diesel heating fuels. This diesel implies a considerable reduction in sulphur oxide (SOx), nitrogen oxide (NOx), particles and carbon monoxide (CO) emissions.

Evolution towards a strategic vision of water

Water is a strategic resource for Repsol, with a key economic, social, and economic value. As regards the Oil & Gas sector, water is essential for producing energy, just as energy is fundamental for extracting, transporting, and treating water. The search for a balance in the energy-water rationship is a key challenge.

Repsol's Water Tool[1] permits the preparation of a water risk map for the Company, upon which the 2015-2020 Improvement Action plan was created in 2014, specifically tailored to each installation. This Action plan is focused on three work areas, in which the following activities took place:

- Improved inventory quality in 2015, in which work has progressed in implementing water-management indicators, and defining instrumentation plans.
- Preparation in the face of new future regulatory requirements: in 2015, work progressed on modifying and/or adapting water waste treatment.
- Reduction in the competition for this resource: work along these lines involved identifying ways to reduce consumption, increasing the use of recirculated water, and applying improvements in its efficient use in the operation.

During 2015, the Company's objective was set at 85% compliance with the work lines. It was surpassed thanks to efforts made in the different businesses, reaching nearly 95% implementation.

Protection and conservation of biodiversity and ecosistemic services

Through its position on biodiversity, Repsol is committed to mitigate potential impacts on biodiversity and the resources it provides (ecosystem services) in the planning and development of its projects and operations. Repsol has been the first company to apply Oil and Gas IPIECA Biodiversity and Ecosystem Services (BES) Management Ladder methodology, used to analyze the current situation of Exploration and Production assets and identify the next steps to be taken. In 2014, 153 lines of work on which Repsol is acting to preserve and / or enhance the biodiversity of the environment where the company is located were established. During 2015 we have developed new actions, achieving a compliance rate of 90% of the annual plan established.

These respond to a corporate strategy which is aligned with leading trends reflected in forums in which we actively participate, such as IPIECA, IOGP, Cross-Sector Biodiversity Initiative, the Proteus consortium with UNEP-WCMC[2] or the Smithsonian Institution, and on a national level, the CONAMA Business and Biodiversity working group. Also, during the year Repsol organized a Biodiversity Conference in Madrid, in which internal and external personnel participated.

[1] A tool designed by Repsol incorporating aspects of the Global Water Tool and Local Water Tool, the two main technologies developed and adapted to the oil and gas industry for identifying and evaluating water's impacts and threats.
Global Water Tool: was developed by WBCSD (World Business Council for Sustainable Development) and then adapted to the Oil & Gas sector by IPIECA (The Global Oil and Gas Industry Association for Environmental and Social Issues). Its purpose is to locate installations in which water is scarce, to calculate the Company's overall key water management indicators. Repsol participated in the development of this tool through the IPIECA's Water Task Force.
Local Water Tool: developed and adapted by the oil and gas sector by GEMI (Global Environmental Management Initiative). It is used to identify and evaluate water-related risks and impacts related locally to the center in aspects such as its availability, quality, and the ecosystems associated to water masses affected by the center. Repsol has worked in conjunction with GEMI to adapt the tool to the Oil & Gas sector.
[2] United Nations Environment Programme's World Conservation Monitoring Centre.

Noteworthy actions in 2015 took place in the Caipipendi (Bolivia) area, based on results obtained from our social and environmental base built in 2014. First of all, a sensitivity map was created in which different zones were classified based on their capacity for undergoing transformations without suffering important alterations. A Biodiversity Action Plan (BAP) was developed which encompasses a preliminary management plan, a monitoring program to detect changes in the ecosystem, and the inclusion of biodiversity criteria in environmental impact studies commencing at the design phase.

Based on the recommendations arising from the Ecosystem Services Review (ESR) performed in Peru in 2014, during 2015 a PAB in Peru was designed, and the decision to extend the ESR methodology to the northern Colombia offshore region was taken, in which an analysis was made in collaboration with a prestigious organization specialized in these topics, Fauna and Flora International. The results of this study have enabled us to understand the dependencies and impacts of communities as well as the company on ecosystem services, providing a better understanding of the environment in which we operated, making it possible to better plan our activities, and thereby avoid and minimize their potential impacts.

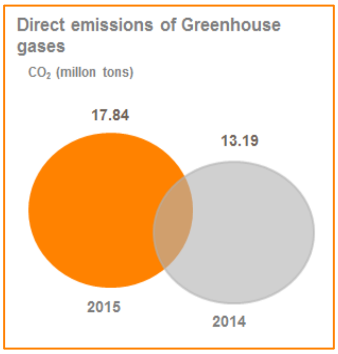
Improvement and minimizing in waste management

We are working on optimising waste management throughout the entire lifecycle of our processes. To do this, it is available a waste map that uses reporting criteria of industry best practices. Repsol´s commitment is reflected on the objective of reducing 50 kilotons of waste, established for the period 2015-2020.

Thanks to the efforts made by the different business areas, the annual objective was surpassed, achieving a reduction of 9 kilotons in 2015.

In addition to this quantitative target, qualitative waste management improvement actions have been defined. Repsol has established improvement goals in its Exploration and Production business through the implementation of the *Company's Environmental Performance Practices* (EPP) in the mud management and cut drillings. These guidelines are a set of common standards regardless of the geographical area of the operations and the specific legislation of each country. In 2015 we have implemented 100% of EPPs provided.

OPERATIONAL EFFICIENCY INDICATORS	2015	2014
ENERGY AND CARBON MANAGEMENT[1]		
Energy consumption (10^6 GJ) [2][3]	214	178.4
Direct emission of CO_2 (million tons) [3]	17.84	13.19
Direct emissions of CH_4 (million tons) [3][4]	0.139	0.024
Direct emissions of N_2O (million tons) [3][4]	0.883	0.674
Direct emissions of CO_2 eq (million tons) [3][4]	21.04	13.90
CO_2 emissions reduced (million tons) [4][5]	0.327	0.479
WATER MANAGEMENT		
Fresh water withdrawn (kilotons)	57,303	54,729
Water Reused (kilotons)	8,964	9,945
Water discharged (kilotons) [3]	49,859	35,920
Hydrocarbons in water discharged (tons) [3]	384	199
WASTE MANAGEMENT [6]		
Hazardous waste (tons)	49,097	66,430
Non- hazardous waste (tons)	94.,453	167,200
OTHER ATMOSPHERIC EMISSIONS		
SO_2 (tons)	28,304	29,800
NO_X (tons) [3]	40,268	35,399
COVNM (tons) [3]	51,993	45,851



(1) Figures on December 31, 2015 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 Repsol website.
(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 increase noted in 2015 with respect to 2014 figures is due to the incorporation of Talisman´s assets.
(4) The data corresponding to 2014 has been modified with respect to the 2014 Management Report as a result of a subsequent verification after its approval.
(5) Decrease of CO_2 due to the implementation of actions to reduce greenhouse gases, compared to 2010 base line.
(6) Additionally, waste related to drilling muds should be considered, amounting to 243,609 tons and 105,469 tons in 2015 and 2014, respectively. The increase occurred during the year is mainly a result of the incorporation of Talisman´s muds.

PROMOTION OF A GLOBAL CULTURE OF 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.

In 2015, work started to develop a diagnosis methodology to roll out the HSE Culture in each installation to establish improvement plans adapted to each context. In order to prove that the methodology works, two pilot diagnostics were performed during the second half of the year, one in Spain’s LPG business, and another in Bolivia’s Business Unit. Enriching results were obtained to improve the methodology for its dissemination in the remaining installations, as well as to detect opportunities for improvement in its management and implementation

This methodology is based on our internal HSE culture, which contemplated 7 basic pillars upon which work in upcoming years will be based: HSE leadership, fair recognition, trust in reporting, shared information, an organization which learns, vulnerability sensation, and capacity to adapt. In order to implement this model, a 2016-2020 HSE Culture Diagnostic Plan was designed. Also, during the year the Company continued working on its Leadership Plan which got its start in 2012, which is designed to improve culture through its leaders, as well as training programmes for other groups.

6.3. TAXATION

REPSOL TAX STRATEGY AND FISCAL POLICY

The Group's tax strategy and policy is aligned with the Company's mission and values and with the long term business strategy. It was approved by the Repsol, S.A. Board of Directors and can be summarized as follows:

> *"The Repsol Group is committed to manage its tax affairs applying good tax practices and acting transparently, paying taxes on a responsible and efficient manner, and promoting cooperative relations with governments, avoiding significant risks and unnecessary disputes."*

The main principles upon which the Groups tax policies are based are set out below:

One. The Company is aware of its responsibility in the sustainable economic development of the countries in which it is present, having taxes a significant role of its contribution therein. Hence, it is committed to the responsible payment of the taxes in the countries in which it operates, applying the following principles:

- Compliance with the law, adhering to both its letter and its spirit.
- Application of the "*arm's length*" principles in all its intra-group transactions.
- Adoption of its tax positions based on sound business and economic principles or commonly-accepted best practices, refraining from the use of schemes or abusive planning practices.
- Provision of accurate and complete information on its transactions.
- Prioritization, whenever possible, of non-litigious means for resolving disputes and use of the options offered by legal procedures to strengthen agreements with Administrations.

Two. The Group reconciles responsible compliance with its tax commitments while creating value for its shareholders through the efficient management of tax costs and benefits. Efficient tax management shall support operations and business model developments, adhering to both the letter and the spirit of applicable laws, taking the Company's overall interests into consideration, and preventing significant tax risks.

Three. The Group shall continue fostering relationships with the tax authorities, based on principles of trust, good faith, professionalism, collaboration, loyalty, and the search for mutual and reciprocal understanding, all with the purpose of ensuring the application of the tax system, increasing legal security, and reducing litigation.

Four. Repsol applies responsible tax policies that prevent conducts that could generate significant tax risks. Management of tax risks is part of the Group's global risk management policy, which is designed to mitigate or eliminate them, and where said risks are assumed (due to it having been impossible to reach a mutual understanding with the tax administration), to defend the group's legitimate interests.

Five. The Repsol Group, as a socially-responsible entity, is committed to public transparency as one of the guiding principles of its tax activities. In particular, the Group undertakes to:

- Refrain from the use of opaque or contrived business structures with the intention of concealing or reducing the transparency of its tax activities.
- Not have a presence in tax havens, unless this is justified for business reasons.

- Strive to comply with the highest standards required in the area of tax reporting to facilitate the understanding of its tax contributions and the tax policies applied.

It is important to note that the Repsol Group has followed the Code of Best Tax Practices currently existing in Spain since 2010, and supports the principles outlined in the "*BIAC Statement of Tax Principles for International Business*" and the "*OECD Guidelines for Multinational Enterprises*."

IMPACT OF TAXATION ON COMPANY'S PROFIT

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, other employ based taxes, social insurance payments, etc.

In 2015 the total tax burden included in the adjusted net income segments (excluding Gas Natural Fenosa) is as follows:

	2015 Repsol Group		2014 Repsol Group	
Item	**Amount**	**Rate**	**Amount**	**Rate**
Income tax	561	27.5%[2]	886	41.3%[2]
Total tax burden [1]	1,394[1]	48.5%[3]	1,703[1]	57.5%[3]

[1] Income Tax + taxes and contributions that are deducted from the operating result.
[2] Corporate Tax / result from continuing operations at replacement cost, without GNF.
[3] Tax burden / result from continuing operations at replacement cost, before income taxes and taxes, without GNF.

CONTRIBUTION BY COUNTRIES

As mentioned above, Repsol Group is aware of its responsibility towards the economic development of those societies where it is present. Taxes paid by the Repsol Group have considerable economic importance and implies a major effort to comply with the required collaboration with the Authorities and entails significant obligations.

In 2015 Repsol paid €11,989 million on taxes and other related public charges and filed more than 46,000 tax returns.

In order to monitor and analyze the Group's fiscal contribution: (a) Taxes paid are segmented into those which represent an effective expense to the Company and reduce its results (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*". " (b) Only taxes actually paid during the year are computed, so, for example, taxes accrued during the period but that will be paid in the future are not included.

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)]

€ Million

	Taxes paid		Tax burden						Taxes collected [(2)]							
			Corporate Income Tax		Other		Total		VAT		Taxes on hydrocarbons		Others		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Spain	8,762	9,145	359	340	350	308	709	648	2,724	3,145	4,997	4,919	332	433	**8,053**	**8,497**
Portugal	1.140	1.129	13	12	11	7	24	19	370	421	727	672	19	17	**1.116**	**1.110**
Italy	206	357	1	1	2	1	3	2	41	60	161	294	1	1	**203**	**355**
The Netherlands	58	36	58	36	-	-	58	36	-	-	-	-	-	-	-	-
Norway	15	-2	-	-	1	-	1	-	-8	-6	-	-	22	4	**14**	**-2**
France	8	8	1	1	1	1	2	2	6	6	-	-	-	-	**6**	**6**
Other[(3)]	2	4	2	-	1	1	3	1	-3	-2	-	-	2	5	**-1**	**3**
Europe	**10,191**	**10,677**	**434**	**390**	**366**	**318**	**800**	**708**	**3,130**	**3,624**	**5,885**	**5,885**	**376**	**460**	**9,391**	**9,969**
Peru	564	778	12	49	76	106	88	155	271	420	186	187	19	16	**476**	**623**
T&T	176	319	41	179	136	148	177	327	-8	-15	-	-	7	7	**-1**	**-8**
Brazil	137	108	14	33	101	56	115	89	-	1	-	-	22	18	**22**	**19**
Bolivia	125	106	81	74	4	3	85	77	34	24	-	-	6	5	**40**	**29**
Venezuela	81	150	14	89	38	48	52	137	19	7	-	-	10	6	**29**	**13**
Colombia	56	27	36	18	2	1	38	19	-	-	-	-	18	8	**18**	**8**
Ecuador	43	56	23	30	9	10	32	40	3	11	-	-	8	5	**11**	**16**
Argentina	43	6	41	-	-	-	41	-	-	-	-	-	2	6	**2**	**6**
Other[(3)]	3	3	1	1	1	-	2	1	-	1	-	-	1	1	**1**	**2**
Latam &Caribbean	**1,228**	**1,553**	**263**	**473**	**367**	**372**	**630**	**845**	**319**	**449**	**186**	**187**	**93**	**72**	**598**	**708**
Indonesia	130	1	124	-	-	-	124	-	1	-	-	-	5	1	**6**	**1**
Malaysia	121	-	4	-	100	-	104	-	-5	-	-	-	22	-	**17**	-
Russia	66	79	9	13	46	47	55	60	9	17	-	-	2	2	**11**	**19**
Vietnam	28	-	18	-	7	-	25	-	-1	-	-	-	4	-	**3**	-
Singapore	8	-	-	-	-	-	-	-	8	-	-	-	-	-	**8**	-
Australia	5	3	1	-	1	-	2	-	-1	-	-	-	4	3	**3**	**3**
Other[(3)]	3	-	-	-	-	-	-	-	-	-	-	-	3	-	**3**	-
Asia & Oceania	**361**	**83**	**156**	**13**	**154**	**47**	**310**	**60**	**11**	**17**	-	-	**40**	**6**	**51**	**23**
U.S.	80	78	-	3	40	55	40	58	-	-	-	-	40	20	**40**	**20**
Canada	74	4	1	-	37	-	38	-	-32	3	-	-	68	1	**36**	**4**
North America	**154**	**82**	**1**	**3**	**77**	**55**	**78**	**58**	**-32**	**3**	-	-	**108**	**21**	**76**	**24**
Algeria	27	30	17	25	4	1	21	26	-	-	-	-	6	4	**6**	**4**
Angola	23	3	-	-	-	-	-	-	4	-	1	-	18	3	**23**	**3**
Libya	2	241	-	215	1	24	1	239	-	-	-	-	1	2	**1**	**2**
Other[(3)]	3	5	-	-	-	-	-	-	-	-	-	-	3	5	**3**	**5**
Africa	**55**	**279**	**17**	**240**	**5**	**25**	**22**	**265**	**4**	-	**1**	-	**28**	**14**	**33**	**14**
TOTAL	**11,989**	**12,674**	**871**	**1,119**	**969**	**817**	**1,840**	**1,936**	**3,432**	**4,093**	**6,072**	**6,072**	**645**	**573**	**10,149**	**10,738**

(1) Only payments effective made in the fiscal year are included. Does not include amounts due to be paid in the future or charges from previous periods. It includes payments made by businesses sold during the year.
(2) Includes amounts paid through logistics operators that act as substitutes.
(3) Section "Other" comprises taxes paid per country for an amount not exceeding €4 million.

MANAGEMENT OF TAX RISK

Tax affaires are handled in an organised and expert fashion to guarantee proper compliance with tax obligations and management of risks of a tax nature. Efficient procedures, systems, and internal controls are applied to see that the key processes inherent to the tax function are exercised correctly.

The Group features an appropriate organization aimed at ensuring the deployment of its tax policies. The organizational principles ensure that tax matters are handled in a manner that is professional (expert teams), integrated (sole criteria), and global (responsibility for all the Group's tax matters in its different areas).

The Board of Directors is informed periodically (and at least once a year), of the policies and strategies followed during the year, as well as the most relevant aspects pertaining to the management of tax affairs

and tax risks. Likewise, any transaction which may bear a specific tax risk is submitted to Board approval.
In keeping with that, any investment projects/divestment project and any of the company's relevant transactions are presented alongside an analysis of the tax implications prior to making decisions, thus allowing the Group to identify which investments or transactions may bear a special tax risk.

The management of the tax risks is embedded in the Group's Integrated Risk Management policies. It is embodied in the existence of processes, systems, and internal controls for the management of tax risks.

The Group keeps an updated risk map in which risks which are tax-related are specifically identified, whether they arise from (i) tax policies applied, (ii) possible misscompliance, (iii) or controversies regarding the interpretation and application of laws, or the instability of the legal-tax or contractual framework.

Similarly, the Repsol Group actively manages its tax risk so as to mitigate or eliminate them and when assuming said risks (when it is not possible to reach a common understanding with the tax authorities), mounting the best possible defence of the Group's legitimate rights.

TAX HAVENS

According to its tax policies, Repsol refrains the use of opaque or artificial structures with the intention of concealing or reducing the transparency of its tax activities. It is committed not to have presence in tax havens, unless this is justified for legitimate business reasons.

Should presence in tax havens be required, the following is guaranteed: (i) authorization by Board of Directors of the incorporation or acquisition of a company, along with periodic information regarding its activity; (ii) strict compliance with regulations governing the exercise of its business activities; (iii) application of general administration, and Group's control management procedures; and (iv) full transparency and cooperation with relevant administrations in order to provide required information with regard to the business activities carried out.

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 have a minimum presence, 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, as well as the work done by the European Union to define a list of uncooperative jurisdictions.

Focusing on the Spanish list of tax heavens, we can differentiate between:

- **Companies from the former Repsol Group (pre-integration of Talisman)**

  Repsol currently has no active controlled companies in such territories. There are nevertheless three companies that are inactive and/or in a winding-up process [(1)] and three active non-controlled companies located in tax havens with minority interests:

  (i) Oil Insurance, Ltd (5.86%; Bermuda) and Oil Casualty Insurance, Ltd. (1.80%; Bermuda): mutual insurance companies in the *Oil & Gas* sector, covering Group risks from Bermuda, jurisdiction where insurance companies dealing with international risks from the E&P oil activity are typically located.

  (ii) OCP, Ltd (29.66%, Cayman Islands): company that includes an international association agreement (joint venture), to channel the investment in an Ecuadorian operating company that manages oil activity infrastructures (heavy crude oil pipelines).

- **Companies from the former Talisman Group.**

  It is held a minority investment in Transasia Pipeline Company (15%, Mauritius Islands), a joint venture that channels the investment in an Indonesian operating company that manages gas infrastructures (PT Perusahaan Transportasi Gas Indonesia).

  There are also four companies which were originally incorporated in tax havens but that have been effectively redomiciled for tax purposes either to EU countries [(2)] or other G-20 countries [(3)] which are not deemed as tax havens.

  The Group's presence in these territories is not for the purpose of limiting the transparency of its activities or applying undesirable activities - much less illegal - but instead corresponds to appropriate purposes and adapts to conventional standards in the sector.

[(1)] Greenstone Assurance Ltd. (Bermuda; in "run off" situation), Repsol Exploration Services, Ltd., (Cayman Islands) and a permanent establishment in Liberia, which was originally devoted to exploration and production activities and is currently in deregistry proceedings.
[(2)] These companies are Foreland Oil Limited and Fortuna Resources (Sunda) Limited, with tax residence in the UK; and Talisman Wiriagar Overseas Limited, with tax residence in the Netherlands.
[(3)] Santiago Oil Company, resident in Colombia for tax purposes.

6.4. RESEARCH, DEVELOPMENT, AND INNOVATION (R+D+i)

In 2015, international forums reveal that R+D+i investments in the energy sector are still crucial for sustainably meeting the global energy demand. Technological development and its application in the search, efficient transformation, and different uses for energy, as well as its transportation, for example, and R+D to transform CO_2 into material, as well as the investigation into new energy technologies are the pillars of Repsol's efforts in this area. By working as part of a network through scientific alliances, it can respond to the challenges facing the energy sector.

Investment amounted to €95 million.

OPERATIONAL INDICATORS	2015	2014
R+D Investment (€ million) [(1)(2)]	95	90
No. of external scientific collaboration agreements	119	105
Projects promoted by the Spanish Administration	13	13
Projects promoted by the EU	11	8
International projects	-	1

(1) Indicator calculated in accordance with the Group's reporting model described in Note 5 "*Segment Reporting*" of the consolidated financial statements corresponding to December 31, 2015.
(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.

In order to become increasingly efficient and sustainable during hydrocarbons exploration and production processes, Repsol has a collection of new proprietary technological tools which represent a huge advance with regard to existing technologies.

Excalibur system optimizes the development plans for oil fields based on proprietary algorithms, which have successfully been applied to several assets. *Pegasus* is the next step: it incorporates the use of cognitive system in our day-to-day activity, and this project, developed in collaboration with IBM, is unique worldwide. Finished petrophysics digitalization projects help us improve the definition of prospectuses while also optimizing well locations; novel geomechanical capacities include more precise decisionmaking, while techniques designed to understand fluids and their characteristics improve their recovery and transportation, while EOR (*enhanced oil recovery)* permits us to recover larger quantities of oil from our extra-heavy crude oil fields.

Digitalization and simulation are also being applied to energy-transformation processes, such as hydrocarbons refining, an area in which we are designing and including mathematical developments in the production and design of new operational models at conversion plants, thereby increasing efficiency. Commercial products obtained from this refining process have also evolved technologically: for example, the development of eco-efficient products and processes, such as the asphalts which contribute to their differentiation and international expansion, or *fuel-efficient* lubricants.

As regards energy used for transportation, the Spain 17 project is underway, in which concepts integrating a prototype are integrated into all our transportation efficiency technologies Repsol continues to champion research into electricfication transportation, recharging and batteries in its laboratories, as well as through its participation in consortiums.

In 2015, the concept test related to the pilot Neospol technological development plant terminated, which makes it possible to use CO_2 as the raw material for manufacturing polymers, improving their use, and opening the door to an industry with more sustainable materials. Also, we have advanced in improving processes and reducing costs regarding to managing chemical technology plants have also been made.

Particularly noteworthy in the area of new technologies are advances in renewable energy and CO_2 use investigation projects, with an emphasis on Artificial Photosynthesis, which is a technology characterized by its high interest and potential, transforming solar energy into chemical energy using CO_2 as its raw material. In the biotechnology area, microorganisms from which a new metabolic synthetic route which allow obtaining advanced, novel biofuels are in the development phase.

Thanks to this R+D initiative, 26 patent requests and over 40 prestigious scientific publications have been generated.

Work on the network and technological alliances have allowed us to exponentially multiply our R+D capacity, with over 113 agreements with universities, technology centers, and internationally-renowned technology firms.

Also, during December, the third edition of the INSPIRE open innovation program was launched, with the participation of the entire scientific community of over 30 universities and Spanish technological centers, to propose disruptive solutions for the energy sector, to be developed in accordance with their scope and potential for success.

This activity was led by the Repsol Technology Center, which is the scientific heart of the Company, with a 192,000 m^2 campus, and over 56,000 m^2 of constructed space comprising installations and laboratories, making Repsol an international renowned center of technology.

Innovation

We consider that innovation should be the result of a cultural revolution representing a change in working habits. In 2015 our Innovation and Improvement Units -which are present in all business areas and a corporate level- have increased their efforts in the key lines of the 2014 strategy thinking:

- Strategic innovation, a desire to approach things differently, daring to go further and assume risks to be able to come up with new ways to generate value for our organization. Support is being provided to 63 highly-transversal work teams, who have worked using internal entrepreneurial methodologies to develop opportunities in different areas, such as differentiating the Chemical business, the energetic efficiency of our industrial installations, a digital Marketing customer service platform, or new transversal business areas taking advantage of waste products, as well as possible applications based on the Internet of Things (IoT).

- Continuous improvement is a key element for our management system to align our day-to-day transactions with the Company's strategy through a cultural changed focused on maximizing adding value in a sustainable manner. Five Lean Transformation programmes have been set into motion, which are aimed at getting continuous results which are sustainable over time, which manages the Chemical, *Upstream* IT management system, Economic and Tax, People and Organization information systems. Relevant results are being obtained, such as cutting down accounting registration times, reduction in the time for geoscience data to upload, and reduced production cycles in chemical plants with the reduction in security inventories.

- Knowledge is the Company's competitive advantage, and boosting new types of working which foster continuous improvement, learning, and innovation through working as a community. The base for the rollout of the Knowledge Management strategy are the Communities of Practice (CoP), for which functioning models are being defined, based on best practices contributes by each of the businesses.

These strategic lines are accompanied by other transversal initiatives which support their rollout:

- Facilitators Program. 100% of the teams have received support from an internal facilitator when they needed it. The training of two groups of facilitators (one on innovation, and two on improvement) has taken place, with a total of 56 facilitators now available.

- In April 2015, Repsol launched its second edition of its Innovation Award, with a double objective: to inspire and lose the fear of making a mistake. During this edition, 193 initiatives were presented (170 in the success category and 23 under learning). Approximately 20% of the staff voted.

- Measures are now being taken to help the organization mature in the desired behaviors. In 2015, over 1,000 individuals took part in the innovation, lean transformation, and knowledge management teams, both on our Campus as well as in industrial complexes and countries.

6.5. EMERGING BUSINESSES

Repsol promotes and manages new initiatives in emerging areas that may generate 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 *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. The main applications field analyzed to date are as follows:

    - Taking advantage of the water from the production generated from *Upstream* assets for alternative uses.
    - Using our internal know how and experience in energy efficiency to advise other companies.
    - Reuse of external waste as raw materials or products of interest using a circular economy approach.
    - Sale of wood pellets, using Repsol's distribution network (pilot program underway).

3. Technology valuation: designed to sell the intellectual property generated by the Company, either internally-developed or acquired, which is susceptible to external valuation without losing Repsol's know-how and/or competitive edge.

    Projects managed by this area include HEADS, which has been launched in all of Repsol's refineries with maritime terminals.

    During 2015, investee companies comprising the portfolio managed by Emerging Businesses have performed very well:

    - Principle Power Inc., in whose capital we hold a 25.37% 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 more than 15 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. In 2015, Graphenea has overcome €1 million of turnovers and has obtained positive EBITDA.

- 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 726 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 CO_2 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. CLIMA electrical car project of Repsol has already been succeeded in reducing CO_2 emissions by 285 tons.

- 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. Both “removable battery pack” system, patented in Europe, and the industrial design of the electrical platform, adaptable to customer needs, are its main competitive advantages.

  In 2015, Scutum’s turnover surpassed 117 units of electric motorcycles, and has signed contracts with large key corporate accounts. The company was selected as a supplier of electric motorcycles used by our Moto GP team on the paddocks of Grand Pris circuits.

  This project was awarded with two prizes in 2015. Entrepreneur XXI (awarded by La Caixa and the Ministry for Industry, Energy, and Tourism) and Eneragen 2015 for the energy improvement in technologies of the transportation sector (granted by Eneragen association).

6.6. SOCIETY

CORPORATE RESPONSIBILITY

When carrying out its activities, Repsol focuses its corporate responsibility on optimizing positive impacts while minimize the negative impact on society and the environment throughout the entire value chain, thanks to its ethical and transparent behavior.

During this year, the Company approved its sustainability policies, in which it assumes the commitment to boost best practices in sustainability matters, while periodically reviewing its performance. It is also committed to understanding and analyzing the expectations of the Company’s different interest groups.

In addition, the Board of Directors created a Sustainability Committee, designated to analyze and report on the expectations of stakeholders, propose the approval of strategies, and orient and supervise the Company’s objectives, action plans, and practices in this matter.

The Company has 15 sustainability committees: a worldwide sustainability committee, nine of country[2] and five of operating center[3]. The members of each committee meet at least twice a year to jointly analyze the expectations of the interested parties in each country, and include them in the decision making

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[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.
[2] There are sustainability committees in Bolivia, Brazil, Colombia, Ecuador, Spain and Portugal, United States, Peru, Trinidad & Tobago and Venezuela.
[3] There are sustainability committes in the operating centers of: A Coruña, Cartagena, Petronor, Puertollano and Tarragona.

process, proposing the corresponding sustainability plans as a result of these reflections, to include actions which will improve the Company's ethical, social, and environmental performance. Each sustainability committee published its corresponding plan on the Repsol website.

The corporate responsibility model is applicable to different countries and operating centers, and has made it possible to create a network of people trained in sustainability, who understand society's expectations as well as its integration in businesses.

During 2015, nearly 700 different actions took place in the framework of sustainability, 73% linked to the variable compensation of their directors.

This model integrates the expectations of our interested parties as regards corporate responsibility throughout the Company's decisionmaking processes.

For more information regarding to Corporate Responsibility see the *"Corporate Responsability Report 2015"* on Repsol's website.

SHAREHOLDERS AND INVESTORS

Repsol has an Investor Relationships Area created with the mission of serving current or potential Repsol´s shareholders in their access to all the Company's financial and operational information, as well as occurrences which might affect the share value. This area deals with institutional investors as well as minority shareholders, and fixed-income investors or analysts following the Company.

The main activity indicators have been as follows:

SHAREHOLDER AND INVESTOR INFORMATION	**2015**	**2014**
Calls answered by the Shareholder Information Office (OIA)(1)	27,000	41,000
Access to Repsol website (2)	380,215	459,000
Roadshows institutional investors (3)	49	31
Roadshows socially responsible institutional investors (3)	8	8
Roadshows minority shareholders (3)	14	21
Members of "*Repsol in Action*" community	46,400	39,000
Events for minority shareholders	79	90

(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.

Its main lines of action during 2015 were:

- Monitoring Repsol's key institutional investors. Especially noteworthy are the roadshows in which top management explained the Talisman Energy acquisition to investors and analysts, as well as the main aspects of Repsol's new 2016-2020 Strategic Plan.

- It aims to boost its model for attending to socially-responsible institutional investors, which grew from 9.7% in 2014 to 11% in 2015 with regard to the Repsol's shareholder structure.

- Attention to minority shareholders. Repsol has advanced in its loyalty program "Repsol in Action" which communicates the benefits it offers its shareholders; at year-end 2015, it had around 46,400 members. The program's accessibility is articulated in three different channels, such as: website, shareholders magazine, Repsol Youtube channel, periodic newsletters, the Shareholder Guide, or informational SMS messages sent to report on quarterly results.

- The renewal of the Shareholder Advisory Committee, which fosters dialog between Repsol and its minority shareholders. The members elected to the Committee participated in different meetings in April, June, and December, spreading awareness about the Company, as well as its expectations, share prices, and existing communication channels, as well as the content and quality of the information shared.

- Approval of the communication policy, which defines and establishes the principles and criteria governing communication and contact with shareholders, institutional investors, and voting advisors. The publication complies with CNMV recommendations in its new Good Governance Code for Listed Companies.

Thanks to surveys with specialized entities such as "*Extel*," investors have awarded the work carried out by Repsol's Investor Relationships area with the following Oil & Gas sector prizes: Best CEO, Best CFO, Best Director of Investor Relationships, and Best Investors Relationship Team. Additionally, the "Institutional Investor - *All Europe Executive Team*" ranking awarded Repsol with Best Director of Investor Relationships, and second place to the Investor Relationships Team.

COMMUNICATION

Repsol's Communications policy intends to respond to the growing demands of its interest groups, by offering relevant and reliable information. In this manner the Company is able to reaffirm its commitment to transparency and responsibility, two emblems of its corporate identity.

Throughout its communication activities, Repsol aims to share its values proactively, as well as the share all its aspects related to the business with shareholders and investors, clients, suppliers, communities, and employees.

To materialize this commitment to transparency, Repsol uses all its channels and available technologies: its websites, digital bulletins, social networks, advertising campaigns, or press releases, among others.

MAIN INTERNET ACTIVITY INDICATORS	2015	2014
Releases published	471	515
Visits to the Repsol´s website (monthly average)	2,724,000	2,900,000
Unique users on the Repsol´s website (monthly average)	1,967,000	1,793,000
LinkedIn followers	165,775	112,000
Facebook followers	157,250	146,000
Twitter followers	99,990	80,000
Instagram users	91,310	33,110
Youtube users	8,320	5,722
Flickr users	1,227	-

ADVERTISING, SPONSORSHIP, AND PUBLIC RELATIONS

Throughout 2015, advertising campaigns were implemented which served to highlight the Company's strategic projects, while alos reflecting Repsol's commitment to issues of great importance to society. On the commercial front, there have been numerous advertising and promotional campaigns that have served to highlight the quality of our products and services and Repsol's commitment with their customers.

As a responsible brand, we are concerned with the rigorous standards guiding 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 at international level and strengthen our corporate image as a leading and innovative company in the commitment to society.

During the 2015 season, Toni Bou won his eighteenth Trial award, becoming the driver with the most world titles in motorsport. Without doubt, this sponsorship programme along with the sponsorship of Repsol Honda MotoGP Team 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 improving its commercial products and being capable of fulfilling its customers' highest expectations.

In 2015 also saw continued support for the Repsol FIM CEV[1] programme and the scholarship grants to the Monlau Repsol Technical School, favouring the generation of opportunities and the adequate training of young riders and new 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 CO_2 emissions corresponding to its participation in MotoGP, its Annual General Meeting. Furthermore, this year emissions related to FIM CEV Repsol organization.

[1] Junior international motorcycling championship where young drivers are trained, of which Repsol is the main sponsor.

7. OUTLOOK AND PROSPECTS

7.1. FUTURE OUTLOOK FOR THE ENVIRONMENT

MACROECONOMIC OUTLOOK

Although the perspectives of global economic growth are positive, they are lower than estimated during July 2015. The IMF shifted its world growth forecast downward for 2015 in 0.2 percentage points (p.p.), placing it 3.1% due to the impairment of perspectives in both emerging and developed economies. Also, the downward risk of these perspectives has risen as a result of the drop in the price of commodities, decreased affluence of capitals in emerging markets, as well as the pressures exerted on their currencies and the growing volatility in financial markets have deepened the downward-shifting risk for global perspectives.

Global growth forecasts for 2016 show a rebound, reaching 3.6%. In 2015 the contribution to growth of advanced and emerging economies was relatively balanced. Nonetheless, during 2016 a more traditional backdrop will prevail, in which the contribution of emerging economies to global growth will be greater, with a growth forecast which is 4.5%, or 0.5 p.p. higher than estimated for 2015. Thus, advanced economies will continue their modest recovery, with a projected growth of 2.2% during 2016, which is two decimal points higher than forecasts in 2015; the USA will carry on being the economy contributing more to the growth of advanced economies.

The estimated growth of emerging economies during 2015 was approximately 4%, which if confirmed, is the lowest rate since the crisis in 2009. Factors explaining this weak growth in 2015 are: (i) slower growth of commodity exporting countries, (ii) deceleration of China, (iii) adjustments following the credit boom and investment, (iv) more tightening external financing conditions, and (v) geopolitical tensions and internal conflicts.

Regarding to the Spanish economy, currently is growing at rate than double rate that the average rate of the entire Eurozone. Considering the most recent GDP corresponding to the fourth quarter of 2015, the overall for the 19 countries comprising the Eurozone grew 1.5% in 2015, and 3.2% in Spain. The European Commission forecasts an economic growth for Spain in 2016 of about 2.8%.

Factors explaining this growth gap with respect to the Eurozone are: (i) sustained job creation, (ii) solid confidence in the Spanish economy, (iii) the ECB's expansive monetary policy, (iv) the shrinking sovereign risk premium, (v) the depreciation of the Euro, and (vi) low oil prices.

Macroeconomic forecasts, key figures

	GDP (%)		Average inflation (%)	
	2015	2016	2015	2016
World economy	3.1	3.4	3.3[1]	3.4[1]
Advanced economies	1.9	2.1	0.3	1.1
Spain	3.2	2.7	-0.3[1]	0.9[1]
Emerging economies	4.0	4.3	5.6	5.6

Source: IMF (World Economic Outlook January 2016) and Repsol's Business Environm. Study & Analysis Division.

[1] These data has been taken from IMF (*World Economic Outlook* Octubre 2015)

ENERGY SECTOR OUTLOOK

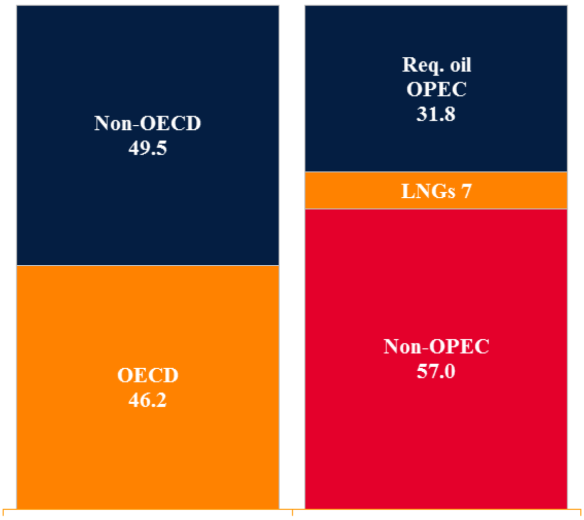
Short-term energy sector outlook

In the short term, according to the International Energy Agency (IEA), the oil supply-demand balance would be determined by a decrease in production from non-OPEC countries in 2016 approaching 600 thousand barrels per day, of which almost 65% will come from the United States' production.

Meanwhile, increased demand will continue to be driven by non-OECD countries, reaching an expected 1.2 million barrels per day in 2016. This outlook implies an increase of 1.6 million barrels per day for OPEC crude oil needs and changes in inventories for 2016, until 31.8 million barrels per day.

Short-term outlook of the global balance between supply and demand

2016 = 95.7 millions b/l



Source: IEA and Repsol's Business Environm. Study & Analysis Division.

With regard to the evolution of oil prices in the short term, market consensus points to an average level of 48.2 dollars in 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.

As regards the short term evolution of gas prices, despite the weak start to 2015, as of 2016 the supply and demand balance should be adjusted, due to the following factors: (i) reduction in the growth of the demand due to cutbacks of the investments in *Upstream* companies (the low price environment will lead to decreased production); (ii) new structural demand which is unrelated to temperature (exportation and industrial projects). Currently, 5 projects are under construction to build LNG liquefaction facilities to export LNG from the US (Sabine Pass, Freeport, Cove Point, Cameron, and Corpus Christi; 9.2 bcf/d in total). Also, until 2020, there are more than 400 intensive gas-consuming industrial projects in course -fertilizers, methanol, and petrochemicals-; (iii) growing substitution of coal-generated electricity with gas (greater weight of environmental and climate change policies).

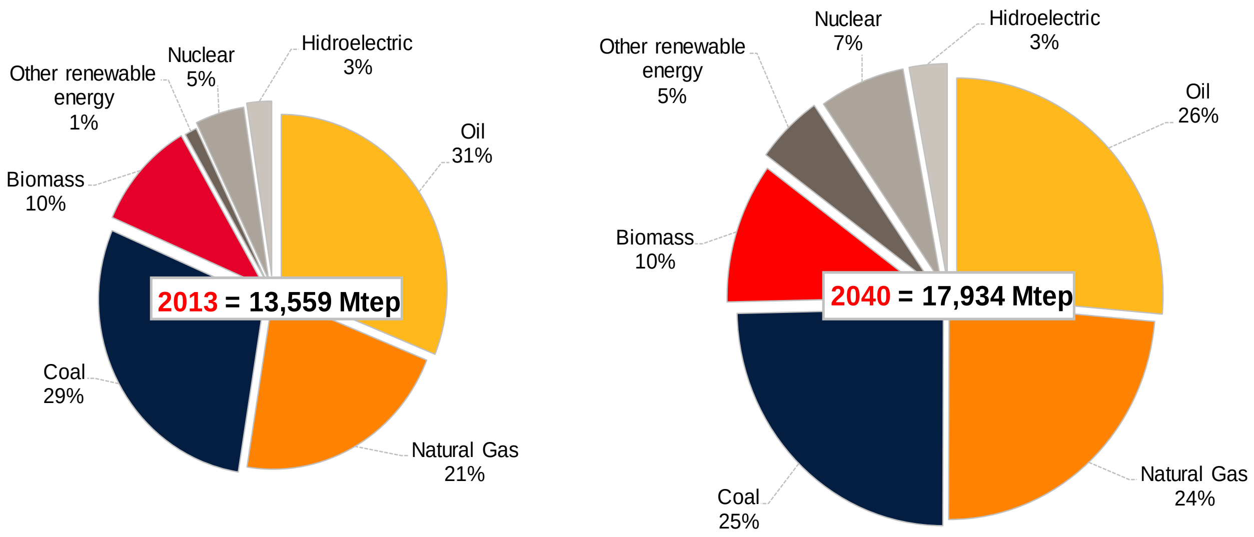
Factors which might delay the adjustment forecasted to the balance are related to: (i) productivity in non-conventional plays (mainly Marcellus/Utica). Greater output will represent a sustained growth of production and an excess capacity of transportation by pipeline from these plays; (ii) the delay in the entry into force of environmental regulations, and a faster penetration of renewable energies (lower costs, technological advances in electricity storage batteries); (iii) reduced LNG export due to lower prices of crude oil (which defines the price of LPG on an international scale, most notably in Asia); and (iv) the cancellation of industrial projects.

Long-term energy sector outlook

On a global scale, hydrocarbons contribute more than half of the primary energy consumed. Specifically, 31% of global primary energy consumption is derived from oil, which is the most commonly used energy source.

During upcoming years, no huge changes are expected. According to the 2015 World Energy Outlook report, published by the International Energy Agency (IEA), in its base scenario, crude oil will register a 5 percentage point decrease in 2040 energy matrix, respect to 2013, while natural gas will reach a 24% share of global energetic demand, estimated at 17,934 million of oil equivalent tons.

Long-term outlook of world primary energy matrix



Source: IEA and Repsol's Business Environm. Study & Analysis Division.

7.2. FUTURE OUTLOOK FOR OUR BUSINESSES

In October 2015, Repsol presented its Strategic Plan (SP) for the period 2016-2020 (see sections 1 and 2.3 under heading "*Strategic Plan 2016-2020*"), with which the Company begins a period of enhancement the growth reached after accomplishing the objectives set in the previous Strategic Plan.

In order to meet the challenges of creating value and boosting resiliency set forth in SP 2016-2020, in 2016 the Company will focus, among other important aspects, on the design and rollout of a Transformation Program as well as the implementation of key efficiencies and synergies driving business areas and countries.

The Efficiency Program was announced with the Strategic Plan, and is applicable to the entire Company, and will incorporate capex and opex savings, along with the Talisman integration synergies are expected to contribute €1,100 million in 2016, to thereby beat the initial expectations of SP 2016-2020 for the period. With regard to the Talisman integration synergies, over $200 million were obtained, thanks to the implementation of new actions and the right management of their related costs. This has made possible duplicating expectations initially foreseen for 2016.

In 2016, the *Upstream* segment will be focused on three strategic regions: North America, Latin America, and Southeast Asia, with a high potential of organic development. The production is estimated at 700,000 equivalent barrels of oil/day for 2016, guaranteed by the current volumes of reserves.

Planned investments for 2016 in this area will be approximately €3,000 million, which is 25% less than 2015 in homogeneous terms, thanks, among others, to the optimisation process as well as the ongoing Efficiency Program. Investments will be made in projects which add a great added-value, and will mainly be concentrated in development and construction projects at installations based in Trinidad, USA, Brazil, Venezuela, Canada, the UK, Algeria, Peru, Bolivia, Indonesia, Colombia, and Malaysia, as well as drilling exploratory wells; however, capex is expected to drop 40% with regard the prior year.

This will all allow this business area to shrink the level of the price of crude oil, increasing the generation of positive cash flow, as well as an increase on the return of capital employed (ROACE).

A greater efficiency in the *Upstream* segment will be complemented by the proven *Downstream* strengths, reflecting Repsol's advantages as an integrated company.

Repsol leads integrated European companies in terms of efficiency, ensuring the generation of value and resiliency in an environment characterised by the weak price of oil, thanks to its investments in the Cartagena and Petronor refineries and the corresponding improvement in refining margins. The objectives set for 2016, are as follow:

- Based on the Efficiency Program, boost the reliability and orientation of the Refining and Chemical installations, and reduce energy costs and CO_2 emissions, giving way to the continual improvement of margins.
- Maximize the value of the Marketing business, consolidating the competitive position within the new legal framework, while optimizing operations.
- Efficiency improvement policy, based on strict cost containment measures, while also facing the particular situation of growing businesses.

On the other hand, Repsol will actively manage it business portfolio so that its flexibility, strength, and adaptability will enable it to divest over €3,000 million in non-strategic assets during upcoming two years.

Facing an environment with expected low crude oil prices of $40/barrel, the integration of our businesses should enable to Repsol, among other factors, generate sufficient cash to finance its investment needs, remunerate its shareholders, and reduce its debt, among others.

8. RISKS

8.1. RISKS 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 RISKS

Uncertainty in the current economic context

Global economic growth is still being moderate, more than expected months ago. The latest forecasts from the International Monetary Fund (FMI WEO update January 2016) estimate some improvement in advanced economies. However, growth is deteriorating in emerging economies affected by the decline in commodity prices, the economic slowdown in China and the normalization of monetary policy in the US. Therefore, global growth is expected to be 3.1% in 2015, worse than the 3.4% in 2014, with some recovery in 2016 to 3.4%.

In recent months, the risk of a hard landing in China and other emerging market economies has increased, triggering instability across the global financial markets. Another source of uncertainty is the potential normalization of monetary policy in the US, the Federal Reserve having decided to start to raise benchmark rates in December.

In addition, thin liquidity is impeding the financial market adjustment, generating additional volatility. Unconventional quantitative easing has helped reducing risk premium in several markets, including sovereign bonds and corporate debt.

Recently, oil prices have been under pressure from high inventory and global production levels, but also global economic uncertainty (especially in China) and financial market instability. Between June and August 2015, oil prices corrected by more than 30% to lows for the year. Although prices retraced part of this correction in less than one week, prices then went on to correct once again, trading below $40 per barrel at one point, i.e., 35% below the high for the year. In addition to surplus oil supply, oil and, in general, commodity price weakness was exacerbated by soft global demand, in turn reshaping inflation expectations. Despite all these sources of uncertainty, low oil prices should trigger more dynamic supply and demand adjustments. Low prices should stimulate consumption while curtailing investment and the combination of these forces should help rebalance the market. Nevertheless, certain nations, such as Iran and, to a lesser extent, Libya, plan on increasing production. When the sanctions are lifted in Iran, its 80 million barrels of inventories could flood the market. Iran's oil production could increase from 0.5 to 1.3 million barrels per day in 2016.

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 *Upstream* activities 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, in *Downstream*, oil refining and petrochemical activities, in general, are subject to extensive government regulation and intervention in matters such as safety and environmental controls.

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, attractive technologies, water discharges, remediation of soil and groundwater and the generation, storage, transportation, treatment and final disposal of waste materials and safety.

Specifically, considering the importance of Climate Change, we must stress that the one of the risks the Company faces is the exposure to possible changes in the greenhouse gas emissions regulatory framework as a result of our industrial activities and associated to the use of our products. In this regard, we closely follow legislation changes in climate-related matters as they arise in every area in which we operate. For instance, in Europe the 2030 energy and climate package associated to a number of directives was adopted, such as the Energy Efficiency Directive, and the reform of the Emission Trading Scheme; in the US, regulations related to the national methane emissions plan, and in Canada, the implementation of climate legislation in Alberta.

Elsewhere, in the wake of the Talisman Energy Inc. acquisition, the Company has increased its activity in non-conventional oil and gas resources. From an environmental standpoint, concern over the environmental impact of exploring for and producing this type of resources could prompt governments and authorities to approve new regulations or impose new requirements on their development. If so, it could have an adverse impact on the Company.

Operating risks related to Repsol activities

Exploration and exploitation (Upstream) 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 and their dismantling. Furthermore, oil and gas exploration and development projects are complex in terms of their scale and by their very nature are susceptible to delays in execution and cost overruns with respect to initially-approved budgets. In addition to this, some of the Group's development projects are located in deep waters, mature areas and other difficult environments, such as the Gulf of Mexico, Alaska, the North Sea, Brazil and the Amazon rainforest, or in complex oilfields, which could aggravate these risks further. It should also be considered that 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 one time. Should these risks materialise, Repsol may suffer major losses, interruptions to its operations and harm to its reputation.

Moreover, Repsol depends on replacing 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 significantly and adversely affected.

Industrial businesses and marketing of oil products (Downstream)

The Refining, Chemical, Trading, and Production, and Distribution activities related to oil derivative products and LPG are exposed to the risk inherent to their activities, and are related to the products' specific characteristics (flammability and toxicity), their use (including that of clients), emissions resulting from the production process (such as greenhouse gas effects), as well as the materials and waste used (dangerous waste, as well as water and energy management), which might impact health, safety, and the environment. Repsol's industrial assets (refineries, regassing plants, warehouses, ports, ducts, sea vessels, cistern trucks, service stations, etc.) are exposed to accidents such as fire, explosions, leaks of toxic products, as well as large-scale contaminating environmental incidents. Accidents may cause death and injury to employees, contractors, residents in surrounding areas, as well as damage to the assets and property owned by Repsol as well as third parties.

Downstream activities take place in a highly competitive environment. Refining and commercialization margins may be affected by a number of factors, such as low demand arising from the impaired economy in the countries in which it operates, the high price of crude oil and other raw materials, the trends of production-related energy costs and other commodities, excess refining capacity in Europe, and the growing competition from refineries in areas such as Russia, the Middle East, East Asia, and the US, whose production costs are lower. Commercial businesses compete with international hydrocarbons industry operators as well as with other non-oil entities (supermarket chains as well as other commercial operators) to acquire or open Service Stations. Repsol Service Stations mainly compete based on price, service, and the availability of *non-oil* products.

If any of these risks materialize, the activity of Repsol, its operational result and financial position could be significantly and 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 attacks of armed 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 these risks materialize, the activity of Repsol, its operational result and financial position could be significantly and adversely affected.

Oil and gas reserves estimation

To estimate proved and unproved oil and gas reserves, Repsol uses the criteria established by the "SPE/WPC/AAPG/SPEE Petroleum Resources Management System", commonly referred to by its acronym, SPE-PRMS (SPE standing for the Society of Petroleum Engineers).

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 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. The estimate of proved and unproved reserves of oil and gas will also be subject to correction due errors in the implementation and/or changes of the standards published. 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 amortization charges and/or impairment charges, which would reduce net income and shareholders' equity.

Projects and transactions 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 any 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 income, 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.

On May 8, 2015, Repsol closed the acquisition of 100% of Talisman Energy Inc. (“Talisman”), a Canadian company devoted to oil and gas exploration and production activities. As in any business combination, Repsol's ability to reach the strategic benefits expected from the acquisition will depend on its ability to integrate Talisman's equipment, processes and procedures and maintain existing relationships with its customers and partners.

Talisman´s results have been negative in the last two years, mainly as a result of asset impairment charges and provisions recognized to cover future obligations, including these regarding its joint ventures. Elsewhere, Talisman's businesses are subject to the risks inherent to oil businesses as well as other more specific risks, including the possibility of potentially as-yet-unidentified contingencies (e.g. of a tax, legal or environmental nature). If any of these risks were to materialize after taking control of Talisman, they could have an adverse impact on the Repsol Group's operations, financial performance or financial situation.

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.

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.

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 this regulation. 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.

Repsol is exposed to negative opinion trends which could have an adverse impact on its image and reputation, thereby affecting its business opportunities.

The Company carries out its transactions in multiple environments with diverse interest groups, which are mainly local communities in the influence areas in which it operates, as well as local and national civil, political, labor, and consumer organizations, among others.

Should the interests of the above groups be contrary to the Company's activities, and attempts to reach agreements be unsuccessful, Repsol is in a position to be affected by the publication of biased or manipulated information which generates opinion contrary to the Company's activities.

This could result in a negative impact on the social or media acceptance of Repsol´s activities, leading to erosion of the Company´s image as well as lost business opportunities in the area or country in question, with potential adverse effects on its business, financial position, and the result of its operations.

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 16 "*Financial risk and capital management*" in the Group's audited consolidated financial statements analyzes the exposure to those risks and measures the impact they may have on the consolidated 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. 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

The Repsol Group is exposed to various types of market risk: exchange rate, commodity price, interest rate and credit rating, which are described below:

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: (i) 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, (ii) 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: (i) Cash flows from transactions carried out in the countries in which 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, (ii) Repsol's consolidated 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 16 "*Financial risk and capital management*" and Note 17 "*Derivative transactions*" to the Group's audited consolidated financial statements for the year ended December 31, 2015 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 17 "*Derivative transactions*" in the Group's audited consolidated financial statements for the financial year ended December 31, 2015 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 16 "*Financial risk and capital management*" and Note 17 "*Derivative transactions*" to the Group's audited consolidated financial statements for the year ended 31 December 2015 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.

8.2. RISK MANAGEMENT

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, being an integral part of the Group's decision-making processes, both in the field of the corporate governance bodies and in business management.

For years, Repsol has been working on an integrated risk management model to be able to anticipate, manage, and control risks from a global perspective. The Repsol´s Integrated Risk Management System (SGIR – "*Sístema de Gestión Integrado de Riesgos de Repsol*") makes it possible to provide an overall and reliable standpoint of all risks which might affect the Company, regardless of their nature.

Repsol's commitment to implement the SGIR is reflected in its Risk Management Policy and its principles are specified in the Integrated Risk Management Standard approved by the Company's Board of Directors. This 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 leads the integrated risk management.

- It is integrated with all management processes and activities of the Company, always with the overall approach provided by the Risk Division.

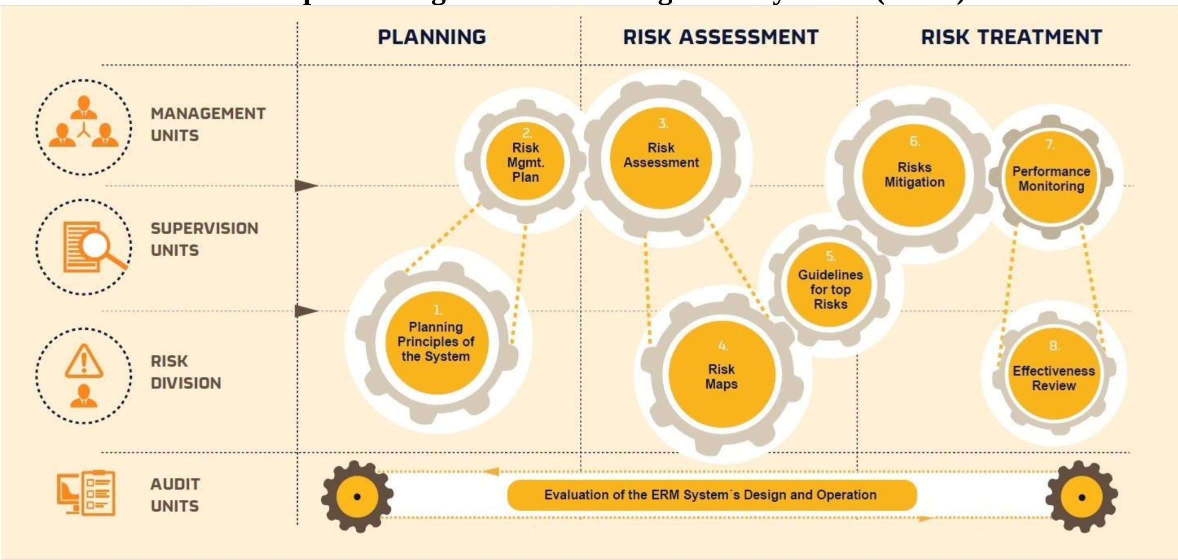
- Businesses and Corporate areas play a role in the implementation of the model becoming units with different levels of responsibility and specialization (risk management units, supervisory units and audit units) as well as theRisk Division which performs functions of coordination and governance of the system.

- Ensures that all risks are managed in accordance with a common process of identification, valuation and treatment.

- Promotes continuous improvement to gain efficiency and responsiveness.

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)



Source: Repsol Risk Division.

In 2015, with a view to obtain a consolidated risk map, the Company continued carrying out Risk Workshops. Each workshop includes the participation of a group of experts in Repsol’s businesses/areas, to provide an overall understanding of key risks, using common indicators, while identifying efficient mitigation measures.

For Repsol, the Risk Map is the core piece which identifies relevant risks and classifies them according to their importance. This way, the Company has a methodology to identify in a simple, understandable and robust way the risks and quantify their potential economic, reputational and people impact in the business unit or area in case it occurs.

For certain highly-critical risks, the organization has also started working on a tool which makes it possible to gain an integrated understanding of the factors leading to the materialization of the risk event and its consequences, in order to prevent its occurrence and/or reduce its impact. This makes it possible for us to focus our efforts to the risk treatment, specially, on detecting and managing its barriers and controls (preventive and contingency measures).

Also, as an essential element for the risk management model carries on, new activities was maintained and designed to strenght a culture which is more inclined to integrated risk management in the Company. Therefore, during this year we have been working on defining, developing, and communicating the Company’s in-person training and development catalogue in an online version.

In section 6, specific information on Safety and Environment Risk Management and Tax Risk Management are provided.

ABOUT THIS REPORT

This report has to be read together with Repsol Group consolidated financial statements at December 31, 2015. Users of it 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 uncertainties are described in section 8.1 "*Risk Factors"*.

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: INDICATORS, ALTERNATIVE MAGNITUDES AND RECONCILIATION WITH IFRS

MAIN FINANCIAL PERFORMANCE INDICATORS[1]

Name	Calculation (Ratios)	Description
Adjusted Net Income[2]	ANI= Recurring income from continuing operations at replacement cost ("*Current Cost of Supply*" or CCS) and after tax.	Focusing on the reality of its businesses and an improved comparability with sector companies, it uses the Adjusted Net Income to measure each segment. Hereby, the Group considers that the nature of its businesses and the way in which results are analyzed for decision-making purposes is adequately reflected.
Inventory effect	Difference between the CCS result and the accounting result. This is presented independently, net of taxes and minority interests.	Current Cost of Supply (CCS): The commonly-used method for valuing inventories in this industry, which differs from commonly-accepted European accounting standards (Weighted Average Cost or MIFO). Based on this method, purchase prices for volumes sold during the year are determined in accordance with current purchase prices for the period in question. This method is used to enable the comparability with other companies in the same sector.
Non-recurring	The Non-recurring Income is presented independently, net of taxes and minority interests.	Those results arise from matters or transactions which fall outside the scope of a Company's ordinary activities.
EBITDA[2] (*Earnings Before Interest, Tax, Depreciation and Amortization*)	EBITDA = Operating Income* + Depreciation and Amortization + Impairment and other items which are not cash inflows or outflows from transactions. ---------------- * Operating Income = Income from continuing operations at current cost of supply + inventory effect + non-recurring income before taxes.	It measures the Company's profit-generating capacity based solely on its production activity. It is an approximation of the resources potentially obtainable from operating assets.
Capital Employed [2]	CE = Net Equity + net debt at the end of the period	It is essentially capital invested by the Company's share and bondholders.

[1] On October 5, 2015 the European Securities Markets Authority (ESMA) issued guidelines governing the submission of alternative performance measures (APM) mandatory regulated for the information published from July 3, 2016 for listed companies. Some of the indicators presented in this table are reconciled with the indicators calculated with the consolidated financial statements IFRS adopted by the European Union in Annex I of this Management Report.

[2] "Adjusted" indicators: includes the joint ventures or other managed companies operatively like such, in agreement with the percentage of participation of the Group, considering his operative and economic magnitudes under the same perspective and with the same level of detail that those of the companies consolidated by global integration. Nevertheless, the results and magnitudes corresponding to Natural Gas Fenosa there is included the totality of the result of the Company of agreement by the equivalence method.

Name	Calculation (Ratios)	Description
ROACE(1) (*Return on Average Capital Employed*)	ROACE: (recurring operating income to Weighted Average Cost (MIFO) after taxes + recurrent income from investees) / (average capital employed from continuing operations of the period)	It assesses the capacity of a Company's assets in its operating activities to generate profits.
EPS (Earning per share)	Net result attributable to the parent / average number of shares in circulation	Its value indicates how much of the Group's net income arising from its activities corresponds to each share.
PER (*Price Earning Ratio*)	Listed price of the share at closing /profit per share attributable to the parent	Its value reflects the number of times that annual net income is included in the price of a share. It represents the stock market's valuation of a Company's profit generating prospects.
Leverage ratio(1)	Total Net Debt / Net Capital Employed	It indicates how the Company is leveraged through external financing.
Gross Financial Debt (GFD)(1)	Non-current financial liabilities* + Current financial liabilities* ---------------- * Sum of the total of bank borrowings, bonds and other debt securities, and negotiable securities and payables to third parties)	Bank borrowings, bonds and other debt securities, and negotiable securities and payables to third parties (not considered credit entities) such as current and non-current loans and financing received, as well as financial derivatives with an unfavourable valuation for the Company.
Net Financial Debt (NFD)(1)	DFN = (Non-current financial liabilities + Current financial liabilities – Non-current financial assets + financial assets available for sale - other non-current assets + cash and cash equivalents - net market value of deferred financial derivatives other than exchange rate derivatives)	This is the main tool for measuring a Company's indebtedness. The leverage formula considers net debt instead of gross debt in order to take in account the financial investments.
Average payment period to suppliers	Average payments period to suppliers = ((Ratio of paid transactions x total amount of payments made) + (Ratio of Outstanding payment transactions * total outstanding payments)) / (Total payments + total outstanding payments). Ratio of paid transactions = Σ (number of days of payment x amount of the transaction paid) / Total payments. Ratio of outstanding payment transactions = Σ (number of days outstanding payment x amount of the transaction outstanding payment) / Total outstanding payments	It corresponds to the Average payment period to suppliers for the Spanish companies of the Group.
Market capitalization	Market price of the share at the end x number of outstanding shares at end of period.	Value of the Company on the Stock Market.
Exploration costs (1)	Costs incurred in exploration activities including exploratory wells and stratigraphic tests wells.	Exploration costs are incurred in order to identify areas in which it is expected that oil and gas reserves exist.

[1] "Adjusted" indicators: includes the joint ventures or other managed companies operatively like such, in agreement with the percentage of participation of the Group, considering his operative and economic magnitudes under the same perspective and with the same level of detail that those of the companies consolidated by global integration. Nevertheless, the results and magnitudes corresponding to Natural Gas Fenosa there is included the totality of the result of the Company of agreement by the equivalence method.

Name	Calculation (Ratios)	Description
Net Operating Investments (1)	Net Operating Investments = Operating investments* – Operating divestments ---------------- * Investments made by the Group for its PP&E items affected by production	Those investments realized by the Group for his fixed assets.
Exploration Investments (1)	Investments incurred in exploration activities, mainly in the activities of geology, geophysics and exploration and appraisal wells.	Exploration investments are those whose purpose is to identify areas with potential hydrocarbons deposits, and drilling the necessary wells to discover and evaluate them, were applicable.
Development Investments (1)	Investments incurred in development and production which mainly include the investments in drilling and auxiliary wells (injection…) and the surface facilities and plants needed for the production.	These are costs incurred to gain access to the proved gas and oil reserves and to install the facilities required to extract, treat, recover and store them.
Lifting cost (1)	Cost for extracting hydrocarbons / net hydrocarbons production	It is designed to calculate the unitary operating cost of extracting hydrocarbons from the subsoil.
Finding cost (1)	(Investments in acquisition of acreage + Exploration Investments) / (net proved reserves incorporated by findings and extensions)	Indicator of the cost of add one barrel to net proved reserves through exploration activities.
Finding and Development cost(1)	(Investments in acquisition of acreage + Exploration Investments + Development Investments) / (net proved reserves incorporated by findings, extensions, revisions and improvements)	Indicator of the cost of adding one barrel to net proved reserves through E&P activities.
Reserve replacement rate	Movements in net total proved reserves (by discoveries, extensions, revisions, improvements, and purchases/sales) / Net production	Percentage indicator of the replacement degree of net reserves produced.
Organic Reserve replacement rate	Movements in total net proved reserves (discoveries, extensions, revisions, improvements) / Net production	Indicator of replacing produced reserves percentage excluding net movements proved net purchases / sales reserves.

[1] "Adjusted" indicators: includes the joint ventures or other managed companies operatively like such, in agreement with the percentage of participation of the Group, considering his operative and economic magnitudes under the same perspective and with the same level of detail that those of the companies consolidated by global integration. Nevertheless, the results and magnitudes corresponding to Natural Gas Fenosa there is included the totality of the result of the Company of agreement by the equivalence method.

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 cubid 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
ELECTRICITY	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	**Mm^3/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 termal unit/ Thousand Btu/million Btu	**km^2**	Square kilometre	**MWh**	Million watts per hour
LPG	Liquefied Petroleum Gas	**Kt/Mt**	Thousand tons/Million tons	**TCF**	Trillion cubic feet
LNG	Liquefied Natura Gas	**Mbbl**	Million barrels	**toe**	Ton of oil equivalent
Gwh	Gigawatts per hour	**Mboe**	Million barrels of oil equivalent	**USD / Dólar / $**	US dollar

RECONCILIATION OF ADJUSTED RESULTS WITH IFRS RESULTS ADOPTED BY THE EU

	DECEMBER 2015					
		ADJUSTMENTS				
€ Million	**Adjusted Net Income**	**Joint arrangements reclassification**	**Non-recurring results**	**Inventory Effect**	**Total adjustments**	**IFRS-EU Net Income**
Operating Income	1,806	434	(3,984)	(696)	(4,246)	(2,440)
Financial Result	233	44	173	-	217	450
Share of results of companies accounted for using the equity method, net of taxes	469	(563)	-	-	(563)	(94)
Net Income before tax	**2,508**	**(85)**	**(3,811)**	**(696)**	**(4,592)**	**(2,084)**
Income tax	(562)	85	1,182	194	1,461	899
Net income from continuing operations	**1,946**	**-**	**(2,629)**	**(502)**	**(3,131)**	**(1,185)**
Income attributed to minority interests	(86)	-	1	43	44	(42)
Net income from continuing operations attributable to the parent	**1,860**	**-**	**(2,628)**	**(459)**	**(3,087)**	**(1,227)**
Income from discontinued operations						-
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT	**1,860**	**-**	**(2,628)**	**(459)**	**(3,087)**	**(1,227)**

	DECEMBER 2014					
		ADJUSTMENTS				
€ Million	**Adjusted Net Icome**	**Joint arrangements reclassification**	**Non-recurring results**	**Inventory Effect**	**Total adjustments**	**IFRS-EU Net Income**
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**

RECONCILIATION OF OTHER ECONOMIC DATA WITH IFRS FINANCIAL STATEMENTS ADOPTED BY THE EU

NET FINANCIAL DEBT (€ Million)	**Net financial debt of arrangement ventures**	**Join Arrangement reclassification [1]**	**Net financial debt according to consolidated financial statements**
Non-current financial instruments (assets)	121	512	633
Other current financial assets	118	1,119	1,237
Cash and cash equivalents	2,771	(323)	2,448
Non-current financial liabillities	(10,716)	135	(10,581)
Current financial liabilities	(4,320)	(2,753)	(7,073)
Net mark-to-market valuation of financial derivatives (excluding exchange rate) [2]	92	-	92
TOTAL	**(11,934)**	**(1,310)**	**(13,244)**

(1) Mainly corresponding to the net financing contributed by Repsol Sinopec Brasil which is detailed in the following captions: "*Cash and cash equivalents*" amounting to €11 million; "*Current financial liabilities*" for intragroup loans in the amount of €2,819 million; and €300 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, 2015 (€ Million)	**According to net debt evolution**	**Joint Arrangement adjustments [1]**	**Financial Investments / Divestments**	**According to Cash Flow Statements**
EBITDA	4,317	(674)	-	4,850
Net investments	12,027	1,378	1,775	(8,874)

(1) Includes the Repsol Group Sinopec Brasil (RSB) participation, (€205 million) corresponding to EBITDA and €347 million corresponding to *Net investments*

APPENDIX II: 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 2015, as it is required by Article 538 to the Spanish Companies Act ("*Ley de Sociedades de Capital*").

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

ANNUAL CORPORATE GOVERNANCE REPORT

LISTED COMPANIES

DETAILS OF ISSUER

DATED END OF YEAR 2015

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
06-07-2015	1.400.361.059	1.400.361.059	1.400.361.059

Indicate whether there are different classes of shares with different associated rights:

Yes [ ] No [X]

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	8.73
Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona	0	CaixaBank,S.A.	170,882,143	12.20
Temasek Holdings (Private) Limited	0	Chembra Investments Pte. Ltd	71,495,202	5.11

Indicate the principal movements in the shareholding structure during the year:

Name of shareholder	Date of transaction	Description of the transaction
Blackrock, Inc	15/06/2015	Interest lowered to below 3% of capital
Blackrock, Inc	19/06/2015	Interest raised to over 3% of the capital
Blackrock, Inc	07/12/2015	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	431,760	Isabel López-Marin Pérez	978	0.031
Isidro Fainé Casas	31,368	-	-	0.002
Manuel Manrique Cecilia	119	Cymofag, S.L.U.	1.045	0.000
Josu Jon Imaz	89,750	-	-	0.006
Artur Carulla Font	69,761	-	-	0.005
Luis Carlos Croissier Batista	1,478	Affidavit Imagen y Comunicación, S.L.	604	0.000
Rene Dahan	31,454	-	-	0.002
Ángel Durández Adeva	10,706	-	-	0.001
Javier Echenique Landiríbar	-	Bilbao Orvieto, S.L.	21.219	0.002

Mario Fernández Pelaz	4,934	-	-	0.000
María Isabel Gabarró Miquel	10,345	Francisco Miró-Sans Balcells	1,512	0.001
		Amtrak, S.L.	3,297	
José Manuel Loureda Mantiñán	65	Prilou, S.L.	75.486	0.005
Gonzalo Gortázar Rotaeche	10,000	0		0.001
Henri Philippe Reichstul	50	0		0.000
J. Robinson West				0.000
Luis Suárez de Lezo Mantilla	37,906	0		0.003

Total % of voting rights held by board members	0.060%

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 Fundación 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 Fundación 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 [X]

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 [X]

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 5 of the Securities Market Act:

Yes [ ] No [X]

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 (%)
(* 23,634	18,023,772	1,252%

(*) Through:

Name of direct holder of the shares	Number of direct shares
Repsol Tesorería y Gestión Financiera, S.A.	18,023,772
Total:	18,023,772

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 article249.2 of Companies Act, the delegated powers contemplated in section first of these resolutions."

A.9. bis Estimated free float share capital

	%
Estimated free float share capital	73.96

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 [**X**] No [ ]

Description of constraints
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. These constraints are as follows: – 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. 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. 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 coordination of their strategic actions.

Act 3/2013, of 4 June, which created the National Markets and Competition Commission (Comisión Nacional de los Mercados y de la Competencia, CNMC) establishes a procedure for controlling certain business operations in the energy sector, among them the acquisition of interests in companies involved in certain activities related to liquid hydrocarbons or that own shares in the strategic energy sector (oil refineries, oil pipelines and oil product storage). In particular, in cases where a buyer acquires a percentage of the capital of an energy company affected by this Law which gives the buyer significant influence over the management of that company, the buyer will be obligated to notify the CNMC of the transaction. If the buyer is not a national of the EU or the EEE and if it were considered to pose a real and sufficiently serious threat to the supply of hydrocarbons, special conditions could be established for the business operations of the affected companies or the buyer.

A.11 Indicate whether the General Meeting has resolved to apply the breakthrough rule against a takeover bid, under Act 6/2007:

Yes [ ] No [X]

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 [X] No [ ]

If yes, indicate the different classes of shares and, for each class, the rights and obligations conferred.

At 31 December 2015, 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 [X]

	% 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 [X] 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
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: • Alteration of Articles 22A and 44A of the Articles of Association on related party transactions and directors' prohibition from competing. • 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 amendment of 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"), 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	
28-03-2014	30.62	31.20	0	2.50	64.32
30-04-2015	21.40	35.79	0	4.05	61.24

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 [X]

Number of shares required to attend general meetings	

B.6 Section repealed.

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 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	Condition	Position on Board	Date first appointment	Date latest appointment	Election procedure
Antonio Brufau Niubó		External	Chairman	23-07-1996	30-04-2015	Vote at General Meeting
Isidro Fainé Casas		Proprietary	Deputy-Chairman	19-12-2007	31-05-2012	Vote at General Meeting
Manuel Manrique Cecilia		Proprietary	Deputy-Chairman	25-04-2013	31-05-2013	Vote at General Meeting
Josu Jon Imaz		Executive	CEO	30-04-2014	30-04-2015	Vote at General Meeting
Artur Carulla Font		Independent	Member	16-06-2006	28-03-2014	Vote at General Meeting
Luis Carlos Croissier Batista		Independent	Member	09-05-2007	30-04-2015	Vote at General Meeting
Rene Dahan		Proprietary	Member	31-05-2013	31-05-2013	Vote at General Meeting
Ángel Durández Adeva		Independent	Member	09-05-2007	30-04-2015	Vote at General Meeting
Javier Echenique Landiríbar		Independent	Member	16-06-2006	28-03-2014	Vote at General Meeting

Mario Fernández Pelaz		Independent	Member	15-04-2011	30-04-2015	Vote at General Meeting
María Isabel Gabarró Miquel		Independent	Member	14-05-2009	31-05-2013	Vote at General Meeting
José Manuel Loureda Mantiñán		Proprietary	Member	31-01-2007	30-04-2015	Vote at General Meeting
Gonzalo Gortázar Rotaeche		Proprietary	Member	30/04/2015	30/04/2015	Cooptation
Henri Philippe Reichstul		Independent	Member	29-12-2005	28-03-2014	Vote at General Meeting
J. Robinson West		Independent	Member	28-01-2015	30-04-2015	Vote at General Meeting
Luis Suárez de Lezo Mantilla		Executive	Member & Secretary	02-02-2005	31-05-2013	Vote at General Meeting

Total Number of Directors	16

Indicate any retirements from the board during the reporting period:

Name of director	Type of director at time of retirement	Date of retirement
Juan María Nin Génova	Proprietary	30-04-2015

C.1.3 Complete the following tables on the categories of the board members:

EXECUTIVE DIRECTORS

Name of Director	Position in company's organisation
Josu Jon Imaz	CEO
Luis Suárez de Lezo Mantilla	Director, Company Secretary and Secretary of the Board

Total number of executive directors	2
% of board	12.5

NON-EXECUTIVE PROPRIETARY DIRECTORS

Name of Director	Name of controlling shareholder represented or that proposed appointment
Isidro Fainé Casas	CaixaBank, S.A.
Gonzalo Gortázar Rotaeche	CaixaBank, S.A.
Manuel Manrique Cecilia	Sacyr, S.A.
José Manuel Loureda Mantiñán	Sacyr, S.A.
Rene Dahan	Temasek Holdings (Private) Limited

Total number of proprietary directors	5
% of board	31.25

NON-EXECUTIVE INDEPENDENT DIRECTORS

Name of director	Profile
Artur Carulla Font	Graduate in Economics. His professional career began in 1972 when he joined Arbora & Ausonia, S.L., where he occupied various positions before being named its Managing Director. In1988 he joined Agrolimen as Director of Strategy. In 2001 he was named Managing Director of Agrolimen, S.A. Currently, he is Chairman of Agrolimen, S.A. and its participated companies; Affinity Petcare, S.A., 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, 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 and Member of Foundation MACBA (Museo de Arte Contemporaneo de Barcelona).
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). Currrently he is Director of Adolfo Domínguez, S.A., N+1-Dinamia, 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 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.
Ángel Durández Adeva	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 Board of Foundation Germán Sánchez Ruipérez and Foundation Independiente and Vice-President of Foundation Euroamérica.
Javier Echenique Landiríbar	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 Board of Directors of LATAM Airlines Group, Member of the Board of Directors of BRF S.A., Member of the Board of Directors of Semco Partners and Vice-Chairman of the Board of the Brazilian Foundation for Sustainable Development.
J. Robinson West	Graduate of the University of North Carolina Chapel Hill and Jurist Doctor from Temple University Law School in Philadelphia. West is an international expert in energy markets, especially all areas related to oil&gas. In 1984 he founded PFC Energy, a company over which he presided until 2013. He has held positions of responsibility in government with different administrations. Working as the Secretary of the Interior under Ronald Reagan, he developed and implemented the five-year lease of the US continental platform, organising the largest non-financial auction in the world. During Gerald Ford’s presidency, he worked for the White House and the Secretary of Defence for International Economic Affairs, for which he received the Medal of Defence in recognition of his civil service. He currently serves as a senior adviser to the *Energy & National Security Program* at the *Centre for Strategic & International Studies* (CSIS), a non-profit organisation headquartered in Washington which advises governments and public & private enterprises in their search for an analysis of solutions for the energy sector. He is also a member of the National

	Petroleum Council, Co-President of the *German Marshall Fund of the US* and President emeritus of the United States Peace Institute.

Total number of independent directors	8
% of board	50

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 EXTERNAL DIRECTORS

State other external directors and 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
Antonio Brufau Niubo	Mr. Brufau was the Executive Chairman of Repsol until 30 April 2015.	Repsol, S.A.

Total number of other non-executive directors	**1**
% of board	**6.25**

Indicate any variations during the reporting period in the category of each director:

Name of director	Date of change	Previous category	Present type
Antonio Brufau Niubo	30-04-2015	Executive	Other External

C.1.4 Complete the following table with details of the number of female directors at the year-end for the past 4 years and the category of female directors:

	Number of female directors				Female directors / total directors of each category (%)			
	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	1	2	2	12.5%	14.28%	25%	25%
Other non-executive	-	-	-	-	-	-	-	-
Total	1	1	2	2	6.25%	6.67 %	12.5%	13.3%

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
Article 32 of the company's articles of association stipulates that both the general meeting and the board, exercising its power to propose to the board and cooptation to fill vacancies, shall endeavour to apply policies of professional, international and gender diversity and diversity of knowledge and experiences in respect of the composition of the board. The Regulations of the Board also include this provision and also expressly assigns to the Nomination Committee the duty to: (i) ensure that the policies for selecting directors favours knowledge, experience and gender diversity and (ii) set a target for the gender least represented on the board of directors and devise a strategy for achieving that goal. In this regard, the board of directors, with the support of the Nomination Committee, has approved the Director Selection Policy of Repsol, S.A. in order to formalise in a special publish instrument the guidelines for the process of selecting candidates to be Repsol directors. The policy contains specific goals regarding the presence of women directors on the board by the year 2020 and the functions of the Nomination Committee throughout the selection process. Furthermore, it is noted that in the most recent selection processes, the Nomination 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.

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
See previous section above. In 2012 the Nomination Committee (formerly 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 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. Moreover, the Nomination Committee was charged with making a proposal toc the Board of Directors to approve the Director Selection Policy which contains a specific goal relative to the presence of women directors on the Board of Directors by the year 2020.

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 sections above.

C.1.6 bis Explain the conclusions of the nomination committee on the verification of compliance with the directors' selection policy. In particular, how the policy is promoting the goal that by 2020 the number of female directors represent at least 30% of the total members of the board.

Because the Director Selection Policy was recently approved by the Board of Directors on 14 December 2015, the Nomination Committee has not had a chance to verify compliance with the policy. With regard to the target that by 2020 the number of directors representing at least 30% of members of the Board of Directors, the Selection Policy of Directors of Repsol expressly provides guidelines to be followed by all selection process, candidates for Director shall be persons whose appointment promotes gender

diversity within the Board of Directors and the Nomination Committee shall oversee that the selection process is free from any implied bias entailing any kind of discrimination, and, in particular, it shall make a conscious effort to include females with the target profile among the potential candidates, endeavoring to ensure that by year 2020, the number of female Directors represent at least 30% among the total members of the Board of Directors.

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 3% of the capital:

Name of shareholder	Explanation

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 [X]

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
Juan María Nin Génova	Letter of 29 April 2015 communicating the termination of his executive functions within the La Caixa Group.

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	Repsol Energy Resources Canada, Inc.	Director
Luis Suárez de Lezo Mantilla	Repsol Energy Resource Canada, 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.	Vice-Chairman
Luis Suárez de Lezo Mantilla	Gas Natural SDG, S.A.	Director
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 Portugués de Investimento, S.A.	Director
Isidro Fainé Casas	Suez Environnement Company	Director
Manuel Manrique Cecilia	Sacyr, S.A.	Chairman and CEO
Gonzalo Gortázar Rotaeche	CaixaBank, S.A.	CEO
Gonzalo Gortázar Rotaeche	Grupo Financiero Inbursa	Director
Gonzalo Gortázar Rotaeche	Erste Group, AG	Member, Advisory Board
Luis Carlos Croissier Batista	Adolfo Domínguez, S.A.	Director
Luis Carlos Croissier Batista	N+1 Dinamia, S.A.	Director
Ángel Durández 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
Henri Philippe Reichstul	BRF, S.A.	Director

C.1.13 Explain whether the board regulations provides rules on the maximum number of directorships its directors may hold:

Yes **X** No

Explanation of the rules
Article 18 of the Board of Directors Regulations provides in its section 5 the following:

"Directors may not hold more than four (4) other mandates in other listed companies different from Repsol, S.A. To these effects:

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

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.

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."

C.1.14 Section repealed.

C.1.15 Indicate the overall remuneration of the board:

Remuneration of the board (thousand euros)	12,831
Amount of the vested rights of current directors in pension schemes (thousand euros)	3,385
Amount of the vested rights of former directors in pension schemes (thousand euros)	0

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**
Miguel Martínez San Martín	CFO
Pedro Fernández Frial	ED Strategy, Sustainability and Technical Secretary
Cristina Sanz Mendiola	ED People & Organisation
Begoña Elices García	ED Communication & Chairman's Office
Luis Cabra Dueñas	ED Exploration & Production
Mª Victoria Zingoni	ED Downstream (from 8 May 2015)
Isidoro Mansilla Barreiro	Corporate Director of Audit and Control
Miguel Klingenberg Calvo	ED Legal Affairs (from 8 May 2015)
Antonio Lorenzo Sierra	ED Planning, Control and Global Solutions (from 8 May 2015)
Nemesio Fernández-Cuesta Luca de Tena	ED Sales, Chemicals & Power

	(through 25 February 2015)
Total remuneration top management (thousand euros)	13,503

C.1.17 Name any board members who are also on the boards of companies of significant shareholders and/or in companies of its group:

Name of director	Name of significant shareholder	Position
Isidro Fainé Casas	Fundación Bancaria Caixa d'Estalvis y Pensions de Barcelona	Chairman
Isidro Fainé Casas	Criteria Caixa, S.A.U.	Chairman
Gonzalo Gortázar Rotaeche	VidaCaixa, S.A.U.	Chairman
José Manuel Loureda Mantiñán	Valoriza Gestión, S.A (Grupo Sacyr)	Chairman
José Manuel Loureda Mantiñán	Sacyr, S.A.U. (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	Sacyr Construcción, S.A.U. (Grupo Sacyr)	Chairman & CEO
Manuel Manrique Cecilia	Sacyr Concesiones, S.L. (Grupo Sacyr)	Chairman & CEO
Manuel Manrique Cecilia	Valoriza Gestión, S.A. (Grupo Sacyr)	Director
Manuel Manrique Cecilia	Sacyr Fluor, S.A. (Grupo Sacyr)	Director
Manuel Manrique Cecilia	Somague SGPS, S.A.	Vice-Chairman

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
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.
Manuel Manrique Cecilia	Sacyr Vallehermoso Participaciones Mobiliarias,S.L.	Representative of Sacyr, S.A. as Sole Director
Manuel Manrique Cecilia	Sacyr Gestión de Activos, S.L.	Representative of Sacyr, S.A. as Sole Director
Manuel Manrique Cecilia	Sacyr Finance, S.A.	Representative of Sacyr, S.A. as Sole Director

C.1.18 State whether any modifications have been made during the year to the Regulations of the Board:

Yes [X] No [ ]

Description of modifications
On 25 June 2015, the Board of Directors resolved to amend the Regulations of the Board in order to adapt the wording to: (i) the latest changes made in the amended Capital Companies Act and the new Code of Good Governance for listed companies; (ii) the comments of the directors regarding the organisation and operation of the Board of Directors contained in the report of the external adviser engaged for this purpose, Egon Zhender; (iii) the inclusion of Talisman Energy in the Repsol Group; and (iv) the appropriateness of revising downward the threshold of the economic investments that must be approved by the Board of Directors' Delegate Committee. These changes have reinforced the functions of the Board of Directors and its Committees. Among other things, the decision was made to split the Nomination and Remuneration Committee into two separate committees and to create a Sustainability Committee to replace the Strategy, Investment and Corporate Responsibility Committee.

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 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 is responsible for ensuring that the procedures for selecting directors promote the diversity of knowledge, experiences and gender and for setting a target for the gender least represented on the board of directors and devising a strategy to achieve that goal.

Additionally, the Board of Directors has approved on December 14th, 2015 the Directors Selection Police.

Appointment: Board members are appointed by the General Meeting, without prejudice to the right of the Board to nominate shareholders by co-optation to fill any vacancies that arise, up to the next 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 or ratification 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 Committee, in the case of Independent Directors, or (ii) subject to a report by said Committee for other directors.

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 next General Meeting following their appointment at which their appointment shall be subject to ratification.

The Nomination 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 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 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. Explain to what extent the annual assessment of the Board 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 45*quater* of the Bylaws and Article 11.2 of the Regulations of the Board, the evaluation of the organisation and operation of the Board of Directors of Repsol, S.A. and its Committees during fiscal year 2014, was conducted and presented the conclusions of this evaluation at the meeting of the Board held in March. Based on the conclusions contained in this report and other recommendations made by the Directors during the evaluation process, the following steps were taken: - A new Sustainability Committee was created to replace the Strategy, Investment and Corporate Responsibility Committee. - The Sustainability Committee was charged with reading, analysing and reporting back to the Board of Directors on the expectations of the company's different stakeholders including shareholders, the financial community, employees, clients, suppliers and society at large. - The number of scheduled meetings of the Delegate Committee was increased and the Committee was vested with more decision-making authority on investment matters.

C.1.20 bis Describe the process of assessment and the assessed areas carried out by the board of directors assisted, where appropriate, by an external consultant, regarding the diversity in its composition and powers, the operation and composition of its committees, the performance of the chairman of the board and of the chief executive of the company and the performance and contribution of each director.

According to the provisions of Article 45quater of the Bylaws and Article 11 of the Regulations of the Board, at least once a year the Board will evaluate its operations and the quality and efficiency of its work. The operation of Board committees will likewise be assessed annually, based on the annual reports submitted by each one. The Chairman will organize and coordinate thee periodic evaluations with the Committee Chairs. At least once every three years, the Board will be assisted in the evaluation process by an external consulting firm. The independent firm Egon Zhender has assist the Board in an evaluation of the organisation and operation of the Board of Directors of Repsol, S.A. and its Committees during fiscal year 2014, presenting the conclusions of this evaluation at the meeting of the Board held in March. The annual evaluation of the Board of Directors and for its Committees, for

fiscal year 2015, has begun as provided for in the Bylaws and the Board Regulations and the conclusions of this evaluation will be presented at a forthcoming meeting of the Board.

C.1.20. ter Breakdown, if any, business relations that the consultant or any company of its group has with the company or any company of its group.

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 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 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 Section repealed

C.1.23 Are special majorities differing from those stipulated in law required for any type of decision?

Yes **X** No ☐

If yes, describe the differences:

Description of the differences
The alteration of Articles 20 and 23 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 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 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 [X]

Description of requirements

C.1.25 Does the Chairman have a casting vote?

Yes [X] 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 [X]

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 [X]

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 there is any limitation as to the categories of directors that can be delegated beyond the limitations imposed by legislation. 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, all subject to the provisions of the applicable laws.

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 with specific instructions shall be considered attendance:

Number of board meetings	12
Number of board meetings held without the chairman	0

If the chairman is an executive director, indicate the number of meetings held without the attendance or representation of any executive directors and chaired by the coordinating director

Number of meetings	

Indicate the number of meetings held by the different Committees of the Board:

Number of meetings of the Executive or Delegate Committee	5
Number of meetings of the Audit and Control Committee	11
Number of meetings of the Nomination Committee	1
Number of meetings of the Remuneration Committee	1
Number of meetings of Sustainability Committee	2

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:

Number of meeting with the attendance of all directors	12
% 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 **X** 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**
Josu Jon Imaz San Miguel	CEO
Miguel Martínez San Martín	Managing Director and CFO

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 mandatory 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, internal audit and risk management systems, including tax risks, to ensure 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 pursuant to the internal or external regulations applicable from time to time.

- Ensure that the Board of Directors submits the accounts to the General Meeting without there being any reservations or provisos in the auditor's opinion and that in those exceptional cases where there are provisos, both the Chairman of this Committee and the auditors provide the shareholders with a clear explanation of the scope and contents of the reservations or provisos.

- 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 or risk 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 [X] No [ ]

C.1.34 Section repealed.

C.1.35 Describe any concrete mechanisms established by the company to preserve the independence of the external auditor, financial analysts, investment banks and rating agencies.

Article 34 of the Board Regulations states that one of the duties of the Audit and Control Committee is to ensure 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 auditor's independence.

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 34 of the Regulations of the Board of Directors 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 information on the additional services of any kind to these entities by the Auditors or by individuals or entities related to them and the fees charged, in accordance with 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. This report must necessarily contain an assessment of any non-auditing services rendered, considered both individually and as a whole, vis-à-vis the rules governing independence or the regulations of the auditing profession.

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.

The Repsol Group has also approved and published a communication and contact policy for shareholders, institutional investors and proxy adviser which defines and establishes the principles and guidelines for contacting and communicating with these groups.

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)	1,118	1,189	2,307
Cost of work other than auditing / Total amount invoiced by the auditors (%)	27	21	23

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	14	14

	Company	Group
Number of years audited by current auditors / Number of years that the company has been audited (%)	56%	56%

C.1.40 Indicate, giving details if appropriate, whether a procedure has been established for directors to receive external counselling:

Yes [X] No [ ]

Details of procedure
The Regulations of the Board of Repsol, S.A. expressly recognise the directors' right to advisory services. Article 25 provides as follows: - 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. Furthermore, the Regulations of the Board of Directors establish that the Audit and Control Committee, the Nomination Committee and the Sustainability Committee may obtain 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 [X] 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 25 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 [X] 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 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 19 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 [X]

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 directly transfer all or part of its participation. This also applies to indirect transfers, that is, when there is a change of control in a particular partner's company and the value of the participation is significant in relation to the total assets included in the transaction, or other circumstances which are contractually regulated.

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 Fundación 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	289
Type of beneficiary	**Description of the agreement**
Directors: 6 members of the Management Committee (excluding the Executive Directors) and 281 Directors	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 Executive 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 Executive Committee and of the rest of Directors appointed before December 2012 is calculated according to the age, seniority and salary of each executive. In the case of directors appointed after that date, the amount is calculated based on salary and years of management, within a range between 12 and 24 months, or the legal, if this higher. Further compensation is set to pledge not post-contractual competition of an annuity of total annual remuneration in the case of members of the Executive Committee (six months the case of one of them) and an annuity of fixed remuneration in the rest of Directors. In the latter case, the compensation is under multiannual programs remuneration which owns the Director and additionally under the welfare plan in the case of those Directors with the compensation referred to his total remuneration and if necessary, the company complements to the said amounts. In the management contracts of some countries committed to non-compete or no compensation whatsoever is established for the same is not contemplated.

Executive Directors: 2	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.

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

C.2. Committees of the Board

C.2.1 Give details of the different committees, their members and the proportion of executive, proprietary, independent and other non-executive directors in each committee:

EXECUTIVE COMMITTEE

Name	Position	Category
Antonio Brufau Niubó	Chairman	Other external
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
J. Robinson West	Member	Independent
Luis Suárez de Lezo Mantilla	Member & Secretary	Executive

% executive directors	22.22%
% proprietary directors	33.33%
% independent directors	33.33%
% other non-executive directors	11.11%

Explain the committee's functions. Describe the procedures and the rules of organisation and operation of the committee and summarise its most important achievements during the year.

The Delegate Committee is composed of the Chairman of the Board and up to a maximum of eight Directors from the three existing categories, 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. 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.

In 2015, the Delegate Committee analysed the purchase of the Talisman Group and the Repsol Group's 2016-2020 Strategic Plan, among other things.

State whether the composition of the Delegate or Executive Committee reflects the percentage of the different board members by category:

Yes [X] No [ ]

If not, explain the composition of the Delegate or Executive Committee

AUDIT AND CONTROL COMMITTEE

Name	Title	Category
Javier Echenique Landiríbar	Chairman	Independent
Ángel Durández Adeva	Member	Independent
Luis Carlos Croissier Batista	Member	Independent
Mario Fernández Pelaz	Member	Independent

% of proprietary directors	-
% of independent directors	100%
% of other external directors	-

Explain the committee's functions. Describe the procedures and the rules of organisation and operation of the committee and summarise its most important achievements during the year.

<u>The Audit and Control Committee</u> is composed exclusively of 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 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, the efficacy of executive controls, 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, renewal and removal of external auditors, drawing up an Annual Report on its activities which is submitted 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.

In 2015, the Committee analysed the financial statements of the company and the consolidated group, made a proposal to re-elect Deloitte as the external auditors for the year 2014 and supervised internal risk control and information systems.

Identify the board member named to the Audit Committee because of his or her knowledge of accounting, auditing or both and state how many years the Chairman of this committee has held the position.

Name(s) of director (s) with experience	Ángel Durández Adeva
No. of years chairman has held office	1

NOMINATION COMMITTEE

Name	**Title**	**Category**
Artur Carulla Font	Chairman	Independent
María Isabel Gabarró Miquel	Member	Independent
Mario Fernández Pelaz	Member	Independent
José Manuel Loureda Mantiñán	Member	Proprietary
Gonzalo Gortázar Rotaeche	Member	Proprietary

% of proprietary directors	40%
% of independent directors	60%
% of other external directors	-

Explain the committee's functions. Describe the procedures and the rules of organisation and operation of the committee and summarise its most important achievements during the year.

On 27 May, 2015 the Board of Directors resolved to split the Nomination and Compensation

Committee into two separate committees, creating the Nomination Committee (NC) and the Compensation Committee (CC).

The Nomination 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, establishing a target for the gender that is underrepresented on the board, reporting on the proposed appointment and removal of senior executives and the directors' compliance with the principles of corporate governance and 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.

In 2015 the Nomination Committee analysed the selection of the directors, J. Robinson West and Gonzalo Gortázar Rotaeche and the new organisational structure of the Group following the acquisition of Talisman and issued a favourable report on the proposed Director Selection Policy of Repsol, S.A., among other things.

COMPENSATION COMMITTEE

Name	Title	Category
Artur Carulla Font	Chairman	Independent
María Isabel Gabarró Miquel	Member	Independent
Mario Fernández Pelaz	Member	Independent
José Manuel Loureda Mantiñán	Member	Proprietary
Gonzalo Gortázar Rotaeche	Member	Proprietary

% of proprietary directors	40%
% of independent directors	60%
% of other external directors	-

Explain the committee's functions. Describe the procedures and the rules of organisation and operation of the committee and summarise its most important achievements during the year.

On 27 May, 2015 the Board of Directors resolved to split the Nomination and Compensation Committee into two separate committees, creating the Nomination Committee (NC) and the Compensation Committee (CC).

The Compensation 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 making proposals and reporting to the Board of Directors on the compensation policy for senior management and the basic contractual conditions of senior management, verifying compliance with the Company's established compensation policy, verifying the compensation information contained in corporate documents and reporting on the use of company information and assets for private purposes, among others.

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.

In 2015 the Compensation Committee has made proposals and reported to the Board of Directors on a variety of issues, including the compensation policy for directors for the years 2015, 2016 and 2017, the Annual Compensation Report for the year 2014 and the new contractual conditions of Messrs. Brufau and Imaz.

SUSTAINABILITY COMMITTEE

Name	**Title**	**Category**
María Isabel Gabarró Miquel	Chairman	Independent
Luis Carlos Croissier Batista	Member	Independent
Gonzalo Gortázar Rotaeche	Member	Proprietary
José Manuel Loureda Mantiñán	Member	Proprietary
Javier Echenique Landiríbar	Member	Independent

% of executive directors	-
% of proprietary directors	40%
% of independent directors	60%
% of other external	-

Explain the committee's functions. Describe the procedures and the rules of organisation and operation of the committee and summarise its most important achievements during the year.

On 27 May 2015, the Board of Directors resolved to create a new Sustainability Committee (SC) to replace the Strategy, Investment and Corporate Responsibility Committee.

The Sustainability Committee is composed by of fewer than three directors, the majority of whom must be external directors. They are appointed by the Board 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 Nomination 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 shaping the Group's policies, objectives and guidelines on environmental, safety and social responsibility matters, analysing and reporting to the Board of Directors on the expectations of the Company's stakeholders and supervising the relations with them, proposing to the Board of Directors the approval of a Sustainability Policy and reviewing and evaluating the management and control systems for non-financial risks.

The Committee meets with the established frequency, whenever called by its Chairman or requested by two of its members. In 2015, the Committee made proposals to the Board of Directors for a Sustainability Policy and a Communication and Contact Policy for shareholders, institutional investors and proxy advisers. It also reported on the Corporate Social Responsibility Report for 2014, monitored safety and environmental indicators and analysed the expectations of different stakeholder group.

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.2.2 Complete the following table with information on the number of directors who sat on Board Committees at the close of the last four fiscal years:

	Number of directors			
	FY t Number - %	**FY t-1 Number - %**	**FY t-2 Number - %**	**FY t-3 Number - %**
Delegate Committee	-	-	-	-
Audit and Control Committee	-	-	1 – 25%	1 – 33,33%
Nomination Committee	1 – 20%	N.A.	N.A.	N.A.
Compensation Committee	1 – 20%	N.A.	N.A.	N.A.
Sustainability Committee	1-20%	N.A.	N.A.	N.A.

C.2.3 Section repealed.

C.2.4 Section repealed.

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 2015.

Nomination Committee

The internal regulation of the Nomination 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).

Compensation Committee

The internal regulation of the Compensation Committee is currently set out in the Regulations of the Board of Directors, which are entered in the Madrid Trade Registry and accessible to the public through the company's web site (www.repsol.com).

Sustainability Committee

The internal regulation of the Sustainability Committee is currently set out in the Regulations of the Board of Directors, which are entered in the Madrid Trade Registry and accessible to the public through the company's web site (www.repsol.com).

C.2.6 Section repealed.

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:

Procedure for reporting the approval of related party transactions
According to Article 22bis 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 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 Committee and the independent expert contemplated in (b) above and, should it so deem fit, its own report on the matter. Other related party transactions must be authorised by the Board of Directors after obtaining a report from the Nomination Committee. On an exceptional basis, related party transactions that would normally require Board approval may be authorised by the Delegate Committee, subject to prior ratification by the full board, whenever so required in cases of emergency.

The board's authorisation is not needed for related party transactions that meet all three of the following conditions:

i. the transaction is made under contracts with standard terms and conditions which are applied across the board to a large number of clients;
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.

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.

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	87
SACYR, S.A.	REPSOL GROUP	Commercial	Receipt of services	6,232
SACYR, S.A.	REPSOL GROUP	Contractual	Purchase of goods finished or not	133
SACYR, S.A.	REPSOL GROUP	Commercial	Rendering of services	4,339
SACYR, S.A.	REPSOL GROUP	Commercial	Sale of goods finished or not	8,729
SACYR, S.A.	REPSOL GROUP	Commercial	Others	186,860
SACYR, S.A.	REPSOL GROUP	Commercial	Purchase of property and equipment	69,940
SACYR, S.A.	REPSOL GROUP	Contractual	Guarantees & bonds	65,567
SACYR, S.A.	REPSOL GROUP	Corporate	Dividends and other distributed profits	116,831
CAIXABANK ,S.A.	REPSOL GROUP	Contractual	Interest paid	14,957
CAIXABANK ,S.A.	REPSOL GROUP	Contractual	Operated leases	305
CAIXABANK ,S.A.	REPSOL GROUP	Commercial	Receipt of services	7,828
CAIXABANK ,S.A.	REPSOL GROUP	Commercial	Contributions to pension plans and life insurance	20,408
CAIXABANK ,S.A.	REPSOL GROUP	Contractual	Interest charged	39,296

CAIXABANK ,S.A.	REPSOL GROUP	Contractual	Interest accrued but not collected	24
CAIXABANK ,S.A.	REPSOL GROUP	Commercial	Rendering of services	3,178
CAIXABANK ,S.A.	REPSOL GROUP	Commercial	Sale of goods finished or not	252
CAIXABANK ,S.A.	REPSOL GROUP	Commercial	Purchase of financial assets	22,682
CAIXABANK ,S.A.	REPSOL GROUP	Contractual	Financing agreements: loans	564,835
CAIXABANK ,S.A.	REPSOL GROUP	Contractual	Guarantees & bonds	332,893
CAIXABANK ,S.A.	REPSOL GROUP	Corporate	Dividends and other distributed profits	153,460
CAIXABANK ,S.A.	REPSOL GROUP	Contractual	Others	1,386,462
TEMASEK HOLDINGS (PRIVATE) LIMITED	REPSOL GROUP	Commercial	Others	2,420,038
TEMASEK HOLDINGS (PRIVATE) LIMITED	REPSOL GROUP	Commercial	Sale of goods finished or not	87,922
TEMASEK HOLDINGS (PRIVATE) LIMITED	REPSOL GROUP	Corporate	Dividends and other distributed profits	79,299

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)	170

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	1,745

Greenstone Assurance Ltd.	Cancelled guarantees	1,378
Greenstone Assurance Ltd.	Other incomes	8
Rex Liberia (Sucursal)	Provision of services	113

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 that directors abstain from deliberating and voting on resolutions or decisions in which they or someone related to them have a direct or indirect conflict of interest. Moreover, directors must take the necessary measures to avoid situations in which their direct or indirect interests conflict with the company's interests and their obligations to the Company.

Director must notify the Board of Directors through the Chairman or Secretary of any direct or indirect conflict of interest with the Company's interests involving them or anyone related to them.

Directors shall inform the Nomination Committee of any other professional obligations and remunerated activities of any kind, as well as any material change in their professional situation or changes that affect the nature or condition by virtue of which they have been appointed Directors.

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 23 of the Regulations of the Board of Directors set out the obligations to be met by Directors in accordance with their duty of loyalty vis-à-vis 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 [X]

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

E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the company's Risk Management System, including those of tax nature.

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.

Because of this, the Company has an organization, procedures and system that enable it to manage these risks to a reasonable extent. Risk management is therefore an integral element of the Group's decision-making processes, both within the corporate governance bodies and in business management.

Repsol has been working for years on an integrated risk management model in order to anticipate, manage and control the risks with an overall vision. The Repsol Integrated Risk Management System (IRMS) provides an accurate overview of all risks of any kind to which the Company may be exposed.

Repsol's commitment to implementing the IRMS is reflected in the Repsol Risk Management Policy, and its principles are clarified in the Integrated Risk Management Rule approved by the company's Corporate Executive Committee. This management model was inspired by ISO 31000, the international benchmark standard, and the Three Lines of Defence model.

The key pillars of the IRMS are:

- Senior Management as the leader of integrated risk management

- Integration in all management processes and activities of the company from a global perspective provided by Risk Management.

- Participation of all corporate departments and areas, converting them into units with varying levels of responsibility and specialisation (risk management units, supervision units and audit units), as well as by Risk Management, which manages and coordinates the integrated management system.

- Guarantees that all risks are managed by a unified process for identifying, assessing and dealing with them.

- Promotes continuous improvement for enhanced efficiency and responsiveness.

E.2 Name the corporate bodies responsible for preparing and implementing the Risk Management System, including tax.

Board of Directors

The full Board of Directors reserves the right to approve the Company's general policies and strategies, which includes its risk management and control policies, tax risks among them, and to oversee the internal reporting and control systems:

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, internal audit and risk management systems, including tax risks, to ensure that the principal risks are identified, managed and reported adequately.

Sustainability Committee

According to the Regulations of the Board of Directors of Repsol, the Sustainability Committee reviews and evaluates the systems in place for managing and controlling non-financial risks, especially those related to the matters falling under its jurisdiction.

Corporate Executive Committee

The Corporate Executive 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 Defence 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 Defence). 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 Defence). 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 counselling 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 Defence). 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, including those of tax nature, that could have a bearing on achievement of the company's business goals.

Repsol's transactions and income are exposed to risks as a consequence of changing competitive, economic, political, legal, regulatory, social, industrial, business and financial risks such as the ones discussed below:

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 to Repsol's business:
    - Exploration and exploitation of hydrocarbons (Upstream): dependence on the acquisition or discovery of reserves at a reasonable cost and subsequent development of the new crude and gas reserves.
    - Petroleum-related industrial business and marketing of derivative products (Downstream).
- 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
- The reliability and robustness of information technology are key factors in keeping our operations up and running
- Inadequate conduct or breaches of the applicable laws and regulations by our employees can damage the reputation of the Repsol Group
- Repsol is sensitive to negative public opinion that can damage our image and reputation, which can in turn impact business opportunities

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 2015.

E.4 State whether the company has a risk tolerance level, including tax.

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 behaviour (e.g., in operational risks).

Repsol has a risk evaluation process based on a common, homogenous methodology for the identification and assessment of risks by all areas responsible. The assessment is based on three dimensions of impact (Economic, Image & Reputation and People) and probability.

In 2015, the Company continued conducting Risk Workshops in order to obtain a consolidated group-wide Risk Map. A group of experts from the various business units/divisions of Repsol participates in the workshops, allowing the company to obtain a comprehensive view of the key risks using a common yardstick and identify efficient mitigation measures.

For Repsol, the Risk Map plays a critical role in identifying the relevant risks and classifying them by severity. To do so, the Company has a methodology for characterising risks in a simple, understandable and robust way and quantifying the potential impact (based on the three dimensions indicated above) on the business unit or area should the risk materialise.

E.5 What risks, including those of tax nature, have occurred during the year?

Although risks deriving from the Company's business materialised during the year, 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, including those of tax nature.

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 analysing 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.

In this regard, part of the process of preparing the 2015 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.

For some extremely critical risks, the Company is working on a tool that will provide a comprehensive overview of the factors that impact the materialisation of a risk event and its consequences in order to prevent them from occurring and/or reduce the impact. This will make it possible to focus efforts on dealing with the risk by emphasising detection and the management of barriers and controls (preventive and contingency measures).

In addition, 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
- Fiscal Policies, Environment 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.

F 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 drafting the individual and consolidated Annual Financial Statements and Directors' Report and submitting them to the 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 risk management and control policy, including tax risks, supervision of internal reporting and control systems and approval of the financial information which Repsol, as a publicly listed company, is obliged to publish regularly, are also reserved for the Board of Directors.

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 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 economic-financial reporting process, the effectiveness of its executive controls and the independence of the external auditors, as well as checking fulfilment of all applicable laws and internal regulations.

All the members of the Audit and Control Committee are independent outside directors, with accounting, auditing and/or risk management 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.2.1 of this 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 internal control, internal audit and risk management systems, including tax risk, 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 mandatory 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, analyse 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 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.

- Strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

- 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; analyse 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 General Manager 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 favourable 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 (*secondees*). 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 for Repsol Employees" 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 for Repsol Employees".

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 for Repsol Employees".

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 for Repsol Employees".

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 Labour Relations, Legal Labour 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 favourable 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 fulfilment 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 labour 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.

Finally, as a Spanish company that must abide by the new laws in Spain that regulate the criminal liability of legal entities, the Group has approved a "Crime Prevention Model" and an "Internal Investigation" procedure through which to structure the prevention model and the corporate response to potentially illegal conduct in relation to ethical aspects for which the Company may be found liable. The goal is to prevent or at least reduce the risk of such crimes being committed. The Ethics Committee has also been designated as the Criminal Prevention Body.

- **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 establishing a mechanism whereby employees can report, confidentially and, if possible, anonymously, irregularities which could potentially be significant, especially financial and accounting irregularities.

To this end, 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.

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 medium-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 the stated objectives and the quality of training given to each employee. As part of this plan, there are actions designed to distribute the compliance and control models, in particular the Internal Control over Financial Reporting (ICFR) system, to the different people and areas affected by these models.

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. As a result of the described process, the Repsol Group Risk Map was created, which includes financial reporting risks.

The identification of the principal risks that could affect the financial reporting objectives related to the integrity, valuation and presentation of operations, rights and obligations and which could therefore have 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

The risk of fraud in financial reporting, which is part of the inventory of financial reporting risks in the category of "General Control Environment" is analysed precisely because of its relevance to 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). To this end, the following categories of financial reporting fraud risk have been defined:

- Management's ability to elude internal controls.
- Intentional error on the financial statements.
- Inappropriate use of assets

- **Whether the process covers all financial reporting objectives (existence and occurrence; integrity; valuation; presentation, disclosure and comparability; and rights & obligations), whether it is updated and how frequently.**

The inventory of financial reporting risks covers the main risks associated with the process of preparing the financial statements and other types of risks (operating, financial, tax compliance, labour, regulatory, etc.) to the extent that can have a significant impact on financing 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.

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.**

There is a process in place for identifying changes in shareholding structure of Group companies. Once he changes are reported, the control structure is analysed on the basis of the applicable accounting standards and principles in order to determine which consolidation method should be used for that company.

From the scope of consolidation and in coordination with the process of identification and regular updating of the inventory of financial reporting risks, a scope model is determined, along with the and companies that should be included in the scope on account of their relevance and materiality. This identification includes both quantitative and qualitative criteria.

The determination of companies that are part of the model takes into account those in which control is exercised directly or indirectly, this being understood as the 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.

- **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 the process of identifying and evaluating financial reporting risk, the Repsol Group considers other types of risk identified in other business units of the Group that could have a relevant impact on the attainment of the organization's operational and strategic goals, such as compliance, insofar as these may have a significant effect on the preparation of financial statements.

- **Which governing body supervises the process.**

The Board of Directors reserves the power to approve the risk management and control policies, including financial reporting and tax risks, and to supervise internal information and control systems.

In accordance with the Regulations of the Board of Directors of Repsol, the Audit and Control Committee periodically reviews the efficiency of internal control, internal audit and risk management systems, including tax risks, so as to identify, manage and properly communicate the main risks.

The Corporate Executive 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 Department is responsible for evaluating the design and operation of the Group's risk management systems.

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 has a system of Internal Control over Financial Reporting (ICFR) that meets the requirements of The Stock Market Act 24/1988 of 28 July, amended by the Sustainable Economy Act 2/2011 of 4 March, Ministerial Order ECC/461/2013 of 20 March which determines the contents and structure of annual corporate governance reports, Law 31/2014 of 3 December which amended the Capital Companies Act for enhanced corporate governance and Circular 7/2015 of 22 December which amended Circular 5/2013 of 12 June of the National Stock Market Commission (*Comisión Nacional del Mercado de Valores*), which establishes the annual corporate governance report models to be used by listed companies.

The Financial Reporting Internal Control System (ICFR) is modelled after the COSO (2013) methodological framework (*Committee of Sponsoring Organizations of the Treadway Commission*) contained in its report, *Internal Control-Integrated Framework,* the object of which is to ensure that all transactions are properly accounted for according to the accounting framework, providing reasonable assurance of the prevention or detection of errors that could have a material impact on the information in the consolidated annual accounts. This financial reporting internal control model is organised around an integrated process that includes the following five components developed in seventeen principles, as established in the COSO 2013 framework.

1. The existence of an adequate **control environment.**

2. The identification, analysis and **evaluation of risks.**

3. The definition and implementation of **control activities** to mitigate the identified risks.

4. **Reporting and communication** to facilitate understanding and the assumption of risk control responsibilities.

5. **Supervision of system operations** in order to evaluate design, performance quality, adaptation, implementation and effectiveness.

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 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 roles on this matter**:

- ***Chief Executive Officer (CEO and Chief Financial Officer (CFO):***

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 Chief Executive Officer (CEO) and Chief Financial Officer (CFO).

- ***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 the different 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 economic-financial reporting. It also 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 fulfilment of tax obligations, tax counselling, 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 and Law 31/2014 which amended the Capital Companies Act for enhanced corporate governance, the Board of Directors, as part of it inalienable powers in the fiscal realm, verifies that the Company's tax policies are being properly applied on a yearly basis.

- The Unit that monitors, analyses, reviews and interprets the accounting standards contained in the different regulatory frameworks applicable to the Group.

- The Units that guarantee the efficient use of financial resources, optimization of financial earnings and an adequate monitoring and control of financial, market and credit risks so as to ensure the continuity and development of business plans.

- The Unit that establishes the criteria for defining the organizational structure and sizing of the Group and 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, taking any appropriate actions, within a process of continuous improvement and application of the best practices.

- The Units responsible for legal affairs in the Group, which provide legal counselling, legal defence 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.

- The unit that defines the guidelines, criteria and indicators of management control monitors the business activities and the approved investments and oversees compliance with the commitments assumed, proposing corrective measures as needed.

Processes, activities and controls

The ICFR system documents basically comprise the following:

- Financial reporting risk map
- Model of scopes
- Supporting documentation for 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 ICFR model is supported by a set of standards and procedures and is contained in the Manual of Internal Control over Financial Reporting.

The system of Internal Control over Financial Reporting is articulated through a process which, based on the identification and evaluation of financial reporting risks, defines a scope model that includes the most important headings in the financial statements, the companies affected, the relevant and material processes involved in preparing, reviewing and subsequently distributing the financial information and the control activities intended to prevent and detect potential errors, including fraud.

In order to define the companies involved, the first step is to update the list of consolidated companies. As explained in section F.2.1 of this report, there is a process for updating the list of consolidated companies based on changes to the stockholding composition and the control structure of investee companies according to applicable accounting standards. The ICFR includes operating controls for those companies that are directly or indirectly controlled by Repsol. For all other relevant non controlled companies not included in the scope of consolidation, it also includes controls designed to protect the homogeneity, validity and reliability of the financial information submitted by the companies for inclusion in the consolidated financial statements.

For each one of the relevant processes and companies included on the consolidation list, the significant financial reporting risks are identified along with the control activities to mitigate those risks.

The following types of controls are distinguished in the ICFR system:

- **Manual**: those carried out by human actions, using 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**: created 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.

Relevant judgments, estimates, valuations forecasts

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, and in accordance with that set forth in Note 3 "Estimates and judgments" of the Consolidated Financial Statements 2015 of the Repsol Group, those concerning reserves of crude and gas, business combinations, provisions for litigation, breakdowns and other contingencies, calculation of income tax and deferred tax assets and liabilities, impairment tests of the recoverable value of assets and the market 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 periodically monitors the main variables which have or may have an impact, directly or through estimates and judgments, in quantifying assets, liabilities, income and 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 centres, 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 has a procedure for identifying, establishing control criteria and supervising the activities of third party subcontractors in different business processes. According to this procedure, the group analyses the types of activities carried out by these suppliers and their impact and draws conclusions as to whether the activities have a material impact on the financial statements from the following perspectives:

- Significant transactions for the Group's financial statements.

- Manual or automated procedures for initiating, recording, processing or reporting significant transactions from the beginning until they are included in the financial statements.

- Manual or automatic accounting records that support the collection, recognition, processing and reporting of specific transactions, information or accounts on the Group's financial statements.

- Relevant information systems for capturing significant events and conditions for inclusion in the operating results and preparation of the financial statements.

- Financial reporting process used to prepare the financial statements, including the accounting estimates and the disclosure of significant information.

Once the subcontracted activities that can have a material effect on the financial statements have been identified, the internal controls of the services rendered are supervised to ensure their adequacy. In this regard, according to the COSO 2013 methodology and ISA 402 (International Standard on Auditing), the Repsol Group has chosen the following approaches:

- Conducting independent evaluations of the supplier's internal control systems.

- Requesting independent auditors' reports from third party subcontractors to obtain relevant information on their internal control systems. Some examples of the reports include SOC (Service Organization Control) under Standard SSAE 16 of AICPA (American Institute of Certified Public Accountants) or standard ISAE 3402 (International Standards on Assurance Engagements 3402).

- Understanding on the part of the user of the service of the nature of the service and identification of mitigating controls within the financial reporting process of the Repsol Group.

The Reserves Control Unit audits 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 reserves, according to the Group's Reserves Manual, which are presented to the Corporate Executive 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 regulatory framework that applies to 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 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 of Directors, the Audit and Control Committee is responsible for supervising the assessment and presentation, as well as the integrity of the 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 analyses 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.

The annual planning of the Internal Audit Department is structured to assess and supervise the correct functioning and adequacy of the Group’s internal control and risk management 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 Department reports to the Audit and Control Committee on the conclusions of all work done, the corrective measures proposed and the degree of fulfilment of each one. This Corporate 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.

The Corporate Audit and Control Department has assessed the effectiveness of the ICFR system corresponding to 2015, 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 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 fulfilment 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

On 8 May 2015, Repsol acquired 100% of Talisman Energy Inc. (hereinafter "Talisman"), a company organised under the business laws of Canada ("Canada Business Corporations Act") whose stocks traded on the Toronto and New York stock exchanges.

In 2014, Talisman, as a company listed on the New York stock exchange, was supervised by the US regulator, the Securities and Exchange Commission (SEC). More specifically, in relation to internal control over financial reporting, it was bound by the terms of the Sarbanes Oxley Act and the guidelines developed on the subject by the Securities and Exchange Commission (SEC).

On 3 March 2015, Ernst & Young LLP issued a report on Talisman's System for the Internal Control over Financial Reporting (ICFR) for the year 2014, in which they stated that the company's Internal Control over Financial Reporting was, in all material aspects, effective and based on the guidelines of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its report, Internal Control Integrated Framework (2013 Framework).

When the acquisition was complete, Talisman's ordinary shares were excluded from trading on the Toronto and New York stock exchanges.

However, Talisman continues to be a reporting issuer under applicable Canadian securities laws and thus continues to be subject to some disclosure obligations applicable to reporting issuers.

Because of this, in 2015 Talisman's ICFR system remained in place with the same requirements as in prior year and its effectiveness was verified by the external auditors Ernst & Young LLP.

In 2015, following the acquisition, Talisman's processes and relevant internal controls over financial reporting were included in the Repsol Group's ICFR. c

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 asked the External Auditor 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 2015.

G EXTENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of compliance by the company with the recommendations of the Good Governance Code for listed companies.

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.**

Complies [X] 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.

Complies [ ] Partial compliance [ ] Explanation [ ] N/A [X]

3. **During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:**

   a) Changes taking place since the previous annual general meeting.

   b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.

Complies [X] Partial compliance [ ] Explanation [ ]

4. **The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position. This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.**

Complies [X] Partial compliance [ ] Explanation [ ]

5. **The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.**

   When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

   Complies [X] Partial compliance [ ] Explanation [ ]

6. **Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:**

   a) Report on auditor's independence.

   b) Reviews of the operation of the audit committee and the nomination and remuneration committee.

   c) Audit committee report on third-party transactions.

   d) Report on corporate social responsibility policy.

   Complies [X] Partial compliance [ ] Explanation [ ]

7. **The company should broadcast its general meetings live on the corporate website.**

   Complies [X] Explanation [ ]

8. **The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.**

   Complies [X] Partial compliance [ ] Explanation [ ]

9. **The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.**

   Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

   Complies [X] Partial compliance [ ] Explanation [ ]

10. **When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:**

    a) Immediately circulate the supplementary items and new proposals.

    b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.

    c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.

    d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Complies ☐ Partial compliance ☐ Explanation ☐ N/A ☒

11. **In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.**

Complies ☐ Partial compliance ☐ Explanation ☐ N/A ☒

12. **The Board of Directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value. In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment .**

Complies ☒ Partial compliance ☐ Explanation ☐

13. **The board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.**

Complies ☐ Explanation ☒

Considering the capital structure and how the capital is represented on the Company's governing bodies, the General Meeting considered it to be in the company's best interest to add to the governing bodies persons of the highest professional repute from the auditing, financial-accounting, industrial and stock market sectors whose points of view can enhance the decision-making capacity of the board of directors.

To this end, the Board of Directors proposed to the General Shareholders Meeting held on 30 April 2014 that the number of board members be set at 16 (within the minimum and maximum limits of 9 and 16 established in the Bylaws).

14. **The board of directors should approve a director selection policy that:**

    a) Is concrete and verifiable;

    b) Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs; and

    c) Favours a diversity of knowledge, experience and gender.

    The results of the prior analysis of board needs should be written up in the nomination committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.

    The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.

    The nomination committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Complies	X	Partial compliance		Explanation	

15. **Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.**

Complies	X	Partial compliance		Explanation	

16. **The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital. This criterion can be relaxed:**

    a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.

    b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Complies	X	Explanation	

17. **Independent directors should be at least half of all board members.**

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30 percent of capital, independent directors should occupy, at least, a third of board places.

Complies [X] Explanation [ ]

18. **Companies should disclose the following director particulars on their websites and keep them regularly updated:**

    a) Background and professional experience.

    b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.

    c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.

    d) Dates of their first appointment as a board member and subsequent re-elections.

    e) Shares held in the company, and any options on the same.

Complies [X] Partial compliance [ ] Explanation [ ]

19. **Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 percent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship**.

Complies [ ] Partial compliance [ ] Explanation [ ] N/A [X]

20. **Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latters' number should be reduced accordingly.**

Complies [ ] Partial compliance [ ] Explanation [ ] N/A [X]

21. **The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where they find just cause, based on a proposal from the nomination committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.**

    The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the

changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Complies [X] Explanation [ ]

22. **Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.**

    The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Complies [X] Partial compliance [ ] Explanation [ ]

23. **Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.**

    When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

    The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Complies [ ] Partial compliance [ ] Explanation [ ] N/A [X]

24. **Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.**

Complies [X] Partial compliance [ ] Explanation [ ] N/A [ ]

25. **The nomination committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.**

    The board of directors regulations should lay down the maximum number of company boards on which directors can serve.

Complies [X] Partial compliance [ ] Explanation [ ]

26. **The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.**

Complies [X] Partial compliance [ ] Explanation [ ]

27. **Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions:**

Complies [X] Partial compliance [ ] Explanation [ ]

28. **When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.**

Complies [ ] Partial compliance [ ] Explanation [ ] N/A [X]

29. **The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.**

Complies [X] Partial compliance [ ] Explanation [ ]

30. **Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.**

Complies [X] Partial compliance [ ] Explanation [ ]

31. **The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.**

    For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

Complies [X] Partial compliance [ ] Explanation [ ]

32. **Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.**

Complies [X] Partial compliance [ ] Explanation [ ]

33. **The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.**

Complies [X] Partial compliance [ ] Explanation [ ]

34. **When a lead independent director has been appointed, the bylaws or board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman or vice chairmen give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.**

Complies [X] Partial compliance [ ] Explanation [ ] N/A [X]

35. **The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.**

Complies [X] Explanation [ ]

36. **The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:**

a) The quality and efficiency of the board's operation.

b) The performance and membership of its committees.

c) The diversity of board membership and competences.

d) The performance of the chairman of the board of directors and the company's chief executive.

e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the nomination committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the nomination committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Complies	X	Partial compliance		Explanation	

37. **When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.**

Complies	X	Partial compliance		Explanation		N/A	X

38. **When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.**

Complies	X	Partial compliance		Explanation		N/A	

39. **All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.**

Complies	X	Partial compliance		Explanation	

40. **Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.**

Complies	X	Partial compliance		Explanation	

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Complies [X] Partial compliance [ ] Explanation [ ] N/A [X]

42. The audit committee should have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:

a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With regard to the external auditor:

a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.

b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.

c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.

e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Complies [X] Partial compliance [ ] Explanation [ ]

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Complies [X] Partial compliance [ ] Explanation [ ]

44. The audit committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Complies [X] Partial compliance [ ] Explanation [ ] N/A [ ]

45. Risk control and management policy should identify at least: a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off-balance sheet risks. b) The determination of the risk level the company sees as acceptable. c) The measures in place to mitigate the impact of identified risk events should they occur. d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance sheet risks.

Complies [X] Partial compliance [ ] Explanation [ ]

46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities: a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified. b) Participate actively in the preparation of risk strategies and in key decisions about their management. c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

Complies [X] Partial compliance [ ] Explanation [ ]

47. Appointees to the nomination and remuneration committee – or of the nomination committee and remuneration committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Complies [X] Partial compliance [ ] Explanation [ ]

48. Large cap companies should operate separately constituted nomination and remuneration committees.

Complies [X] Partial compliance [ ] Explanation [ ]

49. The nomination committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors. When there are vacancies on the board, any director may approach the nomination committee to propose candidates that it might consider suitable.

Complies [X] Partial compliance [ ] Explanation [ ]

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

a) Propose to the board the standard conditions for senior officer contracts.

b) Monitor compliance with the remuneration policy set by the company.

c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.

d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.

e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.

Complies [X] Partial compliance [ ] Explanation [ ]

51. The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.

Complies [X] Partial compliance [ ] Explanation [ ]

52. The terms of reference of supervision and control committees should be set out in the board of directors regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

a) Committees should be formed exclusively by non-executive directors, with a majority of independents.

b) They should be chaired by independent directors.

c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.

d) They may engage external advice, when they feel it necessary for the discharge of their functions.

e) Meeting proceedings should be minuted and a copy made available to all board members.

Complies	X	Partial compliance		Explanation		N/A	X

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organisation, with at the least the following functions:

a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.

b) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.

c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.

d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.

e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.

f) Monitor and evaluate the company's interaction with its stakeholder groups.

g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.

h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Complies	X	Partial compliance		Explanation	

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

a) The goals of its corporate social responsibility policy and the support instruments to be deployed.

b) The corporate strategy with regard to sustainability, the environment and social issues.

c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.

d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.

e) The mechanisms for supervising non-financial risk, ethics and business conduct.

f) Channels for stakeholder communication, participation and dialogue.

g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Complies [X] Partial compliance [ ] Explanation [ ]

55. **The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.**

Complies [X] Partial compliance [ ] Explanation [ ]

56. **Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.**

Complies [X] Explanation [ ]

57. **Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.**

    The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. This condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.

Complies [X] Partial compliance [ ] Explanation [ ]

58. **In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and**

not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.

b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.

c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Complies [X] Partial compliance [ ] Explanation [ ] N/A [ ]

59. **A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.**

Complies [X] Partial compliance [ ] Explanation [ ] N/A [ ]

60. **Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.**

Complies [X] Partial compliance [ ] Explanation [ ] N/A [ ]

61. **A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.**

Complies [ ] Partial compliance [ ] Explanation [X] N/A [ ]

Being a new recommendation of the Code of Good Governance for Listed Companies and the fulfilment requires the approval by the General Meeting, the Company is analyzing this recommendation.

62. **Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.**

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Complies [ ] Partial compliance [ ] Explanation [X] N/A [ ]

Being a new recommendation of the Code of Good Governance for Listed Companies, the Company is analyzing the implementation of this recommendation.

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

Complies [X] Partial compliance [ ] Explanation [ ] N/A [ ]

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Complies [X] Partial compliance [ ] Explanation [ ] N/A [ ]

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 fiscal year ended 31 December, 2015, except in those cases where a different date of reference is explicitly stated.

1. Note to A.1.

On 8 January 2016 the Chief Executive Officer of Repsol, exercising the powers delegated to him by the Board of Directors on 30 April 2015 (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 30 April 2015), resolved to complete and declare closed the capital increase made by Repsol, bringing the company's capital to 1,441,783,307 euros, divided into 1,441,783,307 shares and 1,441,783,307 voting rights.

2. Note to A.2.

The details set out in this section, as of December 31, 2015, 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).

Notwithstanding the foregoing, 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	11.37
Sacyr,S.A.	8.48
Temasek Holdings (Private) Limited	4.95
Blackrock, Inc	3.04

(1) Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona holds its stake through Caixabank, 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 funds and accounts managed by investment managers it controls.

3. Note on section A.8

The 1.252% treasury stock percentage indicated as of December 31, 2015 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 12, 2016 and that for accounting effects has been recorded on the financial statements of the Group as of December 31, 2015. 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.1.16

The item "Total remuneration senior management" includes:

- Fixed remuneration and remuneration in kind of the senior management during 2015.
- The annual and multi-annual variable remuneration Variable Incentive Program for the Medium-Term 2012-2015 and other items accrued by members of senior management during 2015
- Loyalty Incentive Scheme: On May 31, 2015 the consolidation period of the 2nd Cycle of the Scheme was completed. As a result of this As a result and pursuant to the provisions in Note 27 of the Annual

Report, consolidated senior management rights 22,445 delivering gross shares valued at a price of 16.88 euros per share. These amounts are included within the concept of pay in kind.

The cumulative rights corresponding to pension commitments contracted with the current members of the senior management total 19,258 thousand euros, of which 1,764 thousand euros were contributed in 2015.

The amount indicated in this section does not include the amounts paid to executives who caused leave in the Company and as a compensation for termination of contract and compensation for non-competition agreement amounting to 15.275 million euros.

6. Note on section C.1.29

In relation to the number of meetings held during the year the different committees of the Board, it stated that until May 27, 2015 the structure of the Committees of the Board of Directors of Repsol was done differently. So that there was a single Nomination and Compensation instead of two separate committees and instead of Sustainability Committee, the Strategy, Investment and Corporate Responsibility existed.

In this regard it is noteworthy that in addition to the meetings held after the adoption of the new structure of commissions detailed in the section C.1.16, have held the following meetings during the year:

- The Nomination and Compensation Committee met on 4 occasions until May 27, 2015.

- The Strategy, Investment and Corporate Responsibility Committee met on 1 occasion until 27 May 2015.

7. Note on section C.1.37.

Additionally, the fees charged in 2015 by Ernst & Young for audit work and other services rendered to the Talisman Energy Inc. Group as a controlled company at the end of 2015:

EY	TALISMAN
Non-auditing work (thousands)	553
Ratio of non-auditing work to total invoiced by the auditing firm (percentage %)	12%

8. Note on section D.2

The information on operations identified in the category titled “Leases” refers to those in which the Group is lessee, net of those in which it is lessor.

The transactions identified as “Other” with “La Caixa” group refer primarily to current investments and deposits.

The transactions identified as “Other” with the “Temasek” group refer primarily to a commitment with Talisman to sell gas in the Corridor block in Indonesia.

The transactions identified as “Other” with Sacyr, S.A. refer primarily to purchase commitments in effect at 31 December 2015, net of sales commitments.

9. Note on section D.4.

For related party transactions with group companies established in tax havens or territories considered tax havens, the transactions carried out by Repsol with such companies are reported, broken down by the amounts corresponding to the individual companies, without considering eliminations for consolidation.

We have considered those transactions with Group companies whose business or tax domicile is established within any of the territories on the list of tax havens contained in RD 1080/1991, excluding those with which there is double taxation treaty in place with Spain that includes a clause for sharing tax information in which it is explicitly stated that they are not considered tax havens.

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. In particular, the company should state whether it has signed onto the Code of Best Tax Practices of 20 June 2010.

Repsol signed the Code of Best Tax Practices (Codigo de Buenas Practicas Tributarias) on 23 September 2010 promoted by the Forum of Large Enterprises and the Spanish Tax Administration Agency (AEAT) and the Company complies with the provisions thereof.

This annual corporate governance report was approved by the Company’s Board of Directors on 24 February 2016.

Indicate whether any board members have voted against or abstained with respect to the approval of this report.

Yes [ ] No [X]

Name of director who did not vote in favour of approved this report	Reasons (against, abstention, non-attendance)	Explain the reasons

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.

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INDEPENDENT REPORT ON THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

To the shareholders of Repsol, S.A.,

Scope of the Work

We have conducted the reasonable assurance review of the information relating to the System of Internal Control over Financial Reporting (ICFR) of Repsol, S.A. and Subsidiaries (the Repsol Group) for the year ended 31 December 2015.

The objective of this system is to contribute to the faithful representation of the transactions performed and to the provision of 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 Talisman Energy in accordance with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its Internal Control-Integrated Framework (2013) report.

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 performed only in accordance with the authorisations established; (iii) provide reasonable assurance that transactions are recognised appropriately to enable the preparation of 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 acquisition, use or sale of the company's assets that could have a material effect on the financial information. In view of the limitations inherent to any system of internal control over financial reporting, certain errors, irregularities or fraud might not be detected. Also, the projection to future periods of an evaluation of internal control is subject to risks, including the risk that internal control may be rendered inadequate as a result of future changes in the applicable conditions or that there may be a reduction in the future of the degree of compliance with the policies or procedures established.

Directors' Responsibility

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

Our responsibility is to issue a report on the independent reasonable assurance review of the effectiveness of the System of Internal Control over Financial Reporting (ICFR) based on the work performed by us.

Our work includes an evaluation of the effectiveness of the system of ICFR in relation to the financial information contained in the consolidated financial statements of the Repsol Group as at 31 December 2015 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.

Our work was performed 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.

This standard requires the planning and performance of procedures and the obtainment of sufficient evidence to reduce engagement risk to an acceptably low level in the circumstances of the engagement, and the issuance of a positive conclusion.

Independence

Our work was performed in accordance with the independence standards required by the Code of Ethics of the International Ethics Standards Board for Accountants (IESBA), which are based on the fundamental principles of integrity, objectivity, professional competence, due care, confidentiality and professional behaviour.

In accordance with International Standard on Quality Control (ISQC) 1, Deloitte has in place a global system of quality control which includes documented policies and procedures in relation to compliance with ethical requirements, professional standards and applicable legislation.

Conclusion

In our opinion, as at 31 December 2015, 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 guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its report "Internal Control-Integrated Framework (2013)". Furthermore, 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 as at 31 December 2015 are in compliance, in all material respects, with the requirements established by the Corporate Enterprises Act, the Order ECC/461/2013, of 20 March and Circular 7/2015, of 22 December, as amended by the Spanish Securities Market Commission Circular 5/2013, of 12 June.

As described in the accompanying Note F of the Annual Corporate Governance Report, the system of ICFR does not include controls on companies integrated in the consolidated financial statements in which control is not exercised directly or indirectly since the strategic decisions regarding operational and financial activities require the unanimous consent of the parties sharing control. Nevertheless, Repsol Group includes controls designed to protect the homogeneity, validity and reliability of the financial information submitted by the companies for inclusion in the consolidated financial statements. Consequently, our work did not include an examination of the effectiveness of the system of internal control over the generation of the financial information of the aforementioned companies included in the consolidated financial statements of the Repsol Group.

DELOITTE, S.L.

Jorge Izquierdo Mazón

24 February 2016