CONSOLIDATED MANAGEMENT REPORT
For the financial year 2014

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

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

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1. *MAIN EVENTS DURING THE PERIOD*

The year 2014 was marked by events of great importance to the Group.

In January, the Group completed the divestment of LNG assets that began the previous year, which generated revenue of approximately $4.300 million.

Subsequently, in May, following the resolution of the dispute that resulted from the expropriation of 51% of YPF, S.A. with the signing of an agreement with the Argentinean government, the Group received agreed compensation for the expropriation and sale of non-expropriated shares. This generated proceeds of $6.313 million.

Revenues from these divestments have reinforced the financial solidity of the Group, which has been recognised in improvements in Repsol's credit rating and allowed the group to increase its remuneration to shareholders. It has also provided the group with the financial resources necessary to finance new opportunities for growth.

Thus, in December, the Group reached an agreement with Canadian company Talisman Energy to acquire 100% of its share capital for $8.300 million. This operation will enable us to consolidate the current growth trend in exploration and production, with a portfolio that is more balanced in geographical terms and which contains high-quality productive assets, transforming Repsol into one of the world's largest private energy groups.

These milestones have combined with a business performance that, despite the complex environment characterised by the fall in the price of crude oil and losses resulting from disruptions in the production in Libya, saw a significant improvement on its results for the previous year.

1.1) RESULTS OF THE PERIOD

Millions of euros	**2014**	**2013**	**Variation**
Upstream	589	980	(40%)
Downstream	1,012	479	111%
Gas Natural Fenosa	441	458	(4%)
Corporate and adjustments	(335)	(574)	(42%)
Adjusted Net Income[1]	**1,707**	**1,343**	**27%**
Inventory effect	(606)	(187)	(224%)
Non-recurring income	(86)	(277)	69%
Income from discontinued operations	597	(684)	-
Net Income	**1,612**	**195**	**727%**

In 2014, Adjusted Net Income [1] amounted to €1,707 million, 27% higher than in 2013. Better margins in its Refining and Chemicals *Downstream* businesses and the improvement in the financial result, mainly due to the reduction in its debt and the appreciation of the dollar against the euro, helped offset the poorer results of Upstream derived from disruptions to production in Libya and lower prices for crude oil, which were affected by the abrupt fall in international benchmark prices in the second half of the year.

[1] Taking into account the characteristics of its businesses and better comparability with companies in the sector, the Group uses "*Adjusted Net Income*" to measure the results of each business segment: Adjusted net income is the recurring result of continuing operations at replacement cost (CCS), net of taxes (Adjusted Net Income), i.e. Net Income for the year, excluding non-recurring income and including the cost of crude oil and products at replacement value. The figures for the period to December 31, 2013 have been modified for comparison purposes in respect of those contained in the Management Report for 2013. The reconciliation of the adjusted and loss statement with NIIF-EU is shown in APPENDIX I to this document.

Upstream businesses recorded net production of 355 kboe/d in 2014, 2.5% higher than in 2013. This increase was due to the connection of new wells in Sapinhoá (Brazil), the start of production at Kinteroni at the end of March 2014, the start of production of Phase II of Margarita in October 2013, and the development of the Syskonsininskoye field (SK) in Russia, as well as the continuous increase in production of the *Mid-continent* project in the United States, all despite lower production in Libya as a result of the conflicts and security problems and more frequent disruptions due to drilling and maintenance operations in Trinidad and Tobago. In 2014, strategic growth projects that began production in 2013 (Sapinhoá, in block BM-S-9 in Brazil, Phase II of Margarita-Huacaya, in Bolivia, and SK, in Russia) and in 2014 (Kinteroni, Lot 57 in Peru) contributed mean daily production of 39 kboe/d.

Furthermore, investment effort in exploration continues apace: during the year, 24 exploratory wells were carried out, of which 4 were positive results (León, in the United States; Gabi-1 and K3, in Russia; and Seat-2, in Brazil) and 6 are still being evaluated. Ten appraisal wells were also completed, of which 8 produced positive results (–Qugruk 5 and 7, in Alaska "*North Slope*"; 31P and 32P, in Russia; Buckskin 2, in the United States' Gulf of Mexico; TB14, in T&T; and BQN-05 and RGD-99, in Bolivia).

In 2014, the company achieved a proven reserve replacement ratio of 118%, bringing the average ratio for the last three years to around 200%. At the end of the year, proven reserves stood at 1,539 Mbep.

Downstream, the 111% improvement in results for the period was due in the main to favourable movements in the margins of Refining and Chemicals operations, which in the case of the latter were boosted by measures contained in the Competitiveness Plan, as well as larger sales volumes and wider margins on gas in North America. These results continue to show the quality of the assets of the Group, even more so after the start-up of the large refinery projects in Cartagena and Bilbao, enabling Repsol to remain in leadership potions among its European rivals in terms of integrated margin for Refining and Marketing operations.

Gas Natural Fenosa's contribution to the results of the Group fell 4% on the same period last year, mainly due to the impact of new electricity regulations and regulations in the gas sector and the depreciation of local currencies against the euro in its businesses in Latin America. Furthermore, the last quarter of 2014 was notable for the acquisition of Chilean company "*Compañía General de Electricidad, S.A.* (*CGE*).

In 2014, the Group recorded a net income of €1,612 million, well above the €195 million recorded in 2013. The difference between adjusted net income and net income was mainly due to the following reasons:

- Inventory effect: This effect, which is associated with the valuation of crude oil and products at mean cost (MIFO), rather than at current cost of supply (CCS), has been negative as a result of the fall in prices during 2014 (€606 million after taxes).

- Non-recurring income: An after-tax loss of €86 million that corresponds to:

  (i) Capital gains realised on the sale of non-expropriated shares in YPF S.A. (€287 million) and on the sale of its stake in Transportadora de Gas del Perú, S.A. (€57 million);

  (ii) The impairment of certain assets and the accrual of provisions (€503 million), mainly in its *Upstream* business, due to the negative impact of evolution in the price of crude oil; and

  (iii) The positive net effect of other non-recurring income (€73 million).

- Income from discontinued operations: €597 million, including income from the sale of Repsol Comercializadora de Gas, S.A. (€319 million) and income linked to the expropriation of YPF, S.A.

As at December 31, 2014, the net debt of the Group was €1,935 million, a decrease of 64% on the same period in 2013. Repsol also has substantial available funds equivalent to 7.6 times it gross short-term debt. The financial solidity of the Group has been recognised by the main international rating agencies, which have revised Repsol's credit rating upwards.

1.2) END TO THE CONTROVERSY ORIGINATED BY THE YPF EXPROPRIATION [(1)]

On February 27, 2014, Repsol, S.A., Repsol Capital S.L. and Repsol Butano, S.A., on the one hand, and the Republic of Argentina, on the other, signed the agreement known as Agreement for the Amicable Settlement and Expropriation Compromise Agreement (hereinafter, the "*Agreement*"), designed to put an end to the controversy originated by the expropriation of 51% of the equity of YPF S.A. and YPF Gas S.A.

Under the terms of the Agreement, the Republic of Argentina recognized an irrevocable debt to Repsol of $5,000 million as compensation for the expropriation of these shares. In payment of the compensation, the Republic of Argentina delivered to Repsol, a portfolio of sovereign bonds for a total par value of $5,317 million. These bonds were subsequently sold in their entirety to J.P. Morgan Securities, for a total price of $4,997 million, thus extinguishing the full debt recognised by the Republic of Argentina.

Moreover, the Group has sold its non-expropriated stake in YPF S.A., a 12.38%, mostly to foreign institutional investors, for the amount of $1,316 million.

These divestments as a whole in YPF, S.A. e YPF Gas S.A. provided revenues of $6,313 million for the Group.

1.3) TALISMAN ENERGY ACQUISITION

On December 15, 2014, following the unanimous approval by the Board of Directors of both companies, Repsol, S.A. and Talisman Energy Inc. ("*Talisman*") entered into an agreement (the "*Arrangement Agreement*") under which Repsol agreed to acquire 100% of the outstanding common shares of Talisman for cash consideration of $8 per share and, all of Talisman's outstanding preferred shares for C$25 cash per share plus accrued dividends not paid as of the closing date.

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

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

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

[(1)] For further information on the expropriation, signature of Amicable Settlement and Expropriation Compromise Agreement between Republic of Argentina and YPF S.A. and accounting treatment, see Note 4.1 "*Divestments of shares YPF S.A. and YPF Gas S.A.*" and Note 29 "*Contingencies, Commitments and Guarantees*" Consolidated Annual Accounts for 2014.

At the date of this document, the usual process in this type of transactions in order to obtain the pertinent regulatory approvals is still in course. It is expected to conclude in mid-2015.

Description of Talisman

Talisman is a Canadian company based in Alberta, Canada. Talisman is currently listed on the Toronto (TSX) and New York (NYSE) stock exchanges.

Its main business activities include the exploration, development, production, transportation and marketing of crude oil, natural gas and other natural gas liquids, focusing the most of its activity on two areas: America (United States, Canada and Colombia) and Asia-Pacific (Australia, Timor Leste, Indonesia, Malaysia, Papua New Guinea and Vietnam). Additionally, Talisman has activity in United Kingdom, Norway, Algeria and Kurdistan.

MAIN INDICATORS OF TALISMAN	2014	2013
Gross Proven Reserves before royalties (Mbep) (1)	n.a.	1,006
Proven Reserves Replacement Ratio (%)(1)	n.a.	121
Gross liquids production before royalties (kbbl/d) (2)	141	132
Gross gas production before royalties ($/Mscf/d) (2)	1,371	1,451
Average crude oil & liquids realization price ($/bbl) (2)	85.12	97.49
Average gas realization price ($/kscf) (2)	5.84	5.69
Total Revenue and other income (2))	3,763	4,486
Net Income (2)	(911)	(1,175)
Total Assets (2)	17,330	19,161
Total Equity (2)	7,405	8,555
Gross financial debt (2)	5,064	5,239

Note: Indicators included in the table above have been obtained from Talisman public information, and in some cases they may have been elaborated using different criterion than those applied by Repsol. Information not available at the date of this document was identified as follows (n.a).

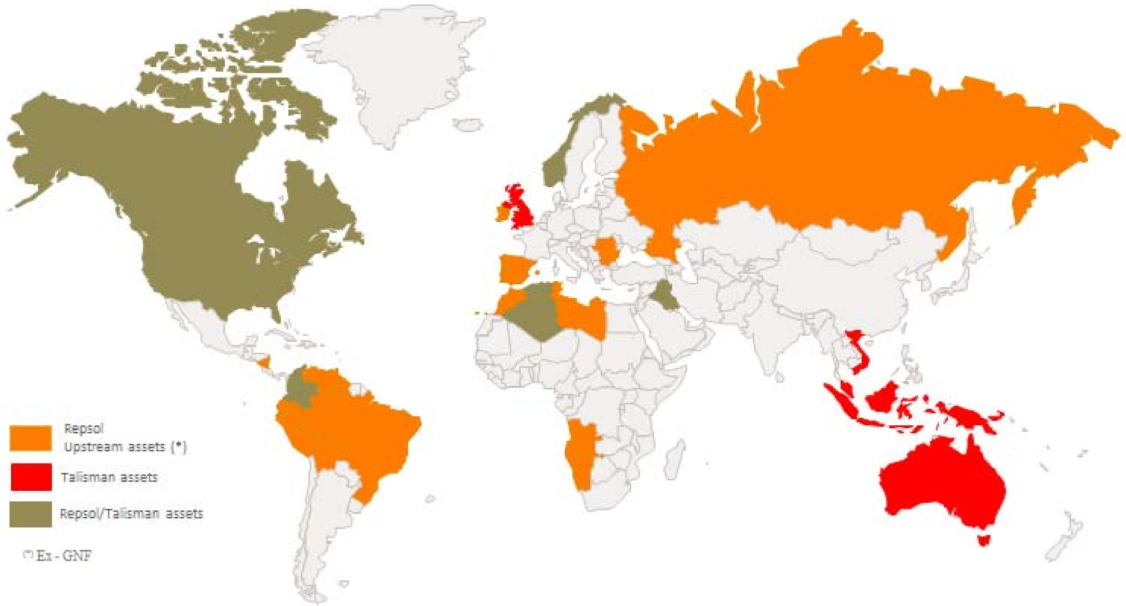
(1) Amounts corresponding to 2013 have been obtained from 2013 Talisman Energy Inc. Annual Report.
(2) Figures and estimated indicators (not audited) corresponding to 2014, have been obtained from 6-K Form submitted to the United States Securities and Exchange Commission (SEC) on February 10, 2015 by Talisman.

Financing of the transaction

To Finance the acquisition Repsol intends to use its cash reserves obtained from the recovery of value from YPF pursuant to the agreement reached with the Argentinian government as well as other sources of liquidity as undrawn credit lines and a possible issuance of debt in the capital markets.

Transformational transaction

The transaction will transform Repsol into one of the energy groups, with more presence in OECD countries, incorporating reserves and production in politically stable countries. The transaction will allow Repsol to achieve global scale increasing its presence in the *Upstream* business, upgrade a broader portfolio together with a sound financial position which provides a better capacity to create value through portfolio management.



Talisman will contribute first class producing and exploration assets in North America (Canada and United States), South-East Asia (Indonesia, Malaysia and Vietnam) as well as Colombia and Norway, among others. Talisman will add a portfolio of complementary assets, in addition to significant knowhow in key areas that will benefit the future development of the company in areas including unconventional assets and offshore production.

Once the transaction is completed, North America's weight in the resulting company will increase to almost 50% of capital employed in exploration and production. Latin America`s weight in capital employed will be reduced from 50% to 22%.

The incorporation of Talisman will increase the output of the Repsol Group by 76% over 680 thousand barrels of oil equivalent per day, and will boost proven reserves by 55% to 2,300 million barrels of oil equivalent.

The resulting group will be present in more than 50 countries with over 27 thousand employees, doubling its current staff in *Upstream* business.

1.4) OTHER EVENTS DURING THE PERIOD

At the corporate level, worthy of note is the appointment of Josu Jon Imaz San Miguel as the new Chief Executive Officer (CEO) to head up the new challenges and opportunities of the Group, the resignation as member of the Board of Directors of Pemex Internacional España, S.A.U. following the sale of most of its stake in Repsol, S.A. and the appointment in January 2015 of energy market expert J. Robinson West as Independent Outside Director.

On the other hand, on January 28, 2015 the new office was officially opened in Houston, in the United States, from where the *Upstream*, *Gas & Power* and *Trading* businesses are managed in North America, a key region for Repsol.

The Repsol Board of Directors approved the distribution of an extraordinary gross dividend of one Euro (€1) per share, charged to the results of the current financial year, which was paid out on June 6, 2014 and resulted in an expenditure of €1,325 million. In addition, in January and July the Company executed two share capital increases by means of which the *"Repsol flexible dividend"* programme was implemented, which allows shareholders to choose between receiving their payment, totally or partially, in newly-issued shares or in cash. Repsol has therefore become one of the leading Spanish companies in compensation to its shareholders, which has meant an amount equivalent to €1.96/share during the 2014 financial year.

The Repsol share closed out the year with a decline in price below the average price of its European oil sector peers, which devalued by more than 16% on average. The safeguards afforded by the integration between Repsol's *Downstream* and *Upstream* activities have allowed the company to perform better in an environment of falling prices.

Finally, Repsol has maintained its commitment to society and its employees, hiring 5,077 new employees in 2014 (9% higher than the same period 2013) and investing more than €18 million in training. Additionally, 452 thousand tons of CO_2 equivalent were reduced in the atmosphere compared to the same period in 2013 assuming equivalent operating conditions. In relation to employees accident rates, the Total Frequency Rate decreased by 0.57.

1.5) MAIN FIGURES AND INDICATORS OF THE PERIOD

All indicators and figures of this document, unless otherwise stated, have been prepared in accordance with the new Group Reporting model (see Note 5 "*Segment Reporting*" of the Consolidated Financial Statements for 2014). The figures corresponding for the year ended December 31, 2013 have been modified with respect to the Consolidated Management Report for that period to enable a comparable analysis.

Results, financial overview and shareholder remuneration [(1)]	**2014**	**2013**
Results		
EBITDA	3,800	3,968
Adjusted Net Income	1,707	1,343
Net Income	1,612	195
Earnings per share (€/share)	1.17	0.14
Capital employed from continuing operations	30,089	27,614
ROACE (%)	4.4	5.5
Financial overview		
Net financial debt [(2)]	1,935	5,358
EBITDA[(2)] / Net financial debt (x times)	2.0	0.7
Shareholder remuneration		
Total shareholder remuneration (€/share)	1.96	0.96

Main stock indicators	**2014**	**2013**
Share price at close of financial year (€)	15.5	18.3
Average share price (€)	18.4	17.5
Market capitalisation	20,990	23,861

Other ways of creating value	**2014**	**2013**
People		
Total employees [(3)]	26,141	25,800
Number of new hires in the year [(4)]	5,077	4,656
Staff turnover rate (%)	7	7
Hours of training per employee	44	40
Safety and environmental management		
Overall Frequency Rate of accidents [(5)]	0.85	0.59
Total Frequency Rate (IF) of accidents [(6)]	2.38	2.95
Direct CO_2 emissions (million t)	13.19	13.37
Annual CO_2 emissions reduction (million t)	0.452	0.444
Number of spills	17	14

Our business performance [(1)]	**2014**	**2013**
Upstream		
Proven reserves (Mboe)	1,539	1,515
Proven reserves replacement ratio (%)	118	275
Net liquids production (kbbl/d)	134	139
Net gas production (kboe/d)	220	207
Net hydrocarbon production (kboe/d)	355	346
Average crude oil realization price ($/bbl)	79.6	88.7
Average gas realization price ($/Thousand scf)	3.8	4.0
Adjusted Net Income	589	980
EBITDA	2,667	3,054
Operating investments	2,843	2,317
Downstream		
Refining capacity (kbbl/d)	998	998
Conversion index in Spain (%)	63	63
Refining margin indicator in Spain ($/Bbl)	4.1	3.3
Service station [(7)]	4,649	4,604
Oil product sales (kt)	43,586	43,177
Petrochemical product sales (kt)	2,661	2,337
LPG sales (kt)	2,506	2,464
LNG sold in North America (TBtu)	274	184
Adjusted Net Income	1,012	479
EBITDA	1,284	1,137
Operating investments	702	672
Gas Natural Fenosa		
Adjusted Net Income	441	458

Macroeconomic environment [(8)]	**2014**	**2013**
Brent ($/bbl)	98.9	108.7
WTI ($/bbl)	92.9	98.0
Henry Hub ($/Mbtu)	4.4	3.7
Algonquin ($/Mbtu)	8.1	7.0
Average exchange rate ($/€)	1.33	1.33

(1) Where appropriate, figures shown in millions of euros.
(2) See a definition of these ratios in the section "*Results*", in section 4 of the document.
(3) Does not include those employees with annual working hours equal to or less than 20% of the hours set in the collective bargaining agreement.
(4) These figures include new employees with fixed and temporary contract. In 2014, new fixed contracts represented 33% of the total (27% in 2013).
(5) Overall frequency rate with sick leave: number of accidents leading to days lost or deaths recorded over the year, for every million hours worked
(6) Total frequency rate: number of accidents leading without days lost, to days lost and deaths recorded over the year, for every million hours worked.
(7) Figures includes service stations controlled by Repsol and branded, respectively.
(8) Average Annual Values.

2. *OUR COMPANY*

2.1) VISION AND VALUES

We aspire to be a global company that seeks individual welfare and believes in the construction of a better future through the development of intelligent energy. In Repsol, with effort, talent and enthusiasm, we move forward to offer the best energy solutions for society and for the planet. This vision is embodied in five core values for our company:

- *Integrity:* We look after people's well-being, the company and the environment in which we operate, and we act in accordance with the commitments that we make.

- *Responsibility:* We achieve our goals taking into account the global impact of our decisions and actions, people, our environment and the planet.

- *Flexibility:* Actively listening allows us to achieve our goals in a balanced and sustained way.

- *Transparency:* We work on the basis that all of our actions can be verified and are presented clearly and truthfully. We view information as a company asset that we share to create value.

- *Innovation:* We believe that the key to our competitiveness and evolution lies in our ability to generate ideas and implement them in an environment of continuous collective collaboration and learning.

2.2) BUSINESS MODEL

Repsol is an integrated energy company with extensive experience in the sector, which carries out activities in more than 35 countries worldwide.

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

- *Upstream*, relating to the exploration and development of crude oil and natural gas reserves.
- *Downstream*, corresponding to (i) refining, trading and crude oil and product transportation, as well as commercialization of oil products, petrochemicals products and liquefied petroleum gas (ii) commercialization, transportation and regasification of natural gas and liquefied natural gas (LNG) and (iii) renewable energy power projects.

Additionally, Repsol has a stake of 30% in the Gas Natural Fenosa group, which mainly engages in natural gas distribution and marketing and the generation, distribution, and commercialization of electricity.

Value chain of our businesses:

Upstream

Exploration → Development → Production

New areas	Exploration	Evaluation	On-shore	Off-shore	Gas	Crude oil
Acreage acquisition	Seismic and geophysics work, and drilling of exploration probes	Discovered resources definition and profitability estimation	Drilling of development wells and facilities to start producing reserves		Commercial use of hydrocarbons	

Net undeveloped acreage at December, 31st:	Finished wells in 2014:(*)	Total proven reserves:	Development wells drilled in 2014:	Active productive wells at December 31st:	Net production of hydrocarbons per day:
188,278 Km²	34 Ended 11 Ongoing	1,539 mboe Replacement ratio: 118 %	609 Gross	3,158 Gross	355 kboe/d

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

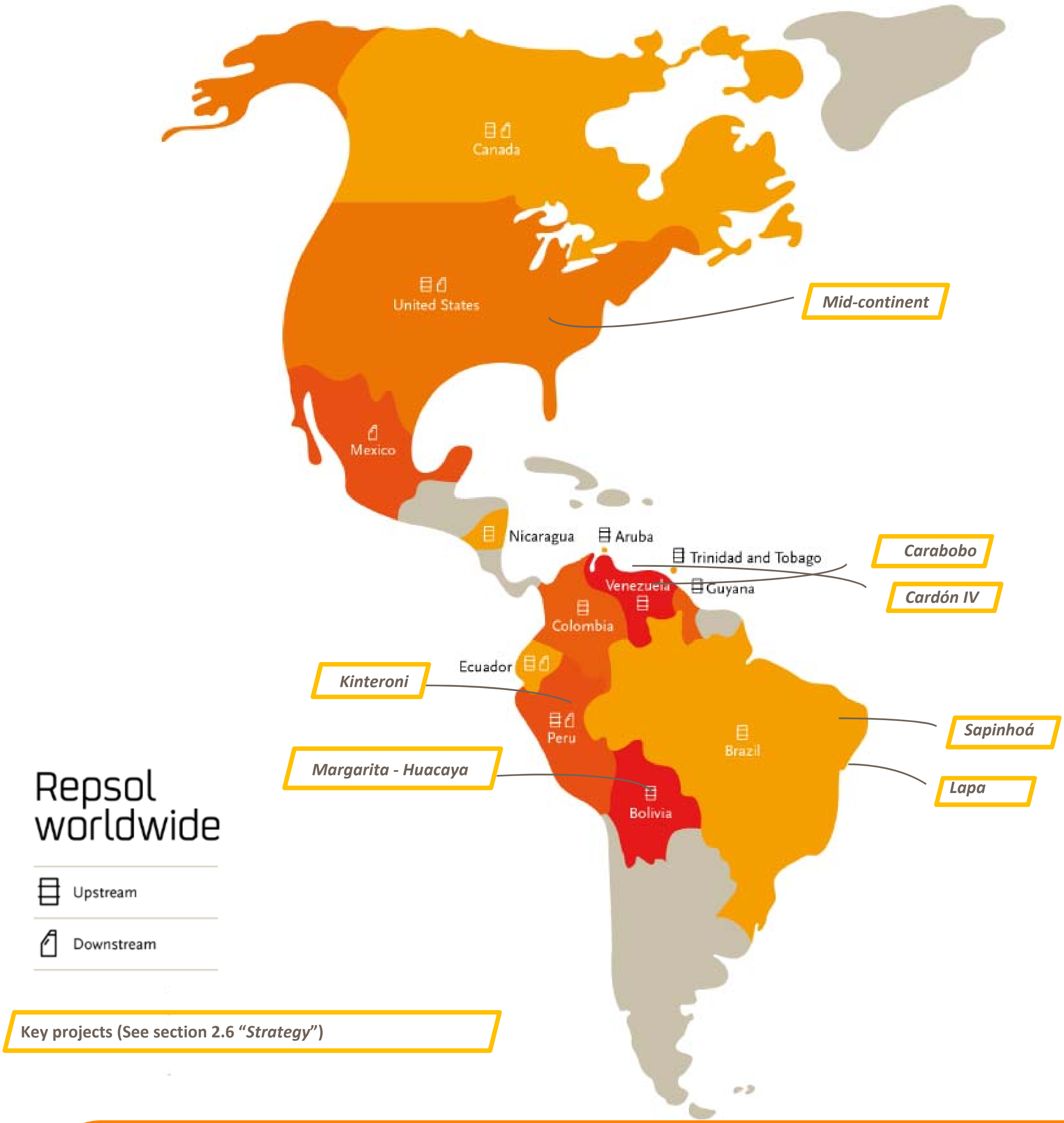
Downstream

Storage and transportation → Industrial Activities → Marketing | Gas & Power

Crude Oil	Oil products	Chemicals	LPG	Chemicals	Marketing	Natural Gas	Renewable generation
Trading and transportation of crude oil and products to refineries for processing	Refining and crude oil transformation into oil products	Elaboration of a wide variety of petrochemical products	Processing and distribution of LPG	Distribution and sale of the petrochemical products elaborated	Distribution and sale of the oil products obtained	Transport, marketing, trading and regasification of liquid natural gas	Identify opportunities of renewable generation

Processed crude oil in 2104:	Refining capacity:	Gross petrochemical capacity:	Sale of LPG:	Sale of petrochemical products:	Number of service stations:	LNG sold in North America:	Consent capacity installed:
39.5 million t	998 kbbl/d Sale of oil products: 43,586 kt	5,299 kt	2,506 kt	2,661 kt	4,649	274 TBtu	960 Mw

2.3) OUR OPERATING MARKETS



UPSTREAM

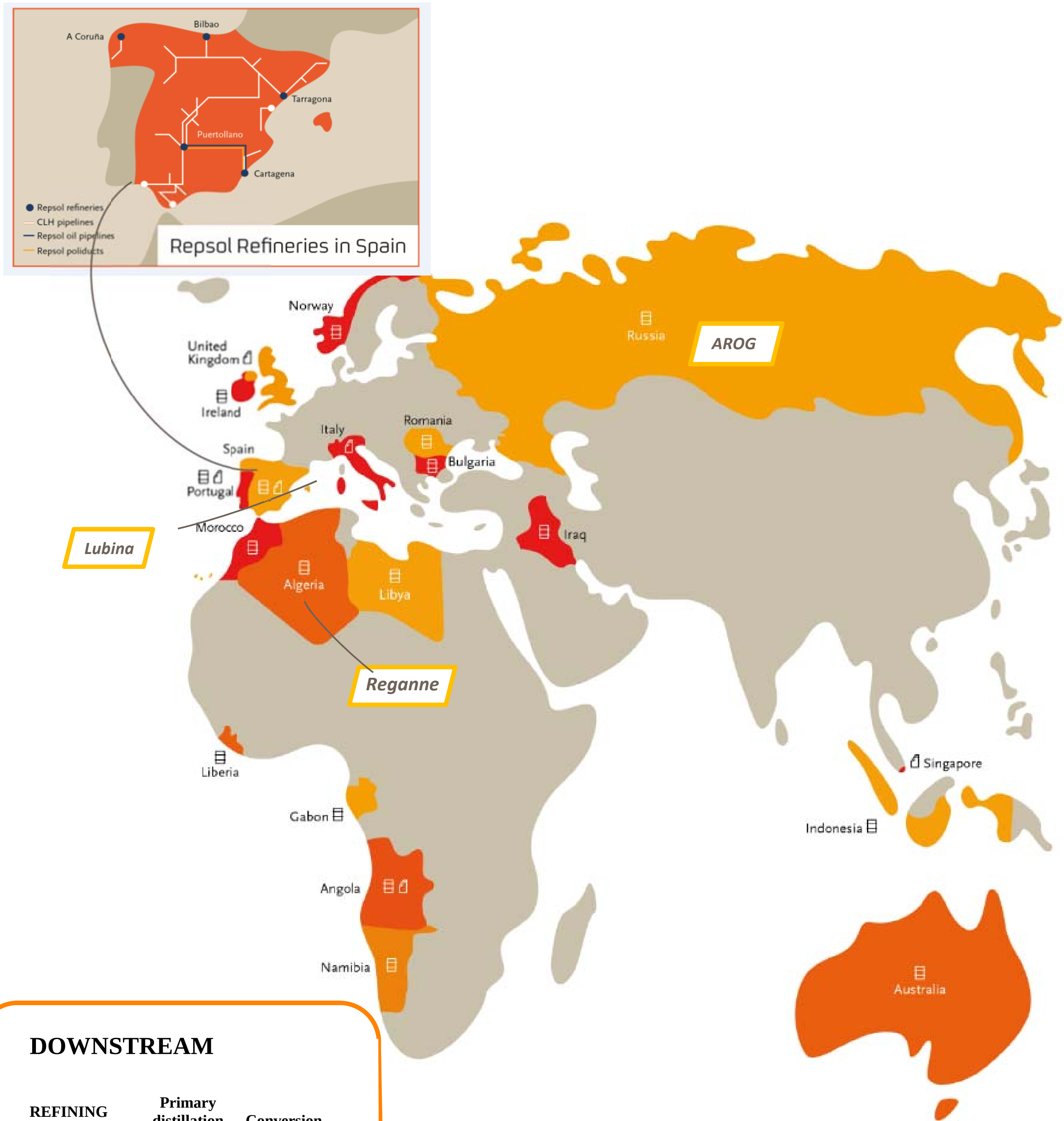
We participate in 695 oil and gas Exploration and Production blocks[1] in 29 countries, directly or through our affiliated companies.

There have been around 40 discoveries in the past 8 years, including eight of the major findings worldwide according to IHS.

Repsol's hydrocarbon production in 2014 was estimated at 355 kboe per day, representing an increase of 2.5% on the figures for 2013.

At year-end 2014 Repsol's proven reserves amounted to1,539 Mboe, of which 441 Mboe (29%) corresponded to crude oil, condensate and liquefied gases, and the rest, 1,098 Mboe (71%) to natural gas.

(1) These figure does not include assets corresponding to unconventional resources projects the Group has an interest at.



DOWNSTREAM

REFINING capacity	Primary distillation (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

Points of sale	Total
Spain	3,585
Portugal	440
Peru	374
Italy	250

REPSOL 3,157

Campsa 123

Petronor 283

Petrocat 19

OTHERS

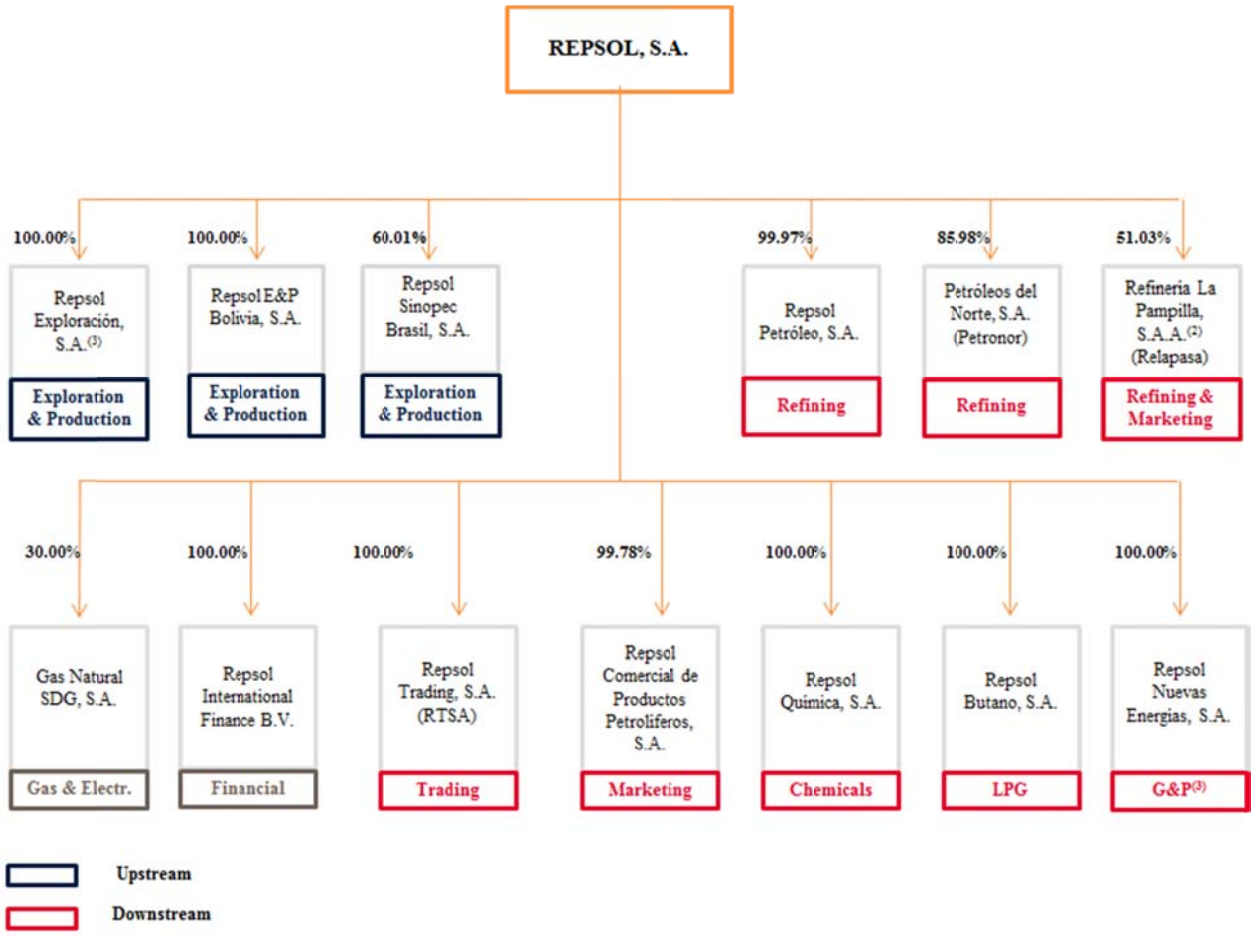
3

Sales volume of LPG *(Thousands of tons)*	2014	2013
Spain	1,343	1,281
Rest of Europe	131	131
Peru	634	665
Ecuador	398	386

Operating figures, Chemicals *(Thousands of tons)*	2014	2013
Capacity		
Basic petrochemicals	2,808	2,808
Derivative petrochemicals	2,491	2,491

2.4) CORPORATE STRUCTURE

The corporate structure of the Repsol Group is shown below according to the major companies comprising the Group [(1)]:



[(1)] There is no difference between the percentage share capital owned and voting rights in the various companies
[(2)] Indirect Participation.
[(3)] The Gas & Power activities corresponding to transport, commercialization, trading and re-gasification of liquefied natural gas are performed through Repsol Exploración, S.A. subsidiaries and those corresponding to renewable generation via Repsol Nuevas Energías, S.A.

For more information on the main companies that make up the Repsol Group and the main changes in the year, see Appendix I and I b of the Consolidated Financial Statements for 2014.

2.5) CORPORATE GOBERNANCE

Repsol's system of corporate governance, which was established in accordance with best national and international practice and standards, guides the structure, organisation, and operation of its corporate bodies in the interests of the company and of its shareholders, and is based on the principles of transparency, independence, and responsibility. For more information on the internal regulations of the Repsol Group in terms of corporate governance, visit www.repsol.com.

The governance structure at Repsol adequately differentiates the governance and management functions of the Company from its oversight, control, and strategic definition functions.

Thus, the General Shareholders' Meeting is the sovereign corporate body through which shareholders intervene in the taking of essential decisions of the Company, with the Board of Directors (either directly or through its various Committees) responsible for the formulation of general policies, the strategy of the Company, and basic management directives, as well as general oversight and consideration of matters of special importance that are not reserved for the competence of the General Shareholders' Meeting.

The Executive Committee and the management team, for their part, handle the day-to-day management of the business of the Company, via the implementation and monitoring of the general strategies and basic directives set by the Board of Directors.

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

(1) The Executive Committee: composed of the Chairman of the Board of Directors and eight Directors more belonging to all Director categories, maintaining a similar proportion to that existing in the Board of Directors. This Committee is permanently delegated with all the powers of the Board of Directors except those that are legally or statutorily non-delegable.

(2) The Audit and Control Committee: composed of four Independent Outside Directors with knowledge and experience in accountancy, auditing or risk management matters. Its main function is to support the Board in its oversight duties, through the review of the preparation process of the financial-economic information, executive controls, supervision of the systems that record and control the hydrocarbon reserves, Internal Audits, the independence of the external auditor, and the compliance with all the legal provisions applicable to the Company. The Committee will be responsible for guidance of the Company's policies, objectives and guidelines in the environmental and safety fields.

(3) The Appointments and Remuneration Committee: composed of five Outside Directors, composed with a majority of Independent Directors, while the President is also Independent. Its main functions are to proposing and reporting to the Board of Directors on the selection, appointment, reappointment and removal of Directors, the Managing Director, Chairman, Deputy Chairman, Secretary, Deputy Secretary, or the Board's remuneration policy and the Executive Directors and reporting on the appointment of senior executives and on the overall remuneration and incentives policies.

(4) The Strategy, Investment and Corporate Social Responsibility Committee: composed of five Outside Directors, composed with a majority of Independent Directors. Its main function is reporting on the most important events milestones and revisions of the Strategic Plan and strategic decisions relevant. Its role also includes guiding the policy, objectives and guidelines of the Repsol Group on Corporate Social Responsibility.

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

NOTE: Updated information related to the profile of the Executive Committee members is available can be found at www.repsol.es/es_es/corporacion/accionistas-inversores/gobierno-corporativo/. Further information regarding to the Remuneration Policy, see *"Annual Remuneration Policy Report of the Directors"*.

(1) President of the Delegate Committee.
(2) Member of the Delegate Committee.
(3) Executive Director.
(4) Independent Outside Director.
(5) Institutional Outside Director proposed by Caixabank, S.A
(6) Institutional Outside Director proposed by Sacyr, S.A.
(7) Institutional Outside Director proposed by Temasek.
(8) Chairman of the Audit and Control Committee.
(9) Member of the Audit and Control Committee.
(10) Chairman of the Nomination and Compensation Committee.
(11) Member of the Nomination and Compensation Committee.
(12) Chairman of the Strategy, Investment and CSR Committee.
(13) Member of the Strategy, Investment and CSR Committee
(14) Lead Independent Director.
(15) Percentage of share capital according to the latest information available at the date of this document. Information provided by "*Compañía de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.* (Iberclear)", and the information submitted by the shareholders of the Company and the National Securities Market Commission (CNMV for its acronym in Spanish).

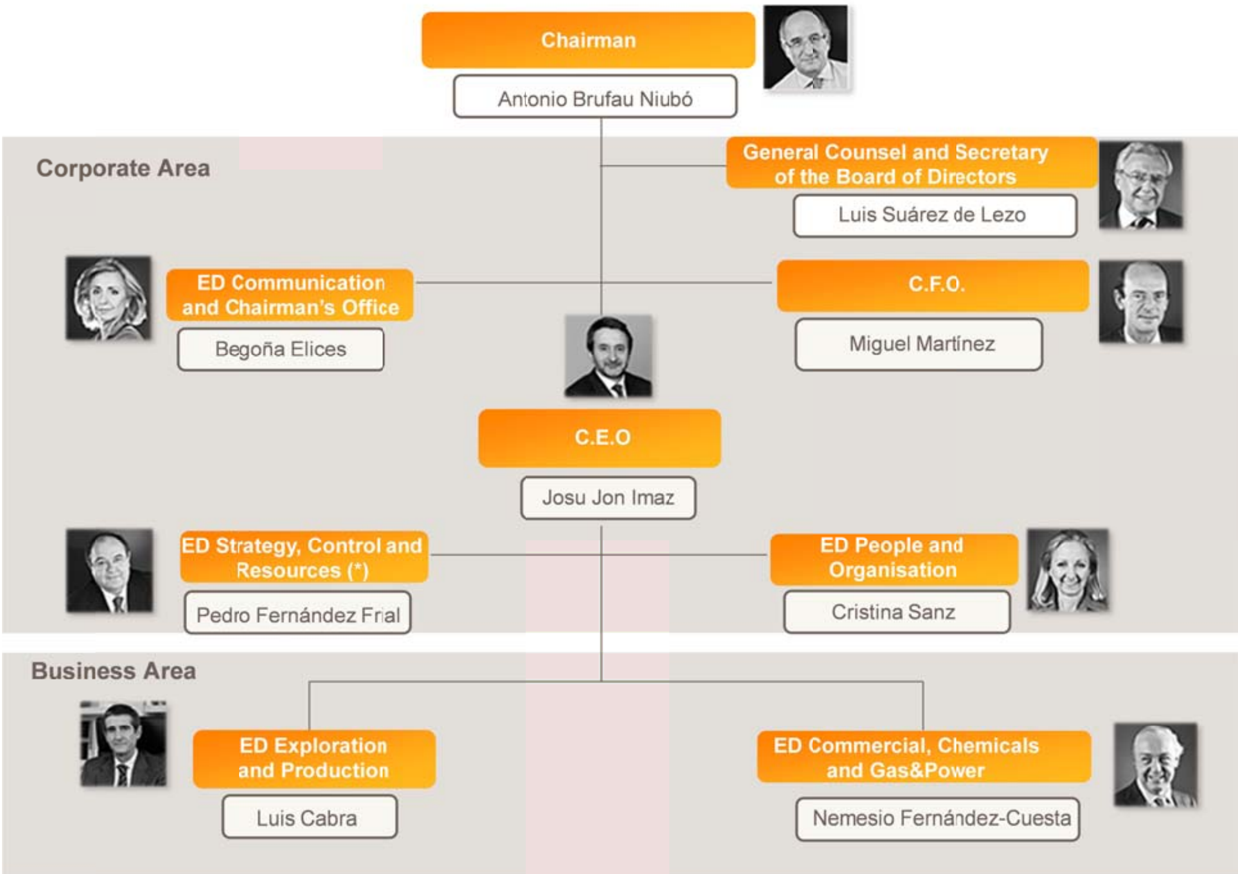
On April 30, 2014, the Board of Directors of Repsol, at the proposal of its Chairman, and with a favourable report issued by the Nominations and Remuneration Committee, approved a significant remodelling of the structure of the senior management team, in particular the appointment of Josu Jon Imaz San Miguel as Chief Executive Officer (CEO), who previously held the position of General Director of Industry and Trading.

On the same date, the Board accepted the resignation of Independent Board Member Paulina Beato Blanco, leaving a vacant position filled by the new Chief Executive Officer, who was also appointed member of the Delegate Commission.

On June 4, 2014, following the announcement by PEMEX of the sale of the majority of its share in Repsol, Pemex Internacional España, S.A.U. submitted its resignation as a member of the Board of Directors of Repsol, S.A. and of the Committees on which it sat (Delegate Committee and Strategy, Investment and Corporate Social Responsibility Committee).

On January 28, 2015, the Repsol, S.A. Board of Directors, at the proposal of the Appointment and Remuneration Committee, approved the appointment of J. Robinson West as Independent Outside Director and their inclusion on the Executive Committee.

As at the date of this document was approved, the composition of the Executive Committee was as follows:



(*) In Strategy, Audit and Reserves direct dependence to the Chairman

NOTE: ED: Executive Director. Updated information about the profile of the members of the Executive Committee is available on www.repsol.com. In Note 28, "*Remuneration of the members of the board of directors and executives*", in the Consolidated Annual Accounts corresponding to the year 2014 is included information about remuneration of the Executive Committee.

2.6) STRATEGY

Repsol's current Strategic Plan (2012-2016), which was issued following the confiscation of YPF, is based on four strategic pillars: *Upstream* growth, maximising returns on investment *Downstream*, financial strength, and attractive remuneration to shareholders. In 2012 and 2013, progress was made on achieving the main milestones of this plan, with a special focus on strengthening the financial position of the Company. The sale of non-strategic assets during these years achieved the sought-after strengthening of Repsol's financial position but reduced the size of the Company.

The resolution of the YPF dispute in the first half of 2014 and the resulting inflow of non-recurring income allowed Repsol to speed up the realisation of the first pillar of the Strategic Plan: *Upstream* growth.

Thus, on December 16, 2014 Repsol announced the agreement reached to purchase Talisman Energy (see section 1.3). This operation will turn Repsol into one of the world's largest private energy groups, providing it with a portfolio that is more balanced in geographical terms, reserves and production in OECD countries, high-quality productive assets, new exploration potential, and additional operating capacity and new platforms for future growth in North America, south-east Asia, and the North Sea. The acquisition of Talisman will consolidate the growth in exploration and production, allowing the group to set new goals and confirming this activity as the engine for growth of the Company.

Solid business position

The strategy performed by Repsol in the last year has allowed to develop new and attractive business lines, diversify our portfolio of assets and incorporate key projects that today underpin our position in the global energy sector.

The results of this continued effort are the major exploration discoveries over the last years, the investment projects to upgrade the refineries of Cartagena and Petronor, as well as the Repsol Sinopec Brazil joint venture.

One of the fundamental elements of Repsol's strategy is the integrated development of its *Upstream* and *Downstream* businesses. This integration translates into clear corporate and portfolio synergies and advantages:

- Provides Repsol with sufficient scale to be able to tackle its growth strategy, especially given the growing size and risk of major projects in the sector.
- Contributes to more stable profits, facilitating fulfilment of objectives for both financial stability and shareholder remuneration.
- Ensures greater risk diversification, given the specific risk profiles of the *Upstream* and *Downstream* businesses.
- Gives Repsol the cash flow for its strategic plan and investment program, taking into account the different investment and cash generation cycles of the *Upstream* and *Downstream* businesses.
- Allows Repsol to access a larger portfolio of investment opportunities allowing selecting the most attractive opportunities at any one time, thus optimizing capital assignment between businesses.

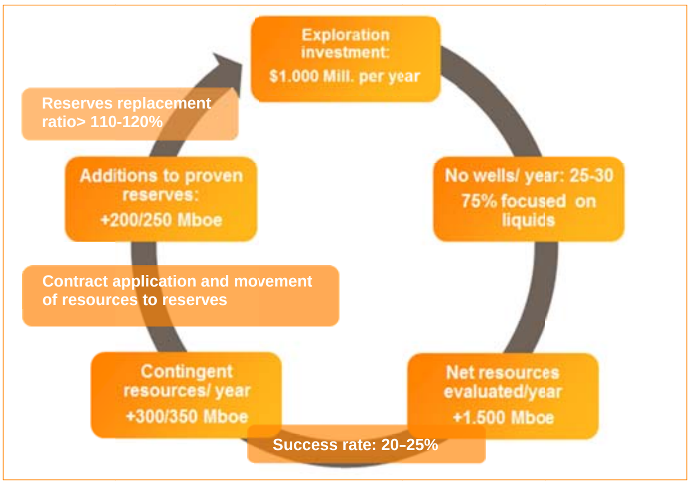
There are also many operational synergies and advantages arising from the integration of the *Upstream* and *Downstream* businesses, of which the most significant are:

- Commercial and technical synergies based on the growing operational convergence of technical capabilities and commercial synergies between the *Upstream* and *Downstream* projects.
- Possibility of sharing technical resources, maximising the use of human resource capabilities, enhancing technical talent and encouraging the transfer of experts between these two businesses.
- Development opportunities in which the know-how and presence of both businesses is valued.
- Significant cost savings in corporate and support functions, which optimise their expenses by providing joint services to the *Upstream* and *Downstream* businesses.

<u>Upstream, driving growth</u>

Upstream activities are the growth engine of Repsol. Through major investments and the attraction of talent and technology, Repsol has achieved great exploratory successes with a replacement rate of proved net reserves of around 200% on average in the last three years. The commitment to innovation has been the key to consolidating ourselves as a company with great exploratory success.

Many significant discoveries have been made in areas identified as priorities such as United States, Russia, Brazil, Peru, Algeria and Colombia. Close to 40 discoveries have been made since 2007 and they include eight major finds around the world, revealing Repsol's the exploration success and ensuring the creation of projects that will support this growth for years to come.



Estimated investment for *Upstream* business plan is an average of €2,900 million per year. This investment represents over 70% of the Group's total forecasted investments.

An average annual exploration investment of around $1,000 million dollar will allow the drilling of 25 to 30 exploration wells per year.

The intense activity in the area of exploration and development will allow targets to reach in the period 2012-2016 a 7% annual growth in production, an average reserve replacement ratio of over 120% and an average annual addition to contingent resources of about 300/350 million boe.

To carry out this growth commitment we have focused on 10 key growth projects located in Brazil, United States, Russia, Spain, Venezuela, Peru, Bolivia and Algeria. The 10 major projects involve a total combined investment of €6,700 million.

Seven of them (Mid Continent, Margarita, Sapinhoá, Lubina-Montanazo, Rusia, Carabobo, Kinteroni) are already producing and contributing to the production growth target.

In addition to these key projects, the company will continue with the plans for its contingent resource discoveries, particularly in the United States (Alaska and Gulf of Mexico), Brazil y Peru. This work will enable these resources to culminate in new development projects that will be the company's growth engine in the coming years.

Downstream, operational excellence and margin optimization

The *Downstream* area, after the successful completion of the asset investments period, has again become a net cash generator.

In 2012 expansions were commissioned at Cartagena and Petronor, which have increased Repsol's conversion capacity and operational efficiency of the refining system. These expansions are expected to generate an improved refining margin between 2-3 dollars per barrel processed throughout Repsol's refineries in Spain, thus improving the efficiency of our assets.

The *Downstream* target is to maximize the built-in margin of all the business areas through the pursuit of excellence and improvement of processes.

The management priorities continue to be energy efficiency, safety in our operations and maximum respect for the environment. Energy-efficient products and services are developed through continuous technological development and improvement of processes.

The average investment stands at €750 per year, and essentially consists in the maintenance of industrial and commercial facilities and improvements in energy and operational efficiency, representing a reduction of 60% of the average annual investment over the 2008 -2011 period.

Competitive remuneration for shareholders

Repsol is committed to establish a competitive remuneration policy for its shareholders.

Financial strength allows us to offer shareholders competitive remuneration, thus continuing a policy of creating value for shareholders through dividends, supported by the Flexible Compensation Plan, with an expected pay-out (Shareholder Remuneration/Net Income) between 40 and 55%.

Solid financial position

Repsol's solid financial position is materialised by our commitment to maintain the credit rating, high liquidity and selective disinvestments during the period.

Revenue from the sale of LNG assets and from the monetisation of the compensation for the YPF expropriation, have reinforced the financial soundness of the company, which was recognised by the main international rating agencies. All this has led to improved financial ratios, improving the credit level and increasing the confidence of international investors.

Additionally, in order to maximise cash flow, a process of continuous optimisation of the Group's working capital was carried out.

This financial soundness has allowed us inorganic growth.

Acquisition of Talisman and new strategic plan

Repsol has reached an agreement with Talisman Energy for the acquisition of 100% of the share capital of the Canadian company as described in Section 1.3) of this report.

This transformational and inspirational transaction entails a major qualitative and quantitative leap for Repsol, turning it into one of the main private Oil&Gas companies in the world, and will allow it to grow as a company and to reinforce the nature of Repsol as an integrated power company with a solid and competitive project.

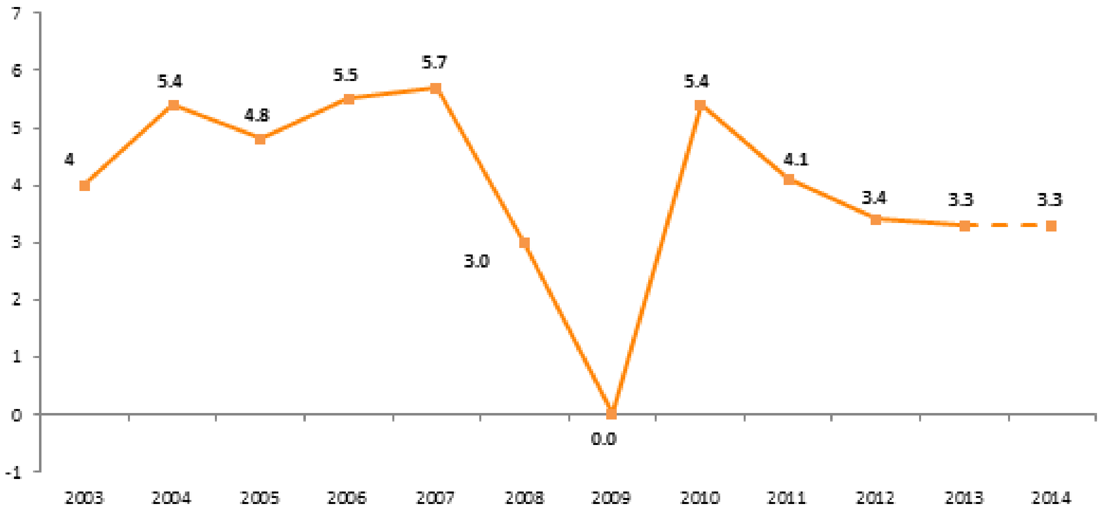
Following the culmination of this transaction, Repsol will present a new strategic plan.

3. MACROECONOMIC ENVIRONMENT

Recent economic developments

In 2014 the global economy continues to recover, although economic growth is weaker than expected, with anticipated global growth of 3.3% spread very unevenly across regions. Advanced economies are experiencing varying degrees of recovery, although their growth is being dragged down by a high volume of debt. At the same time, emerging economies are experiencing slowdown while their medium and long-term growth forecasts are being revised downwards.

Evolution of global GDP



Source: International Monetary Fund (IMF, WEO Update January 2015) and Repsol Technical Secretariat Dept.

Regarding the evolution of growth in the United States, a set of specific factors led to a contraction in growth in the first quarter of 2014, followed by acceleration in the third quarter to reach 5% and stabilising at 2.6% in the fourth quarter. Estimated annual growth will be around 2.4% and the conditions are in place by acceleration in 2015. Emerging economies are expected to grow at a rate of 4.4% continuing with the slowdown started after 2011, when growth stood at 6.7%. The weak productivity and lower growth potential of these economies leads to the conclusion that the high rates of growth of the past decade will not be repeated, although given their greater weight, their contribution to global growth will not fall.

The eurozone recorded economic stagnation in the second quarter of the year, although for 2014 as a whole, preliminary forecasts suggest annual average growth of 0.9%. Overall, periphery countries have mostly completed their adjustment programmes and progress has been made towards banking union. However, recovery is not without risks, particularly focussed on the evolution of the largest eurozone economies, with contraction of growth in Italy and economic weakness in France. Meanwhile Germany has growth in the last quarter at 1.6% coinciding with the overall yearly trend. With low growth perspectives for the eurozone and the anticipated drop in inflation as a result of falling crude oil prices, the European Central Bank (ECB) has been adopting an extensive package of conventional and non-conventional measures.

Throughout 2014 the Spanish economy has consolidated the path of positive growth initiated in late 2013, driven by improvements in financing conditions, higher sustained confidence of market agents and the favourable evolution of the labour market. The return to growth has been driven by various domestic demand components, the slowdown in international trade and its impact on national exports. However, the improvement of competitiveness of the Spanish economy has become apparent, with more favourable sales abroad than other major eurozone countries. At year-end the Spanish economy continues on this path of recovery, with an average growth of 1.4% in 2014.

Evolution of exchange rate

Throughout 2014, the evolution of the euro has undergone two distinct stages. The first, from the new year until May is characterised by a strong euro against the dollar with an average value approaching 1.37, and the second phase, comprising from June to year-end, is marked by the strength of the US dollar and a loss in value of the euro, with an average rate of 1.29 in this period. Note that the EUR/USD exchange rate at year-end was 1.21, maintaining the trend characterized by the weakness of the euro, and that the average value for 2014 was 1.33.

Evolution of the EUR/USD exchange rate (monthly average)

Source: *Bloomberg* and Repsol Technical Secretariat Dept.

The first part of the year was characterised by the slowdown in US economic activity owing to the polar vortex, uncertainty about "*shadow banking*" in China, which contributed to the weakness of its economy, and the persistent inflation cuts in the European Monetary Union (EMU). In this context, the prudence of the American Federal Reserve (FED), the orthodoxy of the ECB and the lack of dynamism of credit within the eurozone – stemming partly from "*global evaluation*" process affecting banks before the ECB incorporated its banking supervision functions – have provided back-up for the euro. Additionally, sovereign bonds on the periphery of the eurozone became a very attractive asset for investors.

Starting from the second quarter, the US began to confirm its ability to generate employment and maintain a sustained GDP growth rate. China, meanwhile, through the control of credit and with the application of mini-stimulus packages, has been able to maintain growth above 7% with less reliance on the real estate sector. In contrast, Japan suffered a major slowdown after VAT increases, and the eurozone began to show signs of loss of traction in its growth, made worse by persistent low inflation. In addition, the conflict between Russia and Ukraine, which reached its peak with the downing of a commercial jet with 298 passengers, forced the European Union to approve economic sanctions that affected the growth of the common area.

This opposing economic context in some of the world's major economies led to divergence in terms of the approach to monetary policy. On one hand, the FED and BOE (Bank of England) concluded the purchase of financial assets to expand their balance sheets, and the rate of recovery of their economies allows them to consider a rise in interest rates over the medium-term. On the other hand, the ECB and the BOJ (Bank of Japan), besides rates at all-time lows and having no prospects of raising them, have announced intensive programmes to purchase different types of asset to increase their balance sheets and, in this way, target low inflation and underpin growth.

In this respect the ECB enabled various monetary policy measures to stimulate growth in the second half of 2014. Besides leaving benchmark interest rates at minimum levels it also implemented a series of unconventional policies. These measures that began in 2014 seek to expand the ECB's balance sheet by at least €1 trillion in the next 12 months; with the aim of lowering to medium and long-term interest rates and prompting investors to seek returns from riskier assets. Additionally, 2014 also saw the conclusion of the European banking transparency review (AQR and stress test) with which the channel of credit is expected to be restored in the region.

Given the limitations in terms of fiscal policy owing to the current high levels of indebtedness of these economies, the tone of the monetary policy and growth prospects are the factors that most influence the foreign exchange market. It is precisely these elements that have led to a strengthening of the dollar against other major currencies.

Recent developments in the energy sector

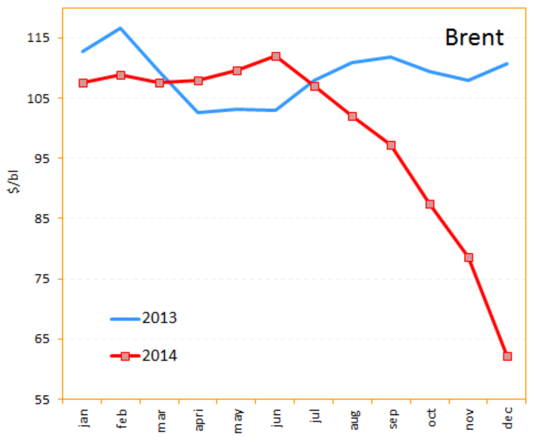
Between January and December the average price of Brent crude oil, the European benchmark, stood at 98.99 dollars per barrel ($/bbl). Throughout 2014, the evolution of prices exhibited two different trends: the first half was marked by a slight upward trend, reaching an annual maximum of $115 on June 19; and, from then on, the profile changed dramatically, losing more than 60% of its value by the end of December.

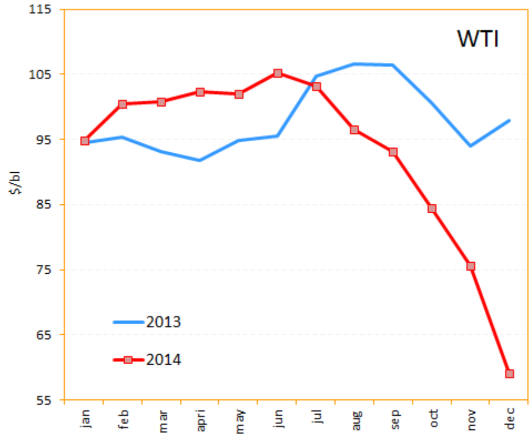
Moreover, the price of the West Texas Intermediate (WTI), the American benchmark, averaged $92.9 per barrel in the same period, with a parallel decline that, unlike Brent, began on July 23, falling since then and until the end of December to 57% of its value. While the downward trend was common to both crude oil benchmarks, in the case of WTI, as oil produced without possibility of leaving the US and with a refining system mainly focused on the domestic market but now increasingly on exports, prices fared better until the end of July, coinciding with the start of the maintenance season in the US refining system.

This evolution of prices contributed to reducing the gap between Brent and WTI which stood on average for 2014 at $6 per barrel, by late September the spread fell below $1. The close in this gap stemmed from the breakthrough in connections between production areas and refining centres in the United States, increasing the capacity of distribution of oil by pipeline and rail.

The determining factors for this significant price fall were diverse, but acted together: both geopolitical and financial "*pluses*" were significantly reduced; a rather pessimistic shown than earlier this year on the fundamentals of demand; and surprises along the supply side.

Evolution of Brent and WTI prices per barrel





Source: *Bloomberg* and Repsol Technical Secretariat Dept.

With regard to demand, since June there was a continuous downward revision in the growth prospects published by government organisations, it leaded to an adjustment in demand outlook by energy agencies, significantly shifting their vision towards significantly lower growth in demand for oil in 2014. Considering the data from the International Energy Agency, average growth prospects for this year went down, between May and December, from 1.4 million bbl/day to 900,000 bbl/day.

With regard to supply, the three factors that influenced in the 2014 environment were:

1) positive surprises in US production, mainly from unconventional *shale oil*;

2) significant reduction of closed production capacity due to different events went down from an estimated 3.5 million bbl/day in May to 2.8 million bbl/day in December; and

3) the role of OPEC's response to this environment of oversupply and low prices, and particularly of Saudi Arabia, as an influential producer. Following the OPEC meeting of November 27, where no consensus was reached to cut the share of joint production and maintain prices, the strategy of some OPEC members seems to be to leave the market to find its natural balance, removing a certain number of high-cost barrels from the market, and supporting further growth in consumption. Prices above $100 have provided many incentives for increasing production with high associated costs, such as *shale* or *offshore* deposits; and, simultaneously, fuel conservation, efficiency and substitution measures have been stimulated.

As for the financial markets, we must highlight the exit of *Managed Money* agents, associated with speculation and the changing behaviour of the Brent position over time. Between June and October *Managed Money* brokers reduced their net positions by more than 84% in the Brent futures and options market, which led to an over-reaction to the market downturn.

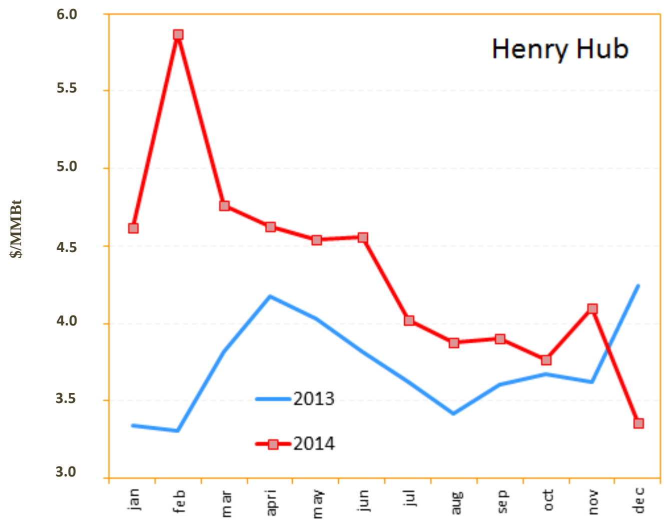
In terms of geopolitics, although the global geopolitical landscape in recent months has been very marked by conflicts in key oil producing countries, the situation is perceived by oil sector stakeholders as one of relative calm. In this sense, most analysts have announced that the major active conflicts have hardly influenced the price of oil, at least in the short term.

Gas Natural – Henry Hub

In 2014, Henry Hub gas spot prices averaged \$4.41/MMBtu, representing an increase of 17% compared to 2013. The biggest price increase was experienced in the first quarter due to the combination in the United States of a drop in supply (lower domestic gas production and inventory levels at 54% below the historical average) and increased demand owing to the cold wave that hit the country. This meant that in some US regions gas prices reached record highs: in the northeast of the country, which has gas infrastructures with bottlenecks in moments of great demand, local gas prices stood at \$120/MMBtu in early February. For its part, Henry Hub recorded a maximum in the vicinity of \$8/MMBtu (on February 5), a level not seen since September 2008.

Excluding this specific episode, the price increase was a result of a general rise in demand owing to more intensive gas use by industry.

Henry Hub Evolution



Source: *Bloomberg* and Repsol Technical Secretariat Dept.

Another important milestone in 2014 was the approval for the construction of four LNG export projects (Sabine Pass, Cameron, Cove Point and Freeport) with a combined export capacity of over 35 million tons per year. LNG exports from the United States are scheduled to begin in the first quarter of 2016.

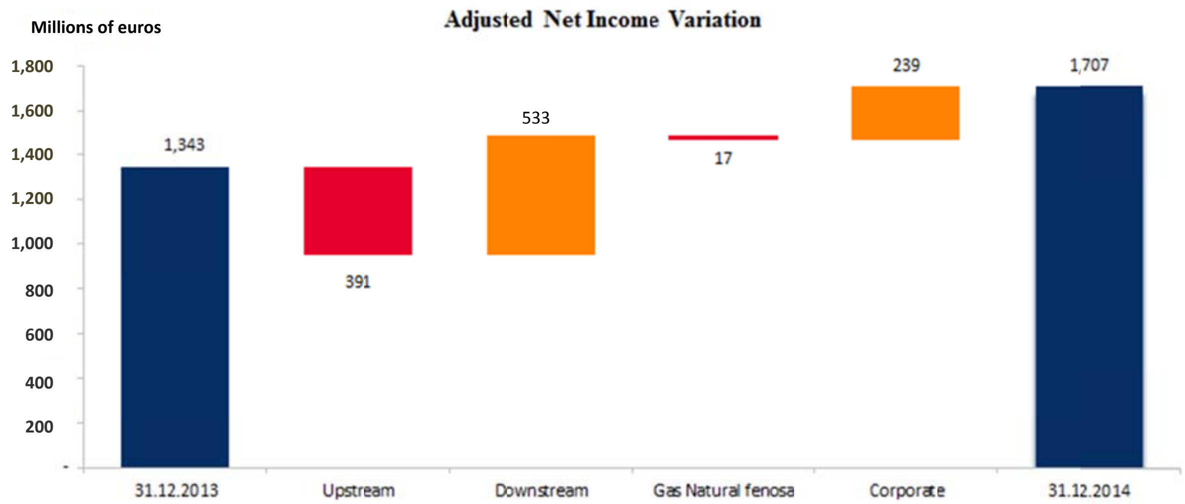
4. *RESULTS, FINANCIAL OVERVIEW AND OUR SHAREHOLDER REMUNERATION*

RESULTS [(1)]

Millions of euros	2014	2013	Variation
Upstream	589	980	(40%)
Downstream	1,012	479	111%
Gas Natural Fenosa	441	458	(4%)
Corporate and adjustments	(335)	(574)	(42%)
Adjusted Net Income	**1,707**	**1,343**	**27%**
Inventory effect	(606)	(187)	(224%)
Non-recurring income	(86)	(277)	69%
Income from discontinued operations	597	(684)	-
Net Income	**1,612**	**195**	**727%**

In macroeconomic terms, the main factors influencing the evolution of 2014 results have been the decrease of crude oil prices and appreciation of the Dollar against the, low interest rates and the still weak economic recovery.

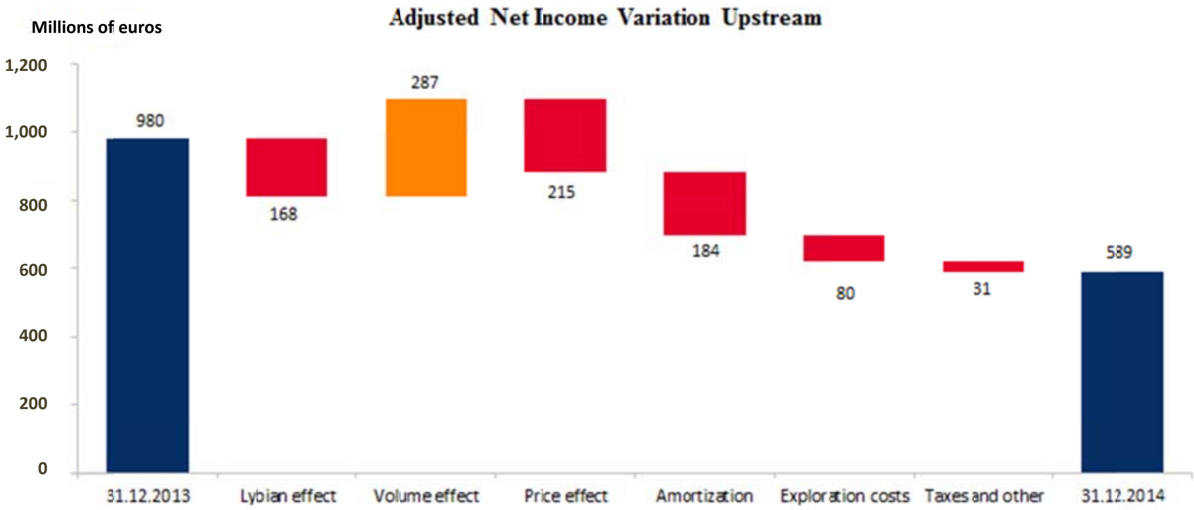
Adjusted Net Income for 2014 amounted to €1,707 million, 27% higher than in 2013. Due to a notable improvement in the results of the businesses of *Downstream* segment, influenced by a better international environment, and financial result as a consequence of reduction in net debt and the impact of the appreciation of the Dollar, which compensated the worst results from *Upstream* due to the fall in oil crude prices and interruptions in production in Libya. EBITDA amounted to €3,800 million compared to €3,968 million, a 4% decrease, on the same period of 2013.



[(1)]Unless expressly stated otherwise, all information given in this section has been prepared in accordance with the Group's new reporting model described in Note 5 "*Segment Reporting*" of the Consolidated Annual Accounts for 2014. Figures corresponding for the period ended December 31, 2013 has been modified for comparative purposes with respect to the Consolidated Management Report issued corresponding to the year ended 2013. Appendix I and II in this document include a reconciliation between adjusted and IFRS figures adopted by the European Union.

Upstream

Adjusted net income from Upstream operations amounted to €589 million in 2014, compared with €980 million in 2013 (a reduction of 40% with respect to the same period in 2013).



The main factors behind this reduction were:

- The negative effect due to the lower production in Libya as a result of conflicts and security problems.

- The increase of 24.2 Kboe/d in production to 341 Kboe/d (355 Kboe/d, including Libya, 2.5% higher than in 2013), due mainly to greater production in Brazil (new wells in Sapinhoá), the start of production of Phase II in Margarita, Bolivia (October 2013), the start-up of Kinteroni in Peru, the ramping-up of the Mid-Continent project in the United States, and the start of production of SK in Russia.

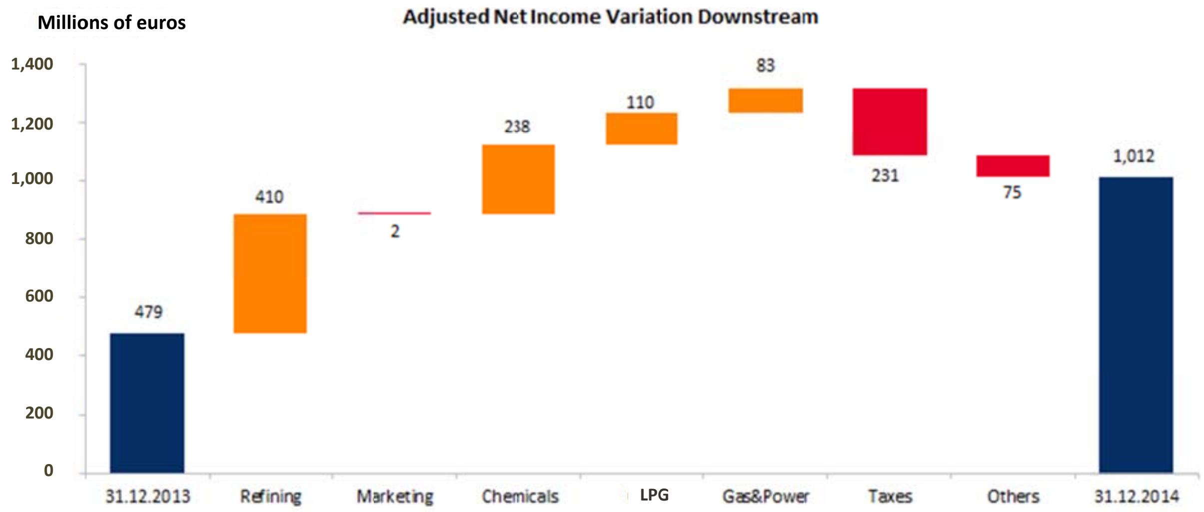
- The reduction in crude oil and gas production realization prices, net of royalties.

- Greater amortisation as a result of the start of production of key projects in the Strategic Plan.

- Exploration costs rose in 2014, due to a greater amortisation of exploratory bonuses and dry wells.

Downstream

Adjusted net income from *Downstream* operations was €1,012 million in 2014, a 111% increase on the same period of 2013.



This increase was mainly due to (i) improved margins in Refining operations as a result of larger differentials between prices for heavy and light crude oil and strengthening differentials in naphthas, gasolines and other products whose prices are not pegged to the price of crude oil, together with greater distillation; (ii) better results for the Chemicals business, due to efficiency and competitiveness measures implemented during the year, together with a more favourable international environment and an increase in sales volumes; (iii) an increase in income from gas businesses in North America, due to larger commercialized volumes and wider margins; and (iv) the positive impact of Court`s sentences that recognise Repsol's right to compensation for losses resulting from the application of the price formula for bottled LPG. The results of the Marketing business were in line with those for the previous year.

Gas Natural Fenosa

Adjusted net income for 2014 was €441 million, compared to €458 million for the same period last year. Lower incomes in the Spain electricity business and the distribution of gas affected by the new regulation (RD-Ley 9/2013 y RD-Ley 8/2014, respectively) and of the impact of the depreciation of the local currencies against euro in Latin American business explain this decrease. Other incomes to be pointed out are the positive impact of the reduction in the rate at which income tax is applied under Law 27/2014 (€98 million), the gain from the sale of the telecommunications business (€56 million) and the impairment of Unión Fenosa Gas and Nueva Generadora del Sur assets (€-153 million).

Corporation and adjustments

In *Corporation and adjustments* in 2014, a net loss was recorded of €335 million, an improvement of 42% on the €574 million loss of the same period in 2013. This variation is mainly due to improved results related to the CO_2 rights trading, and the positive development of the financial result due to the reduction of debt and its average cost and the positive effect of the appreciation of dollar against the euro, partially offset by the effect of the early cancellation of the bonds issued in 2013 by Repsol, S.A.

Net Income

In 2014, the Group recorded a net income of €1,612 million, well above the €195 million recorded in 2013. The difference between adjusted net income and net income was mainly due to the following reasons:

- Inventory effect: This effect, which is associated with the valuation of crude oil and products at mean cost (MIFO), rather than at current cost of supply (CCS), has been negative as a result of the fall in prices during 2014 (€606 million after taxes).

- Non-recurring income: An after-taxes loss of €86 million that corresponds to:

  (i) Capital gains realised on the sale of non-expropriated shares in YPF S.A. (€287 million) and on the sale of its stake in Transportadora de Gas del Perú, S.A. (€57 million),

  (ii) The impairment of certain assets and the accrual of provisions (€503 million), mainly in its *Upstream* business, due to the negative impact of evolution in the price of crude oil (see Notes 8 and 15 of Consolidated Annual Account for 2014); and

  (iii) The positive net effect of other non-recurring income (€73 million).

- Income from discontinued operations: €597 million, including income from the sale of Repsol Comercializadora de Gas, S.A. (€319 million) and income linked to the expropriation of YPF, S.A.

Main financial performance indicators for 2014 and 2013 are as follows:

PERFORMANCE INDICATORS	**31/12/2014**	**31/12/2013**
Return on average capital employed (ROACE) [1] (%)	4.4	5.5
Earnings per share (€/share)	1.17	0.14

[1] ROACE: (MIFO recurrent net income after taxes + recurring results of investments) / (average capital employed for the period of continuing operations).

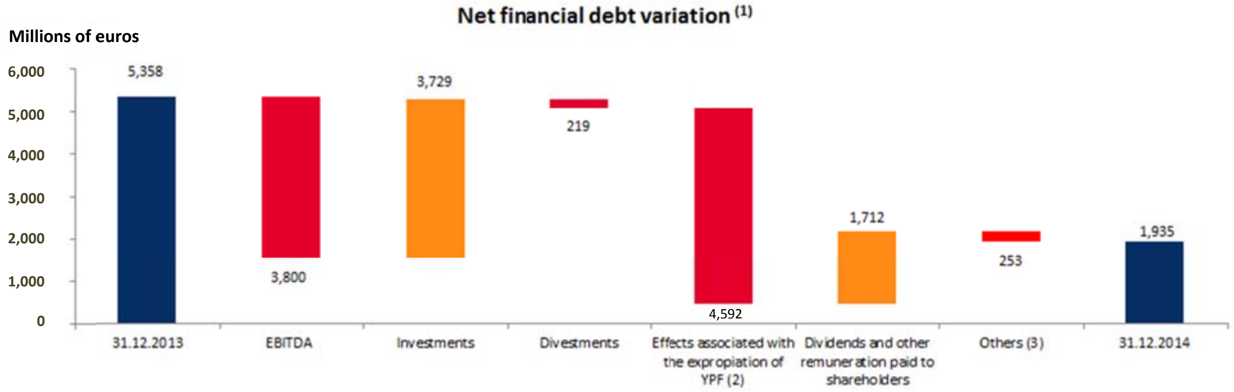
FINANCIAL OVERVIEW [1]

In 2014, Repsol has continued its policy of financial prudence, which has allowed improved Repsol’s financial foundation considerably. After the monetization of Argentinian bonds, the rating agencies improved Repsol’s credit rating and subsequently, with the announcement of the Talisman buy-out agreement at the end of the year, they reviewed their outlooks, all while maintaining our ratings.

Indebtedness

The Consolidated Group's net financial debt at the end of 2014 was €1,935 million compared to €5,358 million at the end of 2013. The evolution of net financial debt in 2014 is described below:

[1] All of the information presented in this section, unless otherwise stated, has been prepared in accordance with the new reporting model for the Group as described in Note 5 (“*Segment Reporting*”) of the Financial Statements for the period to December 31, 2014. The figures for the period to December 31,2013 have been amended for comparison purposes in respect of those contained in the Management Report for 2013. APPEN DICES I and II of this document contain the reconciliation of the adjusted figures and the figures contained in NIIF-EU financial information.



(1) See Appendix II where is shown the breakdown of the net financial debt and the reconciliation with the net financial debt in the IFRS financial statements.

(2) Mainly includes the sale of the Argentinian bonds received as compensation for the expropriation of YPF and Sale of non-expropriated shares in YPF S.A (see section 1.2 "*End to the controversy originated by the YPF Expropriation*" in this document).

(3) Mainly includes income tax payments, net interests and changes in working capital. It also includes changes by discontinued operations.

Main financing operations, maturity, and cancellations

The Group has the medium-term notes programme European Medium-Term Notes ("*EMTN*"). This programme, which is registered with the Luxembourg stock exchange, allows the Group to access capital markets more quickly and with greater flexibility, and to take advantage of opportunities for private investment under attractive conditions in terms of time frame and cost. Under this programme, the Group can issue debt of up to €10.000 million. The main financing operations carried out by the Group in 2014 were as follows:

SECURITY	ISSUER	CURRENCY	FACE VALUE (€ millons)	RATE	DATE	MATURITY DATE
Bonds	Repsol International Finance, B.V.	Euro	500	2. 250%	December	12 years

Additionally the Group maintain a European commercial paper program (ECP) arranged by a maximum amount of €2 thousand million.

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

PROGRAM	ISSUER	CURRENCY	FACE VALUE (millons)	AVERAGE RATE %	EQUIVALENT EURO
ECP	Repsol International Finance B.V.	Euros	1,239	0.331%	1,239
ECP	Repsol International Finance B.V.	Dollars	1,046	0.376%	790
ECP	Repsol International Finance B.V.	British pounds	5	0.668%	6
ECP	Repsol International Finance B.V.	Swiss franc	28	0.068%	23

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

In the months of March and October, two bonds issued by Repsol International Finance B.V. dated March 27, 2009 and October 8, 2014 matured, for the sum of €1,000 million each. These bonds, with a coupon of 6.5% and 4.625%, as meant a reduction in current financial liabilities for the period, and cash outflow of €2,000 million.

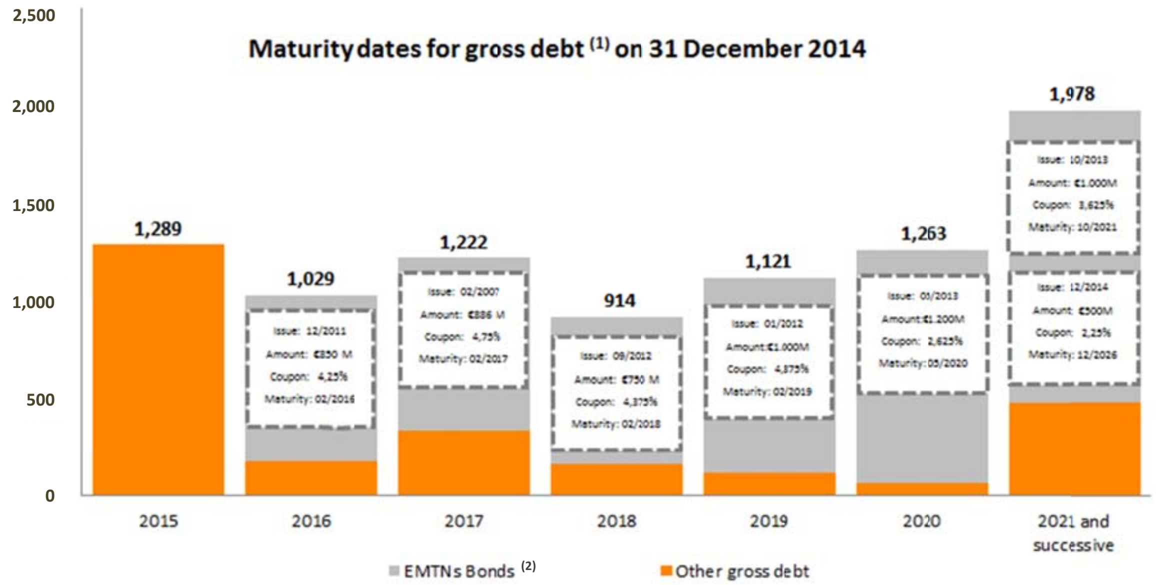
On July 1, 2014 Repsol, S.A. has cancelled ahead of maturity Simple Bonds Series I/2013 in the amount of €1,458 million, corresponding to principal (€500 per bond) and €13 million in respect of the ordinary gross coupon (€4.375 per bond).

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

For additional information on the main issues, maturities and cancellations in 2014 and 2013, see Note 16 to the Consolidated Annual Accounts for the financial year 2014.

Maturity dates for gross debt.

The maturity date profile of the existing financial debt at year-end is as follows:



(1) Includes exchange rate derivatives and interest
(2) Issues were made under the scope of "*Euro 10,000,000,000 Guaranteed Euro Medium Term Note Programme*" (EMTNs).

Financial prudence

Repsol maintains sufficient available cash resources and other liquid financial instruments, including undrawn lines of credit, to cover the debt maturities for at least the next six years, and covering 95% of its gross debt (112% if we include €1,504 million of immediately-drawable deposits classified as financial investments, in accordance with their maturity). The Group had €3,312 and €3,123 million in undrawn credit lines at year-end 2014 and 2013, respectively.

Net debt and net debt to capital employed ratio, in which capital employed refers to net debt plus net equity, provide a true and fair view of the volume of necessary borrowings and their relative weighting in the funding of capital employed in transactions.

INDICATORS OF FINANCE SITUATION	**2014**	**2013**
Net financial debt (millons of euros)	1,935	5,358
Net financial debt / Total capital employed [1] (%)	6.4%	16.3%
EBITDA / Net financial debt (x times)	2.0	0.7

(1) In 2013 included capital employed corresponding to discontinued operations that was written-off as of December 31, 2014 owing to the monetization of the compensation received for the expropriation of 51% of YPF (see Section 1.2).

For additional information, see Note 17 "*Financial Risk and Capital Management*" to Consolidated Annual Accounts corresponding to December 31, 2014.

Credit rating

Repsol S.A.'s current credit rating is as follows:

TERM	**STANDARD & POOR'S**	**MOODY'S**	**FITCH RATINGS**
LONG-TERM	BBB-	Baa2	BBB
SHORT-TERM	A-3	P-2	F-3
OUTLOOK	STABLE	NEGATIVE	STABLE
LATEST DATA REVIEW	12/18/2014	12/19/2014	12/22/2014

Treasury shares and own equity investments

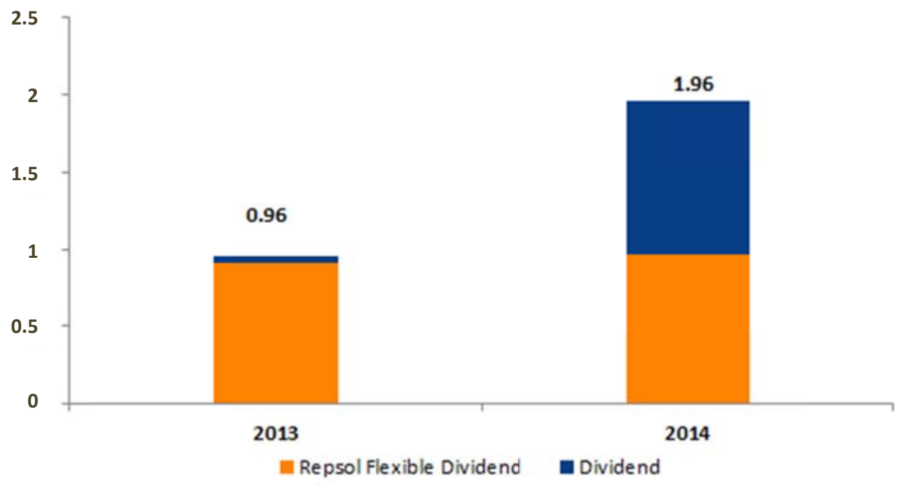
During 2014 no significant transactions have occurred with treasury shares and equity instruments. For further information on treasury shares and equity instruments, see Note 14 "*Equity*" of the Consolidated Annual Accounts corresponding to December 31, 2014.

SHAREHOLDER REMUNERATION

Repsol is committed to maintaining attractive remuneration for its shareholders in line with that of previous years, although this has not been formalised in a policy of dividend distribution. Nonetheless, shareholder return eventually agreed by Repsol will depend on various factors, including the evolution of its business and operating results.

In 2012 Repsol started a scrip dividend scheme under the "*Repsol Flexible Dividend*" program. Under this program, the Company's shareholders can choose to receive their remuneration in cash or paid-up shares. This program materializes in two bonus share issues along with an irrevocable commitment on the part of Repsol, S.A. to purchase the free-of-charge allocation rights deriving from the capital increase at a guaranteed fixed price.

Shareholder remuneration in 2014 and 2013, including cash dividend and script dividend under the "*Repsol Flexible Dividend*" program, was as follows:



The remuneration of 0.96€/share for 2013 includes the amount of the irrevocable commitment to purchase free of charge allocation rights made by Repsol in the two bonus share capital increase concluded in January and July 2013 (0.473 and 0.445 euros gross per right;respectively), under the "*Repsol Flexible Dividend*" program, and the cash dividend of 0.04 euros gross per share paid in June 2013. As a result, in 2013, Repsol paid out a total of € 467 million to shareholders and distributed 46,293,180 new shares to shareholders, for an equivalent amount of € 833 million.

The remuneration of 1.96 €/share for 2014 includes 2014 includes the sum of the irrevocable purchase commitment of free of charge allocation rights assumed by in its two bonus share capital increase executed in January and July 2014 (0.477 and 0.485 euros per right, respectively), under the remuneration scheme called "*Repsol flexible dividend*" and an extraordinary interim dividend from results for the year 2014 of 1 euro per share. As a result, Repsol has paid a total amount of €1.712 million to its shareholders in 2014 and has delivered 47.800.482 new shares for an equivalent amount of €876 million.

Additionally, within the "*Repsol Flexible Dividend*" program, and to replace what would have been the dividend on account for the financial year, Repsol made a cash payment in January 2015 of €245 million (€ 0.472 gross per right) to those shareholders who chose to sell their free of charge allocation rights to the Company, and distributed 24,421,828 shares, for an equivalent amount of € 392 million, to those who chose to receive new shares in the Company.

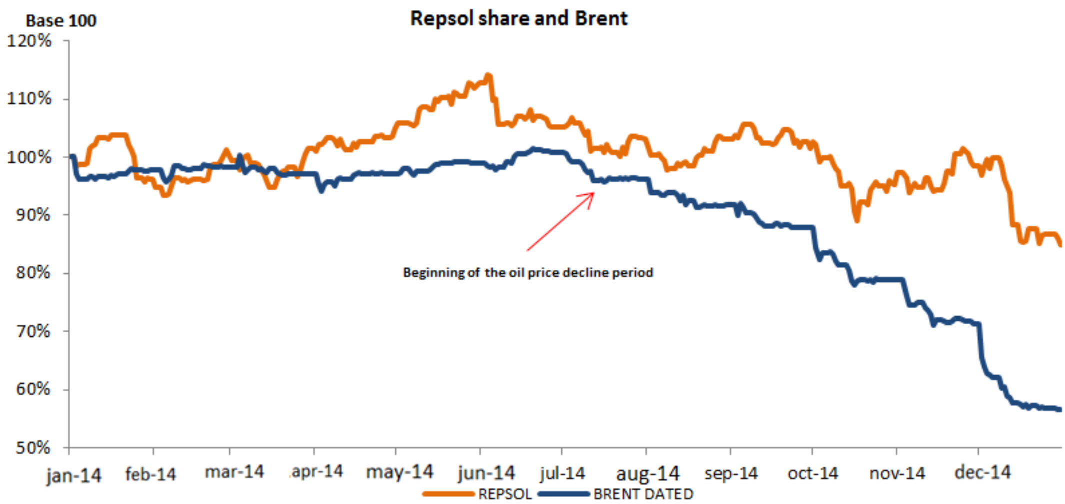
As at the date of these Annual Accounts, it is expected that the Board of Directors of the Company will propose to the next General Shareholders' Meeting a continuation of the "*Repsol Flexible Dividend*" programme, via a capital increase charged to voluntary reserves from retained earnings, on the dates the complementary dividend has traditionally been paid.

For additional information on the total remuneration received by shareholders, the aforementioned capital increases issued under the "*Repsol Flexible Dividend*" program, see sections 4 *"Shareholder remuneration"* and 1 *"Share Capital"* of Note 14 "*Equity*" of the Consolidated Annual Accounts corresponding to December 31, 2014.

OUR SHARE

During 2014 the behaviour of the main European markets was marked by volatility caused by macroeconomic uncertainty and crude oil price variations. The Ibex 35 index has closed on a gain of 3.7%, after losing 6.6% in the second half of the year.

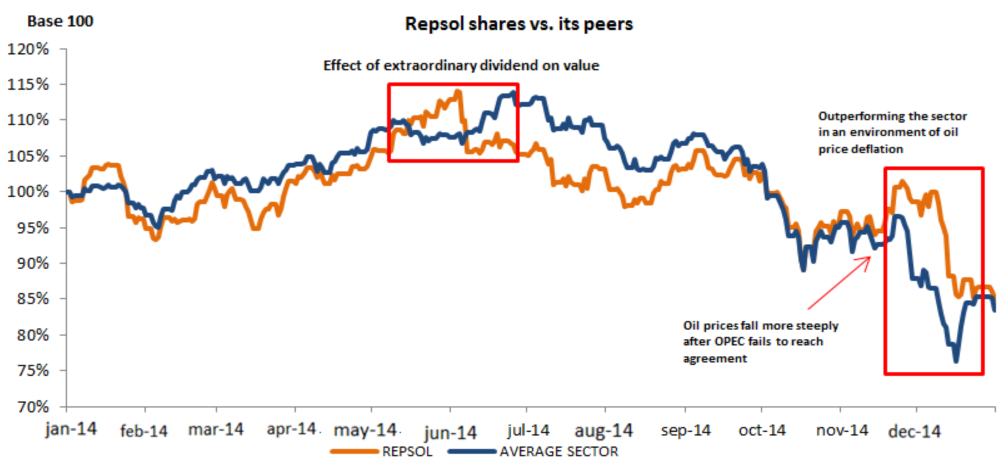
In 2014, Brent and WTI, major reference crudes oil, fell 44% and 46% respectively. This decline was emphasized after the OPEC meeting in November where the organisation decided to maintain current production quotas.



Note: Source Bloomberg. Brent OIL "*spot*" Price

The successful monetisation of the bonds received in exchange for YPF drove the Repsol share price during the first half of the year, and the company announced the payment of an extraordinary dividend of one Euro per share. During the second half, declining crude oil prices in the latter part of the year caused a drop in share prices for the sector.

Repsol closed the year with a fall of 15.1% meantime, its European oil sector peers were devalued by more than 16% on average. The resistance to more unfavourable price environments granted by the integration between Repsol's Downstream and Upstream activities has allowed the company to perform better in an environment of falling prices. In addition, the company stood among the best in the industry in terms of total shareholder returns, with the highest dividend yield among its peers.



Note: Industry average formed by BP, ENI, Total, Shell, OMV, Galp and Statoil

The main stock-exchange indicators of the Group during the years 2014 and 2013 are detailed bellow:

MAIN STOCK EXCHANGE INDICATORS	**2014**	**2013**
Shareholder remuneration (€/share) [(1)]	1.96	0.96
Share price at close of financial year[(2)] (euros)	15.55	18.32
Average share price (euros)	18.40	17.54
Maximum price for the period (euros)	20.91	19.78
Minimum price for the period (euros)	15.55	15.15
Outstanding shares at end of period (millions)	1,350	1,302
Market capitalization at end of period (million of euros) [(3)]	20,990	23,861
PER[(4)]	13.2	122.1
Dividend yield paid [(5)] (%)*	10.7	6.3
Book value per share [(6)] (euros)	20.69	20.89

[(1)] Shareholder Remuneration includes, for each year, dividends paid and the fixed price guaranteed by Repsol for free acquisition rights under the "*Repsol Flexible Dividend*" programme.
[(2)] Quoted year-end price per share in the Continuous Market of the Spanish Stock Exchanges.
[(3)] Trading price of the share at closing x number of outstanding shares
[(4)] Trading price of the share at closing / Earnings per share attributed to the parent company.
[(5)] Remuneration per share for each year / Quoted price at close of previous year.
[(6)] Equity attributable to parent company / Number of shares outstanding at closing period.

5. *PERFORMANCE OF OUR BUSINESS AREAS*

5.1) UPSTREAM

Our activities

The Repsol *Upstream* Division includes oil and natural gas exploration and production, and the company manages its project portfolio in order to achieve profitable, diversified and sustainable growth with a commitment to safety and the environment. The exploration and production activities are:

- **New areas**: Identification and entry into new projects (organic or inorganic growth).
- **Exploration**: Geology, seismic and geophysical activities and drilling exploratory wells in the search for hydrocarbon resources.
- **Evaluation**: Appraisal wells, definition of the resources discovered and determination of their commercial viability.
- **Development**: Drilling production wells and implementing facilities for starting production of the reserves.
- **Production**: Commercial exploitation of hydrocarbons.

Main figures

	2014	2013
Net non-developed acreage (Km^2)	188,278	223,363
Net developed acreage (Km^2)	1,035	880
Reserves of crude oil, condensate and LPG (Mboe)	441	422
Natural Gas Reserves (Mboe)	1,098	1,093
Proven Reserves Replacement Ratio (%)	118	275
Reserve replacement cost (three-year average) ($/boe) [1]	13.6	11.5
Net production of hydrocarbons day (boe/d)	355	346
Average crude oil realisation price ($/bbl)	79.6	88.7
Average gas realisation price ($/kscf)	3.8	4.0
Extraction cost [2] (net lifting cost - $/Boe)	5.3	5.0
Finding cost (three-year average) ($/boe) [3]	8.4	6.0

(1) Reserve replacement cost: Total Investment (ex. Gas Storage, Liquefaction, Regasification and Other Investments) /Addition of Net Reserves (without Reserves Sales)
(2) Net Lifting Cost: Lifting Costs / Net Production
(3) Finding cost: (Investments Acreage Acquisition+Exploration)/Discoveries and Extensions

Our performance in 2014

Millions of euros	2014	2013	Variation
North America and Brazil	145	90	61%
North Africa	25	227	(89%)
Rest of the world	419	663	(37%)
Adjusted Net Income	**589**	**980**	**(40%)**
EBITDA	**2,667**	**3,054**	**(13%)**
Operating Investments[1]	**2,843**	**2,317**	**23%**
Operating Cost	**734**	**654**	**12%**
Tipo Impositivo Efectivo	**49.8**	**46.7**	**7%**

(1) Development investments represented 58% of the total and they were mainly performed in United States (26%), Venezuela (22%), Trinidad & Tobago (18%), Brazil (18%) and Bolivia (7%). Exploration investments represented 37%, of the total and they were mainly performed in United States (34%), Angola (17%), Spain (9%), Brazil (8%), Russia (5%), Rumania (4%), Namibia (3%) and Colombia (3%).

Main events of the period

- **Exploratory campaign:** in 2014 the drilling concluded in **24 exploratory wells**, 4 with positive results, 14 negative and 6 wells, that as of 31 December were still under evaluation. At year-end 2014, there were 10 ongoing exploration surveys. In addition, the **acreage** was expanded with 28 new exploration blocks that represent a total of new gross exploratory area of 38,218 km^2.

- At the end of January 2014 **a sale agreement was signed for Repsol's 10% share in the "*Transportadora de Gas del Perú*" (TGP) gas pipeline**. TGP is the company responsible for the transport of natural gas and liquids from the Camisea production field to the Peru LNG liquefaction plant located in Pampa Melchorita and on to the city of Lima.

- On January 8, 2014, the **service agreement in the Reynosa-Monterrey block in Mexico came to an end** as planned, and the facilities were returned to the state-owned company with all commitments fulfilled.

- At the end of March, **gas production in the Kinteroni field** (Block 57) in Peru, one of the ten key projects of the company's Strategic Plan for 2012-2016, **began**. Repsol is the project's operator and holds a 53.84% stake. Block 57 is located to the east of the Andes, one of the most prolific exploratory gas areas in Peru.

- Also in March 2014, **the Gabi-1 survey in the Karabashsky 1 block, Russia, concluded with a positive outcome**, which Repsol operates and owns fully. This important discovery **is in addition to the Gabi-3 survey in the Karabashsky block 2**, also fully owned and operated by Repsol. The blocks are located in Western Siberia, and show their great potential for hydrocarbons.

- The "*Rowan Renaissance*" rig a cutting edge drilling vessel for ultra-deep water, one of the world's most modern and secure and contracted for construction in 2012, **began drilling operations in April**.

- In Algiers on May 15, Groupement Reggane, a consortium formed by Sonatrach, Repsol, RWE Dea and Edison International, operator of the Reggane Nord project in Algeria, which includes the Reggane, Kahlouche, Kahlouche Sur, Azrafil Sureste, Sali and Tiouliline fields, **signed an Engineering, Procurement, Construction and Commissioning contact for the Project's Surface Facilities (EPCCS),** located in the Algerian south-western Saharan region. This is an important milestone in the development work of what is a strategic project for the company, which foreseeably will begin gas production in the second quarter of 2017.
- In the second quarter of the year, an agreement was reached for the **entrance of Total** (35%) and **BG** (30%) in the **exploratory block in Aruba waters**. Repsol remains the operator of the block with a 35% stake.
- In July, as part of additional drilling works in the **TSP (Teak, Samaan and Poui) production asset, in the waters of Trinidad and Tobago**, the **discovery of additional hydrocarbon volumes** in the TB14 well was announced. This well is located to the north of the Teak field. In addition the **TB13 well began production** in June. Repsol is the operator of the project with a 70% stake.
- In the second quarter of 2014, **two appraisal wells were completed** on the North Slope in Alaska, **with positive results** (Qugruk-5 and Qugruk-7) as part of the appraisal and exploration works being carried out in the area.
- In mid-2014, the Brazilian authorities were informed of a **discovery** of a large **oil column** in block BM-C-33 with the exploratory well Seat-2 in the **deep waters** of the Campos basin. The well was perforated with the 7th generation drill ship "*Ocean Rig Mylos*". The block is operated by Repsol Sinopec Brazil (35%).
- The production test (DST) carried out in the first half of 2014 on the **Sagittarius discovery** in block BM-S-50 confirmed the **great potential of the deposit**, which is located in the deepwater pre-salt layer of the Santos basin in Brazil.
- As part of the plan to develop the **Sapinhoá field**, another major strategic project of the company located in block BM-S-9 in the deep waters of the Santos basin in Brazil, the fourth well began production in **July 2014**, allowing its production to "*plateau*" at **120 thousand boe/d in the south**, via the FPSO (Floating Production Storage and Offloading) "Cidade de São Paulo". Repsol Sinopec Brazil has a 25% stake in this important Brazilian project in the pre-salt layer, which is being carried out in association with Petrobras (45% and operator) and BG (30%).
- In August 2014, the Peruvian government approved the **sale of Repsol's 55% stake in block 39** to Perenco.
- In Russia in the third quarter of 2014, **3 exploration and appraisal wells were completed in the Karabashsky blocks, with positive results**. These were appraisal wells 31-P and 32-P and exploratory well K-3.
- In October 2014, the **important discovery of oil made in the León exploratory well** in the ultra-deep waters of the United States' Gulf of Mexico was announced. Repsol is the operator, with a 60% stake.
- In mid-November 2014, the first well in the **northern section of Sapinhoá** began **production** with FPSO *"Cidade de Ilhabela"* within the Sapinhoá megafield, in block BM-S-9, **in Brazil**. Production in this northern section is expected to plateau in late 2015 at 150 thousand boe/d.
- In November 2014, work began on the **drilling of the Sandía-1x exploratory well in blocks "*Canarias 1-9*"** with the rig "*Rowan Renaissance*". An analysis of the samples obtained confirmed the existence of gas, but not in sufficient volumes or of sufficient quality to consider possible extraction.
- In the last quarter of the year, work was completed on the **second appraisal well on the** Buckskin discovery with **positive results**, in deep waters of the **United States' Gulf of Mexico**.
- In early December 2014, an **exploratory discovery** in the deep waters of **Colombia** with well Orca-1, in the Tayrona block, in which Repsol has a 30% stake, was announced. The results obtained from the well are being assessed.
- Production in **Libya** experienced **unscheduled full and partial disruptions** in 2014 due to security concerns and blockages in the export line, due to instability in the country. These disruptions reduced production by 54% on 2013 levels.
- On December 15, the Board of Directors agreed to acquire **100% of shares in Talisman** Energy Inc., a Canadian company. See section 1.3 (*"Acquisition of Talisman Energy"*).

5.1.1. UPSTREAM MAIN ACTIVITIES

EXPLORATION AND DEVELOPMENT

At year-end 2014, Repsol's *Upstream* division was involved in oil and gas exploration and production blocks in 29 different countries, either directly or through investee companies. The company was the operator in 22 of these.

The tables below display information on Repsol's acreage and exploration and development activities by geographical area:

	Developed and non-developed acreage 2014			
	Developed (1)		Undeveloped (2)	
(km2)	Gross (3)	Net (4)	Gross (3)	Net (4)
Europe	**22**	**17**	**64,743**	**28,736**
Latin America	**1,945**	**534**	**115,292**	**48,896**
Brazil	121	11	3,164	432
Peru	197	26	27,743	11,966
Trinidad and Tobago	181	66	7,971	3,326
Venezuela	783	187	2,208	667
Other countries in South America	663	244	66,416	30,947
Central America	-	-	7,790	1,558
North America	**1,907**	**172**	**29,439**	**9,140**
Africa	**803**	**204**	**93,712**	**56,052**
Asia	**221**	**108**	**55,043**	**39,807**
Oceania	**-**	**-**	**12,548**	**5,647**
Total	**4,898**	**1,035**	**370,777**	**188,278**

(1) Developed acreage is the area assignable to production wells. The amounts shown belong to the acreage, both in terms of exploration and development.
(2) Non-developed acreage covers the surface area in which no wells have been drilled, or where wells have not been completed to the point of permitting oil and gas production in economically viable quantities, regardless of whether said area contains proven reserves.
(3) Gross acreage is the area where Repsol owns a working interest.
(4) Net acreage is the sum of the fractions of interest held in gross acreage.

	Acreage											
	No of blocks [(1)]				Gross acreage (km^2) [(2)]				Net acreage (km^2) [(2)]			
	Development		Exploration		Development		Exploration		Development		Exploration	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Europe	**10**	**10**	**50**	**49**	**399**	**399**	**64,367**	**64,301**	**332**	**332**	**28,420**	**32,334**
Latin America	**52**	**51**	**20**	**20**	**17,547**	**17,294**	**99,690**	**103,642**	**5,759**	**5,724**	**43,671**	**55,531**
Brazil	4	3	4	4	1,185	956	2,100	2,801	147	113	296	363
Peru	2	2	3	5	2,020	2,020	25,920	36,961	202	202	11,790	15,789
Trinidad and Tobago	7	7	1	1	5,579	5,579	2,574	2,574	2,363	2,363	1,030	1,030
Venezuela	8	8	-	-	2,990	2,990	-	-	853	853	-	-
Other countries in South America	31	31	10	10	5,773	5,749	61,306	61,306	2,194	2,193	28,997	38,349
Central America	-	-	2	-	-	-	7,790	-	-	-	1,558	-
North America	**6**	**7**	**498**	**517**	**10,168**	**18,208**	**21,178**	**22,908**	**919**	**2,009**	**8,393**	**9,089**
Africa	**4**	**4**	**13**	**34**	**12,059**	**12,059**	**82,457**	**140,607**	**2,564**	**2,564**	**53,693**	**79,815**
Asia	**19**	**16**	**22**	**21**	**2,082**	**2,076**	**53,180**	**41,043**	**1,022**	**1,018**	**38,893**	**23,279**
Oceania	**-**	**-**	**1**	**1**	**-**	**-**	**12,548**	**12,548**	**-**	**-**	**5,647**	**12,548**
Total	**91**	**88**	**604**	**642**	**42,255**	**50,036**	**333,420**	**385,049**	**10,596**	**11,647**	**178,717**	**212,596**

(1) The number of active blocks excludes unconventional Mississippian Lime assets in the United States.
(2) Gross acreage is the area where Repsol owns a working interest. Net acreage is the sum of the gross area in each acreage according to their respective working interests. Includes development and in production acreage.

	Finished and ongoing exploratory wells [(1)]									
	Positive		Negative		Under evaluation		Total		Ongoing	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Europe	**-**	**-**	**1**	**4**	**1**	**-**	**2**	**4**	**3**	**-**
Latin America	**1**	**2**	**3**	**6**	**2**	**-**	**6**	**8**	**2**	**-**
Brazil	1	1	1	4	-	-	2	5	1	-
Peru	-	-	-	-	-	-	-	-	1	-
Trinidad and Tobago	-	-	1	-	1	-	2	-	-	-
Venezuela	-	-	-	-	-	-	-	-	-	-
Other countries in South America	-	1	1	1	1	-	2	2	-	-
Central America	-	-	-	1	-	-	-	1	-	-
North America	**1**	**3**	**1**	**1**	**1**	**-**	**3**	**4**	**2**	**-**
Africa	**-**	**2**	**7**	**3**	**2**	**-**	**9**	**5**	**2**	**2**
Asia	**2**	**1**	**2**	**1**	**-**	**-**	**4**	**2**	**1**	**2**
Oceania	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**4**	**8**	**14**	**15**	**6**	**-**	**24**	**23**	**10**	**4**

(1) Evaluation / appraisals wells are not included. In 2014 were finished 10, 8 of them had a positive result. Furthermore one survey was ongoing.

	Finished development wells							
	Positive		Negative		Under evaluation		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Europe	-	-	-	-	-	-	-	-
Latin America	**78**	**95**	**5**	**6**	**8**	**6**	**91**	**107**
Brazil	9	4	-	-	-	-	9	4
Peru	1	1	-	-	-	-	1	1
Trinidad and Tobago	5	5	-	-	2	2	7	7
Venezuela	28	29	3	-	5	1	36	30
Other countries in South America	35	56	2	6	1	3	38	65
Central America	-	-	-	-	-	-	-	-
North America	**471**	**406**	**1**	-	**1**	**1**	**473**	**407**
Africa	**8**	**23**	-	-	-	-	**8**	**23**
Asia	**34**	**31**	**3**	**2**	-	**6**	**37**	**39**
Oceania	-	-	-	-	-	-	-	-
Total	**591**	**555**	**9**	**8**	**9**	**13**	**609**	**576**

PRODUCTION

Average net production for 2014 (355 Kboe/d) was 2.5% higher than in 2013 (346 Kboe/d). This increase was due to the connection of four additional productive wells in Sapinhoá in 2014, the start of production of Kinteroni at the end of March 2014, development drilling works at Mid-Continent, and the start of production of Phase II of Margarita and of SK in Russia in October and February 2013, respectively. The increase has in part been offset by the disruption to production in Libya for more than 220 days during the year.

Average production in Libya was 13.3 kboe/d in 2014, compared with 42.3 kboe/d in 2012, when there were no disruptions to production. Average daily production in Libya in 2013, when there were also disruptions to production, was 28.8 kboe/d. In other words, production in Libya fell by around 54% in 2014 compared with 2013, when production was not at its usual levels either.

	Net production of liquids and natural gas by geographical area						Productive Wells by geographical area			
	Liquids (Mbbl)		Natural gas (bcf)		Total (Mbep)		Oil		Gas	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Europe	**2**	**2**	**1**	**1**	**2**	**3**	**9**	**10**	**1**	**1**
Latin America	**27**	**24**	**412**	**395**	**101**	**94**	**1,113**	**1,098**	**199**	**180**
Brazil	6	3	3	*	6	3	21	17	-	-
Peru	4	4	53	40	14	11	-	-	27	20
Trinidad and Tobago	4	4	244	253	49	49	101	97	55	47
Venezuela	5	5	48	47	13	13	367	366	27	25
Other countries in South America	8	8	64	54	19	18	624	618	90	88
North America	**10**	**10**	**14**	**9**	**13**	**11**	**1,128**	**811**	-	-
Africa	**6**	**11**	**11**	**11**	**7**	**13**	**238**	**248**	**83**	**83**
Asia	**4**	**4**	**14**	**8**	**6**	**5**	**379**	**362**	**8**	**7**
Oceania	-	-	-	-	-	-	-	-	-	-
Total	**49**	**51**	**452**	**424**	**129**	**126**	**2,867**	**2,529**	**291**	**271**

(*) Production value between 0 and 1.

Average realization price for crude oil and gas by geographical region

	At December 31, 2014		At December 31, 2013	
	Average crude oil realization price	Average gas realization price	Average crude oil realization price	Average gas realization price
	($/Bbl)	($/Boe)	($/Bbl)	($/Boe)
Europe	101.75	62.66	108.12	63.27
South America	76.27	21.65	82.18	22.41
North America	91.55	27.42	102.36	28.78
Africa	97.42	-	108.51	-
Asia	47.21	9.28	60.13	10.69
TOTAL	**79.58**	**21.52**	**88.68**	**22.46**

Main production concessions by country

The following table provides figures on the main production and development concessions for Repsol's *Upstream* division by country at December 31, 2014, likewise stating the percentage that Repsol holds in each of them.

	Main blocks	% Repsol	Productive /Development	Operated (O) / Not operated (NO)	Liquids (L) / Gas (G)
Europe					
Spain	Lubina	100%	Productive	O	L
Spain	Casablanca-Montanazo	68.67%	Productive	O	L
Spain	Boquerón	61.95%	Productive	O	L
South America					
Trinidad and Tobago	BP TT	30.0%	Productive	NO	L-G
Trinidad and Tobago	TSP	70.0%	Productive	O	L-G
Trinidad and Tobago	5B Manakin	30.0%	Development	NO	L-G
Brazil	BM-S-9 (Sapinhoá)	15.00%	Productive	NO	L-G
Brazil	BM-S-9 (Lapa)	15.00%	Development	NO	L
Brazil	Albacora Leste	6%	Productive	NO	L-G
Bolivia	Margarita - Huacaya	37.50%	Productive	O	L-G
Bolivia	Sabalo	24.46%	Productive	NO	L-G
Bolivia	San Alberto	24.46%	Productive	NO	L-G
Colombia	Cravo Norte	5.63%	Productive	NO	L
Colombia	Cosecha	17.50%	Development	NO	L
Ecuador	Bloque 16	35.00%	Productive	O	L
Ecuador	Tivacuno	35.00%	Productive	O	L
Peru	Bloque 56 (Camisea)	10.00%	Productive	NO	L-G
Peru	Bloque 88 (Camisea)	10.00%	Productive	NO	L-G
Peru	Bloque 57 (Kinteroni)	53.84%	Productive	O	L-G
Venezuela	Cardón IV (Perla)	50.00%	Development	O	G
Venezuela	Quiriquire (Gas)	60.00%	Productive	O	G
Venezuela	Yucal Placer	15.00%	Productive	NO	G
Venezuela	Barua Motatan	40.00%	Productive	O	L
Venezuela	Quiriquire	40.00%	Productive	O	L-G
Venezuela	Mene Grande	40.00%	Productive	O	L
Venezuela	Carabobo	11.00%	Productive	O	L
North America					
United States	Shenzi	28.00%	Productive	NO	L-G

United States	Mississippian Lime	8.78%	Productive	NO	L-G
Africa					
Algeria	Tin Fouyé Tabenkor (TFT)	30.00%	Productive	O	L-G
Algeria	Reggane	29.25%	Development	O	G
Libya	NC-115	20.00%	Productive	O	L
Libya	NC-186	16.00%	Productive	O	L
Asia					
Russia	SK	49.00%	Productive	O	L-G
Russia	YK	49.00%	Development	O	G
Russia	SNO	49.00%	Productive	O	L
Russia	TNO	49.00%	Productive	O	L

RESERVES

At year-end 2014, Repsol's proven reserves, estimated in accordance with the US Securities and Exchange Commission (SEC)'s conceptual framework for the oil and gas industry, and in accordance with the criteria envisaged under the Petroleum Reserves Management System of the Society of Petroleum Engineers (PRMS-SPE), amounted to 1,539 Mboe, of which 441 Mboe (29%) relate to crude oil, condensate and liquefied gases, and the remaining 1,098 Mboe (71%) to natural gas.

	Proven reserves	
Millions of barrels of oil equivalent	**2014**	**2013**
Europe	3	4
South America	1,311	1,287
North America	60	46
Africa	125	139
Asia	40	39
Oceania	-	-
TOTAL	**1,539**	**1,515**

In 2014, the development of these reserves was positive, with a total incorporation of 153Mboe, mainly from the extensions and discoveries in Peru and Brazil, and review of the previous estimation in Trinidad & Tobago, United States and Brazil. In 2014, the company achieved a proven reserves replacement ratio (measuring total additions of proven reserves over the period relative to production for the period) of 118% (2013 275% y 2012 204%) for crude oil, condensate, LPG and natural gas (139% for crude oil, condensate and LPG, and 106% for natural gas), in line with the long-term objectives, incorporating resources which significantly strengthen the future growth.

5.1.2. ACTIVITIES IN THE MAIN GEOGRAPHIC LOCATIONS

NORTH AMERICA

United States

Repsol's diversified portfolio of projects in the United States, which includes assets in production and large exploratory projects (in both bases, both onshore and offshore), makes the United States one of Repsol's main strategic areas for growth. Repsol has a stake in 497 blocks in the United States, as well as an interest in the unconventional assets of Mississippian Lime.

In the first quarter of the year, the Bureau of Ocean Energy Management (BOEM), as part of Lease Sale 231 of the Gulf of Mexico, awarded block Walker Ridge 557 to the consortium comprised of Repsol (40%) and Marathon (60% and operator).

- On the North Slope in Alaska, two appraisal wells were completed in the second quarter of 2014, with positive results (Qugruk-5 and Qugruk-7). As part of the appraisal and exploration of the area, exploratory well Tuttu-1 was also drilled in 2014; this is currently being assessed. The positive results obtained to date following the three discoveries made in 2013 and the information that will be obtained during the next drilling campaign will allow the group to set out a first plan to develop the resources found on Alaska's North Slope.

  In 2014, 16 new exploratory blocks were added to Repsol's Acreage on North Slope in Alaska, where Repsol is the operator with a 70% stake.
- In October 2014, an important discovery of high-quality oil with the León exploratory well, in the ultra-deep waters of the United States' Gulf of Mexico, was announced. Repsol, which has a 60% stake, is the operator in the area. León is one of the deepest wells operated by Repsol (9,684 metres), and is evidence of Repsol's deepwater technological capability. The well uncovered net pay of oil more than 150 metres thick in a column of more than 400 metres under some 1,900 metres of water.
- In the fourth quarter of the year, the second appraisal well of the Buckskin discovery was completed, with positive results. Buckskin was discovered in 2009, and the positive results both of this second well and of the first appraisal well which took place in 2011 are evidence of the great potential of the deposit. The drilling of the Buckskin North well was completed at the end of 2014, with negative results.
- In the areas of unconventional resources in the Mississippian Lime deposit, between the states of Kansas and Oklahoma, in which Repsol holds a stake after an agreement ratified in 2012 with US oil firm Sand Ridge Energy, operations continued in 2014 with the intense drilling campaign of more than 400 producing wells drilled during the year, increasing the production obtained from these areas and offsetting the natural decline seen in this type of unconventional productive asset.

Canada

- Block EL-1111, which is operated by Husky and in which Repsol had a 33% stake, was returned in the first quarter of 2014.

LATIN AMERICA

Brazil

The exploratory discoveries made in Brazil in recent years, the development projects in progress, and the alliance formed between Repsol (60%) and China's Sinopec (40%) to create Repsol Sinopec Brazil, have reinforced the strategy of the company in offshore areas of Brazil, one of the areas experiencing the fastest growth in hydrocarbons reserves in the world and one of the keys to growth in Repsol's *Upstream* operations. In Brazil, the company has a large and diversified portfolio of assets, which includes the productive fields of Sapinhoá and Albacora Leste and blocks BM-S-9, BM-C-33, and BM-S-50, where major discoveries have been made in recent years.

- Three new wells in the southern section of the Sapinhoá field, in block BM-S-9 in the deepwater pre-salt layer of the Santos basin, started production in 2014. Commercial exploitation of Sapinhoá began in January 2013, when the first productive well started to produce. The second well began to produce in mid-February 2014, while the third and fourth wells began to produce in July 2014. The start of production of the fourth well in July 2014 saw the wells achieve their maximum production capacity of 120 thousand bbl/d of the first FPSO (floating production storage and offloading), "*Cidade de São Paulo*". In mid-November 2014, production began in the northern section of Sapinhoá with the FPSO "*Cidade de Ilhabela*". It is expected that by the end of 2015, this northern section of the Sapinhoá megafield in block BM-S-9 will also see its production plateau at 150 thousand bbl/d.
- In June, the National Agency for Oil, Natural Gas, and Biofuels of Brazil (ANP) was presented with the plan for the development of the north-east of the other large discovery in Block BM-S-9, Lapa, formerly known as Carioca. It is estimated that production in Lapa will start at the end of 2016.
- In mid-2014, the ANP was informed of the discovery of an important oil column with exploratory well Seat-2 in the deep waters of the Campos basin (block BM-C-33), with the appraisal plan for the three discoveries made to date (Pão de Açúcar in 2012, Gávea in 2011, and Seat in 2010). The well was drilled with the 7th generation drill ship "*Ocean Rig Mylos*". The three deposits represent one of the largest discoveries made to date in the pre-salt layer of the Campos basin. Block BM-C-33 is operated by Repsol Sinopec Brazil (35%), in collaboration with Statoil (35%) and Petrobras (30%).

  In January 2015, the ANP was informed of the positive preliminary results of the first appraisal well in the Pão de Açúcar discovery in block BM-C-33. The appraisal well is in the final drilling phase.
- In the first half of 2014, a production test was carried out on the Sagittarius well in block BM-S-50, with very positive results that confirmed the great potential of the deposit, which is located in the deepwater pre-salt layer of the Santos basin in Brazil.
- In the Albacora Leste productive field, in which Repsol-Sinopec has a 10% stake, the national authorities (ANP) were at the end of the year presented with an application for an extension of the Concession Agreement for the field for an additional 27 years (from 2025 to 2052).

Bolivia

- In 2014, Margarita-Huacaya, the important strategic growth project, recorded peak gas production levels of 16.5 million cubic metres per day (Mm³/d), above the 15 Mm³/d recorded since January 2014. The production level of 14 Mm³/d initially scheduled for October 2014 was achieved in October 2013, i.e. a year earlier than expected. Approval has also been given for Phase III, which will see total production rise to 18 Mm³/d in the first quarter of 2016. The project is operated by Repsol, which has a 37.5% stake.

Peru

- At the end of March, production at the Kinterini gas field in Block 57 in the Ucayali-Madre de Dios basin to the east of the Cordillera de los Andes, one of the most prolific gas areas in terms of exploration in Peru. Kinteroni was discovered in January 2008, and was one of the largest finds in the world that year. Repsol is the project operator and has a 53.84% stake, and in 2012 recorded another large find in this area (the Sagari well). At the end of the year, CNPC acquired an interest in the remaining exploratory area of Block 57, with the resulting recovery of past costs. CNPC has a 46.16% stake.
- In the first quarter of 2014, Repsol signed an agreement with Enagás for the sale of its 10% of the pipeline operated by Transportadora de Gas del Perú (TGP), the company that transports natural and liquid gas from the Camisea production field to the Peru LNG liquefaction plant located in Pampa Melchorita and to the city of Lima. Repsol sold its stake in the liquefaction plant as part of the sale LNG assets.
- Also in the first quarter, Peru's Ministry for Energy and Mines (MEM) approved Pluspetrol's entry into block 76, with a 30% stake. This block is in its third exploratory phase. Following the acquisition of a stake by Pluspetrol, block 76 is now held by Hunt Oil (35% and operator), Repsol Exploración (35%), and Pluspetrol (30%).
- In August 2014, the Peruvian government approved the sale of Repsol's 55% stake in block 39 to Perenco. The block is now held by Perenco (55% and operator), JV Petrovietnam (35%), and Reliance (10%).
- In 2014, the supply of natural gas to the Peru LNG liquefaction plant from the Camisea region, where Repsol has a stake of 10% in blocks 56 and 88, continued as per normal. Production from these blocks is used to supply the local market, as well as Peru LNG. Production is the Mipaya field (block 56) started in March 2014.

Venezuela

- In the major gas development project in the Cardón IV block, in the Gulf of Venezuela, the consortium (Repsol 32.5%, ENI 32.5%, and PDVSA 35%) continued to progress in 2014 on the development of the important Perla gas field. The plan to develop this key project consists of three phases, depending on the volumes of non-associated natural gas to be produced (150, 450, and 800 Mscf/d). In addition, there are plans for a final phase to achieve production of 1,200 Mscf/d. It is expected that the first phase (150 Mscf/d) will start production in the second quarter of 2015.
- During 2014, preparations to position installations on land were completed and works began to install the plant to process 150 Mscf/d, while progress was made on the construction of the gas pipelines and pipelines for earth condensates. Activities for the installation of underwater production lines from platforms to the earth (main gas pipeline) and underwater flow lines were completed. In the fourth quarter, the target depth in offshore well Perla 6 was achieved and the jackup drill will continue to drill throughout 2015.
- In 2014, progress was also made on the development of Carabobo, a heavy crude oil project that is key to growth in Venezuela and in which Repsol has an 11% stake. In 2014, the FEED (Front End Engineering Design) of permanent *Upstream* installations and the seismic campaign were completed, while work continued on the campaign to drill stratigraphic wells in order to obtain geological data on deposits.

  At the end of December 2012, the start of production of the first well specified in the accelerated development plan for the Carabobo field was announced. At the end of December 2014, gross production of extra-heavy crude oil reached 12 thousand bbl/d.

Trinidad and Tobago

- In July 2014, Repsol announced a new hydrocarbons discovery in the marine productive block TSP, in the Teak field. The find was made with appraisal well TB14 and will result in an extension to the north of Teak field. Repsol is the operator of TSP, with a stake of 70%. The TB14 appraisal well was in addition to the start-up of the TB13 development well in June.
- Also in 2014, a new discovery was made with well Arima-2 in TSP. This discovery is currently being evaluated.
- In August, the launch of the Juniper offshore gas project in the asset owned by bpTT, a company owned by BP (70% and operator) and Repsol (30%), was announced. Production in this project is expected to start in 2017.
- In 2014, there were scheduled disruptions to production on bpTT assets, due to drilling and maintenance operations.

Other countries in Latin America

- In **Colombia** in August, as part of the licensing round for 2014, the National Hydrocarbons Agency (ANH) awarded Repsol a 33.34% stake and the role as operator for exploratory block COL-4. It is expected that the block will officially become part of the Repsol's Acreage in the first half of 2015.

  In the third quarter of the year, it signed an agreement with Statoil to acquire a 10% stake in the Tayrona offshore block and 20% of Guajira Offshore-1. Repsol has a 20% stake in the Tayrona block, which is operated by Petrobras, and a 30% stake in the Guajira Offshore-1 block, which is operated by Repsol.

  In early December 2014, a gas discovery in the deep waters of the Caribbean off Colombia, in the Tayrona block, was announced. Exploratory well Orca-1 reached a depth of 4,240 metres at a depth of 674 metres underwater. Partners in the block will analyze the results of the drill and seismic information obtained to determine the gas potential and economic viability of the block.
- In **Ecuador**, in blocks 16 and Tivacuno, where Repsol is the operator under a services agreement, production continued as per normal in 2014. In December 2013, the agreement to amend Block 16 was signed with the Secretary for Hydrocarbons. This amendment allowed the Wati field to become part of Block 16 and extended the contractual period on December 31, 2022. The agreement to amend to Tivacuno block was also finalised in 2014.
- In the first half of 2014, Repsol became a part of the offshore project of Total (a 35% stake) and BG (30%) in **Aruba**. Repsol with a stake of 35%, it remains the operator of the project. In the second half of the year, a 3D seismic campaign was carried out which, once it is processed in 2015, will determine the possible location of the first exploratory well scheduled for 2016.
- In **Mexico**, the Services Agreement with Pemex in the Reynosa-Monterrey block ended on January 8, 2014 and the installations were delivered.

AFRICA

Repsol has a presence in northern Africa, in Algeria and Libya. It is also present elsewhere on the continent, in Angola, Morocco, Liberia, Namibia, and Gabon.

Libya

- In 2014, there were unscheduled intermittent partial or total disruptions to production on more than 220 days that affected fields on blocks NC-115 and NC-186 in the Murzuq basin, mainly due to problems with security and blockages in the export line, due to instability in the country.

- As a result of the deterioration in security conditions, expatriate personnel at Repsol's offices in Tripoli were evacuated on July 15, while field personnel were evacuated on July 30, 2014.
- Three exploratory wells were completed in 2014 (Khaima, Sanam and Agrub), with negative results.
- As at the start of 2015, operations in Libya continued to be affected by the security situation in the country.

Algeria

- In the second quarter of the year, an important step was taken towards the start of production at the important gas development project of Reggane Nord, a strategic growth project for Repsol: the Reggane Group, the consortium operating the project which made up of Sonatrach, Repsol, RWE Dea, and Edison International, signed the engineering, procurement, construction, commissioning, and start-up agreement (EPCCS) for surface installations. The agreement includes the provides for the construction of a gas treatment plant with a nominal capacity of 8 million cubic metres per day, the collection network for producing wells, and the gas line that will connect the plant to trunk gas pipeline GR-5. It is expected that these works will take 36 months to complete, and that gas production will start in the second quarter of 2017. Drilling began in January 2015. Repsol has a 29.25% stake in the project, operating jointly with Algerian state-owned firm Sonatrach (40%), Germany's RWE Dea AG (19.5%), and Italian firm Edison (11.25%).
- In April 2014, a 3D seismic information campaign to improve resolution and the information on deposits was completed at Reggane. It is expected that the information obtained will be processed in 2015.
- In October, the contract for the exploration and exploitation of the Boughezoul exploratory block, which was secured at the 4th ALNAFT licensing round, was signed with the Algerian government in Algiers. Repsol will operate the block with a 51% stake in the exploration phase (25% in the development phase).

Angola

- The drilling of two exploratory wells in the pre-salt layer of Angolan waters was completed in 2014: Locosso-1 (block 22), where Repsol is the operator with a 30% stake, and Ombovo-1 (block 35), in which Repsol has a 25% stake. To drill Locosso-1, "*Rowan Renaissance*", the latest–generation ultra deepwater drill ship, was used. This rig was one of the two (together with the "*Ocean Rig Mylos*") Repsol hired in 2012 to boost its offshore operations.

  The results of the two wells are being assessed.

Other countries in Africa

- In **Liberia** in the second quarter of the year, its partners decided not to proceed with the next exploration phase in block LB-15, which is operated by Anadarko and in which Repsol had a 27.5% stake.

  In block LB-10, in which Repsol has a 10% stake, two exploratory wells (Iroko and Timbo) were completed in the third quarter of 2014. These were declared not commercially viable.
- In **Namibia**, the drilling of exploratory well Welwitschia-1 was completed in the second quarter of 2014, with negative results. The well was drilled using the "*Rowan Renaissance*".
- In **Morocco**, the contract for the exploration licence for the "*Gharb*" offshore block, which had been requested from the Moroccan authorities in mid-2013, was officially signed in April 2014.

In 2014, following the recognition studies conducted in 2012 and 2013, a request was made with the ONHYM (“*the National Office for Hydrocarbons and Mines”)* for a licence to conduct exploration activities in the Boudenib area.

In 2014, partners in the offshore block of Tanger-Larache, in the Gharb basin, decided to return to the area due to its lack of potential.

- In the second half of 2014, Repsol and the government of Gabon signed the exploration and production contract for block E-13 (Luna Muetse) in deep waters north of the Kwanza basin, in Gabon. Repsol has an 80% stake in the block, which had been awarded in October 2013, while the Gabonese government has a 20% stake.

EUROPE

Norway

In recent years, Repsol has consolidated a broad portfolio of projects in this Scandinavian country, in accordance with its strategy of geographical diversification and a desire to increase its presence in OECD countries. In December 2014, Repsol had a stake in 20 licences for exploration in Norwegian waters, in which it was the operator in 7.

- At the 2013 tendering process (APA), the government of Norway awarded Repsol (Repsol Exploration Norge AS) 3 new exploration licences (one of which was as the operator): PL658B (the Barents Sea), PL750 (the Norwegian Sea) and PL763 (the Norwegian Sea).
- In the first quarter of 2014, the drilling of the Tastaveden well in block PL-628, which is operated by Statoil, was completed, with negative results.
- In August, Atlantic Petroleum Norge AS announced that it had accepted Repsol’s proposal to accept a 6% stake in licence PL528/528b in Norway. The consortium would consist of Centrica (40% and operator), Statoil (35%), Rocksource (10%), Atlantic (9%), and Repsol (6%). The agreement is pending Government approval.
- Three licences were returned in 2014 (PL 512, PL 529 and PL 531).

Spain

- In the first quarter of 2014, the Ministry for Industry, Energy, and Tourism granted Repsol the "*Medusa*" licence to prospect for hydrocarbons in the Mediterranean Sea, off the coast of Tarragona.
- In the last quarter of the year, the Ministry for Agriculture, Food, and the Environment approved the Environmental Impact Statement (EIS) for 3D seismic information projects in the Casablanca area and authorised the drilling of exploratory wells Fulmar 1 and Pelícano-1.
- Once all of the relevant permits had been obtained, the drilling of the Sandia-1x exploratory well in blocks “*Canarias 1-9*” began in November 2014 with the “*Rowan Renaissance*”. This latest-generation drill ship for ultra-deep waters is one of the safest and most modern in the world, and one of the two drill ships Repsol hired in 2012 to boost its offshore operations. In these Canarias blocks, Repsol is the operator, with a 50% stake. The drilling of Sandía-1x was completed in January 2015. Following the preliminary analysis of the samples obtained, it has been decided that the gas found is not present in sufficient volume or of sufficient quality for commercial exploitation.
- Following the completion of works, the Rodaballo-1well, in the Rodaballo field operated by Repsol in the Casablanca area, resumed production of crude oil Rodaballo-1 in early February 2015.

Portugal

- In 2014, the exploration blocks in Algarve (Lagosta and Lagostim), progress was made on preliminary works for the first exploratory well, which is scheduled for completion in late 2015. Repsol has a 90% stake and operates in these blocks.
- In 2014, an agreement was reached with company Kosmos to acquire a stake in offshore blocks Mexilhao, Ameijoa, Ostra, and Camarao, via the transfer of part of Repsol's stake in the block where it is the operator.

Other countries in Europe

- In the third quarter of 2014, work began on the drilling of two exploratory wells (Piscuri and Baicoi) in the blocks located in the Carpathian fold and thrust belts in **Romania,** where Repsol entered in 2013 following the agreement reached with OMV Petrom to explore the depths of this area. Repsol has a 49% stake, while OMV is the operator.

ASIA

Russia

- In June 2014, Repsol announced that the recoverable resources discovered with wells Gabi-1 and Gabi-3, in the Ouriyinskoye field, in blocks Karabashsky 1 and 2 (100% Repsol), in western Siberia, had been certified by the appropriate body of the Ministry for Natural Resources and the Environment at 240 million barrels of oil equivalent, a find that would represent a considerable increase in Repsol's current resources in Russia. According to the Minister for Natural Resources and the Environment of the Russian Federation, it was the largest hydrocarbons discovery in Russia in the last two years. In mid-2013, the exploratory discovery was made with the Gabi 3 well in block Karabashsky-2 and, in early 2014, the Gabi 1 well in the Karabashsky-1 block was completed with very positive results, results which were confirmed with the production tests carried out in 2014.
- In the third quarter three drills in the Karabashsky blocks were completed, with positive results. Two of them (31-P and 32-P) are appraisal wells, while the third is exploratory well K-3.
- Among the assets held by AR Oil & Gas (AROG), which is owned by NNK (51%) and Repsol (49%), studies to optimised production and reduce operating costs at Saneco continued in 2014, as did the drilling campaign at TNO-Tafneteodacha, producing better-than-expected production ratios, while work began on technical studies designed to optimise production. At SK, the 2014 drilling campaign was completed as scheduled and works to be completed in 2015 were set out.

Other countries in Asia

- In mid-2014, an agreement was reached with the company Niko in **Indonesia** whereby said firm transferred its 50% stake in the Cendrawasih Bay II block to Repsol.
- In **Iraq**, in the second quarter of 2014, Repsol completed the drilling of two exploratory wells (Binari Serwan-1, in the Qala Dze block, and Zewe in the Piramagrun block) in Iraqi Kurdistan. Both were declared not commercially viable.

OCEANIA / Australia

- In the second quarter of the year, Repsol acquired an interest in the WA-480-P exploratory block held by BHP Billiton Petroleum Australia, with a 55% stake. Repsol was awarded 100% of this offshore block by the Australian government in 2012.
- In April, the processing of the existing 3D seismic campaign was completed and a 2D seismic campaign was completed in July.

5.2) DOWNSTREAM

Our businesses

The Repsol Group *Downstream* business embraces the supply and trading of crude oil and other products, oil refining, commercialization of oil products and the production and commercialization of chemicals.

- **Refining:** production of fuel and other oil-derived products.
- **Marketing:** commercialization and sale of the company's products.
- **Trading & Transport:** supply of crude oil and products to the Refining system, and the trading of crude oil and own products outside the system.
- **Chemicals:** production and commercialize of a wide variety of products, ranging from basic petrochemicals to derivatives.
- **LPG:** production, distribution and retailing of LPG.
- **Gas & Power:** mainly transportation, commercialization, trading and regasification of liquefied natural gas in North America and Spain, as identification of renewable energy power opportunities.

Main figures

	2014	2013
Refining capacity (kbbl/d)	**998**	**998**
Europe (including stake at ASESA)	896	896
Rest of the world	102	102
Conversion index (%)	**59**	**59**
Crude oil processed (million t)	**39.5**	**38.1**
Europe	36.2	35.0
Rest of the world	3.3	3.1
Refining margin indicator ($/Bbl)		
Spain	4.1	3.3
Peru	4.8	0.8
Number of service stations	**4,649**	**4,604**
Europe	4,275	4,250
Rest of the world	374	354
Oil product sales (kt)	**43,586**	**43,177**
Europe	39,315	39,066
Rest of the world	4,271	4,111
Petrochemical product sales (kt)	**2,661**	**2,337**
Europe	2,221	2,023
Rest of the world	440	314
LPG sales (kt)	**2,506**	**2,464**
Europe	1,474	1,412
Rest of the world	1,032	1,051
LNG sold in North America (TBtu)	**274**	**184**
LNG regasified (100%) in Canaport (Tbtu)	**18**	**37**

Our performance in 2014

Millions of euros	**2014**	**2013**	**Variation**
Europe	784	363	116%
Resto of the world	228	116	96%
Adjusted net income	**1,012**	**479**	**111%**
Inventory effect	(606)	(187)	(224%)
MIFO recurrent net income	**406**	**292**	**39%**
EBITDA	**1,284**	**1,137**	**13%**
Operating Investments[1]	**702**	**672**	**4%**
Effective Tax Rate	**31.5**	**34.9**	**(9.7)%**

[1] In 2014, most investments of the period were destined to operative, facilities and fuel quality improvements, as well as security and environmental matters.

Main events of the period

- Under the framework of the agreement to sell Shell some of the LNG assets and businesses, On January 1, 2014, having obtained the necessary authorisations, the sale of the share in **Repsol Comercializadora de Gas S.A., was completed**, which mainly activity was commercialization, transports and trades natural gas.

- On April 3, the Spanish Markets and Competition Commission authorised Repsol's **purchase of 45% of Petrocat from CEPSA**, which is subject to the fulfilment of commitments offered by Repsol, which were authorized by CNMV on December 16, data in which acquisition was fulfilled.

- On July 4, Royal Decree 8/2014 was passed, on urgent measures for growth, competition and efficiency, which, **with respect to bottled LPG, liberalises the pricing** of bottles with an empty weight of less than 9 kg. Additionally, the Royal Decree includes measures on energy efficiency which include the creation of the Energy Efficiency Fund, to which gas and electricity companies must make an annual financial contribution, as must wholesale oil product operators and wholesale liquid gas operators, thus affecting LPG and fuels.

- **The "*Client Plan*" was unveiled** on October 27. The aim of this plan was to ensure that each client who uses the Repsol petrol station network is satisfied with the experience, thus generating a differential value in service that allows the group to maintain its competitive advantage in future.

- In the last quarter of 2014 was started up, as it was planned, the **new cutting edge lubricant bases production plan** in Cartagena (facility owned jointly by Repsol with the Korean company SKL) with a capacity of processing 630 thousand annual tons for the production of lubricants bases type II and III.

- In 2014, Repsol and the Port Authority completed the administrative formalities required in order for **the transfer** of the activity on the wharves of the **A Coruña refinery to the external port of Punta Langosteira**, where it will have 60% of its traffic before April 2018, to commence.

- In 2014, progress was made on works at the **La Pampilla refinery to adapt** it to new fuel quality specifications in Peru.

- During the period have been notified several favourable sentences awarding Repsol's right to compensation for damages caused by the application of a price cap formula on **regulated bottled LPG** arising from Order ITC 2608/2009, in force between October 2009 and September 2012.

- Continuing its **AutoGas business expansion policy**, Repsol has increased the number of service stations offering the product in Spain by 40. In addition, this business has benefitted from the **momentum** provided by the approval given by the government in December for the PIMA Aire 4 Plan, whereby assistance (subsidies) can be given for the purchase of these vehicles, as well as discounts at parking meters set by Madrid City Council.

- During the year, **Trading finalised a number of agreements** that will enable the group to take advantage of opportunities in the market, optimise and diversify its range of crude oil products, and strengthen the position of the Group in certain markets.

- In 2014, Repsol requested from the Canadian authorities the relevant permits to build a **gas liquefaction plant with a capacity of 5 MT/year in Canaport**, using the location of current regasification assets to its advantage.

- During the year, Scottish authorities awarded permission to build and operate **marine wind energy projects** in the concessions of Inch Cape, Moray Firth, and Beatrice, in which Repsol has stakes of 51%, 33% and 25%, respectively. The Beatrice project has received from the government an offer to participate in the inaugural contracts for difference (CFD), which will guarantee electricity prices for fifteen (15) years. Also in the United Kingdom, and with regards to the wind power project at Inch Cape, authorisation has been received to build and operate the wind farm.

- During the first six months of the year, the Group has maintained its policy of **associations with the market's leading companies**:

    - Repsol and **El Corte Inglés** have expanded their collaboration, to now have up to 100 Supercor Stop & Go shops in Repsol Service Stations.

    - Repsol and **Renault** have reached an agreement to promote sales of Renault and Dacia cars fuelled by **AutoGas**.

    - Repsol and **Michelin** continue to have a strategic agreement in place to **stimulate the distribution and sale of their respective products**.

    - **AIMIA**, the international leader in loyalty programmes, has bought a stake in Air Miles, a company partly owned by Repsol, which manages the **Travel Club** programme.

- Repsol has acquired a **shareholding of 5.13% in "*Iberian Gas Hub*"**, a company that promotes the development of an organised market for natural gas on the Iberian Peninsula. The creation of a liquid Iberian hub will create a transparent benchmark price, making it easier for consumers such as Repsol to acquire gas at competitive prices in Spain.

5.2.1. MAIN DOWNSTREAM ACTIVITIES

REFINING

Current situation

The year was marked by the effects of the international economic crisis. In the first half of the year, margins on Refining activities in Europe remained low, due to weak demand and excess refining capacity. In addition, imports of oil products from the United States (in particular middle distillates) resulting from high levels of use at its refineries, which is turn is the result of low prices for crude oil and energy costs derived from the use of unconventional resources) and the Middle East, where new, large, more efficient complexes are coming on-stream, have squeezed refining margins. For this reason, closures of refineries were announced in Europe over the course of 2014. In the second half of 2014, margins improved mainly as a result of lower energy prices due to the fall in the international price of crude oil; another factor in this improvement was the scheduled shutdown of refineries and the change in specifications of the bunker in ECAs (emission control areas) from January 1, 2015, which will result in a greater use of distillates rather than heavy fuel for maritime navigation purposes.

In the short-term, it is expected that margins will remain at these levels due to the reasons explained above, while in the medium- and long-term margins will depend on changes in demand for oil products and the supply of refining capacity. The restructuring of the sector, which is expected to continue in the coming years, with the closure of less complex and less competitive facilities, will allow a better adjustment of supply to demand, which will no doubt lead to a recovery in margins, particularly at refineries geared towards the production of medium distillates and with capacity to process heavy crude oils, as it is the case of Repsol.

Our activity

The Repsol Group owns and operates five refineries in Spain (Cartagena, A Coruña, Bilbao, Puertollano and Tarragona), with a combined distillation capacity of 896 thousand barrels of oil per day (including, in the case of the Tarragona refinery, the share in Asfaltos Españoles S.A.). Installed capacity at La Pampilla refinery (Peru), in which Repsol holds a 51.03% stake and is the operator, is 102 thousand barrels of oil per day.

The refining margin in Spain stood at 4.1 dollars per barrel in 2014, higher than 2013 (3.3 dollars per barrel). In Peru, the annual refining margin came in at 4.8 dollars per barrel, in comparison to the 0.8 dollars per barrel seen in 2013.

The following table shows the refining capacity of the plants in which Repsol had an interest on December 31, 2014:

Refining capacity [1]	Primary distillation (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 financial statements. The reported capacity in Tarragona includes the shareholding in ASESA.

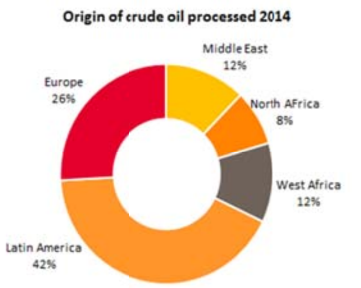
(2) Defined as the ratio between the equivalent capacity coefficient of Fluid Catalytic Cracking (FCC) and primary distillation capacity.

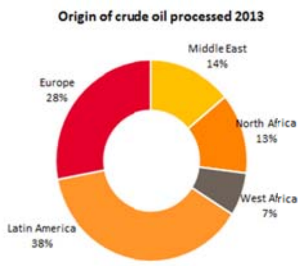
In this context, the Repsol refineries managed by the *Downstream* division processed 39.5 million tons of crude oil, representing an increase of 3.7% compared to 2013. The average use of refining capacity was 80.8% in Spain, higher than the 78.1% recorded in the preceding year. In Perú, refinery use was also higher than in 2013, from 60% to 64.4% in 2014.

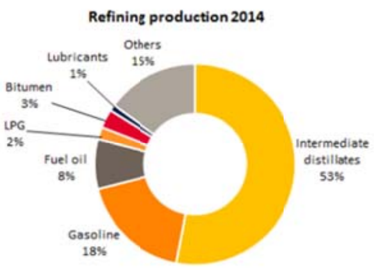
The table below provides a breakdown of refinery production, by main products:

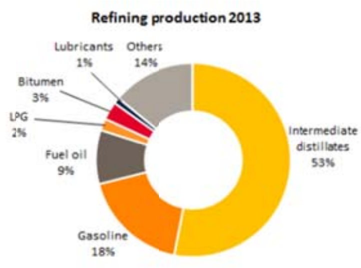
Refinery intake	**2014**	**2013**
Thousands of tons		
Crude oil	39,480	38,074
Other refinery intake	8,163	7,312
Total	**47,643**	**45,386**

Refining production	**2014**	**2013**
Thousands of tons		
Intermediate distillates	23,673	22,299
Gasoline	7,985	7,587
Fuel oil	3,521	3,555
LPG	930	929
Bitumen [1]	1,152	1,080
Lubricants	203	232
Other (except petrochemicals)	6,847	6,059
Total	**44,311**	**41,741**









(1) Includes 50% of the Asfaltos Españoles S.A. (ASESA) bitumen production, in which Repsol and Cepsa own 50% shares. Repsol commercialize 50% of ASESA's products.

OIL PRODUCTS SALES

Thousands of tons	**2014**	**2013**
Sales by geographic area		
Sales in Europe	**39,315**	**39,066**
Own marketing	**19,530**	**19,170**
Light products	16,846	16,587
Other products	2,684	2,583
Other sales [(1)]	**7,329**	**6,734**
Light products	6,927	6,484
Other products	402	250
Exports [(2)]	**12,456**	**13,162**
Light products	4,466	4,583
Other products	7,990	8,579
Sales rest of the world	**4,271**	**4,111**
Own marketing	**2,074**	**2,209**
Light products	1,909	1,979
Other products	165	230
Other sales [(1)]	**1,271**	**1,144**
Light products	1,097	893
Other products	174	251
Exports [(2)]	**926**	**758**
Light products	390	283
Other products	536	475
TOTAL SALES	**43,586**	**43,177**
Sales by distribution channel		
Own marketing	**21,604**	**21,379**
Light products	18,755	18,566
Other products	2,849	2,813
Other sales [(1)]	**8,600**	**7,878**
Light products	8,024	7,377
Other products	576	501
Exports [(2)]	**13,382**	**13,920**
Light products	4,856	4,866
Other products	8,526	9,054
TOTAL SALES	**43,586**	**43,177**

[(1)] Includes sales to oil product operators and bunker sales.
[(2)] Expressed from country of origin.

The course of action for the Refining businesses continues mainly focusing on optimising production and improving efficiency. In this respect, a large number of measures are being implemented to improve energy efficiency, as the most significant vector of optimizing, maintaining and operating costs and improving the competitiveness of the business line, managing markets and the logistics of access to those markets, and the relationship with the business environment, all based on the appropriate management of human resources in an active policy of safety, environment and innovation.

In the four quarter of 2014 was started up, as it was planned, , a new production plant for next-generation lubricants in Cartagena, a joint facility with the Korean company SKL, with a capacity of processing 630 thousand annual tons for the production of lubricant bases type II and III. The plant, adjacent to the refinery in Cartagena, has involved an investment of €250 million. The Tarragona and Cartagena refineries provide the raw materials for the plant.

The base oils produced are needed in the manufacture of advanced lubricants and contribute to a major reduction in emissions and consumption in the most modern engines.

MARKETING

Repsol commercialize its range of products through an extensive network of service stations. In addition, Marketing includes other sales channels and the commercialization of a wide range of products, such as lube oils, bitumen, coke, and derivatives.

Total marketing sales were 21,604 thousand tons in 2014, an increase of 1% compared with the same period in 2013. In 2014 a recovery of the domestic consumption is noticed, along with the international growth and new business opportunities.

In this regard, emphasis is placed on the opening of new product marketing lines abroad, the maintenance of petrol and diesel market shares in Spain and Portugal.

The management of commercialization margins and credit risk enabled positive results to be obtained both in the service stations channel and in direct sales to the end consumer.

At year-end 2014, Repsol had a network of 4,649 service stations in countries where the *Downstream* division operates. In Spain, the network comprised 3,585 points of sale, 71% of which had a strong concessionary link to the network, while 29% were company operated. Service stations in other countries were spread throughout Portugal 440, Italy 250 and Peru 374.

The *Downstream* had the following points of sale (service stations and supply units) as of December 31, 2014:

Points of sale	Controlled by Repsol [(1)]	Branded [(2)]	**Total**
Spain	2,521	1,064	3,585
Portugal	261	179	440
Peru	112	262	374
Italy	87	163	250
Total	**2,981**	**1,668**	**4,649**

(1) Owned or controlled by Repsol under long-term commercial agreements or other types of contractual relations that ensure direct long-term control over these points of sale.
(2) "*Branded*" refers to service stations owned by third-party dealers with whom Repsol has entered into a new branding agreement, entitling Repsol to (i) be the sole supplier of these service stations and (ii) to use its brand at the service station.

In Spain, Repsol commercialize its fuels under the Repsol, Campsa, Petronor and Petrocat brands, with the following distribution as of December 31, 2014:

Brand	**Points of sale**
Repsol	3,157
Campsa	123
Petronor	283
Petrocat	19
Other	3
Total	**3,585**

Law 11/2013 of July 26 introduced a number of measures aimed to ensure fuel price stability and to increase competition in the sector (see APPENDIX III of the Consolidated Annual Account for the financial year 2014 for further information on Law 11/2013). In this new context, Repsol, as a market leader and with a wide geographical coverage, works to efficiently meet the new challenges posed by this legislation.

Growth and consolidation

The company maintains its partnerships policy with market leaders such as El Corte Inglés, with a joint promotional campaign to offer discount vouchers for purchases of a certain value, both in Repsol service stations and its own chain of stores. Repsol has also strengthened its strategic alliance with Burger King.

In 2014, several key projects have been launched in various segments, enhancing brand value and product quality through innovation, operational excellence and a committed team.

In line with Repsol's policy of monitoring changing market trends, the Company has piloted a business model based on increasing point of sale automation. In 2014, there are 27 points of sale with this new business model with the Campsa Express brand.

In 2014, Repsol has continued with its international expansion commercializing green fuel grade coke 61% of the sales have been made in foreign markets, reaching a total of 21 countries mainly in Europe and North Africa. Furthermore this year also saw the initiation of a strategy for growth in the sale of this product through trading operations and long positions have been taken in the United States' Gulf of Mexico and in Saudi Arabia, which have enabled us to reach new markets, such as Asia.

In line with this idea of growth and consolidation, *"Servicios Logísticos de Combustibles de Aviación"* (SLCA), in which Repsol holds a 50% interest, starts in-plane refueling operations in Spain's two main airports: Madrid-Barajas and Barcelona-El Prat. Consequently SLCA has become the second largest operator in Spain by number of airports and business volume.

Following the strategic policy of the company to consolidate its market position in Portugal, the Boa Nova and Sines logistics projects have been launched, enabling Repsol to achieve a better supply foothold in the country.

Confirming the growth and consolidation strategy, over 52% of the Lubricants, Bitumen and Specialties sales are made in the international market, operating in over 90 countries and with 60 international distributors of lubricants. Strengthening its international presence, a new commercial office was opened in Colombia in November, 2014. Notice also the start-up of the third generation lubricant bases production plant, with a production capacity of 630 thousand of tons.

True to its social commitments, in 2014 Repsol maintained its policy for the employment and integration of people with disabilities and advanced in its commitment to sustainability, respect for the environment and safety of people, developing environmentally friendly products at the Repsol Technology Centre, as Bio Repsol Telex 68 oil and green bitumen.

LIQUEFIED PETROLEUM GAS (LPG)

Repsol is one of the leading retail distributors of LPG in the world, ranking first in Spain and Peru, and maintaining top positions in Portugal and Ecuador. In 2014, the company operated in four different European and Latin American countries.

LPG sales in 2014 amounted to 2,506 thousands of tons. Meanwhile, total sales in Spain increased 4% year on year, primarily due to higher retail sales in the petrochemical sector, offsetting the decline of the retail demand. Repsol distributes bottled, bulk, and piped LPG in Spain through the collective distribution and Autogas networks, with over 6 million active customers. Bottled LPG sales accounted for more than 63% of total retail LPG sales in Spain in 2014, through a network of 215 distribution agencies.

Sales volume of LPG by geographical area (Thousands of tons)	**2014**	**2013**
Europe	**1,474**	**1,412**
Spain	1,343	1,281
Rest of Europe [1]	131	131
Latin America	**1,032**	**1,051**
Peru	634	665
Ecuador	398	386
Total	**2,506**	**2,464**
Sales volume of LPG by product		
Bottles	1,281	1,354
Bulk, piped and other [2]	1,225	1,110
Total	**2,506**	**2,464**

[1] Portugal.
[2] Includes sales to the automotive market, LPG operators and others.

In Spain, prices continue to be regulated for piped LPG and bottles between 8 and 20kg, excluding bottled mixtures for using LPG as fuel.

In the case of bottled LPG, prices have been regulated by Royal Decree Law 29/2012 and Order IET/463/2013 of March 21, updating the system for the automatic determination of the maximum sales price, before taxes, of bottled liquefied petroleum gas, and its subsequent resolutions.

Royal Decree-Law 8/2014, of 4 July, has freed up the sale price of containers of between 8 and 20kg with a tare weight equal to or less than 9 kg, except for wholesale LNG operators, with an obligation to supply households, which do not have containers with a tare weight of more than 9 kg, in the relevant territory. The traditional containers sold by Repsol weight more than this tare weight; as a result, the price of this product remains regulated. Repsol is working on a new, light, more modern container that will meet the conditions for sale at unregulated prices.

In Portugal, Repsol distributes bottled, piped and bulk LPG and Autogas to end customers while also supplying other operators. Sales in 2014 reached 131 thousands of tons, making the company the third largest operator with a 20% market share.

In Latin America, Repsol commercialize bottled, bulk, piped and automotive LPG in the home, commercial and industrial markets of Peru and Ecuador with sales of 1,032 thousands of tons.

AutoGas (LPG vehicles) is the most widely used alternative fuel in the world, with over 21 million vehicles (eight million in Europe). Although it has yet to make any meaningful impact on the Spanish market, sales grew by 18% in 2014 which confirms an increase in the demand for this economic fuel that also helps to improve air quality within cities.

Repsol, fully aware of the growing interest in this alternative fuel, had 863 service stations equipped with AutoGas pumps at year-end 2014, 552 service stations, of which over 305 are in Spain. Additionally there are already 311 supply points at customer sites.

In Peru the Energy Social Inclusion Fund (FISE) continues to operate, which, among other measures, established the distribution of discount vouchers worth 16 soles per 10kg bottle of LPG, allowing the more impoverished sectors of society to access and consume LPG, thus substituting other sources such as kerosene and firewood.

For further information on Spain and Peru regulatory framework, see APPENDIX III in the Consolidated Annual Accounts for the financial year 2014.

CHEMICALS

The Chemicals division produces and commercializes a wide variety of products, and its activities range from basic petrochemicals to derivatives. Its products are commercialized in over 90 countries, leading the market on the Iberian Peninsula.

Production is concentrated at three petrochemical complexes located in Puertollano, Tarragona (Spain) and Sines (Portugal), where there is a high level of integration between basic and derivative chemicals, as well as with refining activities, in the case of the Spanish facilities. Repsol also has a number of subsidiary and affiliate companies, through which the company produces styrene derivatives, chemical specialties and synthetic rubber at special plants, being the latter produced through Dynasol, a 50% partnership with the Mexican KUO group, with plants in Mexico and Spain and another one under construction in China with local partner Shanxi Northern Xing'an Chemical Industry.

In the next table is shown the production capacity in 2014 and 2013 of the main petrochemical products of the Group:

PRODUCTION CAPACITY *(Thousands of tons)*	**2014/2013**
Basic petrochemicals	**2,808**
Ethylene	1,362
Propylene	904
Butadiene	202
Benzene	290
Methyl tert-butyl ether / Ethyl tert-butyl ether	50
Derivative petrochemicals	**2,491**
Polyolefins	
Polyethylene [(1)]	883
Polypropylene	520
Intermediate products	
Propylene oxide, polyols, glycols, and styrene monomer	937
Acrylonitrile / Methyl methacrylate	-
Rubber [(2)]	115
Other [(3)]	36

(1) Includes ethylene vinyl acetate (EVA) and ethylene butyl acrylate (EBA) copolymers.
(2) Includes 55 thousand tons of production capacity in Mexico.
(3) Includes specialties.

The chemicals division saw an improvement in its results in 2014 compared with a year earlier due to better conditions, both in terms of demand and margins and important measures to improve efficiency.

In 2014, sales to third parties totalled 2.6 million tonnes, compared with 2.3 million tonnes in 2013, an increase of 13.9 %. This greater volume was achieved thanks to a recovery of sorts in the polyolefin market, Repsol's main market, and the great efforts made to boost exports.

With regards to margins, the year was marked by great volatility in the price of crude oil and naphtha. As a result, prices in the fourth quarter rose to their highest levels in recent years.

In addition, special mentioned must be made of improvements in margins in 2014 as a result of greater flexibility in the sourcing of raw materials to crackers and the implementation of important investments in energy efficiency in the cracker of Tarragona following the long-term suspension that occurred at the end of 2013 that continued into the first few months of 2014.

The year also saw the consolidation of income from the sale of technology to the Chinese business group "*Jilin Shenmue Group*" for the construction of a flexible polyols plant of 185,000 t/year and two polymer polyols plant of 24,000 t/year each that Jilin Shenmue will build in China. This operation confirms Repsol's position as a forerunner in this manufacturing process.

Thousands of tons	**2014**	**2013**	**Variation**
Sales by type of product			
Basic petrochemicals	874	718	21.7%
Derivative petrochemicals	1,787	1,619	10.4%
TOTAL	**2,661**	**2,337**	**13.9%**
Sales by region			
Europe	2,221	2,023	9.8%
Rest of the world	440	314	40.1%
TOTAL	**2,661**	**2,337**	**13.9%**

As for investments, these have been mainly destined to the improvement and optimization of existing assets, efficiency boost, cost reduction, differentiation and improvement of quality, safety, and environmental compatibility standards.

Similarly, it is also worth noting the disbursement made in the cracker optimisation project in Puertollano that will adapt ethylene production to suit the needs of the industrial complex, also entailing significant energy savings, as well as the adaptation of the High Density Polyethylene plant in Tarragona plant to produce metallocene grades to expand the product range. The startup of the first project mentioned is scheduled for 2015 to coincide with the multiannual shutdown of the Puertollano facility.

Finally, with respect to the Dynasol growth project in Asia, through a joint venture in China for the installation of a 100 ktn year synthetic rubber plant with a local partner "*Shanxi Norther Xing´an Chemical Industry*", during this construction has moved forward, nevertheless have been delayed the start-up of the plant until 2015.

GAS & POWER

Gas & Power activities include the transportation, commercialization, trading and regasification of liquefied natural gas as well as renewable energy power projects.

During 2013 and early 2014, Repsol sold part of the LNG assets and businesses, namely its investments in liquefaction plants (Trinidad and Tobago and Peru), and the power generation plant of Bahía Bizkaia Electricidad (BBE), as well as the assets associated to commercialization, transport and trading. (See Note 4 of the Consolidated Annual Accounts for the financial year 2014).

On December 31, 2014, the Group maintains its regasification and transport assets and its marketing businesses in North America, as their main assets of LNG business, the regasification plant in Canaport and its pipelines in Canada and USA.

International reference prices	2014	2013	Variation
Henry Hub ($/Mbtu)	4.4	3.7	18.9%
Algoquin ($/Mbtu)	8.1	7.0	15.7%

Natural Gas in North America	2014	2013	Variation
LNG regasified (TBtu) in Canaport (100%)	18	37	(51%)
LNG sold in North America (TBtu)	274	184	48.9%

In 2014, Repsol began the process to request from the Canadian authorities permission to increase the optionality of the gas liquefaction plant with a capacity of 5Mt/year in Canaport, using the location of current regasification assets to its advantage.

In terms of renewable energy projects, in 2011 Repsol acquired 100% of British firm Sea Energy Renewables, which was later renamed Repsol Nuevas Energías U.K., this firm promotes and develops offshore wind farms, and is based in Scotland. With this acquisition, Repsol secured the right to develop three offshore wind farms off the Scottish coast (Moray Firth, Inch Cape and Beatrice).

As part of this operation, Repsol reached an agreement with EDP Renováveis to jointly develop *Moray Firth* and *Inch Cape*, in which Repsol has a stake of 33% and 51%, respectively (in the case of the latter, it is the project leader). Meanwhile, Repsol has a 25% stake in the Beatrice wind farm, while Copenhagen Infrastructure Partners (CIP) has a 25% stake and Scottish and Southern Energy Renewables (SSE) is the project leader, with the remaining 50%.

In March 2014, Scottish authorities have granted permits to build and operate Moray Firth and Beatrice with a maximum installed capacity of 1,116 MW and 750 MW, respectively. The Beatrice project is one of five offshore wind energy projects in the United Kingdom, and the first in Scotland, for which the British government awarded an investment contract that guarantees revenues for fifteen (15) years in April 2014.

In October 2014, Scottish authorities gave permission to build and operate Inch Cape, which will have a capacity of up to 784 MW and no more than 110 turbines. Moray Firth and Inch Cape projects participate in the round for the award of investment contracts that began in October 2014. Both met the requirements established by the DECC (Department of Energy and Climate Change) to participate in this round.

As at December 31, 2014, Repsol had in its shareholding the right to develop, build, and operate 959.6 MW of offshore wind power in the United Kingdom. These projects will allow Repsol to apply its technological capacity in offshore operations, as well as its experience in large engineering projects.

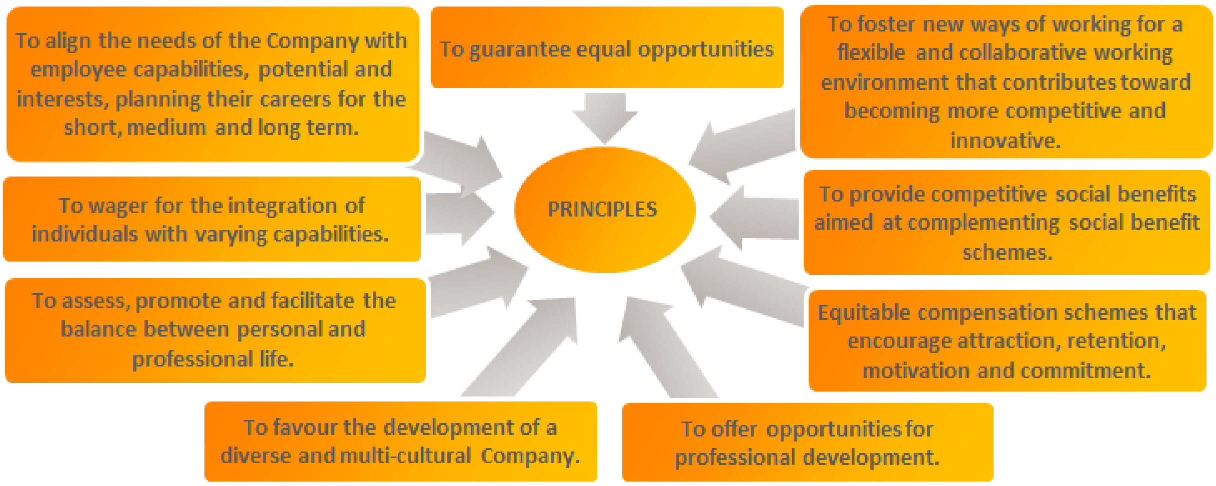
During the development of the projects, which will be completed in 2015 or 2016, the preliminary studies required before the construction and operations of the installations, which will commence operations from 2018 onwards, will be carried out. It is expected that the final decision as to whether or not to invest in the projects will be made in 2016.

6. *OTHER WAYS OF CREATING VALUE*

6.1) PEOPLE [1]

At Repsol we believe that our competitive advantage lays in the people within the Company, hence the strategic value of the management of our employees and the various teams. This is an organization that is distinguished by having a team of multidisciplined, skilled and committed professionals.

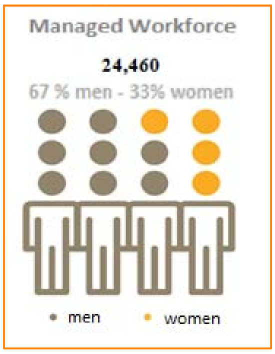
The principles stated in the "*Employee Management Policy*" reflect the management style and are the subject of monitoring, systematic assessment and improvement. Some of these principles are:



6.1.1) PEOPLE MANAGEMENT

On December 31, 2014, a total of 24,460 employees formed part of entities whose *People management* was directly managed by Repsol, and all the figures included in this section are exclusively referred to them, unless the contrary is specified. Managed workforce increased by 246 people, compared to 2013.

STAFF	2014	2013
Total Workforce at December 31, 2014	26,141	25,800
Managed Workforce (1)	24,460	24,214
Non-Managed Workforce	1,681	1,586
Accumulated average managed workforce	24,335	24,068
Number of new hires in the year (2)	5,077	4,656

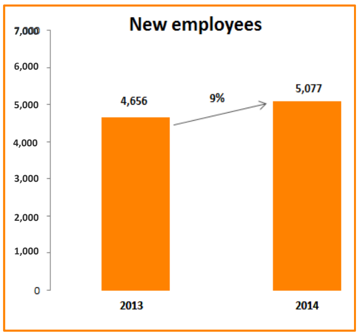


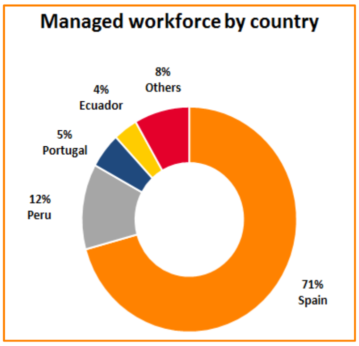
(1) The data provided exclude those employees with annual working hours equal to or less than 20% of the hours set in the collective agreement as well as employees of partially-owned companies in which Repsol does not have management control of its employees.

(2) The data includes new hires from fix and temporary employment, corresponding to fix contracts in 2014 and 2013, 33% and 27% respectively.

[1] All information provided in this chapter has been prepared corresponding to December 2014 in accordance with the new Group reporting model (see section 5 "*Segment Reporting*" of the Consolidated Annual Accounts 2014). Figures corresponding for the period ended December 31, 2014 have been modified for comparative purposes with respect to the Consolidated Management Report issued corresponding to the year ended 2013.

TOTAL MANAGED WORKFORCE	2014	2013
MANAGED WORKFORCE BY COUNTRY		
Total workforce in Spain	17,303	17,193
Total workforce in Peru	2,996	2,872
Total workforce in Portugal	1,237	1,247
Total workforce in Ecuador	891	931
Total workforce elsewhere in the world	2,033	1,971
MANAGED WORKFORCE BY BUSINESS		
Total workforce in Corporation	2,521	2,539
Total workforce in *Downstream*	18,693	18,478
Total workforce in *Upstream*	3,246	3,197
MANAGED WORKFORCE BY JOB CATEGORY		
Executives	306	292
Technical Managers	2,065	1,967
Technical workers	11,972	11,776
Administrative workers	1,044	1,086
Manual workers	9,073	9,093





6.1.2) ATTRACTING TALENT

Repsol offers different ways to recruit, motivate and commit talented individuals, promoting the development of a culture of a multinational corporation, open to diversity and multiculturalism, employing in each case the recruitment sources and methods to approach the market that are most consistent with the profiles required at any given time.

To do this we have directed our effort at strengthening our brand as employer, and at providing new approaches, that allow us to identify key talent to ensure the growth of the Company.

One of the initiatives implemented in 2014 is the "*Employee Value Proposition*" Project, that allows us in-depth knowledge of the labour markets where our greatest growth is concentrated, with special attention to countries with growth of the *Upstream* business.

We have continued to promote our presence in social networks and in employment forums targeted at various profiles, participating in 14 forums and supporting ourselves on varying methodologies such as working breakfasts, group dynamics, conferences, on-line encounters and professional workshops.

We continue to wager for the young talent joining our Company, and continue with our Master, University Internship and Professional Training programmes, reflecting our commitment to facilitate their integration into the labour market.

INITATIVES	2014	2013
Hiring of New Repsol Professionals (1)	49	97
University Internship agreements to boost Training (2)	391	680
Medium and Higher Level Vocational Training Internships (3)	147	52

(1) Program to incorporate young talent, educating through any of the three Masters programs offered by Repsol (Hydrocarbon Exploration and Production, Refining, Petrochemicals and Gas, and Energy Management). The reduction on 2013 was due to a change in the start dates of two of the Masters programmes.

(2) Repsol has adapted to the needs of the new European Curriculum of the Bologna Accords, receiving university students with curricular working experience, postgraduates and final-year students.

(3) These include students from Medium and Higher Level vocational training cycles, with a high percentage of these joining Repsol through different job vacancies. In 2014, the commitment acquired by Repsol with the FP Dual program stands out.

6.1.3) MANAGEMENT TALENT

Repsol's ability to retain talent continues evidenced by the low rates of voluntary employee turnover and the high retention rate among its management staff.

RETAINING TALENT	2014	2013
Total staff turnover rate [1]	7%	7%
Total voluntary staff turnover rate [2]	3%	3%
Executive rotation rate [3]	4%	4%

(1) Corresponds to the total fixed staff turnover, regardless of the % of occupancy, calculated as the total number of staff leaving from the total permanent staff at year-end.
(2) Corresponds to the total voluntary fixed staff turnover, calculated as the total number of staff voluntarily leaving from the total permanent staff at year-end.
(3) Corresponds to the total executive rotation, calculated as the total number of executives leaving from the total executives at year-end.

The Company has several tools to retain talent and manage its workers ´development: compensation with flexible salary packages, training and development with programmes that are suited to each employee once their needs have been identified and internal and international mobility programs.

Remuneration

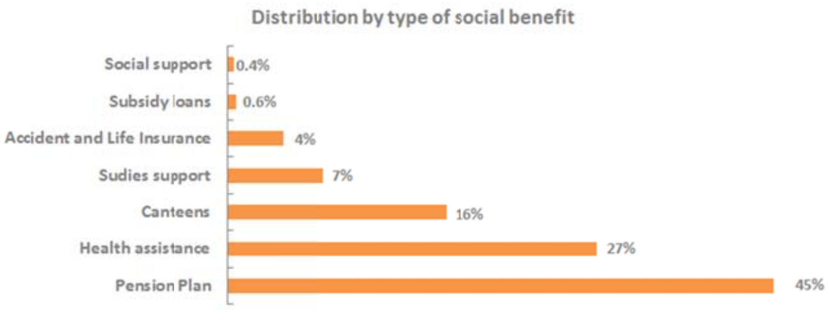
Remuneration is an element designed to make it easier to attract, retain, motivate, and commit professionals who provide their skills to the Organisation. Schemes vary to provide employees with greater opportunities for flexibility.

The focus of remuneration is focused on promoting individual performance and the recognition of individual merit, as well as cooperation and team work, ensuring external competitiveness and internal fairness within a global environment.

COMPENSATION	2014	2013
Average personnel costs per employee (euros) [1]	67,217	65,490

(1) Corresponds to the heading of personnel expenses (including social security expenses and others except indemnities and travel expenses) in the consolidated average accumulated workforce.

In 2014 the total spending on social benefits for employees of the managed workforce amounted to 97.8 million, compared to 93.9 million in 2013.



We continued with the flexible remuneration programme in 2014. This programme is a personalised remuneration system in which employees voluntarily decide how they would like to receive part of their annual remuneration. Employees see an increase in their net remuneration, thanks to a lighter tax burden as a consequence of choosing products such as day care, IT equipment, more medical insurance, shares, and additional Pension Plan contributions.

The Share Plan is opened to all permanent employees in Spain who are resident in Spain for tax purposes. Having been introduced in previous years for those who are not permanent employees of the Group, the other products are being made available to all other employees and, in 2014, permanent employees of companies that have signed their trade union agreement were able to request products.

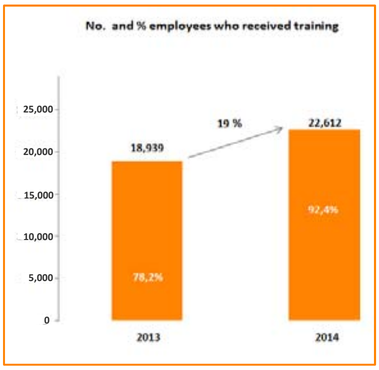
There are also other flexible systems for our employees in Scotland and the United States.

For more information regarding to pension plans, medium-and long-term incentives for employees and share-based employee compensation plans, see Note 23 to the Consolidated Financial Statements for the financial year 2014. In relation to the remuneration of the members of the Board of Directors and senior management, see Note 28 to the Consolidated Annual Accounts and the Annual Corporate Governance Report.

Training

Repsol is a company that values, promotes and facilitates staff training as the key driver behind their personal and professional development.

TRAINING	**2014**	**2013**
No. of training actions	10,447	10,989
Total investment in training (€ million)	18	20
Investment per employee (€)	717	812
Total Training Hours / year	1,083,033	978,751
Average hours / year per employee	44	40
Dedication Rate [1]	2.63%	2.40%
% of Employees receiving training	92.4%	78.2%
No. of Attendances	120,990	107,014
No. of People	22,612	18,939



(1) Corresponds to the % of annual working hours dedicated to training. It is calculated over the accumulated average workforce.

In 2014, we have continued to integrate training for new university graduates through professional Master's degree programs in the areas of *Upstream*, Refining, Petrochemical and Gas, and Management, for a total of 137 students, including guests to *Upstream* Master, have attended these programs, with the internationalisation of the management programme having started with a blended face-to-face/online edition for Peru. In 2014, a new programme aimed at new team leaders was implemented.

In the *Upstream* business, the number of training courses available online across all disciplines of the business has risen to almost 200. In commercial businesses there has been a consolidation of the "*Business School*", which has been formally certified by prestigious Spanish universities and which contains general skills for the oil industry, as well as training in sales, products, services, management, and skills. The chemicals sales team has been included, and a training platform has been developed and put into operation for all employees in collaborating businesses (Business to Consumer).

In 2014 stands out the increase in the number of hours of foreign language instruction, emphasising the effort and resources dedicated to strengthening the international culture of the Company.

Development and evaluation performance

Repsol offers all of its employees opportunities for professional development. The focus of development is the acquisition and/or improvement of skills and knowledge, enabling people to face greater challenges associated with changes in the Company.

We have a framework for professional advancement that enables the best-prepared individuals with the profile and skills required to assume roles that are more complex and entail greater responsibility, in accordance with the needs of the company. Promotion is the mechanism for recognition that accompanies professional advancement.

JOB CLASSIFICATION CHANGES	**2014**	**2013**
Number of people	1,932	1,941
% Women	35%	31%

The main company's tools for the evaluation of potential and planning of development actions is called *People Review*.

PEOPLE REVIEW ASSESSMENTS INDICATORS	**2014**	**2013**
People tested by *People Review* (1)	2,426	2,329

(1) This program provides a detailed assessment of people, generating a shared vision of each of them: their strengths, areas of improvement and professional profile.

In 2014, we introduced new external contrast tests in the Development Plans Programme for potential senior managers. The aim of this programme is to identify a group of high-performing individuals with great potential who we wish to assist in their development, formulating a plan whereby they can visualise their career according to future business opportunities. Since its inception, 21 people have participated in this programme.

In the area of businesses and corporate areas, our focus has been on planning. In this regard, of particular note are our efforts in relation to *Upstream*, where we implemented a strategic skills plan in 2014 to ensure that the business has the people, knowledge, and skills required to develop its Strategic Plan through the design of, or improvements to, plans and process for planning a workforce, attracting talent, the professional development of employees, and the retention of key professionals.

Furthermore, continuing with the annual process of evaluation performance, in 2014 a total of 15,418 employees underwent performance assessments, 11,322 of them, are employees in Spain.

Internal mobility and internationalization

Mobility is part of Repsol's culture, and is key both to the growth and sustainability of the company and to the development of people, promoting the acquisition of experience and knowledge in new and/or more complex environments and roles.

International mobility contributes to this professional development, ensuring a global response to the company's needs and thus nurturing a corporate culture with international scope and integrated management.

MOBILITY AND INTERNATIONAL CAREER	**2014**	**2013**
Number of Migrations	2,881	3,012
% of women (of No. Migrations)	33	40
No. of employees on international assignment	690	674
Incorporation of professionals to international workforce	145	162

6.1.4) LABOUR RELATIONS

LABOUR RELATIONS	2014	2013
No. of employees with fixed employment contract	22,248	21,993
No. of employees with temporary contract	2,212	2,221
Absenteeism rate (1)	3.31%	2.87%

(1) Corresponds to the rate of absenteeism among collective agreement staff in Spain, calculated as the comparison between the days they should have worked compared to the days they actually worked owing to absenteeism caused by common illnesses.

In 2014 has been signed the VII Framework Agreement with Spain unions, which regulates the working conditions of Repsol Group's workers in Spain. Furthermore this year has been signed the VII Union Agreements in Campsared, y the collective agreement of RIPSA (Repsol Investigaciones Petrolíferas S.A.).

In the international field, agreements have been signed in Peru, Portugal and Trinidad & Tobago.

The European Workers Committee met on November 25 and 26, 2014. COFESINT, FIEQUIMETAL, CC.OO and UGT attended.

6.1.5) BALANCING PERSONAL AND PROFESSIONAL LIFE, DIVERSITY AND EQUAL OPPORTUNITIES

In 2014, we continued to promoting changes to the way we work, ensuring equality of opportunity and promoting and facilitating a balance between work and home life.

Our aim is to ensure a working environment that is ever more flexible, promotes cooperation, and helps create a company that is increasingly competitive, innovative, modern, and adapted to the new needs and lifestyle of the societies in which it operates.

One of the most notable of the measures designed to achieve this work-home life balance is the telework programme, the work-home life programme held in highest regard by employees, as reflected in the results of the working environment survey conducted in 2014.

HOMEWORKING INDICATORS	2014	2013
Number of Homeworkers Worldwide	1,411	1,222
Number of Homeworkers in Spain	1,328	1,148
Number of Homeworkers rest of the world	83	74

Repsol is widely recognised as one of the best employers in Spain, due, among other aspects, to its firm commitment to a good work-home life balance. In this regard, in its study entitled '*Situación de la Conciliación en España*' (the work-home life situation in Spain), the International Institute for Political Sciences (IICP) puts us at the top of the rankings as the company with the most advanced strategies for promoting a good work-home life balance.

Some of the achievements include flexible hours worldwide, adapted to the habits and customs of each country.

Repsol has an integration plan for disabled people, which integrates these employees in every area of the organization. In 2014, we continued with our commitment to training as the door to the labour market, both through occupational training programmes, scholarship and internship programmes, and access to our Masters programmes. A 5% of new professionals recruited are disabled.

As at December 31, 2014 we had 674 disabled employees, or 2.8% of our workforce.

In Spain in 2014, we exceeded requirements in recruitment of disabled persons under the LGD (General Law on the Rights of Persons with Disabilities and their Social Inclusion), with 4.0% of employees hired that year being disabled 613 were hired directly, while the equivalent of another 150 people were hired through other channels.

INTEGRATION	2014	2013
No. of employees with disabilities in Spain	541	549
No. of employees with disabilities in Ecuador	35	40
No. of employees with disabilities in Peru	42	47
No. of employees with disabilities in Portugal	35	17
No. of employees with disabilities in Venezuela	12	9
No. of employees with disabilities in Brazil	8	9
No. of employees with disabilities in Italy	1	0
Total number of disabled employees	**674**	**671**

Of particular relevance in 2014 was the receipt of the Certificación Bequal PLUS, which constitutes recognition of our business policy, with its Company emphasis on equality of opportunity, and the model we use to manage the integration of persons with disabilities.

Repsol is present in nearly thirty-six countries with over 1,500 employees working in countries other than their own, and their contribution to the value of a multicultural environment can be felt in all areas of the Company.

The following table shows the countries with the most different nationalities among employees (excluding the country in question):

Destination	2014	2013	Destination	2014	2013	Destination	2014	2013
Spain	64	59	Lybia	11	15	Colombia	7	5
United States	22	18	Norwey	10	11	Irak	7	10
Brazil	20	23	Peru	9	9	Canada	6	4
Algeria	16	10	Venezuela	9	8	U.K.	6	5
Portugal	16	17	U.A.E.	8	4	Bolivia	5	6
Trinidad & Tobago	13	14	Ecuador	8	7	Netherlands	4	4
Russia	12	10	Angola	7	8	Indonesia	3	4

Repsol continues to increase naturally the percentage of women participating throughout all the groups and businesses.

Gender indicators	2014	2013
No. of Women in the workforce	8,117	7,857
No. of Women managers	47	43
% of women in management positions in Spain(1)	27	26
% of women in management positions rest of the world(1)	23	23

(1) Includes categories of Executives and technical managers excluded of collective agreement.

Similarly, the percentage of women in the company has increased in almost every age section.

	2014			2013		
	Women	**Men**	**% women**	**Women**	**Men**	**% women**
Aged under 20	88	81	52	85	61	58
Aged 21-30	1,503	1,981	43	1,582	2,125	43
Aged 31-40	3,492	5,526	39	3,433	5,620	38
Aged 41-50	2,087	4,361	32	1,918	4,221	31
Aged 51-60	889	3,963	18	795	4,017	17
Older than 60	58	431	12	44	313	12
Total	**8,117**	**16,343**	**33**	**7,857**	**16,357**	**32**

Repsol has developed a methodology to analyze fairness in various aspects of the management of people (development, remuneration, performance, etc.), with four factors taken into account: age, gender, nationality, and disability. In 2014, the application of this new methodology to this remuneration of employees in Spain was verified with Universidad Carlos III and the Foundation for Advanced Social Research.

Repsol is one of the companies recognised with "*Equality in the Workplace*" seal of distinction awarded by the Spanish Ministry for Health, Social Services. The seal was validated in 2014 for three years.

This seal is a mark of excellence in equality as recognition for companies that have a commitment to equality and which stand out for their application of policies that promote equality of treatment and of opportunities in conditions of employment, organisation models, and other areas such as company services, products, and advertising.

In January 2014, the Company signed a Collaboration Agreement with the Ministry to reinforce the commitment to foster a balance between men and women in positions of great responsibility, including on Executive Committees.

6.2) SAFETY AND ENVIRONMENT [1]

Through its strategy and policies, Repsol publicly and voluntarily assumes its commitment to safety and the environment as crucial issues for the Company. Repsol works towards being not only a safer and more environmentally responsible company, but also to be sustainable and therefore more competitive and profitable in the short, medium and long term.

The major challenges faced by society and energy companies include climate change, impacts on biodiversity and environmental accidents. We perform a periodic diagnosis that allows us to identify our major challenges and opportunities, taking into account the expectations of our stakeholders, industry trends, anticipated potential regulation and, in particular, the Company's global strategic plan.

This diagnosis allows us to identify the most relevant issues for action and is materialised, with the commitment of senior management, in the definition of targets and work plans.

The Executive Committee establishes the safety and environmental objectives and strategic guidelines, which are the basis for drawing up objectives and plans of action for all of the company businesses. Additionally, the duties of the Board of Directors' Audit and Control Committee include learning and orienting the company's safety and environmental policy, directives and objectives.

Established objectives and plans include actions that are necessary for a continuous improvement of management, investments and associated costs and the actions required to adapt to the new legislative requirements.

Repsol's main lines of action on Safety and Environment issues include:

- Risk management

- Operational efficiency

- Cultural change in safety and environment

The safety and environment goals are part of the annual targets set for Repsol employees earning variable remuneration based on performance assessment and constitute between 10% and 15% of their bonus.

Furthermore, the incorporation of environmental and safety criteria in our activity is articulated through the safety and environment management system, based on a set of rules, procedures, technical guidelines, tools and indicators applicable to all the Company's activities and facilities.

RISK MANAGEMENT

Repsol's approach is based on a rigorous risk management system associated with industrial processes and assets where process safety is the mainstay.

Risk analysis is performed throughout the entire lifecycle of the company's assets, applying the highest international standards the designing stage and implementing strict operation and maintenance procedures, all aimed at preventing incidents associated with the industrial processes involved.

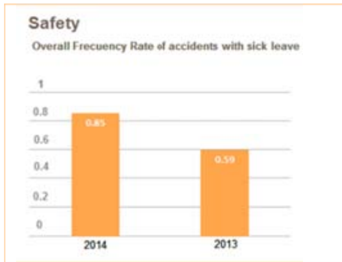
[1] Figures and indicators of this section have been calculated according to a new Corporate rule set common methodology and criteria in Safety and Environmental, including companies of the Repsol Group which were fully consolidated (control) and with responsibility of operation.

Process safety allows Repsol to address its main safety-related challenges. It facilitates the management of each risk, encompassing even those less likely to materialise but that could have significant consequences for people, the environment, the facilities or the reputation of the Company.

Repsol tracks its performance following the definitions established by OGP[1], API[2] and CCPS[3], international benchmarks in this field. Also in 2014, progress was made towards defining the Company's baseline criteria for these types of accidents.

Furthermore Repsol has a series of injury indicators that form part of the annual targets of Repsol employees with variable remuneration and the performance assessment of the remaining personnel.

OCCUPATIONAL SAFETY INDICATORS (1)	2014	2013
Overall lost time injury frequency (IF) rate of accidents (2)	0.85	0.59
Lost time injury frequency rate (own employees)	0.92	0.60
Lost time injury frequency rate (contractors' employees)	0.78	0.55
Total integrated injury frequency rate of accidents (IFT) (3)	2.38	2.95
Number of fatal accidents own personnel	-	-
Number of fatal accidents contractors' personnel	-	-



(1) For processing safety indicators, Repsol has a corporate rule that establishes common criteria and methodology for recording incidents in the company, accompanied by a guide for the management of safety indicators.
(2) Integrated lost time injury frequency rate; number of accidents leading to lost time or fatal accidents recorded over the year, for every million hours worked.
(3) Total frequency rate: number of computable accidents without lost time, with lost time and total fatal accidents per year, for every million hours worked.

As may be seen in the above table, in 2014 the IF increased by 44% with respect to the year 2013, and the IFT decreased by 19%. In spite of this increase in IF, it should be emphasised that we continue on the path to reduction established in 2013 in order to position ourselves within the first quartile of companies in the sector and attain the zero accident goal in 2020. In 2014 an IFT goal was established for the first time, which we attained.

We also employ indicators of a preventive nature and establish objectives that allow us to anticipate and avoid situations that could trigger incidents in the future, such as for example, those aimed at investigating incidents.

Furthermore, and due to the road traffic is a major cause of accidents among our employees and contractors, Repsol has as one of the main lines of the company's work is to improve transport safety. Repsol has implemented improvement plans with positive results in countries where a higher frequency of this type of accident was detected.

We are convinced that achieving the goal of zero accidents is possible and requires the involvement of all those involved in our activities. Whatever their position or geographic location, all of Repsol employees are responsible for their safety as well contributing to the safety of those around them.

We must be able to anticipate ourselves to ensure the safety of people, processes and facilities, keeping in mind our goal of zero accidents.

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1 The International Association of Oil & Gas Producers
2 American Petroleum Institute
3 Centre for Chemical Process Safety

Furthermore, Repsol works in different lines of action to prevent and respond to environmental accidents, including spill prevention and early detection mechanisms and the management of major risks in the construction of wells.

In 2014 we had four relevant spills[(1)]: two in Peru, one in Ecuador and another in Angola. When an accident like this occurs, we activate our emergency response mechanisms, and subsequently establish new preventive actions to avoid a re-occurrence.

The emergency response mechanisms are a critical element at Repsol, essential for minimise impacts on the environment and people. One example is our intensive work in developing response capabilities against large marine spills, as part of our Global Critical Management Programme (global prevention, preparedness, response and impact recovery for major exploration and production accidents).

SPILLS	2014	2013
Number of spills > 1 barrel that have reached the environment	17	14
Oil spills that have reached the environment (tons)[(1)]	316	15

(1) Figures corresponding to spills over than one barrel.

OPERATIONAL EFFICIENCY

Repsol is continually seeking to minimise the environmental impact generated by its activities by promoting a low carbon strategy, optimising water management, considering biodiversity as a key element and improving waste management.

Reducing energy and carbon intensity in our value chain

Repsol promotes a low carbon strategy, fostering initiatives that reduce energy intensity throughout the entire lifecycle of our products and therefore avoid greater emissions of greenhouse gases into the atmosphere.

This commitment is articulated through Repsol's carbon strategy and the goal of reducing CO_2 by 1.9 million tons for the period 2014-2020. The plan includes reducing energy intensity and emissions by continuing to search for sustainable business opportunities related to renewable generation and electric mobility. During 2014 Repsol has demonstrated its commitment to continuous improvement and has promoted actions that have reduced 452 kt of CO2 equivalent.

We believe the way forward involves operational excellence in energy terms, making it crucial to measure and track our carbon inventories and energy maps. Each year we verify our greenhouse gas inventories through an outside company to meet the most demanding in quality and accuracy standards. In 2014 progress was made in CO_2 emissions inventories, verifying more than 98% of these emissions according to international standard ISO 14064.

Repsol continues to implement an Energy Management System at its facilities according to the requirements of the international standard ISO 50001. During 2014 the *Upstream* asset in Ecuador block 16 has been certified, bringing the number of facilities currently certified to seven, while work continues on the progressive implementation of the system in all our different business units. This allows the company's energy policy and vision to be formalised, as well as establishing and tracking short, medium and long-term goals and objectives, as part of a continuous improvement process.

[(1)]A relevant spill is deemed (on the basis of the quantity spilled and the sensitivity of the area) as any that has reached the environment and that fulfils any of the following conditions: greater than 100 bbls, greater than 10 bbls and occurring in a sensitive area or any spill of another non-hydrocarbon substance, that is greater than 10 bbls with environmental relevance due to its high levels of salinity, acidity, toxicity, lack of biodegradability, etc.

Elsewhere, Repsol is working on understanding and reducing the greenhouse gas emissions of its products. In this vain, it is developing initiatives to quantify and verify carbon footprints under the ISO 14067 technical standard.

During 2013 the agroindustrial LPG facility in Peru was the first Company product which obtained positive carbon footprint verification. In 2014 we have continued promoting this way of working with new verifications.

Our commitment to sustainability is likewise reflected in numerous pioneering R+D+i projects in the industry. One of these projects is green bitumen, whose threefold objective is to recycle used tires for new bitumen used in more ecological highways; recycling highway bitumen that is already worn from use and, lastly, the manufacture of lower-temperature mixtures for greater respect of the environment.

Evolution towards a strategic vision of water

At Repsol, we believe that water is a strategic resource. We have developed a proprietary tool, Repsol Water Tool, which incorporates aspects of the Global Water Tool[1] and Local Water Tool[2], the two main methodologies developed and adapted to the oil and gas industry for identifying and assessing water-related impacts and threats. This tool has allowed us to prepare a water management map and, from this, during 2014 we have worked on a company baseline scenario to define an action plan for improving water management from 2015-2020.

Protection and conservation of biodiversity

In Repsol we are aware that it is crucial to understand, avoid and minimise any adverse impacts on biodiversity and ecosystem services. Repsol was the first Oil and Gas company to apply the IPIECA Biodiversity and Ecosystem Services (BES) Management Ladder methodology, used to analyze the current situation of existing Exploration and Production assets, and identify the next steps to be implemented. As a result, 153 lines of work have been established on which Repsol is working to maintain and/or improve the biodiversity of the environment where we are located. We furthermore participate actively in industry forums such as IPIECA, OGP, Cross-Sector Biodiversity Initiative or the Proteus consortium with the UNEP-WCMC[3].

Furthemore, in 2014 the first Ecosystem Services Review conducted by Repsol was carried out in Peru, with the aim of understanding the dependencies and impacts of communities as well as the Company on the services provided by nature (ecosystem services). This study will make it possible to gain greater knowledge of the setting in which we operate, to better plan our activity, avoiding and minimising potential impacts.

In addition, it is worthy to note that we are developing sensitivity maps for the coasts of our offshore operations, and we are avoiding and minimising the potential impact of our seismic explorations by means of programmes for the identification of biologically-sensitive areas or by monitoring indicator species (for example sea turtles during the offshore seismic exploration in Aruba).

[1] Global Water Tool: tool developed by WBCSD (World Business Council for Sustainable Development) and adapted to the oil and gas sector by IPIECA (International Petroleum Industry Environmental Conservation Association). Its objective is the location of facilities on water scarcity maps and the calculation of key water management indicators at global corporate level. Repsol has participated in the development of this tool through the IPIECA Water Task Force.

[2] Local Water Tool: tool developed and adapted to the oil and gas sector by GEMI (Global Environmental Management Initiative). It is useful for identifying and assessing the water-related risks and impacts of facilities at local level, covering aspects such as availability, quality and ecosystems associated with bodies of water affected by the facility; the future availability of water; regulatory aspects and economic and social aspects. Repsol has collaborated with GEMI in the adaptation of this tool to the oil and gas industry.

[3] United Nations Environment Programme`s World Conservation Monitoring Centre.

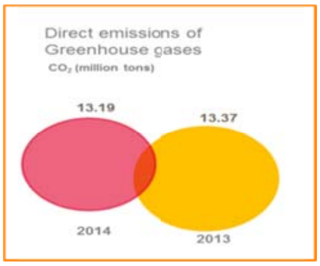
Improvement in waste management and minimization

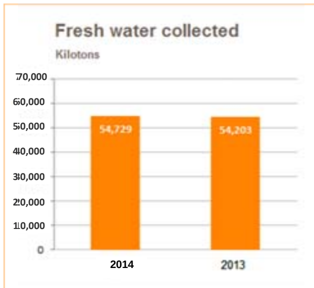
We are working on optimising waste management throughout the entire lifecycle of our processes. To do this, in 2103 the company's waste map was redesigned to adapt our reporting criteria to industry best practices and for the first time defining a quantitative reduction target, whose compliance has been verified by an independent third party.

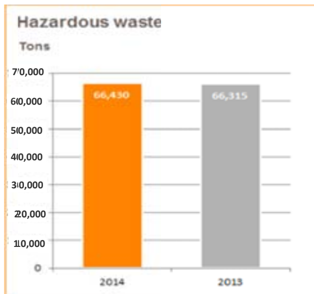
Thanks to the efforts made by the different business areas, this target has been widely surpassed, achieving a reduction of 29 kilotons in 2014. Owing to this success the Company has decided to revise the reduction potential by setting a new more ambitious goal: 50 kilotons of waste in the period 2015-2020.

In addition to this quantitative goal, qualitative waste management improvement actions have been defined. Repsol has established improvement targets in its Exploration and Production business through the implementation of the Company's Environmental Performance Practices. These guidelines are a set of common standards regardless of the geographical area of the operations and the specific legislation of each country.

OPERATIONAL EFFICIENCY INDICATORS	2014	2013
ENERGY AND CARBON MANAGEMENT[1]		
Energy consumption (10^6 GJ) [2]	178.40	176.80
Direct emission of CO_2 (million tons) [3]	13.19	13.37
Direct emissions of CH_4 (million tons)	0.019	0.029
Direct emissions of N_2O (million tons) [4]	0.63	0.64
Direct emissions of CO_2 eq (million tons) [3]	13.78	14.17
CO_2 emissions reduced (million tons) [3]	0.452	0.444
WATER MANAGEMENT		
Fresh water withdrawn (kilotons) [5]	54,729	54,203
Water Reused (kilotons)	9,945	9,473
Water discharged (kilotons)	35,920	38,965
Hydrocarbons in water discharged (tons)	199	460
Solids in Suspension in water discharged (tons)	1,385	1,265
Chemical demand of oxygen in water discharged (tons)	8,318	7,944
WASTE MANAGEMENT [6]		
Hazardous waste (tons)	66,430	66,315
Non-hazardous waste (tons)	167,200	182,693
OTHER ATMOSPHERIC EMISSIONS		
SO_2 (tons)	29,800	34,263
NO_X (tons) [5]	35,399	33,858
COVNM (tons) [5]	45,851	41,667







(1) Figures on December 31, 2014 corresponding to energy management and carbon emissions are subject to an independent verification process that will conclude after this report has been drafted, the definitive values will be available on the website repsol.com.
(2) The calculation of energy consumption has been made according to our guidelines for the Application of Environmental Parameters (APA) that considers all fuels burned at the facility in order to generate the energy required by processes (both external fuel, usually natural gas, and internal fuel generated at the facility), as well as the net balance of imports and exports of electricity and steam.
(3) The data corresponding to 2013 has been modified with respect to the 2013 Management Report as a result of subsequent verifications.
(4) Includes emissions of N_2O that will be tested according to Standard ISO14064.
(5) Figures corresponding to 2013 have been modified compared to Management Report for 2013.
(6) Data on waste corresponding to 2014 may experience some changes when the annual waste declaration is submitted to the Public Authorities. Additionally, the waste associated with drilling muds should be considered:

2014	2013
105.469 tons	115.978 tons

CULTURAL CHANGE IN SAFETY AND ENVIRONMENT

At Repsol, we understand that developing a safety and environment culture shared by the entire Company is crucial for achieving our goals. To do this we work on projects that raise the awareness of all our employees and partners. This year the DuPont Safety Perception Survey was conducted with an improvement of 29% with respect to the survey carried out in 2010.

From 2012, the Company has worked on a leadership Plan with the aim of improving the culture of safety and environment through its leaders. In 2014, we took a step further by expanding our training programmes to other levels such as middle management and sales forces. A clear example is the launch of the EOS Programme (Excellence in Operations and Sustainability), aimed at E&P employees and that reinforces the need to position the requirements of safety and environmental protection as a priority when making in business decisions.

At the same time, Repsol has defined its seven attributes of safety and environmental protection culture that will be key to the development of new projects. The company is also working on an internal diagnostic methodology that will allow us to go forward in the implementation of a safety and environmental protection culture based on excellence.

6.3) TAXATION

Policy and tax strategy of Repsol

Repsol's tax policy is in line with the company's mission and values, and with the long term business strategy. As a result, Repsol is committed to applying best taxation practices when managing its tax affairs and to offering solutions with a global vision, with the aim of ensuring that the Company is recognised for applying responsible tax policies and for promoting cooperative relationships with governments and the different stake holders.

In its operations and business models, efficiency for the company is studied and, where applicable, tax positions are taken on the basis of solid business and financial reasons and/or commonly accepted practices, while always complying with both the letter and spirit of applicable legislation and avoiding financial or reputational risks and unnecessary conflicts. Repsol considers that this balanced and respectful approach will result in the long-term sustainability of its operations.

In the management of its business, the Repsol Group does not use opaque company structures in order to conceal or reduce the transparency of its activities to the tax authorities or any other interested parties.

Since 2010 Repsol has followed the Code of Best Tax Practices which was prepared in Spain by the Large Businesses Forum of the Spanish Tax Authority. The purpose of this initiative, which is being endorsed by the Spanish government, is to promote transparency, good faith, and cooperation with the Spanish Tax Authority in business tax practice, as well as legal security in the application and interpretation of tax laws.

Due to its commitment to transparency, Repsol is a signatory (as one of its founders) to the Extractive Industries Transparency Initiative (EITI).). This initiative aims to strengthen governance through enhancements in transparency about payments made by extractive industries to governments and entities associated with them, and in cooperative relationships with the authorities. Repsol undertakes hydrocarbon exploration and production activities in several countries that are recognised as "EITI Compliant” or “EITI Candidate" (Peru, Norway, Liberia, Mauritania, Iraq, Trinidad and Tobago, Kazakhstan, the United States, Colombia, Sierra Leone, , Indonesia, etc.).

The Board of Directors, through the Audit and Control Committee, periodically reviews the tax policies applied.

Impact of taxation on company's profits

The Repsol Group is subject to the various taxes on profits applicable in the countries where it operates. Each tax has its own structure and rates. The applicable tax rates to profits obtained from hydrocarbon production (*Upstream*) are, in general, higher than those generally applicable. On some occasions, these profits are not only taxed in the country in which they are obtained but also in the country where the companies that own the operations or their parent companies are domiciled (double taxation).

Additionally, the Group is also subject to other taxes which reduce its profits and, specifically, its operating profits. This is the case of taxes on the production of hydrocarbons (royalties and similar), local rates and taxes, social insurance payments, etc.

In 2014, the total tax burden of the net income from continuing operations attributable to controlled and jointly controlled entities, excluding Gas Natural Fenosa, is as follows:

Taxation on profits impact
Amounts in millions of euros

	2014		2013	
	Repsol Group		Repsol Group	
Item	**Amount**	**Rate (**)**	**Amount**	**Rate (**)**
Income tax	553	54.6%	807	68.4%
Total tax burden (*)	1,370	74.9%	1,708	82.1%

(*) Income tax + taxes and contributions that reduce the operating income.
(**) Corporate tax / net income from continuing operations before taxes, excluding GNF.
Tax burden / net income from continuing operations before taxes on profit and other taxes, excluding GNF.

Tax contribution by countries

Repsol is aware of its responsibility to the economic development of the societies in which it operates. The taxes paid represent a significant part of its financial contribution to the countries in which it operates. Repsol therefore places high priority on fulfilling its obligation to pay the taxes which are due in each territory, in accordance with applicable regulations and principles.

Taxes paid by the Repsol Group has considerable economic importance and implies a major effort to comply with the required formal obligations and the obligations of informing and collaborating with the Authorities and entails significant liabilities in order to comply with such obligations.

In order to monitor and analyze the Group's fiscal contribution, we distribute the taxes paid into those which are an effective expense to the company and reduce its result (for example, corporate income tax, tax on production, social insurance payable by the company, etc.) and those which do not reduce profits because they are withheld or are passed on to the final tax payer (for example, value added tax, tax on the sale of hydrocarbons, withholding taxes, etc.). The former are called "*Tax Burden*" and the latter are "*Taxes Collected*".

To measure the tax contribution, only taxes effectively paid are included, and, for example, income taxes which are due, but which will be paid in the future, are not included. By this criterion, it should be emphasised that in 2014, Repsol fulfilled more than 32,000 tax declarations and paid €12,674 million in taxes and associated public charges.

The breakdown of taxes paid by the Group by country (controlled entities and with joint control, excluding Gas Natural Fenosa), is as follows:

Taxes effectively paid by country [(1)]

Millions of euros

	Taxes paid		**Tax burden**						**Taxes collected** [(2)]							
PAIS			**Corporate Tax**		**Others**		**Total**		**VAT**		**Tax on hydrocarbons**		**Others**		**Total**	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Spain	**9,145**	**8,812**	340	188	308	276	648	465	3,145	3,200	4,919	4,825	433	322	8,497	8,347
Portugal	**1,129**	**1,143**	12	16	7	11	19	27	421	428	672	669	17	19	1,110	1,116
Italy	**357**	**389**	1	2	1	1	2	3	60	51	294	334	1	1	355	386
Russia	**79**	**89**	13	13	47	60	60	73	17	11	0	0	2	5	19	16
Lybia	**241**	**566**	215	512	24	53	239	565	0	0	0	0	2	1	2	1
Algeria	**30**	**39**	25	34	1	1	26	35	0	0	0	0	4	4	4	4
T&T	**319**	**465**	179	301	148	164	327	465	-15	-9	0	1	7	8	-8	0
Venezuela	**150**	**67**	89	35	48	20	137	55	7	7	0	0	6	5	13	12
Colombia	**27**	**25**	18	18	1	1	19	19	0	0	0	0	8	6	8	6
Bolivia	**106**	**91**	74	56	3	8	77	64	24	22	0	0	5	5	29	27
Peru	**778**	**815**	49	77	106	120	155	196	420	425	187	175	16	19	623	619
Brazil	**108**	**75**	33	27	56	35	89	62	1	2	0	0	18	11	19	13
Ecuador	**56**	**39**	30	21	10	2	40	24	11	10	0	0	5	5	16	15
USA	**78**	**4**	3	1	55	0	58	1	0	0	0	0	20	3	20	3
Rest	**71**	**26**	38	7	2	4	40	11	2	-2	0	0	29	17	31	15
TOTAL	**12,674**	**12,645**	**1,119**	**1,308**	**817**	**757**	**1,936**	**2,065**	**4,094**	**4,145**	**6,072**	**6,004**	**574**	**432**	**10,738**	**10,580**

(1) Only includes payments effectively made in the financial year. Does not include amounts now due but to be paid in the future, nor collections for previous financial years. Taxes paid due to the transfer of business units during the period are also included.

(2) Includes amounts paid through logistics operators that act as substitutes.

Management of fiscal risk

The Group has a map of risks in which the fiscal risks are specifically identified, whether they derive from the taxation policies applied, from possible non-compliance, from eventual discrepancies concerning the interpretation or application of law to specific cases or from the instability of the legal taxation and contractual framework.

Management of fiscal risk is part of the Group's Integrated Risk Management policy, whose approval is under the Board of Directors. This policy requires a scrupulous and ongoing process of risk identification, analysis and evaluation, as well as the periodic review of the efficiency of internal control and risk management systems by the Audit Committee.

Specifically, investment and divestment projects and the company's significant operations all involve studying their taxation implications before decisions are taken allowing the Group to identify those investments and operations that pose a special fiscal risk.

When defending itself in taxation litigation and conflicts, Repsol prioritises amicable solutions and behaves transparently in its dealings with tax authorities, willingly providing the information on the business activities carried out by the Group that these authorities consider necessary. Repsol considers that, in the current international tax framework, which is characterised by growing complexity and uncertainty, it is important to make an effort to reduce the number of conflicts and to promote legal certainty and the stability of the taxation framework, as these are fundamental for the development of economic activity.

Tax havens

In keeping with its tax policy, the Company has expressly undertaken to avoid opaque structures for tax or concealment purposes. Therefore, its guidelines in relation to tax havens are as follows:

- Presence in tax havens justified by ground business reasons.
- Strict compliance with tax legislation, not only the Spanish one, but also the local legislation, relative to the exercise of the business activities undertaken.
- Full transparency and cooperation with the affected administrations to furnish any information they deem necessary in relation to the business activities undertaken.
- Application of general criteria and procedures for administration and management control of the Group.
- Supervision of the exercise of activities in tax havens and authorisation for the establishment of companies in these by the Board, by means of the Audit and Control Committee.

The Company undertakes active management that seeks to reduce its already limited presence in territories classified as tax havens or that are deemed as not cooperating with tax authorities. For these purposes, the list of tax havens prepared by the OECD and Spain are used as reference. Over the past ten years, Repsol has significantly reduced its presence in these territories, from more than 40 companies to not having any active company under its control, as described below.

Repsol has no presence in territories included in the list of non-cooperating tax havens prepared by the OECD in 2012 under the approach of a "lack of information transparency". The Company is monitoring the process conducted by the OECD with special interest, within the so-called "Transparency Forum" for the review of practical compliance with the standards of transparency and exchange of tax information by member countries.

Focusing on the Spanish list of tax havens, Repsol currently has no active companies controlled in such territories either. There are nevertheless four companies that are inactive and/or in a winding-up process[(1)]. In turn, Repsol has a company that, while not incorporated in a tax haven, does undertake its activity (hydrocarbon exploration) in a territory of such characteristics, Liberia, by means of a permanent establishment that is subject in such country to the extractive industry regime itself (may we recall that Liberia is a complying member state of the aforementioned "*EITI*" initiative, which promotes transparency in the extractive industry).

Furthermore, Repsol has a minority stake in three active companies located in tax havens:

i) Oil Casual Insurance (4.4%; Bermuda) and Oil Insurance, Ltd (1.09%; Bermuda): mutual insurance companies of the oil&gas sector, that cover Group risks from Bermuda, jurisdiction where insurance companies covering international risks from the oil activity are generally located;

ii) OCP, Ltd (29.66%, Cayman Islands): company that includes an international association agreement (joint venture), in a jurisdiction that is generally used for such purposes, for the stake in an Ecuadorian operating company that manages oil activity infrastructures (heavy crude oil pipelines).

[(1)] Greenstone Assurance Ltd (Bermudas) (in “run off” status), Hunt Pipeline Co. Of Peru, Ltd. (Cayman Islands), Repsol International Capital, Ltd (Cayman Islands) and Repsol Exploration Services, Ltd, (Cayman Islands)

The Group's presence in these territories is not for the purpose of limiting the transparency of its activities or applying undesirable –much less illegal– practices, but instead corresponds to appropriate purposes and adapts to conventional standards in the sector.

It should be emphasised, in any event, that the incorporation or acquisition of stakes in undertakings with registered offices in countries or territories deemed as tax havens should be notified to the Repsol Board of Directors, by means of the Audit and Control Committee.

6.4) RESEARCH, DEVELOPMENT AND INNOVATION (R+D+i)

Repsol, by means of research, development and innovation, seeks to develop solutions to meet the technological challenges facing the energy industry. In doing so we propel ourselves based on the talent of our teams and on cooperation, networking with scientific groups of excellence, in Spain and abroad.

The Repsol Technology Centre (CTR) located in Móstoles, which opened in the year 2002, is the scientific and technological heart from where the companies centralises its R+D+i activities. It is the largest private research centre in Spain and its mission is to create its own value and know-how by means of R+D+i. Top-level research is conducted in this 56,000 square metre complex, in *Upstream*, Refining, Fuels, Chemicals and Alternative Energies, recognised on an international level. Over 400 researchers and technicians work in it, with collaboration on some projects from universities and external technological centres, always for the purpose of reaching maximum efficiency and quality.

In 2014, Repsol invested €82 million in R&D activities carried out directly in the CTR, and a further €8 million in projects undertaken in the company’s different business units (in 2013, these amounted to €83 and €6 million, respectively). Repsol maintains an active policy of collaboration with technology centres, public and private universities and companies in Spain and abroad. The investment earmarked for these types of agreements was more than €24 million. Repsol participates in R&D financing projects run by different government authorities. In 2014, the Technology Centre participated in 13 projects promoted by the Spanish Administration and 8 European Union projects (in 2013, they were 12 and 3 projects, respectively), as well as on one project for international cooperation with Chile.

OPERATIONAL INDICATORS	**2014**	**2013**
R+D Investment (millions of euros) (1)(2)	90	89
No. of external scientific collaboration agreements	105	122
Projects promoted by the Spanish Administration	13	12
Projects promoted by the EU	8	3
International projects	1	1

(1) Indicator calculated in accordance with the Group's new reporting model described in Note 5 “*Segment Reporting*” of the Consolidated Annual Accounts corresponding to December 31, 2014.
(2) Amounts calculated using the guidelines established in the Frascati Manual of the OECD and the EU Industrial R&D Investment Scoreboard presented annually by the European Commission.

Upstream R+D Programmes

Some of the Strategic Research Projects have concluded in 2014, in line with the objectives set in the 2011-2015 *Upstream* Strategic Technology Plan, and the activities of the rest of the Plan have made significant progress.

At the start of the year, the project for the generation of models and tools specific to Optimisation of site Development Plans concluded. A set of data collection and simulation technologies were developed for this, based on various custom algorithms that enable significant improvements in the results of the optimisation and opportunity assessment. At present, the Company already has several successful application pilots of this tool.

Within the rest of the key technology areas, the set of projects continues to develop according to the defined plans. Among these are the projects whose purpose is to view the subsoil by advanced geophysical technologies, to improve the definition of prospects and optimize the placement of the appraisal. Another set of projects focuses on understanding the characteristics of reserves by means of the development of tools and methods for the analysis and modelling of the rocks and fluids they contain, that in the long term make it possible to decrease costs for hydrocarbon exploration, development and production. Lastly, progress has been made on projects focusing on the most specific characterisation of fluids during their extraction and transport, likewise addressing the assurance of the flow and potential corrosion problems. The tools developed by means of these projects are already being applied in various Company assets.

Relevant activities are being carried out on improved recovery projects with significant future potential in various sites and research activities in nanotechnology applications to various fields, among them drilling. Technologies are also under development regarding unconventional hydrocarbons, from extra-heavy oils to *shale gas/oil.*

In collaboration with an important international technology partner, a research project commenced in 2014 for the development of the first application of Cognitive Computational Systems to the oil industry. This is an ambitious challenge that, by means of the application of the new era of intelligent computation systems, makes it possible to optimise the access and extraction of information from enormous amounts of data ("*Big data*") on the industry and the taking of decisions on our *Upstream* assets.

Lastly, tasks have been carried out for the optimisation of the tool for surveillance and early detection of hydrocarbon spills (HEADs) in an aquatic environment developed in 2013. This tool is capable of automatically identifying very small quantities under any atmospheric or light condition. The development has already been implemented in the Tarragona dock and the Casablanca platform (opposite the Tarragona coast) and its placement in other settings and countries is being analyzed. This project is an obvious example of Repsol's commitment to the environment.

Downstream R+D Programmes

During the year 2014, the technology activity for Downstream businesses concentrated on improving operating and energy efficiency, product diversification and care of the environment.

In Refining, the most relevant activities focused on the area of operating efficiency, incorporating new mathematical developments into production programming models and the design and implementation of comprehensive models for the operation of conversion plants, for the purpose of increasing their margin.

This year the activity of technology in product diversification has had an application in almost all *Downstream*. Worthy of mention is the development of eco-efficient products and processes related to bitumens that contribute to differentiation and to their international expansion. Specifically, new exportable product formats were developed, capable of long-distance transportation without loss of performance, as well as the design of special emulsions for their use in the full recycling of pavements at low temperatures, a technology that constitutes one of the most eco-efficient options in the highway sector. Progress has also been made in research to obtain unlabelled extender oils through the use of alternative oils and new processes.

Basing ourselves on lines of collaboration existing with international institutions, extensive experimentation has been developed to demonstrate the Fuel Economy potential of lubricant formulas, for engines as well as transmissions and differentials.

With regard to automotive LPG, one of the most successful projects in 2014 was the ability to prove that Autogas in direct injection engines in the liquid phase complies with the stringent Euro 6c emissions regulations, that will be in force as of 2017, in terms of gas emissions (CO, HC and NOx), as well as the number of particles, without the need for particle filters. The decrease of CO_2 emissions attained is almost 15% with respect to gasoline, which would make it possible in 2015 to achieve the target for CO_2 emissions proposed for the year 2020. Two European patent applications have been filed as a result of this project.

The Chemical technology activity continued in 2014 by further improving the competitiveness of the business, and whose fundamental fields of action were efficiency and differentiation in the form of (i) projects and action plans to decrease specific consumptions and operating improvements in its own processes, (ii) the decrease in costs and environmental impact of the products by means of new catalysts and/or raw materials, and (iii) the development of new products with more advanced features, whether through improvements in the technology itself or through the incorporation of new technologies under development.

Emerging businesses (NNEE)

Repsol promotes and manages new initiatives in emerging areas that may generate technology-based business opportunities and that will enable the development of the company strategy, beyond its traditional businesses. To do so it has three tools:

1. Corporate Venture Capital: its goal is to capture and capitalise on external innovation by means of investments in technology-based *start-ups* with great potential for development, in traditional or emerging areas of the Company. These stakes are made through Repsol Energy Ventures, S.A., a 100% subsidiary of the Repsol Group.

2. Emerging Business Generation: its goal is the generation of long-term sustainable businesses that, in the future, will enable their integration with other Repsol areas/businesses, contributing to the vision and global strategy of the Company.

3. Technology valuation: to market all intellectual property generated in the area of Technology that may be appraised, as well as those technologies developed or acquired by Repsol that should be valorized externally.

Development of the projects continued in 2014, adapting to the portfolio of investee companies, comprised of:

- Principle Power Inc., in whose capital we hold a 24.7% stake, it is the world's leading company with the ability to design, install and operate a semi-submersible floating structure for offshore wind-power generation. The first real scale prototype, WindFloat, equipped with a 2MW Vestas turbine, has produced 12 GWh since its placement into operation at the end of 2011.

- Graphenea, in whose capital we hold a 5.2% stake since 2013, within the scope of the INNVIERTE programme [(1)],is one of the main producers of graphene in Europe. It is the partner of Graphene Flagship, the largest research programme launched by the European Union.

- IBIL, a company 50% owned and by means of which Repsol continues to undertake the activity for the supply of energy for electric mobility, has approximately 450 operational charging points, in the public as well as the private sector, and continues to consolidate the high-speed charging infrastructure network in service stations of the Repsol Group. Thanks to the IBIL electric mobility programme, for the second consecutive year Repsol Nuevas Energías, S.A. was able to accredit a decrease in 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.

- Scutum Logistic, S.L., a company in whose capital we acquired a 16.7% stake in 2014, within the scope of the INNVIERTE programme, devoted to the design, production and sale of electric platforms and battery removal systems for electric motorcycles.

New Technologies

Repsol's wager for research in new energy technologies is distinguished by three areas of research:

- Biotechnology, for the development of technological capabilities in synthetic biology applied to the energy sector by means of the consolidation of a research group that places Repsol in a leadership role in this new field. To this regard, a micro-organism was designed and is currently under development from a new synthetic metabolic pathway, unidentified in nature until now, for the generation of advanced novel biofuels. Additionally, a prospecting study was carried out that has made it possible to identify interesting biotechnology opportunities in response to problems in different links of the oil industry value chain, which is focusing the biotechnology activity on bioprospecting aspects, oil upgrading and improved recovery.

- $CO_{2,}$ valuation; that consists of converting CO_2 into value added products, the Transforma CO_2 project concluded, which was conducted in collaboration with universities, companies and technology centres, to address the study of the most promising technologies identified on an exploratory and competitive basis. In conclusion, the technology of greatest interest was selected, known as Artificial Photosynthesis, which allows the transformation of solar energy into chemical energy using CO_2 as the raw material.

- Storage of electric energy for transportation; consolidated by means of Repsol's participation in international consortia, where battery technologies are researched with the greatest potential for surpassing the limitations of current electric vehicles. Several models of electric vehicles and high-speed charging solutions have likewise been evaluated and researched for the purpose of understanding and improving aspects such as charging speed and its impact on the battery of the vehicle.

Innovation

Repsol wagers for innovation as a key factor of our competitiveness, where the capacity lies to generate ideas and put them into practice within a setting of ongoing collective collaboration and learning.

[(1)] The INNVIERTE Programme forms part of the 2013-2020 Spanish Science, Technology and Innovation Strategy, approved by Resolution of the Council of Ministers, February 1, 2013.

In the year 2014, its main activity focused on:

- Promotion and support of cross-sectorial teams for the definition of challenges, identification of new solutions and the development of opportunities around the main innovation challenges of our Company: energy efficiency, the differentiation of our chemical business, the contribution of value to the client via digital technologies, the development of our values and the search for transversal opportunities among businesses.

- Deployment of Lean Management[1] as a lever of transformation for the continuous and sustainable improvement of our operations, focusing this year on the optimisation of the Chemical supply chain, the reliability of our industrial complexes, the management of technical information, the packaging of lubricants and several corporate services.

- First edition of the Innovation Award, which recognises successfully implemented initiatives as well as those that did not obtain results but that generated relevant collective knowledge. Of the more than 500 initiatives presented, the winners were chosen by the organisation by means of a collective process in which approximately 25% of the staff participated.

During this year more than 800 professionals performed some type of educational action, in person or virtually, that we developed and placed at the disposal of the organisation to develop innovation know-how and attitudes.

Following several years of promoting and boosting the innovation culture in the Company, we ended this year with the definition of the main initiatives and responsible areas that allow us to make a qualitative leap in the structured and systematic deployment of innovation in the Company.

6.5) SOCIETY

CORPORATE RESPONSIBILITY

Repsol is strengthening its business strategy with the search for better energy solutions that contribute to sustainable development. This is possible thanks to a forward-looking vision that is based on corporate responsibility environment as one of its key attributes.

Through its model of corporate responsibility, the company responds to the current and future needs of its stakeholders. Repsol makes daily efforts to be able to identify and understand their expectations at global and local level, both in countries and operational centres, with a proactive attitude.

Throughout 2014, the company has continued to expand the implementation of its corporate responsibility coordination system, with the creation of new Corporate Responsibility Committees, the development of studies for identifying expectations and the publication of sustainability plans.

Two new corporate responsibility committees were set up this year; one in Trinidad and Tobago and the other at the Petronor operations centre. These committees join those already existing at national level in Spain and Portugal, Bolivia, Brazil, Colombia, Ecuador, United States, Peru and Venezuela and the operating centres of A Coruña, Cartagena, Puertollano and Tarragona. The members of each committee meet at least twice a year to analyze the expectations of stakeholders in each country, and integrate them in the decision-making process by proposing, as a result of this feedback, the corresponding sustainability plans comprising actions to be taken towards improving the company's ethical, social and environmental performance and to respond to the expectations of those involved.

[1] Simple, in-depth and effective working methodology, aimed at increasing productive efficiency in all processes as of the implementation of the ongoing improvement management philosophy in time, space, waste, inventory and defects, directly involving the employee.

With regard to Repsol's sustainability plans, these make up a tangible response to the demands of society, represented by the stakeholders in the company, whose concerns and expectations are reflected by the commitments embodied in these plans through concrete and measurable actions.

This year saw the publication of the 2014 annual sustainability plans for Brazil and the operational centres of A Coruña, Cartagena, Puertollano and Tarragona. These plans were incorporated to the eight biennial sustainability plans for 2013-2014 already in place that were published in 2013. One covers the Corporate area and the other seven are country plans (Spain and Portugal, Bolivia, Colombia, Ecuador, United States, Peru and Venezuela).

Overall in the last two years, Repsol has publicly committed to implement 574 actions of which 86% were linked to variable remuneration, including all the sustainability plans published, aimed at maximizing positive impacts and preventing negative impacts of the company's activities.

Having a model that integrates the corporate responsibility expectations of our stakeholders in the company's decision-making processes allows us to work towards the constant generation of long-term value. This effort is internationally recognised, and as vouched for by our continued presence in the FTSE4Good and Dow Jones sustainability indices, acknowledging companies with the best sustainability performance.

For more information regarding to Corporate Responsibility see the *"Corporate Responsibility Report 2014" on* Repsol's website.

SHAREHOLDERS AND INVESTORS

Repsol has an Investor Relations Division, created with the mission of serving Repsol shareholders, both institutional investors and minority shareholders, in addition to the analysts who follow the company, in all matters concerning access to the company's financial and operational information along with any events that may affect share values.

During 2014, the Investor Relations Division has not only kept track of Repsol's major institutional investors, but has also made headway in opening new unexplored markets in order to broaden our shareholder base. For this purpose it has visited potential new investors in Brazil, South Africa and Poland, among others. In addition, roadshows were held where senior management explained the agreement for the potential acquisition of Talisman Energy to investors and analysts.

With regard to information for non-institutional shareholders, in 2013 the "*Repsol in Action*" scheme was created as a relationship model with minority shareholders based on corporate governance and transparency best practices. As a key communication tool, a special area has been developed in the Investor section of the corporate website dedicated to Repsol shareholders in order to keep them informed of major events happening in the company. During 2014, Repsol in Action held 90 events with shareholders. Noteworthy events included roadshows for shareholders, during which the results, strategy and other corporate milestones were explained in detail to shareholder groups in their home cities.

Additionally, Repsol has a customer service office for minority shareholders and a call centre with a toll free number and permanent service during business hours to provide customers with information or answer questions they may have.

During 2014, the Investor Relations Division consolidated its customer service model for socially responsible institutional investors – increasingly numerous among Repsol's shareholding. This area focussed on investors with appraisal criteria that include ethical, social and environmental issues, was created in 2013. Actions taken include the first "*Repsol Sustainability Day*", an event aimed at this type of investor, where the most relevant Sustainability measures implemented by the different Repsol divisions were revealed. Communication with such investors was likewise consolidated through attendance at specific roadshows and conferences, one with senior corporate management.

A report of interaction with socially responsible investors is published annually, featuring the most relevant issues raised by them during these events.

Finally, investors and shareholders can use an application to access corporate financial information through mobile devices (tablets and smartphones). This application can be downloaded for free on Repsol's website.

Below is a summary of the key indicators that support the company's interaction with investors and the financial community through the different communication channels established:

SHAREHOLDER AND INVESTOR INFORMATION	**2014**	**2013**
Calls answered by the Shareholder Information Office (OIA)(1)	41,000	34,000
Access to Repsol website (2)	459,000	443,000
Consultations via email	~10,000	~10,000
Roadshows institutional investors (cities) (3)	31	37
Roadshows socially responsible institutional investors (3)	8	8
Roadshows minority shareholders (3)	21	11
Events for minority shareholders	90	64
Members of "*Repsol in Action*" community	39,000	23,000
Institutional investors contacted	>800	>800

(1) Shareholder Information Office (OIA) serves minority shareholders, both current and potential. Includes calls answered by the Call Centre.
(2) Total visits to Shareholders and Investors section (Spanish and English versions).
(3) Roadshows are trips to different cities to visit institutional investors or minority shareholders. Includes roadshows with socially responsible investors.

REPSOL ON THE INTERNET

The company's Internet presence is mainly channelled through the corporate website repsol.com, which is a cross-platform communication and marketing tool for the different business lines. Repsol's website is a reference in terms of content, transparency and accessibility of information.

In the last eleven years, the repsol.com portal has positioned itself among the top European websites, according to the periodic study conducted by international consultancy company Comprend. In this ranking, the corporate site has always occupied the first position in Spain and has been among the top in its sector. Additionally, in 2014 it has been positioned as the second one in the Oil&Gas sector.

In addition, Repsol has other assets of particular relevance -such as the website guiarepsol.com- completely renewed and applications for mobile devices. Moreover, the company's presence in social networks -especially Facebook, Twitter and LikedIn- has gained special significance with over 340 thousand followers jointly so far.

MAIN INDICATORS ON INTERNET ACTIVITY		2014	2013
	Visits (monthly average)	2,900,000	2,800,000
	Unique users (monthly average)	1,793,000	1,600,000
	Facebook followers	146,000	127,000
	LinkedIn followers	112,000	50,000
	Twitter followers	80,000	56,000
Google	Keywords positioned in the Google Top 20 (1)	16,000	5,500

(1) In 2014 and 2013 estimated value amounted to €650,000 and €210,000, respectively.

ADVERTISING, SPONSORSHIP AND PUBLIC RELATIONS

Throughout 2014, advertising campaigns have been made that have served to highlight the company's strategic projects have also transmitted Repsol's commitment on issues of great importance to society, such as the ability of Repsol to create jobs or support entrepreneurship and its training, among others. On the commercial front, there have been numerous advertising and promotional campaigns that have served to highlight the quality of our products and Repsol´s commitment with their customers.

As a responsible brand, we are concerned with the rigorous standards of our advertising campaigns. Accordingly, we continue to adopt voluntary codes and mechanisms that guarantee transparency and accuracy in all such communications (such as membership of the Association for Advertising Communication Self-Regulation or adherence to the Code of Self-Regulation regarding Environmental Claims in Advertising and Marketing).

Again this year, our sponsorship and public relations programmes have helped generate awareness for the Repsol brand and strengthen our corporate image as a leading and innovative company in the commitment to society.

During the 2014 season, Marc Márquez won his second MotoGP world championship, being the youngest rider to win two consecutive titles in this category and along with his teammate Dani Pedrosa, they gave the Repsol Honda Team yet another World Championship team title. Without doubt, this sponsorship programme contributes to making the company a household name globally, thus opening the way for its international expansion. Furthermore, the acquired experience in the development of products for top motor competitions enables Repsol to remain a leader in research and thus be capable of fulfilling its customers' highest expectations. In 2014 also saw continued support for the Repsol FIM 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 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 and its participation in the XXI Moscow World Petroleum Congress.

[1] Junior international motorcycling championship where young drivers are trained, of which Repsol is the main sponsor.

7. OUTLOOK AND PROSPECTS

7.1 MACROECONOMIC OUTLOOK

The prospects for world economic growth, while positive, are systematically lower than expected three months ago. In 2014 fears increased that weak recovery will persist over time.

Forecasts for the world economy indicate that by 2015 the rate of growth will recover with respect to 2014, to reach 3.5%. Of this growth, although most comes from emerging economies, their contribution is more balanced with respect to the leaps experienced in recent years. In advanced economies, recovery will settle down with real GDP growth of 2.4% in 2015, 0.6 higher than 2014, and it is fundamentally explained by the progress of North American economy.

Growth in emerging and developing economies is expected to be 4.3% in 2015 and that to pick up very slightly the following years, driven primarily by domestic demand in these economies and the external sector. While in many cases growth forecasts have been revised downward, by making the appropriate structural reforms many economies could restore their growth potential.

In the case of the Spanish economy, forecasts suggest a growth path for 2015. The International Monetary Fund (IMF) puts the figure at 2% and the European Commission at 2.3%, although risks continue to persist due to the worsening of the prospects for the global economy by the IMF, it must be acknowledged that, in recent weeks, these risks have decreased as a result of lower crude oil prices and the announced purchase of bonds by the ECB. Repsol's forecasts placed GDP growth for 2015 at 2.6%, in line with forecasts by the main national analysts.

After a sharp recession and a series of deep structural reforms, including the labour reform and the financial balance cleansing process, the Spanish economy is showing unmistakable progress, with domestic demand spearheading economic growth in the coming months. However, the reform process has not concluded and the bearish dynamics of prices is a trend that must be monitored, facing the risk of a prolonged period of low prices.

Macroeconomic forecasts, main figures

	GDP (%)		**Average inflation (%)**	
	2014	**2015**	**2014**	**2015**
World economy	3.3	3.5	3.8*	3.9*
Advanced economies	1.8	2.4	1.4	1.0
Spain	1.4	2.0	-0.03*	0.6*
Emerging economies	4.4	4.3	5.4	5.7

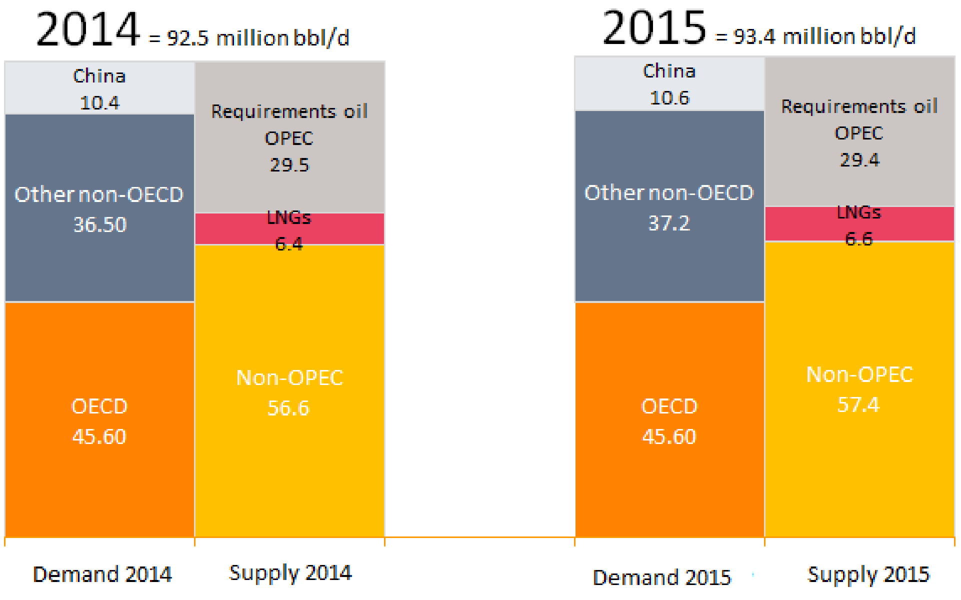
Source: IMF (World Economic Outlook Oct. 2014 and Update January 2015) and Repsol Technical Secretariat Dept.
*These figures were not updated by the IMF in the update of the WEO for January 2015

Energy sector outlook

In the short term, according to the International Energy Agency (IEA), the oil supply-demand balance will be determined by a new anticipated rise in production from non-OPEC countries in 2015 approaching 800 thousand barrels per day, of which more than 90% will come from the United States.

Meanwhile, increased demand will continue to be driven by non-OECD countries, reaching an expected 900 thousand barrels per day in 2015. This outlook implies an increase of 100 thousand barrels per day for OPEC crude oil needs and changes in inventories for 2015, which between 2013 and 2014 decreased by 1.4 million barrels, pushing down prices.

Short-term outlook of the global balance between supply and demand



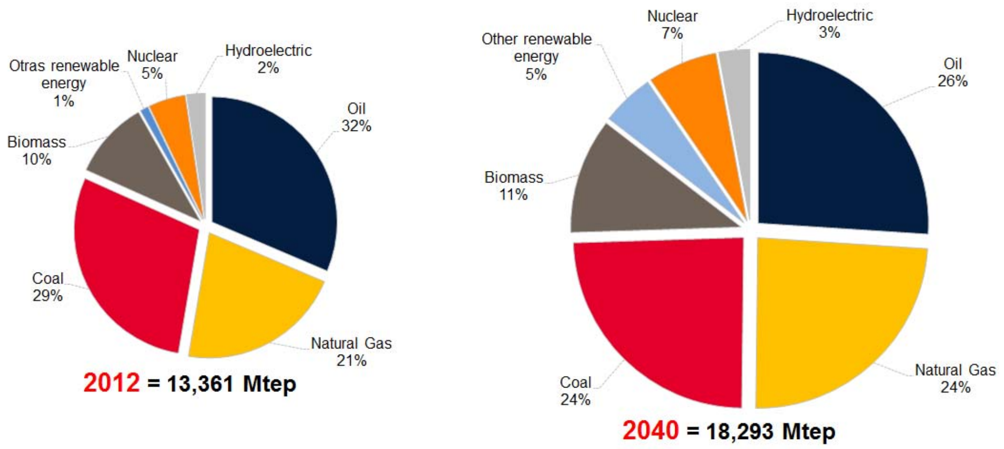
Source: IEA and Repsol Technical Secretariat Dept.

With regard to the evolution of prices in the short term, market consensus points to a significant recovery from the levels reached at the end of 2014, with forecasts often exceeding 80 dollars per barrel during 2016. The main source of uncertainty is the time it will take for the supply and demand adjustment mechanisms to reflect its effects on the price. According to past experience, in a context of low prices clear consumption incentives are generated on the demand side, while significant falls in investment on the supply side mark the first step towards a slowdown and subsequent fall in production.

In the longer term, the increase in energy demand put forward by the International Energy Agency (IEA) in the base scenario of its *World Energy Outlook 2014* report, stands at 33% from 2011-2034, equivalent to an average annual growth of 1.13%, with most of this growth, 93%, concentrated in non-OECD countries, owing to their strong economic and population growth.

Fossil fuels will remain the world's main driving force, given that in 2040 these three sources (oil, natural gas and coal) will supply more than three-quarters of the energy demand. Even so, oil will reduce its share, from 32% in 2011 to 26% in 2040.

Long-term outlook of world primary energy matrix



Source: IEA and Repsol Technical Secretariat Dept

7.2 FUTURE OUTLOOK FOR OUR BUSINESSES

The process for acquisition of 100% of the share capital of the Canadian company Talisman is currently concluding, a transformational and inspirational transaction that will turn Repsol into one of the most important players of the international energy sector and that will make it possible to reinforce its capacity as an integrated energy company, with a solid and competitive project. Once the transaction has culminated, a new strategic plan will be presented, integrating Talisman into Repsol.

With respect to the businesses that currently comprise the Group, progress will continue along the strategic lines established in the 2012-2016 Strategic Plan, focusing on the growth of the *Upstream* business and on the operational excellence of *Downstream,* maintaining competitive remuneration for the shareholder and sound financial ratios.

In the year 2015, in the *Upstream* business and within an unstable environment of oil prices, Repsol continues to wager for profitable and sustainable performance over time. Investment efforts will focus on high value-added projects, whereby 70% of the investments planned for 2015 will be devoted to this area. The investments will concentrate on three projects for the development, drilling and construction of installations, mainly in Brazil, United States, Venezuela, Trinidad, Algeria and Bolivia, as well as on exploratory wells.

The growth commitment of the 2012-2016 Strategic Plan continues to be driven by 10 major projects, which were already in production in 2014, Russia, Lubina-Montanazo, Margarita, Mid-Continent, Sapinhoá, Carabobo and Kinteroni. Cardón IV in Venezuela is estimated to enter operation in 2015, and development of the aforementioned projects will continue, as well as Lapa and Reggane whose placement into operation is scheduled for 2016 and 2017.

In the *Downstream* business the completion of the major Cartagena and Petronor projects, and the operational excellence targets are enabling the Company to overcome the environment of economic crisis in Spain and Europe. The objectives established for next year will be:

- Continuing to improve the competitiveness of the Refining and Chemical facilities, thus leading to continuous improvements in margins.
- Maximising the value of the Marketing business and consolidating a competitive position within the new legal framework in view of the stabilisation in demand for fuel in Spain following six years of constant decline and a slight growth in sales of petrochemical and LPG products.
- Efficiency improvement policy, with a strict containment of costs, barring growth projects.

In the forecast environment, the Group will maintain its financial strength to perform the required investments while maintaining its credit rating and shareholders competitive returns.

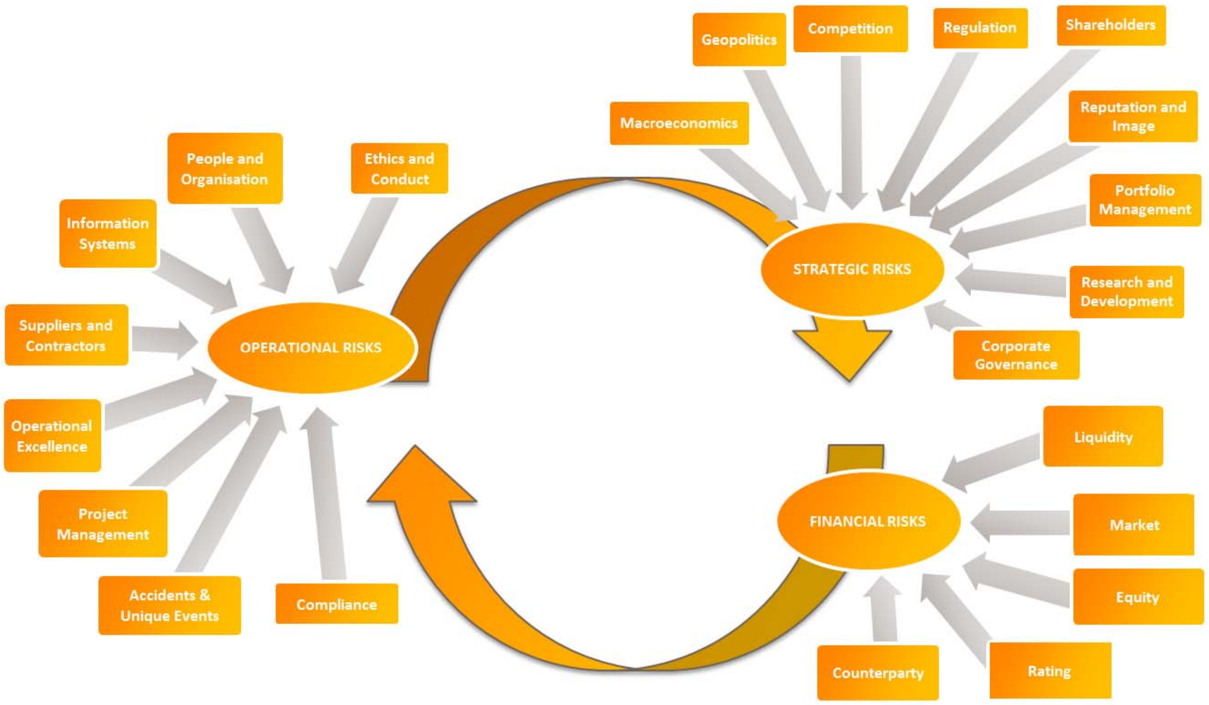
8. RISK MANAGEMENT

8.1 RISK MANAGEMENT MODEL

The Repsol Group operates in many different countries under multiple conditions and environments, and at all stages of the energy business value chain. Accordingly, it is exposed to risks of different natures (strategic, operational and financial) that may affect the future performance of the organisation and must be mitigated as effectively as possible.

For this reason, the Company has an organisation, procedures and systems that allow it to reasonably manage the risks to which the group is exposed. Risk management is an integral part of the Group's decision-making processes, both in the field of the corporate governance bodies and in business management.

Types of risk



Additionally, in 2013 Repsol decided to move towards an integrated management model in order to globally anticipate, manage and control risks. To do this, the Risk Department within the Strategy, Control and Resources Department has the mission of coordinating and promoting the existing risk management system, giving it a more comprehensive focus, through the implementation of Repsol's Integrated Risk Management System ("*Sistema de Gestión Integrado de Riesgos de Repsol* – SGIR").

Repsol's commitment to implementing the SGIR is reflected in its Risk Management Policy and its principles are specified in the new Integrated Risk Management Standard approved by the Company's Board of Directors. This new management model is based on the ISO31000 international reference standard and the Three Lines of Defence Model.

The fundamental pillars of the SGIR are:

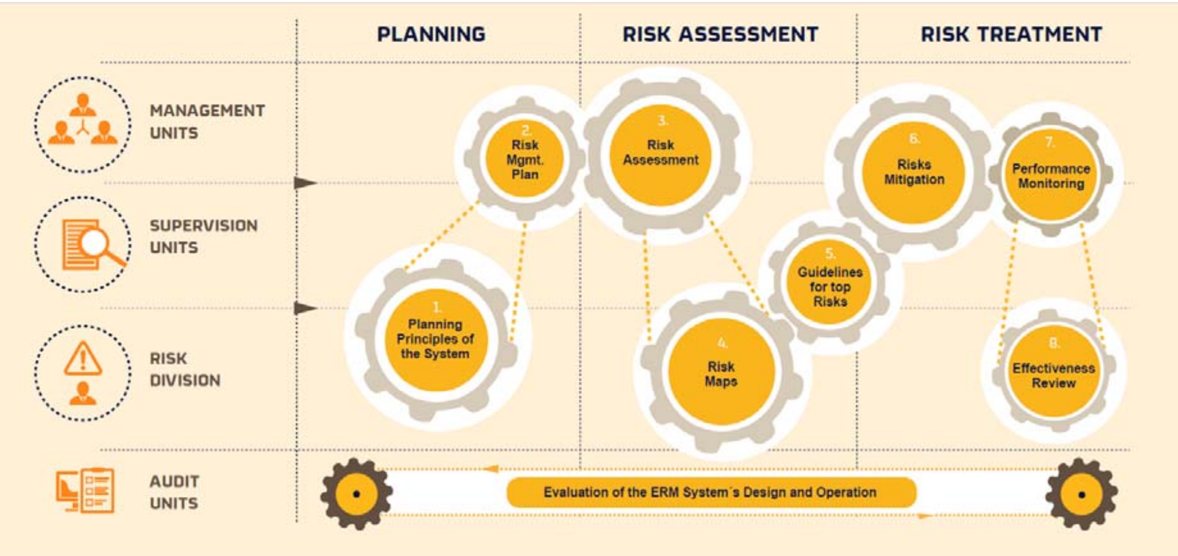
- Senior Management Leadership.

- Common risk management model that is built into all of the management processes and activities of the company, and which ensure that all risks are managed according to a common process for identification, assessment, and treatment.

- Businesses and Corporate areas play a role in the implementation of the model, becoming units with different levels of responsibility and specialisation (risk management units, supervisory units, and audit units), as does the Risk Department, which will coordinate and provide governance for the integrated management system.

Repsol's Senior Management sees the SGIR not only as tool to define corporate strategy, but also to improve operations and approach critical situations with flexibility while coming out stronger.

Repsol's Integrated Risk Management System – (SGIR)



For further information on risk management see section 6.2 "*Safety and Environment Risk Management*" and 6.3 "*Management of fiscal risk*".

8.2 RISK FACTORS

Repsol's operations and results are subject to risks as a consequence of changes in the competitive, economic, political, legal, regulatory, social, industrial, business and financial conditions, such as those listed below.

STRATEGIC AND OPERATIONAL RISK

Uncertainty in the current economic context

Global economic growth is still weak and more fragile than expected, although the latest IMF(1) forecasts estimate an expected global growth of around 3.3% in 2014 and 3.5% in 2015. Nonetheless, concerns about persistent low and uneven growth have risen over the past six months. Since the summer of 2014, the growth and inflation outlook worsened in the Eurozone, China and Latin America, while it has improved in the United States and the United Kingdom which shows greater dynamism.

(1) Source: World Economic Outlook January 2015.

Due to the differences in the rate of growth it is clear that central banks are in different monetary paths. First, there are those who seek to combat low inflation and stimulate growth by expanding their balance sheets. This is the case of the Bank of Japan and the European Central Bank which has announced the purchase of sovereign and corporate bonds for a total of €60 billion per month to strengthen balance expansion programmes initiated in 2014. Second, the Bank of England and the Federal Reserve have put an end to their expansionary policies, supported by firm macroeconomic data, and are now considering the appropriate moment to start raising interest rates. The timing of the Federal Reserve interest rate decision is perceived by the market as a key issue for global risk. For the time being, the increase in global risk perceptions has diminished after the last Federal Open Market Committee ("FOMC")(1) of the United States made it clear that they will be "patient" as regards increasing interest rates. This action is thought to guarantee a non-contractionary monetary policy at least for the first half of 2015, leading to a reduction in current and expected volatility.

Against this background, the significant decline in oil prices has changed the outlook for growth and inflation. On the one hand, certain oil exporting countries are going through a period of low growth and heightened risks of a balance of payment crisis, including Russia, among others. On the other hand, importing countries are expected to grow more than previously forecast due to the income transfer from oil exporters. Furthermore, emerging countries are believed to benefit more than advanced countries due to their high energy intensity. The IMF's viewpoint is that a fall in the oil price by $30 per barrel will translate into a 0.8% growth in the global economy in 2015. However, some experts argue that such a positive effect will not be felt due to the low levels of interest rates and the decrease of the inflationary pressures in most countries.

Geopolitical risks remain latent in Ukraine and the Middle East, with the former being more relevant to the markets. Geopolitical developments could impact markets through an increase in volatility and adjustments in asset prices. Finally, the economic-financial situation could have a negative impact on third parties with whom Repsol does or could do business. Any of the factors described above, whether in isolation or in combination with each other, could have an adverse effect on the financial position, businesses, or results of operations of Repsol.

Fluctuations in international prices and demand of crude oil and reference products owing to factors beyond Repsol's control

World oil prices have fluctuated widely over the last ten years and are driven by international supply and demand factors over which Repsol has no control.

International product prices are influenced by the price of oil and the demand for products. Therefore, international prices of crude oil and products affect the refining margin. International oil prices and demand for crude oil may also fluctuate significantly during economic cycles.

Reductions in oil prices negatively affect Repsol's profitability, the value of its assets and its plans for capital investment. Likewise, any significant drop in capital investment could have an adverse effect on Repsol's ability to replace its crude oil reserves.

Regulatory and tax framework of Repsol's operations

The oil industry is subject to extensive regulation and intervention by governments in matters such as the award of exploration and production permits, the imposition of specific drilling and exploration obligations, restrictions on production, price controls, divestments of assets, foreign currency controls, and the nationalisation, expropriation or cancellation of contractual rights.

Likewise, oil refining and petrochemical activities, in general, are subject to extensive government regulation and intervention in matters such as safety and environmental controls.

(1) Federal Reserve Agency responsible for establishing monetary policy and supervising of open market operations.

Finally, the energy sector, particularly the oil industry, is subject to particular taxation. In *Upstream* activities there are often energy taxes on profit and production, while in *Downstream* activities taxes on consumption products are common.

Repsol cannot predict changes to such laws or regulations or their interpretation, or the implementation of certain policies. Any such changes could have an adverse impact on the business, financial position and results of operations of the Repsol Group.

Repsol is subject to extensive environmental and safety legislations and risks

Repsol is subject to extensive environmental and safety legislations and regulations in all the countries in which it operates, which regulate, among other matters affecting Repsol's operations, environmental quality standards for products, air emissions and climate change, energy efficiency, water discharges, remediation of soil and groundwater and the generation, storage, transportation, treatment and final disposal of waste materials and safety.

In particular, and due to concerns over the risk of climate change, a number of countries have adopted, or are looking into adopting, new regulatory requirements to reduce greenhouse gas emissions, such as carbon taxes, increasing efficiency standards, or adopting emissions trading schemes. These requirements could make Repsol's products more expensive as well as shift hydrocarbon demand toward relatively lower-carbon sources, such as renewable energies. In addition, compliance with greenhouse gas regulations may also require Repsol to upgrade its facilities, monitor or sequester emissions or take other actions that may increase the cost of compliance.

These requirements have had, and will continue to have, an impact on Repsol's business, financial position and results of operations.

Operating risks related to exploration and exploitation of oil and gas, and reliance on the cost-effective acquisition or discovery of, and, thereafter, development of, new oil and gas reserves

Oil and gas exploration and production activities are subject to particular risks, some of which are beyond the control of Repsol. These activities are exposed to production, equipment and transportation risks, errors or inefficiencies in operations management and purchasing processes, natural hazards and other uncertainties relating to the physical characteristics of oil and natural gas fields. In addition to this, some of the Group's development projects are located in deep waters and other difficult environments, such as the Gulf of Mexico, Alaska, Brazil and the Amazon rainforest, or in complex oilfields, which could aggravate these risks further. Also, the transportation of oil products, by any means, always has inherent risks: during road, rail or sea transport, or by pipeline, oil and other hazardous substances could leak. This is a significant risk due to the potential impact a spill could have on the environment and on people, especially considering the high volume of products that can be carried at any one time. Should these risks materialise, Repsol may suffer major losses, interruptions to its operations and harm to its reputation.

Moreover, Repsol must replace depleted oil and gas reserves with new proven reserves enabling subsequent production to be economically viable. Repsol's ability to acquire or discover new reserves is, however, subject to a number of risks. For example, drilling may involve negative results, not only with respect to dry wells, but also with respect to wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs are taken into account. In addition, Repsol generally faces intense competition in bidding for exploratory blocks, in particular those blocks offering the most attractive potential reserves. Such competition may result in Repsol's failing to obtain the desirable blocks, or acquiring them at a higher price, which could render subsequent production economically unviable.

If Repsol fails to acquire or discover, and, thereafter, develop new oil and gas reserves in a cost-effective manner, or if any of the aforementioned risks were to materialise, its business, financial position and results of operations could be adversely affected.

Location of reserves

Part of the oil and gas reserves of Repsol is located in countries that are or could be economically or politically unstable.

Reserves in these areas as well as related production operations may be exposed to risks, including increases in taxes and royalties, the establishment of limits on production and export volumes, the compulsory renegotiation or cancellation of contracts, the nationalisation or denationalisation of assets, changes in local government regimes and policies, changes in business customs and practices, payment delays, currency exchange restrictions and losses and impairment of operations due to the actions of insurgent groups. In addition, political changes may lead to changes in the business environment. Economic downturns, political instability or civil disturbances may disrupt the supply chain or limit sales in the markets affected by such events.

If any of the aforementioned risks were to materialise, it could have an adverse impact on Repsol's business, financial position and results of operations.

Oil and gas reserves estimation

In estimating proven oil and gas reserves, Repsol relies on the guidelines and the conceptual framework of the Securities and Exchange Commission's (SEC) definition of proven reserves and on the criteria established by the Petroleum Reserves Management System of the Society of Petroleum Engineers ("*PRMS-SPE*"). In the estimation of non-proven oil and gas reserves, Repsol relies on the criteria and the guidelines established by the PRMS-SPE.

The accuracy of these estimates depends on a number of different factors, assumptions and variables, such as exploration and development activities including drilling, testing and production. After the date of the estimate, the results of activities may entail substantial upward or downward corrections in the estimate based on the quality of available geological, technical and economic data used and its interpretation and valuation. Moreover the production performance of reservoirs and recovery rates, depend significantly on available technologies as well as Repsol's ability to implement them.

As a result of the foregoing, measures of reserves are not precise and are subject to revision. Any downward revision in estimated quantities of proven reserves could adversely impact the results of operations of the Repsol Group, leading to increased depreciation, depletion and amortisation charges and/or impairment charges, which would reduce net income and shareholders' equity.

Projects and operations carried out through joint ventures and partnerships

Many of the Repsol Group's projects and operations are conducted through joint ventures and partnerships. If Repsol does not act as the operator on those projects or operations, its ability to control and influence the performance and management of the operations and to identify and manage risk is limited. Additionally, there is a possibility that if any of Repsol's partners or members of a joint venture or associated company fails to comply with their financial obligations or incur any another breach, that could affect the viability of the whole project.

Repsol may engage in acquisitions, investments and disposals as part of its strategy

As part of Repsol's strategy, Repsol may engage in acquisitions, investments and disposals of interests. There can be no assurance that Repsol will identify suitable acquisition opportunities, obtain the financing necessary to complete and support such acquisitions or investments, acquire businesses on satisfactory terms, or that any acquired business will prove to be profitable. In addition, acquisitions and investments involve a number of risks, including possible adverse effects on Repsol's operating results, risks associated with unanticipated events or liabilities relating to the acquired assets or businesses which may not have been disclosed during due diligence investigations, difficulties in the assimilation of the acquired operations, technologies, systems, services and products, and risks arising from provisions in contracts that are triggered by a change of control of an acquired company.

Any failure to successfully integrate such acquisitions could have a material adverse effect upon the business, results of operations or financial condition of Repsol. Any disposal of interest may also adversely affect Repsol's financial condition, if such disposal results in a loss to Repsol.

Repsol's current insurance coverage may not be sufficient for all the operational risks

Repsol holds insurance coverage against certain risks inherent in the oil and gas industry in line with industry practice. Insurance coverage is subject to deductibles and limits that in certain cases may be materially exceeded by the losses and/or liabilities incurred. In addition, Repsol's insurance policies contain exclusions that could leave the Group with limited coverage in certain circumstances or even indemnities cannot be totally or partially recovered in case of insolvency of the insurers. Furthermore, Repsol may not be able to maintain adequate insurance at rates or on terms considered reasonable or acceptable to Repsol, or be able to obtain insurance against certain risks that could materialise in the future. If Repsol were to experience an incident against which it is not insured, or the costs of which materially exceed its coverage, it could have an adverse effect on its business, financial position and results of operations.

Repsol's natural gas operations are subject to particular operational and market risks

Natural gas prices tend to vary between the different regions in which Repsol operates as a result of significantly different supply, demand and regulatory circumstances, and such prices may be lower than prevailing prices in other regions of the world. In addition, excess supply conditions that exist in some regions cannot be utilised in other regions due to a lack of infrastructure and difficulties in transporting natural gas.

In addition, Repsol has entered into long-term contracts to purchase and supply natural gas in various parts of the world. These contracts have different price formulas, which could result in higher purchase prices than the price at which such gas could be sold in increasingly liberalised markets. Furthermore, gas availability could be subject to the risk of counterparties breaching their contractual obligations. Thus, it might be necessary to look for other sources of natural gas in the event of non-delivery from any of these sources, which could require payment of higher prices than those envisaged under the breached contracts.

Repsol also has long-term contracts to sell and deliver gas to customers, which present additional types of risks to the Group as they are pegged to existing proven reserves in these countries. Should available reserves in these countries prove insufficient, Repsol might not be able to satisfy its obligations under these contracts, some of which include penalty clauses for breach of contract.

The occurrence of any of these risks would have an adverse impact on the business, financial condition and results of operations of the Repsol Group.

Cyclical nature of the petrochemical activity

The petrochemicals industry is subject to wide fluctuations in supply and demand, reflecting the cyclical nature of the chemicals market on a regional and global scale. These fluctuations affect the prices and profitability of petrochemicals companies, including Repsol. Repsol's petrochemicals business is also subject to extensive governmental regulation and intervention in matters such as safety and environmental controls. Any such fluctuations or changes in regulation could have an adverse effect on the business, financial position and results of operations of the Repsol Group.

Repsol Group's strategy requires efficiency and innovation in a highly competitive market

The oil, gas and petrochemical industry operates in the context of a highly competitive energy sector. This competition influences the conditions for accessing markets or following new business leads, the costs of licenses and the pricing and marketing of products, requiring the Group’s attention and continuous efforts towards improving efficiency and reducing unit costs, without compromising operational safety or undermining the management of other strategic, operational and financial risks.

The implementation of the Group’s strategy requires a significant ability to anticipate and adapt to the market and continuous investment in technological advances and innovation.

The Repsol Group is subject to the effects of administrative, judicial and arbitration proceedings

The Repsol Group is subject to the effects of administrative, judicial and arbitration proceedings arising in the ordinary course of business. Repsol could become involved in other possible future lawsuits in relation to which it is unable to predict the scope, subject-matter or outcome. Any current or future dispute inevitably involves a high degree of uncertainty and any adverse outcome could adversely affect the business, financial position and results of operations of the Repsol Group.

Misconduct or violations of applicable legislation by our employees can damage the reputation of the Repsol Group

Repsol’s Ethics and Conduct Regulations, which are mandatory for all Group employees regardless of their geographic location, area of activity or professional level, establish the overall guidelines for the conduct of the Group and all its employees in performing their duties and in their commercial and professional relationships, in line with the principles of corporate loyalty, good faith, integrity and respect for the law and the ethical values defined by the Group. The different compliance and control models of the Group include controls aimed at preventing, detecting and mitigating relevant compliance aspects of the Ethics and Conduct Regulations. The occurrence of any management misconduct or breach of any applicable legislation could cause harm to the Group’s reputation, in addition to incurring sanctions and legal liability.

Information technology and its reliability and robustness are a key factor in maintaining our operations

The reliability and security of the Group’s information technology (IT) systems are critical to maintaining the availability of its business processes and the confidentiality and integrity of the data belonging to the Group and third parties. Given that cyber-attacks are constantly increasing, the Repsol Group cannot guarantee that it will not suffer economic or/and material losses in the future as a result of such attacks.

FINANCIAL RISKS

Repsol has in place a risk management structure and systems that enable it to identify, measure and control the risks to which the Group is exposed. Note 19 “*Financial risk and capital management*” in the Group’s audited Consolidated Annual Accounts analyzes the exposure to those risks and measures the impact they may have on the financial statements.

The main financial risks are described below:

Liquidity risk

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

In the case that Repsol were unable to meet its needs for liquidity in the future or needed to be required to incur increased costs to meet them, this could have an adverse effect on the business, financial position and results of operations of the Repsol Group.

Credit risk

Credit risk is the risk of a third party failing to carry out its contractual obligations resulting in a cost or loss to the Group.

The exposure of the Group to credit risk is mainly attributable to commercial debts from trading transactions, which are measured and controlled in relation to customers or individual third parties, and whose amounts are reflected in the balance sheet net of allowances for impairment provisions. To this end, the Group has, in line with best practices, its own systems for the permanent credit evaluation of all its debtors and the determination of risk limits with respect to third parties.

As a general rule, the Group establishes a bank guarantee issued by financial entities as the most suitable instrument of protection from credit risk. In some cases, the Group has taken out credit insurance policies to transfer partially the credit risk related to the commercial activity of some of its businesses to third parties. Additionally, the Group is exposed to counterparty risk derived from non-commercial contractual transactions that may lead to defaults. In these cases, the Group analyzes the solvency of counterparties with which the Group has or may have non-commercial contractual transactions. Any breach of payment obligations by Repsol’s customers and counterparties, in the agreed time frame and form, could result in an adverse effect on Repsol’s business, results or financial position.

Market risks

Exchange rate fluctuation risk: Fluctuations in exchange rates may adversely affect the results of transactions and the value of Repsol’s equity.

In general, this exposure to fluctuations in currency exchange rates stems from the fact that the Group has assets, liabilities and cash flows denominated in a currency other than the functional currency of the Repsol Group, being of particular importance:

- Cash flows generated by oil, natural gas and refined product sales are generally denominated in United States dollars or are otherwise affected by dollar exchange rates.
- Value of the Repsol´s financial assets and investments, predominantly those denominated in United States dollars.

In addition, it should be taken into consideration that:

- Cash flows from transactions carried out in the countries where Repsol conducts its activities are exposed to fluctuations in currency exchange rates of the respective local currencies against the major currencies in which the raw materials used as reference for the fixing of prices in the local currency are traded.
- Repsol’s financial statements are expressed in euros and, consequently, the assets and liabilities of subsidiary investee companies with a different functional currency are translated into euros.

In order to mitigate this risk, and when considered appropriate, Repsol performs investing and financing transactions, using the currency for which risk exposures have been identified. Repsol can also carry out hedging transactions by means of financial derivative instruments for currencies that have a liquid market, with reasonable transaction costs.

Note 17 "*Financial risk and capital management*" and Note 18 "*Derivative transactions*" in the Group's audited Consolidated Annual Accounts for the financial year ended December 31, 2014 include additional details on the financial risks to which the Repsol Group is exposed.

Commodity price risk: In the normal course of operations and trading activities, the earnings of the Repsol Group are exposed to volatility in the price of oil, natural gas, and related derivative products (see the risk factors titled "*Fluctuations in crude oil and reference products international prices and demand owing to factors beyond Repsol's control*" and "*Repsol's natural gas operations are subject to particular operational and market risks*" above). Note 18 "*Derivative transactions*" in the Group's audited consolidated financial statements for the financial year ended December 31, 2014 include additional details on the financial risks to which the Repsol Group is exposed.

Interest rate risk: The market value of the Group's net financing and net interest expenses could be affected as a consequence of interest rate fluctuations which could affect the interest income and interest cost of financial assets and liabilities tied to floating interest rates, as well as the fair value of financial assets and liabilities tied to a fixed interest rate.

Although, when considered appropriate, Repsol may decide to hedge the interest rate risk by means of derivative financial instruments for which there is a liquid market, these hedging mechanisms are limited and, therefore, could be insufficient. Consequently, changes in interest rates could have an adverse effect on the Repsol Group's business, results and financial position.

Note 17 "*Financial risk and capital management*" and Note 18 "*Derivative transactions*" in the Group's audited consolidated financial statements for the financial year ended 31 December 2014 include additional details on the financial risks to which the Repsol Group is exposed.

Credit rating risk: Credit ratings affect the pricing and other conditions under which the Repsol Group is able to obtain financing. Any downgrade in the credit rating of Repsol, S.A. could restrict or limit the Group's access to the financial markets, increase its new borrowing costs and have a negative effect on its liquidity.

See credit rating table in section 4 "*Financial Overview*" in this document.

ABOUT THIS REPORT

Users of this report should be aware that the forward-looking information contained in this document reflects the plans, forecasts or estimates of the Group's managers, which are based on assumptions that are considered reasonable, and that cannot be considered as a guarantee of the entity's future performance, in the sense that such plans, forecasts or estimates are subject to numerous risks and uncertainties, meaning that the future development of the Group will not necessarily coincide with what was initially planned. Such risks and main uncertainties are described in section 2.6 "*Risk Management*".

For the preparation of this report consideration was given to the recommendations contained in the "*Guidelines for the preparation of listed company Management Reports*" by the National Commission on Markets and Competition (Comisión Nacional del Mercado de Valores – CNMV) published in 2013.

APPENDIX I: RECONCILIATION OF ADJUSTED RESULTS WITH IFRS-EU RESULTS

	DECEMBER 2014					
		ADJUSTMENTS				
Millions of euros	**Adjusted Result**	**Joint arrangements reclassification**	**Non-recurring items**	**Inventory Effect**	**Total adjustments**	**IFRS-EU RESULTS**
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**

	DECEMBER 2013					
		ADJUSTMENTS				
Millions of euros	**Adjusted Result**	**Joint arrangements reclassification**	**Non-recurring items**	**Inventory Effect**	**Total adjustme nts**	**IFRS-EU RESULTS**
Operating Income	2,170	(722)	(205)	(283)	(1,210)	960
Financial Result	(476)	21	(27)	-	(6)	(482)
Income from equity affiliates	505	325	(26)	-	299	804
Net Income before tax	**2,199**	**(376)**	**(258)**	**(283)**	**(917)**	**1,282**
Income tax	(872)	376	(19)	84	441	(431)
Net income from continuing operations	**1,327**	**-**	**(277)**	**(199)**	**(476)**	**851**
Income attributed to minority interests	16	-	-	12	12	28
Net income from continuing operations attributable to the parent	**1,343**	**-**	**(277)**	**(187)**	**(464)**	**879**
Income from discontinued operations						(684)
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT	**1,343**	**-**	**(277)**	**(187)**	**(464)**	**195**

APPENDIX II: RECONCILIATION OF OTHER ECONOMIC DATA WITH IFRS ADOPTED BY THE EUROPEAN UNION

NET FINANCIAL DEBT (Millions of euros)	**Net financial debt of arrangement ventures**	**Join Arrangement reclassification [(1)]**	**Net financial debt according to financial statements**
Non-current financial instruments (assets)	284	248	532
Other current financial assets	1,708	805	2,513
Cash and cash equivalents	5,027	(389)	4,638
Non-current financial liabillities	(7,613)	1	(7,612)
Current financial liabilities	(1,532)	(2,554)	(4,086)
Net mark-to-market valuation of financial derivatives (excluding exchange rate) [(2)]	191	-	191
TOTAL	(1,935)	(1,889)	(3,824)

(1) Mainly corresponding to the financiation contributed by Repsol Sinopec Brasil which is detailed in the following captions: "*Cash and cash equivalents*" amounting to €15 million; "*Current financial liabilities*" for intragroup loans amounting to €2,535 million; and €37 million in loans with third parties.

(2) This caption does not consider net market value of financial derivatives other than exchange rate ones

OTHER ECONOMIC DATA AT DECEMBER 31, 2014 (Millions of euros)	**According to net debt evolution**	**Joint Arrangement adjustments [(2)]**	**Financial Investments / Divestments**	**According to Cash Flow Statements**
EBITDA	3,800	(1,268)	-	2,532
Investments	(3,729)	1,052	(1,523)	(4,200)
Divestments [(1)]	4,811	(19)	-	4,792

(1) Includes €219 million corresponding to divestments and €4,592 million corresponding to the effects associated to the monetization of the bonds related to the agreement over the expropriation of YPF and the sale of the non-expropriated YPF shares (included in "*Effects associated with the expropriation of YPF"* in the *Net debt evolution* graph of the caption *"Financial Overview"* in Note 4).

(2) Includes the Repsol Group Sinopec Brasil (RSB) participation, €242 million corresponding to EBITDA, €430 million corresponding to *Investments* and €2 million corresponding to *Divestments*.

APPENDIX III: CONVERSION TABLE AND GLOSSARY

			OIL				GAS		ELECTRICITY
			Litres	Barrels	Cubic metres	toe	Cubic metres	Cubic feet	kWh
OIL	1 barrel [(1)]	bbl	158.99	1	0.16	0.14	162.60	5,615	$1.7x10^6$
	1 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
bbl / bbl/d	Barrel/ Barrel per day
bcf	Billion cubic feet
bcm	Billion cubic meters
boe	Barrels of oil equivalent
Btu/MBtu/mmBtu	British termal unit/ Thousand Btu/million Btu
LPG	Liquefied Petroleum Gas
LNG	Liquefied Natura Gas
Gwh	Gigawatts per hour
kbbl	Thousand barrels of oil
kbbl/d	Thousand barrels of oil per day
Kboe	Thousand barrels of oil equivalent
kboe/d	Thousand barrels of oil equivalent per day
km^2	Square kilometre
Kt/Mt	Thousand tons/Million tons
Mbbl	Million barrels
Mboe	Million barrels of oil equivalent
Mm^3/d	Million cubic metres per day
Mscf/d	Million standard cubic feet per day
kscf/d	Thousand standard cubic feet per day
MWe	Million electric watts
MWh	Million watts per hour
TCF	Trillion cubic feet
toe	Ton of oil equivalent
USD / Dólar	US dollar

APPENDIX IV: ANNUAL CORPORATE GOBERNANCE REPORT

It is included as Appendix to this document, and is part of the whole document, the Annual Corporate Governance Report for 2014, as it is required by Article 538 to the Spanish Companies Act (”*Ley de Sociedades de Capital*”).