REGISTRATION DOCUMENT

(PREPARED IN ACCORDANCE WITH APPENDIX I OF EUROPEAN COMMISSION REGULATION NO. (EC) 809/2004 OF 29 APRIL 2004 IMPLEMENTING DIRECTIVE 2003/71/EC)

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

April 2015

This Registration Document has been registered in the official registers of the Spanish National Securities Market Commission

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I. RISK FACTORS

Repsol's operations and results are subject to risks resulting from changes in competitive, economic, political, legal, regulatory, social, industrial, business and financial conditions, which investors should take into account and which are discussed below. Any of these risks could have a negative impact on Repsol's financial position, businesses or results.

Furthermore, future risk factors, either unknown or not considered relevant by Repsol at present, could also negatively affect the company's businesses, results, and financial situation.

1. STRATEGIC & OPERATIONAL RISK FACTORS

Uncertainty of the current economic context

Global economic growth is still fragile and weaker than anticipated. Although the latest forecasts[1] from the International Monetary Fund (IMF) estimate global expansion close to 3.5% in 2015 and 3.8% in 2016, concerns about low and unequal economic growth remain. In the second half of 2014 risks to growth had increased. However, prospects have since then improved as a result of falling oil prices, strengthening of the US dollar and the expansionary monetary policy of the central banks of Japan and the Eurozone. Despite the improved pace of recovery in the global economy, some doubts still remain about emerging economies.

The difference in the cyclical position of the economies has seen central banks diverging in their actions and setting the pace in the foreign exchange market. Firstly, there are those who seek to combat low inflation and stimulate growth by expanding their balance sheet. This is the case of the Bank of Japan, which joined the European Central Bank (ECB) after the start of the purchase of sovereign and corporate bonds, added to other programmes already up and running totalling €60,000 million monthly until September 2016. Secondly, the US Federal Reserve (Federal Reserve System or FED) and the Bank of England have completed their programmes of monetary expansion, supported by good macroeconomic data and they see now as the right time to start increasing interest rates.

Market sentiment to the decision of the FED raising rates is seen as a global risk factor. Notwithstanding the foregoing, at its last meeting (18 March 2015), the Federal Open Market Committee (FOMC)[2] downgraded its forecast on the future path of interest rates due to a deterioration in the solid growth rate the US economy had sustained. This decision has partially corrected the strong appreciation of the US dollar that has predominated over the last six months.

In addition to the recent actions of the FED, more than a dozen central banks from developed and emerging economies that report to the Bank for International Settlements (BIS) have adopted more accommodative monetary policies in the last three months in a bid to strengthen growth. This fact seems to indicate that there will not be a restrictive monetary policy in the major central banks, at least in the first half of 2015, which would facilitate a reduction in market volatility.

In this context, the sharp decline of oil prices in recent months has changed the outlook for growth and inflation. While on the one hand, there is a risk that some oil-exporting countries (including Russia) will experience a period of low growth which can lead to a balance of payments crisis; on the other hand, importing countries will grow beyond forecasts as a result of the transfer of income from exporters. Likewise, emerging economies will benefit more than developed economies as they are more energy intensive. The IMF estimates that a 40% decrease in the prices of crude oil by the barrel in June 2014 may account for a 0.8% growth in the global economy in 2015 if there is a

1 *Source*: FMI—World Economic Outlook April 2015.
2 Federal Reserve Agency which is responsible for setting monetary policy and supervising open-market operations.

complete transfer to consumers. Nonetheless, some experts argue that there will be no such positive effect due to low interest rates and declining inflationary pressures in most countries.

We now have to add Greece to the latent geopolitical risks in Ukraine and the Middle East. The possible escalation of tension between the new Greek government and its European partners could generate uncertainty in the markets. Developing geopolitical events could cause negative impacts on markets through increasing volatility and an adjustment of 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 Repsol's financial position, businesses or results from Repsol operations.

Fluctuations in international prices of crude and reference products and in demand 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. 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 throughout the world in such matters as the award of exploration and production interests, the imposition of specific drilling and exploration obligations, restrictions on production, price controls, required divestments of assets, foreign currency controls, and the development and nationalisation, expropriation or cancellation of contractual rights.

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

Furthermore, the energy sector, particularly the oil industry, is subject to a singular fiscal framework. In the *Upstream* activities there are often specific taxes on profit and production, and in regard to the activities of *Downstream,* the existence of taxes on consumption products is also 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 a great variety of environmental and safety regulations in all countries where it operates. These 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.

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 constraints 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.

Requirements previously mentioned 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, mistakes 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, 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, gas, etc…), 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 in a cost-effective way that enables 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 Repsol's oil and gas reserves are located in countries that are or could be economically or politically unstable. Section II.E), "*Information on oil and gas exploration and production activities at 31 December 2014 (unaudited information)*", included further below in this Registration Document, contains information on the Group's proven reserves and their distribution by geographic region.

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 reserve estimates

In the estimation of proved 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-proved oil and gas reserves, Repsol relies on the criteria and guidelines established by the PRMS-SPE.

The accuracy of these estimates depends on a number of different factors, assumptions and variables, among which are development activities and operations including drilling, production test and studies. After the date of the estimate, activity results may entail substantial upward or downward corrections in the estimate, according to the quality of available technical and economic data and its interpretation and valuation. Furthermore, the production performance of reservoirs and recovery rates depend significantly on technology and Repsol's ability to implement it.

As a result of the foregoing, measures of reserves are not precise and are subject to revision. Any downward revision in estimated quantities of proved 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 earnings or shareholders' equity.

Projects and operations developed through joint ventures and partnerships

Many of the Repsol Group's projects and operations are conducted through joint ventures and associated companies. In those cases in which Repsol does not act as the operator, its ability to control and influence the performance and management of the operations and to identify and manage related risks 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 its 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 result, 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 contractual conditions 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 conditions of Repsol. Any disposal of interest may also adversely affect Repsol's financial condition, if such disposal results in a loss.

On 15 December 2014 Repsol, S.A. enters into an agreement to acquire 100% of the issued share capital of Talisman Energy Inc. ("**Talisman**"), a Canadian-based upstream oil and gas company. There can be no assurance that the offer will be successfully completed and, if it is, like all business combinations, Repsol's ability to achieve the strategic benefits which the acquisition is intended to realise will depend on its ability to integrate teams, processes and procedures, as well as securing customer and partner relationships. For further information, see section 5.2.3.

Results for Talisman in the last two years have been negative, mainly as a result of the reorganisation of assets and the provision for future costs, including those related to its joint ventures. In addition, its businesses are subject to the risks inherent in the oil business and other individuals, as evidenced by public financial information from the company (available at www.talisman-energy.com), and there may even still be unknown risks (e.g., tax, legal or environmental). Should any of the risks identified occur once the takeover of Talisman has completed, a negative impact could occur on operations, results or the financial position of the Repsol Group.

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

Repsol, in line with industry practice, holds insurance coverage against certain risks inherent in the oil and gas industry. 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, compensations may be total or partially uncollectible in case of insurers´ insolvency. Furthermore, Repsol may not be able to maintain adequate insurance at rates or on terms considered reasonable or acceptable, or may not 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, the Group 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 turn to other sources of natural gas, which could have higher prices than those envisaged under the breached contracts.

The Group also has long-term contracts to sell and deliver gas to clients, which present additional types of risks, as they are pegged to existing proven reserves in these countries. Should reserves in these countries to whose reserves are linked 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 the aforementioned risks could have an adverse effect on Repsol's business, financial position and results of operations.

Cyclical nature of 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 such matters as safety and environmental controls. Any such fluctuations or changes in regulation could have an adverse effect on Repsol's business, financial position and results of operations.

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, and requires the Repsol Group's utmost attention and continuous efforts towards improving efficiency and reducing unit costs, without becoming detrimental to operational safety or 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 also become involved in other possible future lawsuits in relation to which Repsol 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.

Repsol's operations may be affected by government sanctions

The European Union, its Member States, the U.S. government and various other countries, as well as the United Nations, impose economic sanctions and trade embargoes with respect to certain countries in support of its respective foreign policy and security goals. These economic sanctions and embargoes impose restrictions with respect to activities or transactions with certain countries, governments, entities or individuals that are the target of the corresponding sanctions.

While Repsol has not been sanctioned and has not engaged in, and does not expect to engage in, any actions that would cause it to breach any sanctions regime applicable to it, there can be no assurance that Repsol's operations will not be affected by sanctions in the future, which could have an adverse effect on its financial position, businesses, or results of operations.

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

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

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

Repsol's Ethics and Conduct Regulations, 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 Company and all its employees according to 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 company include controls aimed at preventing, detecting and mitigating relevant compliance aspects of the Ethics and Conduct Regulations. The existence of management misconduct or breach of applicable legislation, when occurring, could cause harm to Repsol's reputation, in addition to incurring in sanctions and legal responsability.

2. FINANCIAL RISKS

Note 17 - "*Financial Risk and Capital Management*" and Note 18 - "*Derivative transactions*" in the Consolidated Financial Statements for the financial year 2014 presented in Section II.C) of this Registration Document analyse the exposure to those financial risks and include details about them and the hedging transactions.

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.

At 31 December 2014, Repsol held resources in cash and other liquid financial instruments and undrawn credit lines which covered 70% of the total gross debt (83% of this debt including €1,504 million in deposits with immediate availability). The Group had undrawn credit lines for €3,312 million and €3,123[3] million at 31 December 2014 and 2013, respectively.

In the case that Repsol is unable to meet its needs for liquidity in the future or needs to incur high costs to meet them, a material adverse effect could arised in its activities, results or financial position.

Credit risk

Credit risk is defined as the possibility of a third party breaching its contractual obligations, giving rise to losses for the Group.

The Group's exposure to credit risk is attributable, among other matters, to commercial debts for trade, which are measured and controlled by individual client or third party and the amounts of which are recognised in the balance sheet net of valuation corrections for impairment to the sum of €4,459 million and €4,343[3] million, respectively, at 31 December 2014 and 2013. To this end, the Group has its own systems, in line with best practices, for constantly asses the creditworthiness of all its debtors and for determining the risk limits by individual 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 contracted credit insurance policies whereby this transfers partially to third parties the credit risk related to the commercial activity of some of its businesses.

[3]Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see section 20.1 in this Registration Document).

Additionally, the Group also has exposure to counterparty risk arising from non-commercial contractual operations that may lead to defaults. In these cases, the Group analyses the solvency of counterparties with which it maintains or could maintain non-commercial contractual relations. Possible breaches of payment obligations by Repsol's clients and counterparties, in the agreed time and form, could result in a material adverse effect on its activities, results or financial position.

Market risk

The Group is exposed to several types of market risks: exchange rate risk, commodity risk, interest rate risk and credit rating risk, which are described below:

Risks from changes in foreign exchange currency rates: Changes in exchange rates may adversely affect Repsol's operating results and the value of its assets.

In general, this exposure to exchange rate risk stems from the existence in the Group companies of assets, liabilities and cash flows denominated in a currency other than Repsol's operating currency, with particular emphasis on the fact that:

- cash flows from international trade operations in oil, natural gas and refined products are usually denominated in U.S. dollars
- many of Repsol's financial assets and investments are also denominated in U.S. dollars.

Additionally, it has to be noted that:

- cash flows from operations carried out in countries in which Repsol is active are exposed to changes in exchange rates of the applicable local currencies against the major currencies used for listing the commodities which serve as reference for establishing prices in the local currency.
- Repsol presents its financial statements in euros, and therefore, assets and liabilities of subsidiaries operating with an operating currency other than euro, must be converted into that currency.

Although, when considered appropriate, Repsol carries out financial transactions for investment or financing in the currencies in which exposures to risk have been identified and can contract hedging by means of derivative financial instruments for those currencies in which there is a liquid market, these hedging mechanisms are limited and, therefore, could be insufficient in some cases.

The sensitivity of net income and equity, as a consequence of the effect on financial instruments held by the Group at 31 December 2014 and 2013, of the appreciation or depreciation of the euro against the dollar are detailed below:

CHANGE IN THE EURO EXCHANGE RATE AGAINST THE DOLLAR	Appreciation(+)/ depreciation(-) in the exchange rate (%)	2014	2013 [(1)]
		(in million €)	
Effect on profit/loss after tax	+5	4.8	(46.2)
	-5	(5.3)	51.1
Effect on equity	+5	71.8	(195.5)
	-5	(79.4)	216.1

(1) Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see item 20.1).

Note 17 - "*Financial risk and capital management*" and Note 18 - "*Derivative transactions*" in the Group's Consolidated Financial Statements for the financial year ended 31 December 2014 include additional details on the financial risks described in this section and the hedging operations performed.

Commodity price risk: In the normal course of operations and trading activities, Repsol Group results are exposed to volatility in the price of crude oil, natural gas, and related derivative products (see risk factors "*Fluctuations in international prices of crude and reference products and in demand owing to factors beyond Repsol's control*" and "*Repsol's natural gas operations are subject to particular operational and market risks*"). Therefore, changes in the price of oil, natural gas or its derivative products could have an adverse effect on the Group´s businesses, results and financial position.

In particular, with respect to the financial instruments held by the Group, at 31 December 2014 and 2013, an increase or decrease of 10% in the prices of oil and oil products at that date would have led to the following changes in net profit/loss:

CHANGES IN NET PROFIT/LOSS	Increase(+)/ decrease(-) in oil and oil product prices (%)	2014	2013 [(1)]
		(in million €)	
Effect on profit/loss after tax	+10	(26.5)	(7.2)
	-10	26.5	7.2

(1) Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see item 20.1).

Note 18 - "*Derivative transactions*" in the Group's Consolidated Financial Statements for the financial year ended 31 December 2014 include additional details on the financial risks described in this section.

Interest rate risk: Market value of the net financing and interests of the Group could be affected as a consequence of changes in interest rates, which can affect the interest income and expenses of financial assets and liabilities tied to floating interest rates and the fair value of financial assets and liabilities with fixed 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 and with reasonable transaction costs, changes in interest rates could have an adverse effect on the Group´s businesses, result and financial position.

The following table details the sensitivity of the net profit/loss and equity, as a consequence of the effect on the financial instruments held by the Group at 31 December 2014 and 2013, the changes in the interest rates:

SENSITIVITY OF NET PROFIT/LOSS AND EQUITY	Increase(+)/ decrease(-) in the interest rate (basis points)	2014 (in million €)	2013 [(1)] (in million €)
Effect on profit/loss after tax	+50	4.4	8.1
	-50	(4.4)	(8.1)
Effect on equity	+50	61.3	13.6
	-50	(65.1)	(14.5)

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

Note 17 - "*Financial risk and capital management*" and Note 18 - "*Derivative transactions*" in the Group's Consolidated Financial Statements for the financial year ended 31 December 2014 include additional details on the financial risks described in this section and the hedging operations performed.

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

At present, the credit ratings assigned to Repsol, S.A. by ratings agencies are as follows:

TERM	STANDARD & POOR'S	MOODY'S	FITCH RATINGS
Long	BBB-	Baa2	BBB
Short	A-3	P-2	F-3
Outlook	Stable	Negative	Stable
Date of last review	18 December 2014	19 December 2014	22 December 2014

These ratings are revised periodically and are available in Repsol website (www.repsol.com).

II. REGISTRATION DOCUMENT

In accordance with the disclosure requirements for the registration document (the **"Registration Document"**), pursuant to Appendix I of Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and the dissemination of advertisements (**"Regulation 809/2004"**), and pursuant to Article 19.2 of Royal Decree 1310/2005, of 4 November, partially implementing the Spanish Securities Market Law (Law 24/1988, of 28 July) with regard to the listing of securities on official secondary markets, public offers for sale and subscription offers and the prospectuses required (**"Royal Decree 1310/2005"**), this Registration Document is presented as follows:

A) Equivalence Table;

B) Appendix I of Regulation 809/2004;

C) Consolidated Financial Statements and consolidated Management Report of Repsol, S.A. and investees comprising the Repsol Group for the financial year 2014[4];

D) Consolidated Financial Statements and consolidated Management Report of Repsol, S.A. and investees comprising the Repsol Group for the financial year 2013[5]; and

E) Information on oil and gas exploration and production activities at 31 December 2014 (*unaudited information*).

The Consolidated Financial Statements and consolidated Management Report of Repsol, S.A. and investee companies belonging to the Repsol Group for 2014 and 2013 have been verified by an external auditor, together with the corresponding Audit Reports and have been duly filed with the Spanish National Securities Market Commission (the **"CNMV"**).

Pursuant to the provisions of Article five of Spanish Order EHA/3537/2005 of 10 November, implementing article 27.4 of the Spanish Securities Market Act (Law 24/1988) of 28 July 1988 (**"Order EHA/3537/2005"**), incorporated herein by reference are all relevant events to have been published on the website of the Spanish CNMV (www.cnmv.es) from 25 February 2015 (date of preparation of the Consolidated Financial Statements for 2014) to the date of this Registration Document. These events can likewise be consulted on Repsol's own website (www.repsol.com).

In this Registration Document, the terms **"Repsol"**, **"Repsol Group"** and **"Group"** refer to Repsol, S.A. and the investee companies belonging to the Repsol Group, unless otherwise expressly indicated.

In this Share Registration Document, the terms **"dollars"** and **"USD"** refer to dollars of the United States of America ("**United States**" or "**USA**").

In this Registration Document, the term "**unaudited**" at the head of tables indicates that the data itemised in them has not been audited or reviewed or been the subject of a report prepared by an independent auditor.

[4] Includes, in accordance with that laid down in the IFRS, financial information for 2014 compared with that for 2013. This information for 2013 was restated with respect to the content of the Group's Consolidated Financial Statements at 31December 2013, for comparative purposes, as a consequence of the application of IFRS 11 (*"Joint Arrangements"*).

[5] Includes, in accordance with that laid down in the IFRS, financial information for 2013 compared with that for 2012. This information for 2012 was restated with respect to the content of the Group's Consolidated Financial Statements at 31 December 2012, as a consequence of as a consequence of the sale process of part of the LNG assets and businesses.

A) EQUIVALENCE TABLE

In accordance with article 19.2 of Royal Decree 1310/2005, the following table [1] shows the equivalence between (i) the items listed in Appendix I of Regulation 809/2004 and (ii) the Consolidated Financial Statements and consolidated Management Report (whose Appendix IV includes the Annual Report on Corporate Governance) of Repsol, S.A. and investee companies belonging to the Repsol Group for 2014 and 2013.

ITEMS OF APPENDIX I OF REGULATION 809/2004	**CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR 2014**	**CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR 2013**
1. PERSONS RESPONSIBLE		
1.1 Identification of persons responsible.	—	—
1.2 Declaration by persons responsible confirming the factual accuracy of the information contained in the Registration Document.	—	—
2. STATUTORY AUDITORS		
2.1 Name and address of the auditors.	—	—
2.2 Resignation or removal of the auditors.	—	—
3. SELECTED FINANCIAL INFORMATION		
3.1 Selected historical financial information.	—	—
3.2 Selected financial information for interim periods.	—	N/A
4. RISK FACTORS(*)	• Note 17: Financial risk and capital managment • Management report: item 8.2 *"Risk Factors"*	N/A

(1) In this equivalence table:

- The symbol "(*)" means that the information required by Appendix I of Regulation 809/2004 has been partially included in the consolidated financial statements and consolidated management report for 2014 and/or 2013. This information is supplemented, modified and/or updated by the information included under the relevant heading of Section II.B) of this Registration Document.
- The symbol "—" means that the information required by Appendix I of Regulation 809/2004 is not included in the consolidated financial statements or consolidated management report for 2014 and/or 2013. This information is contained under the corresponding heading of Section II.B) of this Registration Document.
- The symbol "N/A" in 2013 means that the information required by Appendix I of Regulation 809/2004 is up to date in (i) the consolidated financial statements and/or consolidated management report for 2014; and/or (ii) under the corresponding heading of this Registration Document and, therefore, the information contained in the consolidated financial statements and consolidated management report for 2013 is not applicable.

ITEMS OF APPENDIX I OF REGULATION 809/2004	CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR 2014	CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR 2013
5. **INFORMATION ABOUT THE ISSUER**		
5.1 History and development of the issuer.		
5.1.1 Legal and commercial name (*).	• Note 1: General information	N/A
5.1.2 Place of registration and registration number	—	N/A
5.1.3 Date of incorporation and length of life	• Note 1: General information	N/A
5.1.4 Domicile and legal form, applicable legislation, country of incorporation and address and telephone number of its registered office (*)	• Note 1: General information • Appendix III: Regulatory Framework	N/A
5.1.5 Important events in the development of the issuer's business	—	N/A

ITEMS OF APPENDIX I OF REGULATION 809/2004	CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR 2014	CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR 2013
5.2 Investments		
5.2.1 Description of the issuer's principal investments[*].	• Note 5: Segment reporting • Note 6: Goodwill • Note 7: Other intangible assets • Note 8: Property, plant and equipment • Note 9: Investments accounted for using the equity method • Note 11: Financial assets • Note 29.2: Contractual commitments • Note 30: Environmental information • Appendix I(b): Main changes in the consolidation scope for the year ended 31 December 2014 • Management report: item 1.5 *"Main figures and indicators of the period"* • Management report: item 5 *"Performance of our Business areas"* • Management report: item 6.4 *"Research, development and innovation"* • Management report: Appendix II *"Reconciliation of other economic data with IFRS adopted by the European Union"*	• Note 5: Goodwill • Note 6: Other intangible assets • Note 7: Property, plant and equipment • Note 8: Investment properties • Note 9: Investments accounted for using the equity method • Note 11: Current and non-current financial assets • Note 29: Segment reporting • Note 30: Business combinations and increases in ownership interests in subsidiaries without change of control • Note 35: Environmental information • Appendix I(b): Main changes in the consolidating scope for the year ended 31 December 2013 • Management report: item 5 *"Performance of our Business areas"*
5.2.2 Description of the principal investments in progress [*].	• Note 8: Property, plant and equipment • Note 30: Environmental information • Management report: item 5 *"Performance of our Business areas"*	N/A

ITEMS OF APPENDIX I OF REGULATION 809/2004	CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR 2014	CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR 2013
5.2.3 Principal future investments on which the management bodies have already assumed firm commitments [(*)].	• Note 29: Contingencies, Commitments and Guarantees • Note 33: Subsequent events • Management report: item 1.3 *"Talisman Energy acquisition"* • Management report: item 2.6 *"Strategy"* • Management report: item 7.2 *"Future Outlook for our businesses"*	N/A

ITEMS OF APPENDIX I OF REGULATION 809/2004	CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR 2014	CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR 2013
5.3 Divestments	• Note 4: Changes in the Group´s composition • Note 6: Goodwill • Note 7: Other intangible assets • Note 8: Property, plant and equipment • Note 9: Investments accounted for using the equity method • Note 10: Non-current assets and liabilities held for sale • Note 15: Current and non current provisions • Note 25: Net income from discontinued operations • Appendix I (b): *"Main changes in the consolidation scope for the year ended December 31, 2014"* • Management report: item 1 *"Main events during the period"* • Management report: item 4 *"Results, Financial Overview and our Shareholder Remuneration"* • Management report: item 5 *"Performance of our Business areas"* • Management report: Appendix II *"Reconciliation of other economic data with IFRS adopted by the European Union"*	• Note 5: Goodwill • Note 6: Other intangible assets • Note 7: Property, plant and equipment • Note 8: Investment properties • Note 9: Investments accounted for using the equity method • Note 10: Non-current assets and liabilities held for sale • Note 11: Current and non-current financial assets • Note 16: Current and non current provisions • Note 27: Net income from discontinued operations • Note 31: Divestments and disposals of ownership interests in subsidiaries • Note 37: Subsequent events • Appendix I (b): *"Main changes in the consolidation scope for the year ended December 31, 2013"* • Management report: item 4 *"Results, Financial Overview and our Shareholder Remuneration"* • Management report: item 5 *"Performance of our Business areas"*

ITEMS OF APPENDIX I OF REGULATION 809/2004	CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR 2014	CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR 2013
6. BUSINESS OVERVIEW		
6.1 Principal activities.		
6.1.1 Description of principal activities and the main product categories sold and/or services performed(*).	• Note 1: General information • Note 5: Segment reporting • Management report: item 2.2 *"Business model"* • Management report: item 2.6 *"Strategy"* • Management report: item 5 *"Performance of our Business Areas"*	• Note 29: Segment reporting • Management report: item 2.5 *"Our Strategy"* • Management report: item 5 *"Performance of our Business Areas"*
6.1.2 Indication of significant new products and/or activities (*).	• Management report: item 2.6 *"Strategy"* • Management report: item 5 *"Performance of our Business Areas"* • Management report: item 7.2 *"Future Outlook for our Businesses"*	N/A
6.2 Principal markets.	• Note 5: Segment reporting • Note 22: Operating revenue and expenses • Management report: item 2.3 *"Our Operating Markets"* • Management report: item 5 *"Performance of our Business Areas"*	• Note 25: Operating revenue and expenses • Note 29: Segment reporting • Management report: item 2.3 *"Our Operating Markets"* • Management report: item 5 *"Performance of our Business Areas"*
6.3 Where the information given pursuant to items 6.1 and 6.2 has been influenced by exceptional factors, mention that fact (*).	• Management report: item 3 *"Macroeconomic Environment"* • Management report: item 4 *"Results, Financial Overview and our Shareholder Remuneration"* • Management report: item 5.1 *"Upstream"*	N/A

ITEMS OF APPENDIX I OF REGULATION 809/2004		CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR 2014	CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR 2013
6.4	Summary information regarding the extent to which the issuer is dependent on patents or licences, industrial, commercial or financial contracts, or new manufacturing processes.	—	—
6.5	Basis for statements made regarding the issuer's competitive position.	—	—
7.	**ORGANISATIONAL STRUCTURE**		
7.1	Description of the issuer's group.	• Management report: item 2.4 *"Corporate structure"*	N/A
7.2	Main companies in the issuer's scope of consolidation.	• Appendix I: Main companies comprising the Repsol Group at 31 December 2014 • Management report: item 2.4 *"Corporate structure"*	N/A
8.	**PROPERTY, PLANT AND EQUIPMENT**		
8.1	Information on tangible fixed assets, including leased properties and encumbrances thereon (*).	• Note 8: Property, plant and equipment • Appendix IV (8): Property, plant and equipment	N/A
8.2	Environmental issues that may affect the issuer's utilisation of tangible fixed assets.	• Note 30: Environmental information • Management report: item 6.2 *"Safety and Enviroment"* • Management report: item 8.2 *"Risk factors"*	N/A

ITEMS OF APPENDIX I OF REGULATION 809/2004	CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR 2014	CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR 2013
9. OPERATING AND FINANCIAL REVIEW		
9.1 Financial situation.	• Consolidated financial statements: – Balance sheet – Income statement – Cash flow statement – Statement of recognised income and expenses – Statement of changes in equity • Notes 1 to 33 • Management report: item 4 *"Results, Financial Overview and our Shareholder Remuneration"* • Management report: item 5 *"Performance of our Business Areas"*	• Consolidated financial statements: – Balance sheet – Income statement – Cash flow statement – Statement of recognised income and expenses – Statement of changes in equity • Notes 1 to 37 • Management report: item 4 *"Results, Financial Overview and our Shareholder Remuneration"* • Management report: item 5 *"Performance of our Business Areas"*
9.2 Operating results.		
9.2.1 Significant factors, including unusual events or new developments, materially affecting the issuer's income from operations (*).	• Management report: item 1 "*Main events during the period*" • Management report: item 3 "*Macroeconomic environment*" • Management report: item 5 "*Performance of our Business Areas*"	N/A
9.2.2 Material changes in the issuer's net sales or revenue (*).	• Note 22: Operating revenue and expenses	Note 25: Operating revenue and expenses

ITEMS OF APPENDIX I OF REGULATION 809/2004	CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR 2014	CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR 2013
9.2.3 Governmental, economic, fiscal, monetary or political factors that have materially affected, or could materially affect, directly or indirectly, the issuer's operations [(*)].	• Note 4.1: Disposal of YPF S.A. and YPF Gas, S.A. shares • Note 21: Tax situation • Note 29.1: Legal and arbitration proceedings • Appendix III: Regulatory Framework • Management report: item 3 *"Macroeconomic Environment"* • Management report: item 5.1 *"Upstream"* • Management report: item 6.3 *"Taxation"* • Management report: item 7 *"Outlook and Prospects"* • Management report: item 8 *"Risk Management"*	• Note 4: Expropriation of Repsol Group shares in YPF S.A. and YPF Gas S.A. • Note 23: Tax situation • Note 37: Subsequent events • Management report: item 2.6 *"Risk Management"* • Management report: item 3 *"Macroeconomic Environment"* • Management report: item 6.3 *"Taxation"* • Management report: item 7 *"Outlook and Prospects"*

ITEMS OF APPENDIX I OF REGULATION 809/2004	CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR 2014	CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR 2013
10. CAPITAL RESOURCES		
10.1 Information concerning the issuer's short and long term capital resources (*).	• Note 11: Financial assets • Note 14: Equity • Note 16: Financial liabilities • Note 17: Financial risk and capital managment • Note 18: Derivatives transactions • Note 19: Other non-current liabilities • Note 20: Trade payables and other payables • Note 24: Financial income and expenses • Note 26: Cash flows from operating activities • Management report: item 1 "*Main events during the period*" • Management report: item 4 *"Results, Financial Overview and our Shareholder Remuneration"*	• Note 11: Current and non-current financial assets • Note 14: Equity • Note 18: Financial liabilities • Note 19: Financial risk and capital managment • Note 20: Derivatives transactions • Note 21: Other non-current liabilities • Note 22: Trade payables and other payables • Note 26: Financial income and expenses • Note 28: Cash flows from operating activities • Management report: item 4 *"Results, Financial Overview and our Shareholder Remuneration"*
10.2 Sources and amounts of cash flows (*).	• Cash flow statement • Note 4: Changes in the Group´s composition • Note 11: Financial assets • Note 16: Financial liabilities • Note 17: Financial Risk and capital management • Note 22: Operating revenue and expenses • Note 24: Financial income and expenses • Note 26: Cash flows from operating activities • Management report: item 4 *"Results, Financial Overview and our Shareholder Remuneration"*	• Cash flow statement • Note 11: Current and non-current financial assets • Note 18: Financial liabilities • Note 19: Financial Risk and capital management • Note 25: Operating revenue and expenses • Note 26: Financial income and expenses • Note 28: Cash flows from operating activities • Note 31: Divestments and disposals of ownership interests in subsidiaries

ITEMS OF APPENDIX I OF REGULATION 809/2004	CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR 2014	CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR 2013
10.3 Borrowing requirements and funding structure.	• Note 16: Financial liabilities • Note 17: Financial Risk and capital management • Note 18: Derivative transactions	• Note 18: Financial liabilities • Note 19: Financial risk and capital management • Note 20: Derivative transactions
10.4 Restrictions on the use of capital resources that have materially affected, or could materially affect, directly or indirectly, the issuer's operations.	—	N/A
10.5 Anticipated sources of funds needed to fulfil commitments referred to in items 5.2.3 and 8.1(*).	• Cash flow statement • Note 4: Changes in the Group´s composition • Note 11: Financial assets • Note 16: Financial liabilities • Note 17: Financial Risk and capital management • Note 22: Operating revenue and expenses • Note 24: Financial income and expenses • Note 26: Cash flows from operating activities • Management report: item 4 *"Results, Financial Overview and our Shareholder Remuneration"*	• Cash flow statement • Note 11: Current and non-current financial assets • Note 18: Financial liabilities • Note 19: Financial Risk and capital management • Note 25: Operating revenue and expenses • Note 26: Financial income and expenses • Note 28: Cash flows from operating activities • Note 31: Divestments and disposals of ownership interests in subsidiaries
11. RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES	• Management report: item 6.4 *"Research, development and innovation (R+D+i)"*	• Management report: item 6.4 *(R+D+i)*
12. TREND INFORMATION		
12.1 Most significant recent trends (*).	• Management report: item 3 *"Macroeconomic Environment"*	N/A

ITEMS OF APPENDIX I OF REGULATION 809/2004		CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR 2014	CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR 2013
12.2	Known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects(*).	• Note 29: Contingencies, Commitments and Guarantees • Note 33: Subsequent events • Management report: item 3 *"Macroeconomic Environment"* • Management report: item 5 *"Performance of our Business Areas"* • Management report: item 7 *"Outlook and Prospects"*	N/A
13.	**PROFIT FORECASTS OR ESTIMATES**		
13.1	Principal assumptions upon which the company has based its forecasts and estimates.	—	—
13.2	Report prepared by independent accounts or auditors stating that forecasts and estimates have been properly compiled and are consistent with the accounting policies of the issuer.	—	—
13.3	Profit forecast or estimates.	—	—
13.4	Statement referring to forecasts published in a prospectus that is still outstanding.	—	—
14.	**ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT**		
14.1	Names, business addresses and functions in the issuer of the members of the administrative, management and supervisory bodies, and principal activities performed by them outside the issuer where these are significant with respect to that issuer(*).	• Management report: item 2.5 *"Corporate governance"* • Management report: Appendix IV (Annual Corporate Governance Report): Sections C.1.1 to C.1.13, C.1.16, C.1.17	N/A
14.2	Administrative, management and supervisory bodies and senior management conflicts of interests (*).	• Note 28: Remuneration of the members of the Board of Directors and executives • Management report: Appendix IV (Annual Corporate Governance Report): Sections C.1.19, C.1.23 and D.6.	N/A

ITEMS OF APPENDIX I OF REGULATION 809/2004		CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR 2014	CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR 2013
15.	**REMUNERATION AND BENEFITS**		
15.1	The amount of remuneration paid and benefits in kind granted to such persons by the issuer and its subsidiaries for services in all capacities to the issuer and its subsidiaries by any person Directors' and executives' compensations.	• Note 23: Personnel obligations • Note 28: Remuneration of the members of the Board of Directors and executives • Management report: Appendix IV (Annual Corporate Governance Report): Sections C.1.15, C.1.16, H.5 and H.6	N/A
15.2	Total amounts set aside or accrued by the issuer or its subsidiaries to provide pension, retirement or similar benefits.	• Note 23: Personnel obligations • Note 28: Remuneration of the members of the Board of Directors and executives • Management report: Appendix IV (Annual Corporate Governance Report): Sections C.1.15, C.1.16, H.5 and H.6	N/A
16.	**BOARD PRACTICES**		
16.1	Date of expiration of the current term of office, if applicable, and the period during which the person has served in that office.	—	N/A
16.2	Information about members of the administrative, management or supervisory body's service contracts with the issuer or any of its subsidiaries providing for benefits upon termination of employment, or an appropriate negative statement(*).	• Management report: Appendix IV (Annual Corporate Governance Report): Section C.1.45 • Note 28: Remuneration of the members of the Board of Directors and executives	N/A
16.3	Information about the issuer's audit committee and remuneration committee, including the names of committee members and a summary of the terms of reference under which the committee operates (*).	• Management report: Appendix IV (Annual Corporate Governance Report): Section C.2	N/A
16.4	Statement as to whether the issuer complies with the corporate governance regime(s) of its country of incorporation (*).	• Management report: Appendix IV (Annual Corporate Governance Report): Section G	N/A

ITEMS OF APPENDIX I OF REGULATION 809/2004	CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR 2014	CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR 2013
17. **EMPLOYEES**		
17.1 Number of employees and breakdown.	• Note 31: Staff • Management Report: item 6.1 *“People”*	• Note 25: Operating income and expenses • Management Report: item 6.1 *“People”*
17.2 Shareholdings and stock options [(*)].	• Note 23: Personnel obligations, section d) i) “Loyalty Program”. • Note 28: Remuneration of the members of the Board of Directors and executives • Management report: Appendix IV (Annual Corporate Governance Report): Sections A.3	N/A
17.3 Description of any employees’ share-based payments plans.	• Note 23: Personnel obligations, section d) i) “Loyalty Program” and ii) Share Acquisition Plan	N/A
18. **MAJOR SHAREHOLDERS**		
18.1 Name of any person other than a member of the administrative, management or supervisory bodies who, directly or indirectly, has a significant interest in the issuer’s capital or voting rights, together with the amount of each person’s interests[(*)].	• Note 14: Equity • Management report: Appendix IV (Annual Corporate Governance Report): Sections A.2 and H.3.3	N/A
18.2 Explanation of whether the issuer’s major shareholders have different voting rights.	• Management report: Appendix IV (Annual Corporate Governance Report): Section A	N/A
18.3 Control of the issuer.	—	N/A
18.4 Description of any arrangements known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer.	—	N/A

ITEMS OF APPENDIX I OF REGULATION 809/2004	CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR 2014	CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR 2013
19. RELATED PARTY TRANSACTIONS(*)	• Note 27: Information on related party transactions • Note 28: Remuneration of the members of the Board of Directors and executives • Management report: Appendix IV (Annual Corporate Governance Report): Sections C.1.15, C.1.16, D.2, D.3, D.4, H.1.5, H.1.6, H.1.7 and H.1.8	• Note 32: Information on related party transactions • Note 33: Information on the members of the board of directors and executives • Management report: Appendix IV (Annual Corporate Governance Report): Sections C.1.15, C.1.16, D.2, D.3, D.4, H.1.5, H.1.6, H.1.7 and H.1.8
20. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITY, FINANCIAL POSITION AND PROFITS AND LOSSES		
20.1 Audited historical financial information (*).	• Consolidated financial statements: – Balance sheet – Income statement – Cash flow statement – Statement of recognised income and expenses – Statement of changes in equity • Notes 1 to 33 • Appendix I, Ib, II, III, IV and V	• Consolidated financial statements: – Balance sheet – Income statement – Cash flow statement – Statement of recognised income and expenses – Statement of changes in equity • Notes 1 to 37 • Appendix I, Ib, II and III
20.2 Pro forma financial information.	—	—
20.3 Financial statements.	—	—
20.4 Auditing of historical annual financial information		
20.4.1 Statement that the historical financial information has been audited.	—	—
20.4.2 Indication of other information in the registration document which has been audited by the auditors.	—	—
20.4.3 Where the financial data in the registration document is not extracted from the issuer's audited financial statements, state the source of the data and state that the data is unaudited.	—	—
20.5 Age of latest financial information.	—	—

ITEMS OF APPENDIX I OF REGULATION 809/2004	CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR 2014	CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR 2013
20.6 Interim and other financial information.	—	N/A
20.6.1 Interim financial information.	N/A	N/A
20.6.2 Additional interim financial information.	N/A	N/A
20.7 Dividend policy.		
20.7.1 Amount of dividends per share in each financial year for the period covered by the historical financial information (*).	• Note 14: Equity • Management Report: item 4 *"Results, Financial Overview and our Shareholder remuneration"*	• Note 14: Equity • Management Report: item 4 *"Results, Financial Overview and our Shareholder remuneration"*
20.8 Legal and arbitration proceedings (*).	• Note 3: Accounting estimates and judgements • Note 21: Tax situation • Note 29: Contingencies, Commitments and Guarantees	N/A
20.9 Significant changes in the issuer's financial or trading position.	—	N/A
21. **ADDITIONAL INFORMATION**		
21.1 Share capital.		
21.1.1 Amount of issued capital (*).	• Note 14: Equity • Management report: Appendix IV (Annual Corporate Governance Report): Section A.1	N/A
21.1.2 If there are shares not representing capital, state the number and main characteristics of such shares.	—	N/A
21.1.3 Number, book value and face value of shares in the issuer held by or on behalf of the issuer itself or by subsidiaries of the issuer(*).	• Note 14: Equity • Management report: Appendix IV (Annual Corporate Governance Report): Sections A.8 and A.9	N/A
21.1.4 Amount of any convertible securities, exchangeable securities or securities with warrants, with an indication of the conditions governing and the procedures for conversion, exchange or subscription.	—	N/A

ITEMS OF APPENDIX I OF REGULATION 809/2004	CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR 2014	CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR 2013
21.1.5 Information about and terms of any acquisition rights and/or obligations over authorised but unissued capital or an undertaking to increase the capital.	—	N/A
21.1.6 Information about any capital of any member of the group which is under option or agreed conditionally or unconditionally to be put under option and details of such options, including those persons to whom such options relate.	—	N/A
21.1.7 History of share capital, highlighting information about any changes for the period covered by the historical financial information.	• Statement of changes in equity • Note 14: Equity	• Statement of changes in equity • Note 14: Equity
21.2 By-laws and deed of incorporation		
21.2.1 Description of the issuer's objects and purposes, and where they can be found in the by-laws and deed of incorporation.	—	N/A
21.2.2 Provisions of the issuer's by-laws or internal regulations with respect to the members of the administrative, management and supervisory bodies (*).	• Management report: Appendix IV (Annual Corporate Governance Report): Section C	N/A
21.2.3 Description of the rights, preferences and restrictions attaching to each class of the existing shares.	• Note 14: Equity • Appendix III: Regulatory Framework • Management report: Appendix IV (Annual Corporate Governance Report): Section A.10	N/A
21.2.4 Description of what action is necessary to change the rights of holders of the shares, indicating where the conditions are more significant than is required by law.	—	N/A
21.2.5 Description of the conditions governing the manner in which annual general meetings and extraordinary general meetings of the shareholders are called, including the conditions of admission.	—	N/A
21.2.6 Provisions of the issuer's by-laws or internal regulations that would have an effect of delaying, deferring or preventing a change in control of the issuer.	• Management report: Appendix IV (Annual Corporate Governance Report): Section A.10 and A.11	N/A
21.2.7 Provisions of the by-laws or internal regulations, if any, governing the ownership threshold above which shareholder ownership must be disclosed.	—	N/A

ITEMS OF APPENDIX I OF REGULATION 809/2004		CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR 2014	CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR 2013
21.2.8	*Provisions of the by-laws or internal regulations governing changes in the capital, where such conditions are more stringent than is required by law.*	• Management report: Appendix IV (Annual Corporate Governance Report): Section A.10 and Section B.3	N/A
22.	**MATERIAL CONTRACTS**	—	—
23.	**THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST**		
23.1	Statements and reports attributed to experts.	—	—
23.2	Truthfulness and accuracy of reports issued by experts.	—	—
24.	**DOCUMENTS ON DISPLAY**	—	—
25.	**INFORMATION ON HOLDINGS(*)**	• Note 9: Investments accounted for using the equity method • Appendix I: Main companies comprising the Repsol Group at 31 December 2014	N/A

B) APPENDIX I OF REGULATION 809/2004

(This section provides and supplements the information required by the items of Appendix I of Regulation 809/2004 that is not included in the consolidated financial statements or consolidated management reports of Repsol, S.A. and investees comprising the Repsol Group for the financial year 2014 and 2013, or, where applicable, updates the information contained in such documents).

1. RESPONSIBLE PERSONS

1.1 Identification of responsible persons

Responsibility for the contents of this Registration Document rests with Mr. Miguel Martínez San Martín, acting on behalf of and representing Repsol in his capacity as General Director of Finance and in exercise of the general powers conferred upon him in the notarised power of attorney granted on 5 July 2011 before Madrid notary Mr. Martín María Recarte Casanova, such power of attorney as duly filed with the Commercial Mercantile Registry of Madrid.

1.2 Declaration by responsible persons confirming the factual accuracy of the information contained in the Registration Document

Mr. Miguel Martínez San Martín, as the person responsible for this Registration Document and having taken all reasonable care to ensure that such is the case, declares that the information contained herein is, to the best of his knowledge, in accordance with the facts and contains no omission likely to affect its import.

2. STATUTORY AUDITORS

2.1 Name and address of the auditors

The Financial Statements of Repsol, S.A. and the consolidated Financial Statements of the Repsol Group as at and for the years ended 31 December 2014, 2013 and 2012 were audited by Deloitte, S.L. (**"Deloitte"**), which issued unqualified opinions thereon.

Deloitte has its registered address in Madrid at Plaza Pablo Ruiz Picasso 1, bears tax identification number B-79104469, and is registered under no. S0692 in the Spanish Official Register of Auditors (ROAC).

2.2 Resignation or removal of the auditors

Deloitte has not resigned or been removed as the statutory auditor during the period covered by the historical financial information for which it was appointed auditor.

3. SELECTED FINANCIAL INFORMATION

3.1 Selected historical financial information

The Consolidated Financial Statements for 2014, 2013 and 2012 have been prepared on the basis of the accounting records of Repsol, S.A. and its investees, and are presented in accordance with the International Financial Reporting Standards (**"IFRS-EU"**) adopted by the European Union as of 31 December of the years in question. The consolidated historical financial information of Repsol pertaining to 2014, 2013 and 2012 has been incorporated into this Registration Document in accordance with the equivalence table included under Section II.A.).

As a result of application of IFRS 11 (*"Joint Arrangements"*) from January 1, 2014 the audited consolidated balance sheet at 31 December 2013 and 1 January 2013 has been restated for comparative purposes to those of 2014.

The audited consolidated income statement for the year ended 31 December 2013 was restated for comparative purposes with the information related to the year 2014 with respect to the Consolidated Financial Statements issued corresponding to the year ended 2013, due to the application of IFRS 11.

The audited consolidated income statement for the year ended 31 December 2012 was restated for comparative purposes with the information related to the year 2013 with respect to the Consolidated Financial Statements issued corresponding to the year ended 2012,to classify the operations affected by the sale process of part of the LNG assets and businesses in the items corresponding to discontinued operations.

Selected consolidated balance sheet

The following table includes the selected consolidated balance sheet for Repsol for the years ended 31 December 2014 and 2013, and at 1 January 2013.

CONSOLIDATED BALANCE SHEET *(According to IFRS)*	**31/12/2014** (million €) Audited	Var. 14-13 (%)	**31/12/2013**[1] (million €) Unaudited	Var.13-12 (%)	**01/01/2013**[1][2] (million €) Unaudited
ASSETS					
Non-current assets	34,848	(7.74)	37,771	(6.27)	40,299
Current assets	17,041	(4.13)	17,776	19.10	14,925
Total Assets	**51,889**	**(6.59)**	**55,547**	**0.58**	**55,224**
TOTAL EQUITY	**28,154**	**2.56**	**27,450**	**1.72**	**26,987**
LIABILITIES					
Non-current liabilities	13,492	(8.35)	14,721	(6.50)	15,744
Current liabilities	10,243	(23.42)	13,376	**7.07**	12,493
Total Equity and Liabilities	**51,889**	**(6.59)**	**55,547**	**0.58**	**55,224**

(1) This selected financial information includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Section 20.1 of this Registration Document).

(2) According to IAS 1 "*Presentation of Financial Statements*", as due to the application of IFRS 11, a restated balance sheet is presented at 1 January 2013.

Selected consolidated income statement

The following table includes the selected consolidated income statement for Repsol for the years ended 31 December 2014, 2013 and 2012.

CONSOLIDATED INCOME STATEMENT *(In accordance with IFRS)*	**31/12/2014 (in million €) Audited**	**Var. 14-13 (%)**	**31/12/2013[1] (in million €) Unaudited**	**Var. 13-12 (%)**	**31/12/2012[2] (in million €) UnAudited**
Operating revenue	47,292	(0.08)	47,330	(18.19)	57,852
Operating expenses.....................	47,214	1.82	46,371	(14.42)	54,186
Operating income	78	(91.87)	959	73.84	3,666
Financial result	152	(131.54)	(482)	40.49	(810)
Net income before tax	1,122	(12.48)	1,282	55.84	2,903
Net income for the period from continuing operations	976	14.69	851	43.15	1,497
Net income for the period from continuing operations attributable to the parent.................................	1,015	15.47	879	38.19	1,422
Net income for the period from discontinued operations net of taxes	597	(187.28)	(684)	(191.57)	747
Net income for the period from discontinued operations attributable to the parent..............................	597	(187.28)	(684)	(207.21)	638
Total net income attributable to the parent	**1,612**	**726.67**	**195**	**(90.53)**	**2,060**
Earnings per share attributed to equity holders of the parent (in euros)	1.17	735.71	0.14[3]	(91.46)	1.64[3]

(1) The selected financial information at 31 December 2013 is the same included in the Group's Consolidated Financial Statements at 31 December 2014. This financial information for 2013 was restated as a consequence of the application of IFRS 11.

(2) The selected financial information at 31 December 2012 is the same included in the Group's Consolidated Financial Statements at 31 December 2013. This financial information for 2012 was restated as a consequence of the sale process of part of the LNG assets and businesses, as described in Note 31- "*Divestments*" and in Note 2.1.2- "*Comparison of information*" of Repsol´s Consolidated Financial Statementsand for the financial year 2013, and differs from that contained in the Group's Consolidated Financial Statements at 31 December 2012. It does not include modifications regarding the application of IFRS 11 from 1 January 2014 on.

(3) The calculation of earnings per share at 31 December 2013 and 2012 is the same as that for 2013 and 2012 (restated) included in the Group's Consolidated Financial Statements at 31 December 2013 and 2014 and differs from the content in the Group's Consolidated Financial Statements at 31 December 2013 and 2012, in relation to capital increses performed through the shareholder remuneration system known as "*Repsol Flexible Dividend*", described in Note 14 "*Equity*" and in Note 2 "*Basis of Presentation*" of the Repsol´s Consolidated Financial Statements for the financial years 2014 and 2013.

Key financial figures and ratios

In 2014, the Repsol Group decided, prompted by the business reality and in order to make its disclosures more comparable with those in the sector, to disclose its management information according to a new reporting model, as described in Note 5 – "*Segment Reporting*" of the Consolidated Financial Statements for the financial year 2014.

The financial figures and ratios, unless otherwise expressly provided, have been prepared according to this model, and have been obtained from the Consolidated Management Report for 2014, which includes reconciliation between adjusted figures and those related to the IFRS-EU financial information. The financial figures and ratios relating to 31 December 2013, where appropriate, have been modified for comparative purposes with respect to those contained in the Consolidated Management Report for 2013. These figures and ratios have not been restated for 2012 and therefore are not comparable with the information for the financial years 2014 and 2013.

KEY FINANCIAL FIGURES AND RATIOS	31/12/2014	31/12/2013	31/12/2012[6]
		Unaudited	
EBITDA[1] (%)	3,800	3,968	6,956
EBITDA[1] /(Net financial debt) (x times)	2.0	0.7	0.6
Net financial debt/Total capital employed[2] (%)	6.4	16.3	30.6
Return on average capital employed (ROACE) [3] (%)	4.4	5.5	7.8
Closing share price for the year[4] (euros)	15.5	18.3	15.3
PER[5]	13.2	122.1	9.3

(1) EBITDA: represents operating income adjusted for items that do not result in cash inflows or outflows from operations (depreciation and amortisation, allowances and provisions released, profit/loss from asset sales and other items).

(2) Net financial debt / Total capital employed represents net debt / (net equity + net debt at the end of the period).).In 2013 included capital employed corresponding to discontinued operations that was written-off as of 31 December 2014 owing to the monetisation of the compensation received for 51% of YPF capital.

(3) ROACE: (recurring MIFO operating income after taxes + recurring result from investees) / (average capital employed for the period from continuing operations).

(4) This item represents the quoted year-end price per share in the Continuous Market of the Spanish Stock Exchanges.

(5) PER is the closing quoted share price for the period / earnings per share attributed to the parent company.

(6) Figures and ratios calculated taking into consideration that the figures relating to the assets and businesses of LNG being sold in 2013 were part of the results of continuing operations, and are consistent with those included in the Group's Consolidated Management Report for 2013. This is no comparative information for 2014 and 2013.

3.2 Selected financial information for interim periods

Not applicable. At the date of this Registration Document, Repsol has not published interim financial information.

4. RISK FACTORS

Section I of this Registration Document contains disclosures on the risk factors affecting the operations of the Repsol Group, as well as financial risks. This information complements and/or updates that set forth in Note 17 - "*Financial risk and capital management*" of the Consolidated Financial Statements for 2014 and in section 8.2 - "*Risk factors*" of the consolidated Management Report of Repsol for 2014, as included under Section II.C) of this Registration Document.

5. INFORMATION ABOUT THE ISSUER

5.1 History and development of the issuer

5.1.1 Legal and commercial name

Information concerning this item is disclosed in Note 1 - *"General Information"* of the Consolidated Financial Statements for 2014 (see Section II.C). However, this information is supplemented by the information included below: in the commercial field, Repsol, S.A. is named "Repsol".

5.1.3 Date of incorporation and length of life

Repsol, S.A. is a limited company which was incorporated on 12 November 1986. In accordance with that laid down in Article 4 of its Company By-laws, the duration of Repsol, S.A. is indefinite.

5.1.4 Domicile and legal form, applicable legislation, country of incorporation and address and telephone number of its registered office

Information regarding this item is contained in Note 1 - *"General information"* and Appendix III - *"Regulatory framework"* of the 2014 Consolidated Financial Statements included in Section II.C of this Registration Document. This information is supplemented with the following:

Repsol S.A. was constituted in Spain and the telephone number of its registered office is (+34) 917 538 000.

5.1.5 Important events in the development of the issuer's business

Repsol, S.A. commenced operations in October 1987 after a process of reorganisation of the gas and oil businesses hitherto owned by the National Hydrocarbons Institute (**"INH"**), a Spanish public law entity that operated as a holding company for the gas and oil businesses owned by the Spanish Government.

Key milestones in the history of Repsol are as follows:

- Repsol, S.A. was incorporated in 1986, and in 1987 the INH began the process of reorganising its shareholdings in the Spanish oil industry.
- In 1989, the shares of Repsol, S.A. were first listed on the Spanish stock exchanges (Madrid, Barcelona, Bilbao and Valencia) and, through American Depositary Shares (ADS), on the New York Stock Exchange, beginning the process of privatisation of Repsol.
- The privatisation of Repsol, S.A. culminated with the public offers for the sale of shares in Repsol, S.A. carried out by Sociedad Estatal de Participaciones Industriales (SEPI) in 1996 and 1997.
- Between 1999 and 2000, Repsol, S.A. paid €14,298 million in exchange for 99% of YPF, Argentina's leading oil company and a former national operator in the industry, thereby completing its international expansion. In the same year, shares in Repsol, S.A. were listed on the Buenos Aires Stock Exchange, and in 2000 the company changed its name to Repsol YPF, S.A. In 2008 Repsol agreed the sale of 14.9% of YPF to the Petersen Group and granted two purchase options with a term of four years for a total additional interest of 10.1% of YPF's capital, which were exercised, the last in 2011.
- During the months of February and March of 2011, Repsol sought formal delisting of its American Depository Shares from the New York Stock Exchange and deregistration with the U.S. Securities and Exchange Commission. The last day of trading of the American Depositary Shares on the New

York Stock Exchange was 4 March 2011. The deregistration from the SEC and the resulting definitive termination of Repsol's reporting obligations became effective in June of 2011. Repsol has kept its ADS program in effect and on 9 March 2011 the company's ADSs began to trade on the "OTCQX" market.

- On 7 May 2012, the 51% of Repsol Group's shares in YPF S.A. and YPF Gas S.A. were declared of public interest and therefore subject to expropriation, this following the corresponding passing of the Expropriation Act in the Argentine Parliament and the subsequent publication in the Official Gazette of the Republic of Argentina, with the law taking effect on the same date.
- On 31 May 2012, the Ordinary General Shareholders' Meeting of Repsol, S.A. agreed to change the corporate name of Repsol YPF, S.A. to Repsol, S.A. On the same date, the Board of Directors approved a resolution to move the company's registered office to Calle Méndez Álvaro, 44, Madrid, Spain.
- On 26 February 2013, Repsol signed an agreement with Shell for the sale of part of its LNG assets and businesses. Former sale concluded with three different transactions closed in October and December 2013 and January 2014.
- On 25 February 2014, the Board of Directors of Repsol, S.A. approved the signing of an Agreement with the Republic of Argentina entitled the "Agreement for the Amicable Settlement and Compromise of Expropriation" (the "**Agreement**"), designed to put an end to the controversy originated by the expropriation of 51% shares Repsol held in YPF, S.A. and YPF Gas, S.A. The Agreement was signed on 27 February 2014 between Repsol, S.A., Repsol Capital S.L. and Repsol Butano S.A. on the one hand and the Republic of Argentina on the other. On the same date, the Guarantor signed an agreement with YPF S.A. and YPF Gas S.A. ("**Convenio de Finiquito**"), pursuant to which the parties agreed to withdraw ongoing legal procedures and the granting of a series of waivers and mutual indemnities, including, among others, those related to Repsol´s management of YPF and other related issues, all subject to the fulfilment of conditions precedent.

  Under the terms of the Agreement, the Republic of Argentina recognised in favour of Repsol the existence of a firm and autonomous credit right and committed irrevocably to pay Repsol U.S.$5,000 million as compensation for the expropriation of the expropriated shares. To settle the compensation, the Republic of Argentina agreed to deliver to Repsol U.S. dollar-denominated sovereign bonds issued by it (the "**Government Bonds**").

  On 8 May 2014, the Repsol Group and the Republic of Argentina verified the fulfilment of the conditions precedent as well as the performance of the other actions to which the effectiveness and enforcement of the Agreement were subject. As a consequence, the Republic of Argentina delivered to Repsol, S.A. a portfolio of Argentinian sovereign bonds with a total nominal value of U.S.$5,317 million.

  On 9, 13 and 22 of May 2014, respectively, Repsol agreed with JP Morgan Securities plc several transactions relating to the sale of the whole portfolio of Government Bonds delivered by the Republic of Argentina for a total of U.S.$4,997 million. These sales extinguished the debt recognised by the Republic of Argentina to Repsol under the Agreement.

  In addition, Repsol also sold substantially all its interest in the share capital of YPF S.A. which had not been subject to expropriation. On 6 May 2014, Repsol sold to Morgan Stanley & Co. LLC 11.86% of the share capital of YPF S.A. for approximately U.S.$1,255 million and on 12 May 2014, Repsol sold 0.48% of the share capital of YPF S.A. to JMB Capital Partners Master Fund, L.P. and Scoggin International Fund Ltd. As at the date of this Registration Document, Repsol's interest in YPF S.A. was below 0.001%.

- On 15 December 2014, following approval by the Board of Directors of both companies, the Repsol, S.A. and Talisman entered into a definitive agreement (the "**Arrangement Agreement**") under which Repsol agreed to acquire 100% of the outstanding common shares and preferred shares. The aggregate purchase price amounts to U.S.$8,300 million, plus assumed net debt of U.S.$4,700 million as of the date of the Arrangement Agreement.

  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 18 February 2015 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 20 February 2015, this Court finally approved the Plan of Arrangement, issuing the corresponding Final Order.

5.2 Investments

5.2.1 Description of the issuer's principal investments

The information relating to this item is stated:

- in the Consolidated Financial Statements for 2014 (see Section II.C)): Note 5 - *"Segment Reporting"*; Note 6 - *"Goodwill"*; Note 7 - *"Other intangible assets"*; Note 8 - *"Property, plant and equipment"*; Note 9 - *"Investments accounted for using the equity method"*; Note 11 - *"Financial assets"*; Note 29.2 - *"Contractual commitments"*; Note 30 - *"Environmental information"*; and Appendix I(b) - *"Main changes in the consolidated scope for the year ended 31 December 2014"*. Further information is provided in section 1.5 entitled *"Main figures and indicators of the period"*; section 5 *"Performance of our Business areas";* section 6.4 *"Research, development and innovation"* and Appendix II "*Reconciliation of adjusted results with IFRS-EU results"* of the Repsol Group's 2014 consolidated Management Report; and
- in the Consolidated Financial Statements for 2013 (see Section II.C)): Note 5 - *"Goodwill"*; Note 6 - "*Other intangible assets*"; Note 7 - *"Property, plant and equipment"*; Note 8 - *"Investment properties"*; Note 9 - *"Investments accounted for using the equity method"*; Note 11 - *"Current and non-current financial assets"*; Note 29 - *"Segment reporting"*; Note 30 - *"Business combinations and increases in ownership interests in subsidiaries without change of control"*; Note 35 - *"Environmental information"* and Appendix I(b) - *"Main changes in the consolidated scope for the year ended 31 December 2013"*. Further information is provided in the section 5 entitled *"Performance of our Business areas"* of the Repsol Group's 2013 consolidated Management Report.

No significant investments have been made by the Repsol Group between 31 December 2014, the date of the last historical financial statements published by Repsol, and the date of this Registration Document.

5.2.2 Description of the principal investments in progress

Information concerning this item is contained in Note 8– *"Property, plant and equipment"* and in Note 30– *"Environmental information"* of the Consolidated Financial Statements for 2014 (see Section II.C)), and in section 5 entitled *"Performance of our Business areas"* of the Repsol consolidated Management Report for 2014. This information is supplemented and/or updated by the following.

As of 31 December 2014, the Group had recorded an amount of €17,141 million (€774, €5,089 and €1,040 million, classified under items for *"Assets under construction"*, *"Investments in areas with reserves"* and *"Other exploration costs"*, respectively) as Property, Plant and Equipment. This amount relates mainly to the *Upstream* (€6,407 million) and *Downstream* segments (€10,050 million).

Investments in Property, Plant and Equipment amounted to €2,383 million in 2014. The principal investments in progress for Repsol as of the date of this Registration Document are as follows:

***"SHENZI" FIELD (GULF OF MEXICO)*:** Repsol holds a 28% stake in the field, together with BHP Billiton (operator), which holds 44%, and Hess, which holds the remaining 28%. This field is situated in deep water in the US Gulf of Mexico, production of oil and gas from the Shenzi platform commenced in March 2009. At year end 2014, there were 15 production wells (13 at the Shenzi platform and two at the Marco Polo platform. Within the project to inject water, and in order to maintain pressure and boost production levels, four injection wells have already been drilled.

***BLOCK BM-S-9 (BRAZIL)*:** At the BM-S-9 "pre-salt" deep-water block located in the Santos basin, two major development projects have materialised over recent years in Sapinhoá (discovered in 2008) and Lapa (previously named Carioca and discovered in 2007). Repsol Sinopec Brasil (Repsol 60% and Sinopec 40%) holds a 25% stake in the projects. The other partners comprising the consortium are Petrobras (45% and operator) and British Gas (BG Group, with 30%).

With respect to the **SAPINHOÁ** project, its commercial operation began with the output from the first production well in the southern area of the BM-S-9 block started in January 2013. In 2014, production got underway at three new wells in the southern area of the BM-S-9 block, enabling capacity to reach the maximum capacity of 120,000 barrels per day (kbbl/d) of the first FPSO "Cidade de São Paulo". Sapinhoá one of the key growth projects for Repsol. The production of this high quality crude oil is taking place in the south of Sapinhoa area through the floating platform (Floating Production, Storage and Offloading, FPSO) "Cidade de São Paulo", with capacity to process 120,000 barrels of oil per day and 5 million cubic meters of gas, that produces, stores and transfers the oil to another vessel. In mid-November 2014, production commenced in the North Sapinhoá area with the FPSO "Cidade de Ilhabela". It is expected that by the end of 2015 a production plateau[6] of 150,000 barrels of oil per day is reached in this area North of the Sapinhoá mega-oil field in the BM-S-9 block.

Under the framework of the development project of the other big discovery in Block BM-S-9, **LAPA**, formerly known as Carioca, the Northeast Development Plan Area was submitted to the National Agency for Oil, Natural Gas and Biofuels in Brazil (ANP) in June 2014. It is estimated that the start of production at the Lapa field will take place at the end of 2016.

***MARGARITA-HUACAYA PROJECT (BOLIVIA)*:** In October 2013, as part of the second phase of Margarita-Huacaya development project, the expansion of a gas processing plant was inaugurated. The plant's capacity was increased to 14 million cubic meters per day. The first phase of this project entered in production in May 2012 enabled to raise total gas production from 3 to 9 million cubic metres per day (Mm^3/d). The development Plan Margarita-Huacaya field is one of the key growth projects described in the 2012-2016 Strategic Plan. In 2014, gas production reached 16.5 Mm^3/d. In 2014 Phase III was approved, and a 18Mm^3/d production is expected in the first quarter 2016.

This project is being developed by a consortium formed by Repsol (operator, with a 37.5% stake), BG (37.5%) and PAE (25%).

[6] Annual production levels established as a goal in the Development Plan.

***"MISSISSIPPIAN LIME" PROJECT IN THE USA*:** In January 2012, Repsol signed an agreement with the U.S. oil company SandRidge Energy whereby Repsol is set to acquire 16.2% and 25% interests in two areas of unconventional resources within the larger Mississippian Lime oilfield, bridging the states of Oklahoma and Kansas. In 2014, it continued operating with an intense drilling campaign of more than 400 producing wells drilled during the year, increasing the production of this asset. In this way, natural decline of this type of unconventional production asset wells has been positively compensated.

***JOINT VENTURE WITH ALLIANCE IN RUSSIA*:** In 2011 an agreement with the company Alliance Oil (in 2014 this company merged with the company NNK) was achieved to create a Joint Venture in order to combine knowledge and access to exploration and production opportunities in Russia of this company with Repsol's financial and technical capacities, thus forging a long-term alliance for exploration and production activities in the country.

In August 2012, Repsol and Alliance Oil/NNK completed the first phase of their joint project for the exploration and production of hydrocarbons with the incorporation of assets to the AR Oil and Gaz BV (AROG) joint venture by Alliance Oil/NNK and the purchase of shares by Repsol. In 2012, Alliance Oil/NNK contributed its subsidiary Saneco. Repsol acquired shares in the new company and signed up to a 49% stake, and incorporated production and reserves from this important project in its books in the third quarter of 2012. The next step took place in December 2012 when Alliance/NNK included the assets of its subsidiary Tatnefteodatcha (TNO), located in the Russian region of Tatarstan (Volga-Urals Basin) in AROG. This involves two oilfields and their respective exploration and production licences in Russia.

In January 2013, Repsol contributed to the joint venture (AROG) with the company's assets in Eurotek, including two major gas fields: Syskonsyninskoye (SK), which started production at the end of February 2013, and Yuzhno-Khadyryakhinskoye (YK) which is in the final evaluation phase. With all this in late January 2013 was completed the formation of the joint venture AROG between Alliance Oil/NNK (51%) and Repsol (49%).

In 2014 studies on production optimisation and improved operating costs in Saneco continued. Work on the drilling campaign at TNO-Tafneteodacha continued, obtaining production ratios higher than those budgeted and technical studies aimed at optimising production got underway. SK completed the drilling campaign for 2014 as planned and work to be undertaken in 2015 was defined. Different technical scenarios aimed at making the decision regarding the future strategy of the asset were examined in YK.

***KINTERONI PROJECT IN PERU*:** The field, one of the ten key projects in Repsol´s Strategic Plan 2012-2016, began producing in late March 2014. The Kinteroni field in the south of Block 57 was ready to start production in 2013, pending the settlement of outstanding trade issues. In 2012 the development plan launched in mid-2010 and involving the drilling, completion and testing of production wells, and the construction of surface facilities and pipeline system to the Malvinas plant was completed. The Kinteroni field is located in central-eastern Peru, east of the Andes, in the Ucayali-Madre de Dios basin. Kinteroni was discovered by Repsol in January 2008 and represented one of the largest discoveries in the world that year according to HIS. Repsol is the operator of the block with a 53.84% stake. The field is close to the Camisea gas and condensate field, in which Repsol also holds a stake.

Repsol made a new gas discovery in Block 57 in September 2012 with the Sagari exploration well (located north of Kinteroni).

CARDÓN IV PROJECT IN VENEZUELA**:** The Perla mega-field, one of the key growth projects, was discovered by Repsol and Eni in 2009 within the Cardón IV block, which is located in shallow waters of the Gulf of Venezuela, roughly 50 kilometres from the coast. The Cardón IV consortium (Repsol 50% and ENI 50%) continued to develop the field throughout 2014. The development plan of this key project contemplates three Phases depending on the volumes of non-associated natural gas to be produced (150, 450 and 800 Mscfd). Additionally, there is an estimation of one last Phase and reach 1,200 Mscfd. The first 150 Mscfd phase is estimated to start producing in the second quarter 2015. The approval of the declaration of commercial viability and the development plan by the Venezuelan authorities was received in August 2012.

The development of the project contemplates a series of tasks will be completed, both on land and at sea, most notably the drilling of new wells and the re-entry of wells drilled in the exploration phase, the laying of production pipelines, the construction and installation of offshore platforms, the construction of the onshore gas processing and treatment plant and the pipeline from the gas treatment plant to the point of delivery to PDVSA Gas. By way of contribution to the development of communities in the area, social contributions to the community are also included, in accordance with the provisions of the Ministry of Energy and Mining.

Work undertaken in 2014 includes preparation of the location of ground facilities which were completed. The installation work on the plant began in order to process 150 Mscfd and progress was made on the construction of pipelines and onshore condensate pipeline. Installation activities of subsea production lines from platforms to shore (main pipeline) and subsea flowlines were completed. In the last quarter of 2014, drilling and completion of the Perla 6 offshore well was completed and the jackup drill will continue drilling throughout 2015.

CARABOBO PROJECT IN VENEZUELA**:** In February 2010 a consortium of international companies led by Repsol with a holding of 11% was awarded the Carabobo-1 project by the Venezuelan government. This important project, undertaken jointly with PDVSA, consists of the development of the heavy crude oil reserves in the Carabobo 1 Norte and Carabobo 1 Centro areas located in the Orinoco Petroleum Belt. This area has one of the largest undeveloped hydrocarbon reserve areas in the world. Part of the heavy crude oil obtained from the project will be sent to Repsol’s Spanish refineries, which will allow the company to profit from its investment in advanced deep conversion techniques at the industrial complexes.

Progress was made in 2014 on the tasks for developing Carabobo, the FEED contract (Front End Engineering Design) was finished for the permanent *Upstream* facilities, as well as the seismic surveys, and work continued with the drilling campaign targeting stratigraphic wells in order to log information about the geological formations.

In late December 2012 the start of production at the first well scheduled under the accelerated development plan in the Carabobo field was announced. In late December 2014, production reached 12,000 bopd of extra heavy crude oil.

REGGANE PROJECT (ALGERIA)**:** In this important gas development project, in the second quarter of 2014, an important step was taken to start production on the one of Repsol's strategic growth projects; the Groupement Reggane, a consortium formed by Sonatrach, Repsol, RWE Dea and Edison International, operator of the project development, signed the contract for "Engineering, Procurement, Construction, Commissioning and Start-up (EPCCS) of the Surface Facilities". The contract includes the construction of a gas treatment plant covering 8 million cubic metres of rated capacity, the collection network for producing wells and the gas delivery line connecting the plant to the main GR-5 gas pipeline. The lead time for this work is 36 months, with the commencement of gas production being expected for the second quarter of 2017. In January 2015, the drilling of development wells got underway.

This gas project in the Algerian Sahara includes the development of six fields (Reggane, Kahlouche, South Kahlouche, Sali, Tiouliline and South-east Azrafil) in the Reggane Basin around 1,500 kilometres south-west of Algiers.

Repsol has a 29.25% stake in the project, operating jointly with the Algerian State-owned company Sonatrach (40%), Germany's RWE Dea AG (19.5%), and Edison of Italy (11.25%).

***BM-C-33 BLOCK IN BRAZIL*:** Repsol Sinopec Brasil has made three major exploratory discoveries in this block, which is located in deep waters within the Brazilian Campos basin: Seat in 2010, Gávea in 2011 and Pão de Açúcar in 2012. The company IHS included the Gávea discovery in its list of the 10 biggest discoveries in the world in 2011 and Pão de Açúcar in the 2012 list. Repsol Sinopec Brasil is the operator of the block with a 35% stake, with Statoil holding 35% and Petrobras 30%.

Within the scope of the evaluation plan for the three discoveries made to date in the BM-C-33 block, the discovery of an important "pillar" of hydrocarbons using Seat-2 exploratory survey was reported to the ANP in mid-2014. In mid-2015 a production test (DST) was conducted to assess the positive results achieved with this well, which will help define the future Area Development Plan.

The exploratory survey Seat-2 was drilled with the seventh generation drilling ship "Ocean Rig Mylos". This vessel, built in South Korea, is one of the most modern and safest in the world and can be used for drilling in water depths of up to 3,700 metres. Repsol chartered this ship in 2012 for a period of three years with an option to extend for two more years. It is initially being used for the evaluation plan of the BM-C-33 block.

***BUCKSKIN IN THE US GULF OF MEXICO*:** In early 2009 Repsol announced a major discovery of light crude oil at the Buckskin exploratory well in deep water off the United States. At a total depth of around 10,000 metres, making it the deepest well operated by Repsol to that date and one of the deepest drilled in the region. In 2011 was drilled the first appraisal well in the discovery, with a positive result. In the forth quarter of 2014, the drilling of the second appraisal well (appraisal of the Buckskin discovery) finished with a positive result. With the information gathered to date, the confirmation of the oilfield's resource great potential and the development plan for the field will be define, with the estimated start of production between 2017 and 2018.

EXPLORATION IN ALASKA*: *"NORTH SLOPE" PROJECT: In 2011, Repsol announced that an agreement had been reached with "70 & 148 LLC" and "GMT Exploration LLC" companies to undertake joint exploration of an extensive area he in Alaska's prolific "North Slope". The project consists of a series of blocks occupying an area of 2,000 km² located near to major production fields.

Within the exploration plan for the area, which is currently under way, in April 2013 Repsol announced three oil discoveries with three wells drilled in the 2012-2013 campaign. During the second quarter of 2014, two evaluation surveys/appraisals providing positive results (Qugruk-5 and Qugruk-7) were completed. The Tuttu-1 exploration well, that is being evaluated, was also drilled in 2014. The good results obtained to date following the three discoveries made in 2013, the two evaluation surveys conducted in 2014 and the information that will be obtained in the next drilling campaign will make way for a first development plan of the resources found in Alaska North Slope to be defined. Evaluation and exploration work continued during the winter of 2013-2014 since exploration activities in this area can only be performed four months a year when the ground is frozen. Thus, in late February 2014 drilling began on a new well. Repsol, with a 70% stake, is the operating company of the consortium in partnership with the US companies "70 & 48, LLC" (22.5%), a subsidiary of Armstrong Oil and Gas, and GMT Exploration Company (7.5 %).

PROJECT FOR ADAPTATION THE NEW FUEL SPECIFICATIONS IN THE LA PAMPILLA REFINERY (PERU)**:** In September 2012, Repsol approved the project for adaptation to the new fuel specifications at the La Pampilla Refinery in Peru. The start-up of this project will enable environmental improvement in air quality, as well as the entry to the country of vehicles with technologically improved engines (initially Euro IV and Euro V later).

Among other units, the project involves the construction, in the middle distillates block, of a *Hydrodesulphurisation* (HDS) unit with a capacity of 1.4 million tonnes per year and a Hydrogen unit. As per the commitment to the authorities, commercialisation of 50 ppm diesel production would take place in July 2016.

The project also involves, among other units, the construction in the petroleum block, of two Naphtha *Hydrotreating* (HDT) units with combined capacity for 715 thousand tonnes per year, one for the primary petroleum and the other for cracked petroleum, as well as a reforming unit for 215 thousand tonnes per year. No commitment has yet been defined with the authorities, but commercialisation of the petrol production is estimated to take place in July 2018.

5.2.3 Principal future investments on which the management bodies have already assumed firm commitments

Information concerning this item is disclosed in the Consolidated Financial Statements for 2014 (see Section II.C), as follows: Note 29 - *"Contingencies, Commitments and Guarantees"*; as well as in section 1.3 "*Talisman Energy Acquisition*", section 2.6 "*Strategy*" and section 7.2 "*Future Outlook for our businesses*" of Repsol's consolidated Management Report for 2014. This information is supplemented and/or updated by the information included below.

- ***Acquisition of Talisman Energy Inc.***

  Introduction

  On 15 December 2014, following approval by the Board of Directors of both companies, Repsol and Canadian-based upstream oil and gas company Talisman entered into an agreement (the "*Arrangement Agreement*") under which Repsol agreed to acquire all the outstanding common shares of Talisman for a cash consideration of U.S.$8.00 per share and, concurrently, all of Talisman's outstanding preferred shares for CAD$25.00 cash per share. The aggregate purchase price amounts to U.S.$8,300 million (equivalent to €7,400 million based on an exchange rate of U.S.$/€ of €1.12), plus assumed net debt of U.S.$4,800 million as of 31 December 2014 (U.S.$5,000 million including preferred shares). The transaction is aimed at increasing the Group's presence in OECD countries and reinforcing the size of the Group's upstream business.

  Repsol has sufficient cash to pay the operation price, and it intends to use its cash reserves obtained from the recovery of value from YPF pursuant to the agreement reached with the Argentinian government (U.S.$6,313 million) as well as the net proceeds from the issuance of the Securities (€2,000 million, see section 10.1).

  In order to hedge account against exchange rate risk inherent in paying the (USD/EUR) price, the Group purchased, via foreign exchange forwards and swaps, a nominal amount of U.S.$8,289 million and CAD$200 million in March 2015.

  Talisman Energy Inc.

  Talisman is incorporated under the Canada Business Corporations Act and its main business activities include the exploration, development, production, transportation and marketing of crude oil, natural gas and other liquid hydrocarbons. Talisman has two main operating areas: the Americas (U.S., Canada and Colombia), and Asia-Pacific (Australia, Timor-Leste, Indonesia, Malaysia, Papua New Guinea and Vietnam). Its common shares are listed on the Toronto (TSX) and New York (NYSE) stock exchanges, and its preferred shares on the TSX.

Talisman´s main financial and operative indicators are shown below:

MAIN INDICATORS OF TALISMAN	2014	2013
Gross Proven Reserves before royalties (Mbep)	873	1,006
Gross liquids production before royalties (kbbl/d)	141	132
Gross gas production before royalties ($/Mscf/d)	1,371	1,451
Average liquids realization price ($/bbl)	85.12	97.49
Average gas realization price ($/kscf)	5.84	5.69
Total Revenue and other income	3,763	4,486
Net Income	(911)	(1,175)
Total Assets	17,330	19,161
Total Equity	7,405	8,555
Gross financial debt	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.

According to the annual information published by Talisman for the year ended 31 December 2014 (*Consolidated financial statements*, *Management's discussion and analysis*, *Annual information form and Form 40-f*), Talisman had approximately 873 Mboe of 1P reserves before contracts and royalties (of which approximately 69 % were being developed) and 2P reserves of 1,382 Mboe before contracts and royalties. Of the 2P reserves, 54% were located in the U.S. and Canada and 33% in Southeast Asia. Its net total production for the year 2014 was 289 kboep/d (after contract and royalty rates) based on Talisman guidance (369 kboepd gross before contracts and royalties). Its net liquids production was 107 kboe/d and its net gas production was 1,095 Mscfpd for the same period, respectively.

Talisman's asset portfolio comprises assets in the Americas (U.S., Canada and Colombia), Asia-Pacific (Australia, Timor-Leste, Indonesia, Malaysia, Papua New Guinea and Vietnam) and EMEA (UK, Norway, Algeria and Kurdistan/Northern Iraq).

According to information published by Talisman for the year ended 31 December 2014, Talisman's net income was U.S.$-900 million, its operating cash flow was U.S.$1,900 million and its net debt was U.S.$5,000 million. Talisman had over 2,700 permanent employees as at 31 December 2014.

Transforming operation

Repsol believes the acquisition will transform Repsol into one of the world's largest privately-owned energy groups, with increased presence in OECD countries, incorporating reserves and production in politically stable countries. Additionally, it will add a significant exploration portfolio and productive assets in North America, Southeast Asia as well as Colombia and Norway, among others.

The incorporation of Talisman is expected to boost 1P net reserves by 45% to 2,233 Mboe considering the conversion factor to gas used by Talisman. Following completion of the acquisition, the Repsol Group will be present in more than 50 countries with over 27,000 employees.

Additionally, the combined management of assets is expected to generate synergies of approximately U.S.$220 million per year (on a pre-tax basis; full crystallisation of synergies expected within two years following completion), mainly from the optimisation of corporate functions, management of businesses and exploration, an increased commercialisation capacity in North America and the application of technology and best operating practices.

Steps to Closing the Acquisition

The acquisition will be effected pursuant to a *Plan of Arrangement* implemented under the Canada Business Corporation Act. Approval is required from both the holders of common shares and, in a separate class vote and with respect to the acquisition of the preferred shares only, the holders of preferred shares, with the required approval in each case expected to be at least two thirds of the shares represented at special meetings of each class of shares called to approve the *Plan of Arrangement*.

As at the date of this Registration Document, the main milestones of the transaction that have been achieved are:

- An Interim Order from the Court of Queen’s Bench of Alberta, Canada was obtained by Talisman on 13 January 2015 providing for the calling and holding of a special shareholders’ meeting of Talisman.

- On 20 January 2015, Talisman delivered to its shareholders an *Information Circular* including full details of the transaction and supporting materials necessary for the holding of the shareholders’ meeting.

- Talisman’s special shareholders’ meeting was held on 18 February 2015 where over 99% of holders of common shares and preferred shares approved the transaction.

- The *Final Order* approving the *Plan of Arrangement* was granted by the Court of Queen´s Bench of Alberta, Canada, on 20 February 2015.

The *Arrangement Agreement* contains standard provisions for this type of transaction and interim covenants to ensure that there is no loss in the value of Talisman’s business prior to closing, such as covenants not to divest material assets and covenants to operate in the ordinary course of business.

The completion of the transaction remains subject to the receipt of required regulatory approvals and the satisfaction or waiver of other customary closing conditions. As at the date of this Prospectus, all regulatory approvals are on track and it is anticipated that the completion of the transaction will occur in the second quarter of 2015.

Pursuant to the *Arrangement Agreement*, the transaction will close within a maximum period of five (5) working days from the date of compliance or waiver of the conditions precedent. On the closing date, Repsol, S.A. will acquire 100% of Talisman Energy Inc. ordinary shares and preferred shares and will have transferred the total price of the acquisition to the depositary appointed by the parties (*Computershare Trust Company of Canada*), which will be instructed to proceed with payment thereof. After closing the transaction, the necessary steps to proceed with delisting Talisman ordinary and preferred shares on TSX and NYSE is scheduled to begin.

On 8 April 2015, Talisman Energy Inc. announced a dividend of $ 0.1125 per share payable on 29 April.

- ***Agreement between Repsol and the KUO Group***

  On April 27, 2015, Repsol and the Mexican KUO Group reached an agreement to expand the joint venture, Dynasol, which they have been operating since 1999. As a consequence of this new agreement, Repsol will contribute its business relating to chemical accelerators for rubber vulcanization, located in Spain, and the KUO Group will contribute its synthetic rubber (produced by emulsion) and nitrile rubber businesses, located in Mexico and China. The operation is subject to governmental and anti-trust approval.

- Other future investments on which Repsol's management has already made firm commitments at 31 December 2014, described in this section. The total outlays amounted to €2,734 million, of which €2,479 million will be invested by 2019 and the remaining €255 million after that date. However, these amounts do not, in general, represent the total future investment planned for each of the projects, but only the amounts committed by management of Repsol at the date of this Registration Document. In relation to the anticipated sources for financing the investments, see item 10.5 of this Registration Document.

  The principal investments adopted for firm commitments are basically in the *Upstream* area, where investment commitments total approximately €2,554 million.

  A significant part of this figure (23%) corresponds to the development of the Reganne gas project in Algeria; commitments for the Carabobo heavy crude project in Venezuela, Sagari in Peru and Margarita-Huacaya in Bolivia are also relevant, together representing 25% of the *Upstream* investment commitments. Within the exploratory activity, which represents a total of 48% of the *Upstream* investment commitments, Algeria stands out, with a campaign that includes 4 exploration wells. Exploratory commitments in other countries are also relevant, mainly due to the commitments amount, exploration and drilling activity, production testing and surveys, including: Gabon, Russia, the United States and Bulgaria.

6. BUSINESS OVERVIEW

6.1 Principal activities

6.1.1 Description of principal activities and main product categories sold and/or services performed

The information relating to this item is stated:

- in the Consolidated Financial Statements for 2014 (see Section II.C)): Note 1 – "*General Information*"; and Note 5 - "*Segment reporting*", as well as in section 2.2 "*Business Model*"; section 2.6 "*Our Strategy*" and section 5 "*Performance of our Business areas*" of Repsol's consolidated Management Report for 2014; and
- in the Consolidated Financial Statements for 2013 (see Section II.D)): Note 29 - "*Segment reporting*" and in section 2.5 "*Our Strategy*" and section 5 "*Performance of our Business areas*" of Repsol's consolidated Management Report for 2013.

This information is complemented (i) with the information on oil and gas exploration and production activities at 31 December 2014, which is included in Section II.E) of this Registration Document; and (ii) with the *"Regulatory and tax framework of Repsol's operations"* included in Section I of this Registration Document.

Repsol took the recommendations of the European Securities and Markets Authority (ESMA) for uniform application of Regulation 809/2004 into account in preparing this information, in relation with extraction operations.

6.1.2 Indication of significant new products and/or activities

Repsol's strategic plan, described in the section 2.6 *"Strategy"* of the consolidated Management Report for 2014, included in Section II.C) of this Registration Document, focuses on the optimisation of the strategic businesses and profitable organic growth of the Repsol Group's current businesses and products. However, activities related with the Group's commitment to innovation, the development of new products and the improvement of processes are described in the section 7.2*"Future Outlook for our business"* of the consolidated Management Report for 2014 included in Section II.C) of this Registration Document. Meanwhile, the section 5*"Performance of our Business areas"* of the consolidated Management Report for 2014 describes the evolution of the principal activities carried out by Repsol and their potential impact on the Group's business portfolio (new processes, principal discoveries, new *plays*, product quality, etc.).

6.3 When the information given pursuant to items 6.1 and 6.2 has been influenced by exceptional factors, mention that fact

The Repsol Group is influenced by the factors referred to in Section I *"Risk Factors"* of this Registration Document, in Section 3 "*Macroeconomic Environment*", Section 4 "*Results, Financial Overview and our Shareholder Remuneration*" and Section 5.1. "*Upstream"* described in the Management Report for 2014 (See Section II.C)).

The Repsol Group's activity has not been affected by any other exceptional factors.

6.4 Summary information regarding the extent to which the issuer is dependent on patents or licences, industrial, commercial or financial contracts, or new manufacturing processes

Except as explained in Section I *"Risk factors"* with regard to the Repsol Group's dependence on contracts and permits obtained in the different countries where it operates, the ordinary course of the Group's business is not, to the best of Repsol's knowledge, significantly dependent on or significantly affected by patents or licences, industrial contracts or new manufacturing processes, or by other commercial or financial contracts.

6.5 Basis for statements made regarding the issuer's competitive position

This Registration Document does not include any statement regarding the Repsol Group's competitive position.

8. PROPERTY, PLANT AND EQUIPMENT

8.1 Information on tangible fixed assets, including leased properties and encumbrances thereon

Information concerning this item is disclosed in the Consolidated Financial Statements for 2014 (see Section II.C) of this Registration Document: Note 8 - *"Property, plant and equipment"* and Appendix IV (8): Property, Plant and Equipment.

At 31 December 2014, there were no significant encumbrances on the Group's property, plant and equipment.

9. OPERATING AND FINANCIAL REVIEW

9.2 Operating results

9.2.1 Significant factors, including unusual events or new developments, materially affecting the issuer's income from operations

Information regarding this item is provided in section 1 – *"Main events during the period"*, section 3 – *"Macroeconomic Environment"* and section 5 - *"Performance of our Business Areas"* of the consolidated Management Report for 2014 (see Section II.C)), supplemented by the risk factors contained in Section I of this Registration Document.

Lower crude oil prices, partially offset by the appreciation of the dollar against the euro, have led to a reduction in revenues of the issuer during the first quarter of 2015 compared with 2014.

Besides this fact, there have been no unusual or new significant events materially affecting Repsol's income.

9.2.2 Material changes in the issuer's net sales or revenues

See items 9.2.1, 6.1 and 20.1 of this Registration Document. The information relating to this item is also contained in Note 22 - *"Operating revenue and expenses"* and in Note 25 - *"Operating revenue and expenses"* in the Consolidated Financial Statements for 2014 and 2013, respectively.

9.2.3 Governmental, economic, fiscal, monetary or political factors that have materially affected, or could materially affect, directly or indirectly, the issuer's operations

Information concerning this item is stated:

- in the Consolidated Financial Statements for 2014 (see Section II.C), as follows: Note 4.1 - *"Disposal of YPF S.A. and YPF Gas S.A. sahres"*; Note 21 – *"Tax Situation"*; Note 29.1 *"Legal and arbitration proceedings"* and Appendix III *"Regulatory Framework"*; and in section 3*"Macroeconomic Environment"*, section 5.1 *"Upstream"*; section 6.3 *"Taxation"*; section 7 *"Outlook and Prospects"* and section 8 *"Risk Management"* of the consolidated Management Report for 2014 (see Section II.C)); and

- in the Consolidated Financial Statements for 2013 (see Section II.D), as follows: Note 4 - *"Expropriation of Repsol Group shares in YPF S.A. and YPF Gas S.A."*; Note 23 – *"Tax Situation";* Note 37 - *"Subsequent events"*; and in section 2.6 *"Risk Management";* section 3*"Macroeconomic Environment";* section 6.3 *"Taxation"* and section 7 *"Outlook & Prospects"* of the consolidated Management Report for 2013.

This information is also updated and supplemented with the risk factors contained in Section I of this Registration Document.

With respect to prices and tariffs for liquefied petroleum gas (LPG), Order ITC/389/2015 of March 5, 2015, updates the system for automatically determining maximum sales prices for the public in connection with bottled LPG and the sales tariff for LPG supplied by pipeline, adjusting the cost of the raw material to the aforementioned formulae to, in accordance with the given reasons, adapt to the "reality of domestic market supplies in recent years." Said adaptation of the formulae regarding the cost of the raw material does not, however, extend to distribution costs, resulting in a reduction of maximum bottled LPG prices and sale tariffs for LPG supplied by pipeline.

Apart from the above, and excluding the Lybia operations, still affected by the the situation of this country, no other governmental orders or economic, monetary or political factors have directly or indirectly had any material bearing on Repsol's operations.

10. CAPITAL RESOURCES

10.1 Information concerning the issuer's short and long term capital resources

The information relating to this item is stated:

- in the Consolidated Financial Statements for 2014 (see Section II.C)): Note 11 - *"Financial assets"*, Note 14 - *"Equity"*, Note 16 - *"Financial liabilities"*, Note 17 - *"Financial risk and capital management"*, Note 18 - *"Derivative transactions"*, Note 19 - *"Other non-current liabilities"*, Note 20 - *"Trade payables and other payables"*, Note 24 - *"Financial income and expenses"* and Note 26 - *"Cash flows from operating activities"*, as well as section 1 entitled *"Main events during the period"* and section 4 *"Results, Financial Overview & Our Sharegolder Remuneration"* of the consolidated Management Report for 2014; and
- in the Consolidated Financial Statements for 2013 (see Section II.D)): Note 11 - *"Current and non-current financial assets"*, Note 14 - *"Equity"*, Note 18 - *"Financial liabilities"*, Note 19 - *"Financial risk and capital management"*, Note 20 - *"Derivative transactions"*, Note 21 - *"Other non-current liabilities"*, Note 22 - *"Trade payables and other payables"*, Note 26 - *"Financial income and expenses"* and Note 28 - *"Cash flows from operating activities"* and the section 4 entitled *"Results, Financial Overview & Our Sharegolder Remuneration"* of the consolidated Management Report for 2013.

The following table also itemises working capital composition according to the consolidated balance sheet (IFRS-EU) at 31 December 2014, 2013 and 2012.

	31/12/2014		31/12/2013		31/12/2012
	(in million €)	Var. 14-13	(in million €)	Var. 13-12	(in million €)
WORKING CAPITAL (*IFRS-EU*)	Audited	(%)	Unaudited	(%)	Unaudited
Inventories	3,931	(20.39)	4,938	(10.23)	5,501
Accounts receivable and other current assets	5,861	15.46	5,076	(36.57)	8,002
Trade receivables for sales and services	3,083	(4.22)	3,219	(47.06)	6,081
Other receivables and other current assets	2,146	45.89	1,471	(2.26)	1,505
Income tax assets	632	63.73	386	(7.21)	416
Trade payables and other payables	5,917	1.37	5,837	(36.57)	9,202
Trade payables	2,350	(9.20)	2,588	(40.86)	4,376
Other payables	3,402	9.25	3,114	(30.91)	4,507
Income tax liabilities	165	22.22	135	(57.68)	319
Current provisions	240	(3.61)	249	(14.43)	291
Total operating Working Capital	**3,635**	**(7.46)**	**3,928**	**(2.04)**	**4,010**
Other current financial assets	2,513	609.89	354	(14.70)	415
Cash and cash equivalents	4,638	(18.86)	5,716	(3.17)	5,903
Current financial liabilities	4,086	(29.95)	5,833	53.91	3,790
Total financial Working Capital	**3,065**	**1,193.25**	**237**	**(90.63)**	**2,528**
Total Working Capital	**6,700**	**60.86**	**4,165**	**(36.30)**	**6,538**

The maturities of the liabilities reflected in the consolidated balance sheet (IFRS-EU) at 31 December 2014 were as follows:

	Maturity date						
	2015	2016	2017	2018	2019	Subsequent years	Total
Maturity at 31/12/2014 (*IFRS – EU*)	(in million €)						
Trade payables	2,350	--	--	--	--	--	**2,350**
Other payables	3,402	--	--	--	--	--	**3,402**
Loans and other financial debt(1)	4,050	1,293	1,442	1,086	1,252	3,472	**12,595**
Derivatives(2)	148	12	9	9	7	37	**222**

Note: The amounts presented reflect undiscounted contractual cash flows, and therefore differ from those recognised on the balance sheet.

(1) Corresponding to future maturities of the amounts recognised under the headings *"Non-current financial liabilities"* and *"Current financial liabilities"*, including future interest or dividends associated with these financial liabilities.

(2) Contractual maturities of derivatives disclosed in this section are described in Note 18 of the Consolidated Financial Statements of 2014.

The following table details changes in the Group's net financial debt, which has been obtained according to the description provided in section 3.1 of this Registration Document.

NET FINANCIAL DEBT	31/12/2014 Unaudited (million €)
Net debt at the beginning of the period	**5,358**
EBITDA	(3,800)
Variation in trade working capital	(927)
Corporate tax[(1)]	956
Investments[(2)]	3,729
Divestments	(219)
Dividends and other remuneration to shareholders	1,712
Treasury stock transactions	82
Currency translation differences	(597)
Interest and other movements[(3)]	682
Effects associated with the LNG sale	(517)
Effects associated with the expropriation of YPF[(4)]	(4,524)
Net debt at year end	**1,935**

(1) It includes EUR 308 million related to gains from divested assets.
(2) As of 31 December 2014 there are financial investments amounting to€1,523 million. Of these, €1,504 million relate to term deposits in financial institutions that are classified for accounting purposes as a financial investment, but from a management point of view they are regarded as cash equivalents due to their high degree of liquidity.
(3) Primarily includes debt interest, dividends collected and applied provisions.
(4) Primarily includes €4,592 million relating to bond monetisation of the Republic of Argentina and the sale of YPF shares that were not expropriated.

On 25 March 2015, Repsol International Finance, B.V., a wholly-owned subsidiary of Repsol, S.A., finalised the pricing and the terms and conditions of two subordinated bond issuances for a total amount of €2,000 million, with the subordinated guarantee of Repsol, S.A.

- A €1,000 million perpetual subordinated bond (*EURO 6-Year Non-Call Perpetual Securities*) at 100% of its face value. The securities will bear interest on their principal amount from (and including) the issue date to 25 March 2021 at a rate of 3.875% per annum, payable annually in arrears commencing on 25 March 2016; and from (and including) 25 March 2021, at the applicable 6 year Swap Rate plus:

  - 3.56% per year up to 25 March 2025;
  - 3.81% per year as from (and including) 25 March 2025 up to 25 March 2041; and
  - 4.56% per year as from (and including) 25 March 2041.

- A €1,000 million 60-year subordinated bond (*EURO 10-Year Non-Call Securities Due 2075*) at 100% of its face value. The securities will bear interest on their principal amount from (and including) the issue date to 25 March 2025 at a rate of 4.5% per annum, payable annually in arrears commencing on 25 March 2016; and from (and including) 25 March 2025, at the applicable 10 year Swap Rate plus:

  - 4.20% per year up to 25 March 2045; and
  - 4.95% per year as from (and including) 25 March 2045 until maturity (25 March 2075).

Bonds are listed in the Luxembourg Stock Exchange. The issuer may defer payment of the interest accrued on the securities at its sole discretion without triggering an event of default. Any interest so deferred shall be cumulative and arrears of interest shall be payable in certain events set forth in the terms and conditions of the securities. Likewise, the issuer may redeem the securities on certain specific dates or upon the occurrence of certain events described in the terms and conditions of the securities.

10.2 Sources and amounts of cash flows

The information relating to this item is stated:

- in the Consolidated Financial Statements for 2014 (see Section II.C)): Cash flow statement; Note 4 – *"Changes in the Group´s composition"*; Note 11 - *"Financial Assets"*; Note 16 – *"Financial liabilities"*; Note 17 - *"Financial risk and capital management";* Note 22 *"Operating revenue and expenses"*, Note 24 - *"Financial income and expenses"*, and Note 26 - *"Cash flows from operating activities"* as well as section 4 *"Results, Financial Overview & Our Sharegolder Remuneration"* of the consolidated Management Report for 2014; and
- in the Consolidated Financial Statements for 2013 (see Section II.D)): Cash flow statement; Note 11 - *"Financial Assets";* Note 18 – *"Financial liabilities"*; Note 19 - *"Financial risk and capital management";* Note 25 - "*Operating revenue and expenses*", Note 26 - "*Financial income and expenses*", Note 28 - "*Cash flows from operating activities*" and Note 31 - "*Divestments and disposals of ownership interests in subsidiaries*".

See also item 20.1.

10.4 Restrictions on the use of capital resources that have materially affected, or could, directly or indirectly, materially affect the issuer's operations

Repsol, S.A. is not currently subject to any restrictions on the use of its capital resources that could materially affect its present or future operations. However, see Section I (*"Risk Factors"*).

10.5 Forecasted sources of funds needed to fulfil commitments referred to in items 5.2.3 and 8.1

The information relating to this item is stated:

- in the Consolidated Financial Statements for 2014 (see Section II.C)): Cash flow statement; Note 4 – *"Changes in the Group´s composition"*; Note 11 - *"Financial Assets"*; Note 16 – *"Financial liabilities"*; Note 17 - *"Financial risk and capital management";* Note 22 *"Operating revenue and expenses"*, Note 24 - *"Financial income and expenses"*, and Note 26 - *"Cash flows from operating activities"* as well as section 4 *"Results, Financial Overview & Our Sharegolder Remuneration"* of the consolidated Management Report for 2014; and
- in the Consolidated Financial Statements for 2013 (see Section II.D)): Cash flow statement; Note 11 - *"Financial Assets";* Note 18 – *"Financial liabilities"*; Note 19 - *"Financial risk and capital management";* Note 25 - "*Operating revenue and expenses*", Note 26 - "*Financial income and expenses*", Note 28 - "*Cash flows from operating activities*" and Note 31 - "*Divestments and disposals of ownership interests in subsidiaries*".

Repsol will finance its future investments and its intangible assets and Property, Plant and Equipment principally out of income generated on its business activities, divestments of other assets, capital markets operations and bank borrowings. All of this funding will depend on market conditions prevailing from time to time, on changes in interest rates and on the real financial needs of Repsol and the type of debt best suited to cover such needs at any given time.

As described in section 5.2.3., in order to finance the acquisition of Talisman, Repsol has sufficient cash to pay the operation price, and it intends to use its cash reserves obtained from the recovery of value from YPF pursuant to the agreement reached with the Argentinian government (U.S. $6,313 million) as well as the net proceeds from the issuance of the Securities (€2,000 million, see section 10.1). In order to hedge account against exchange rate risk inherent in paying the (USD/EUR) price, the Group purchased several financial derivatives in March 2015 (see section 5.2.3).

12. TREND INFORMATION

12.1 Most significant recent trends

Information regarding this item is provided in the section 3 *"Macroeconomic environment"* of the consolidated Management Report for 2014, included in Section II.C) of this Registration Document.

From 31 December 2014 to the date of this Registration Document, Repsol has no information of any significant recent trend (See section 7 "*Outlook and Prospects*" of the consolidated Management Report for years 2014 included in Section II.C).

12.2 Known trends, uncertainties, demands or events that are reasonably likely to have a material effect on the issuer's prospects

The principal factors which could have an impact on the Repsol Group's prospects are those contained in Section I, "*Risk Factors*", without prejudice to the information contained in Note 29 - *"Contingencies, Commitments and Guarantees"* and Note 33 – *"Subsequent events"* of the Consolidated Financial Statements for 2014; in item 20.8 - *"Legal and arbitration proceedings"*; and in item 3 *"Macroeconomic Environment"*, item 5*"Performance of our Business areas"* and item 7 *"Outlook and Prospects"* of the consolidated Management Report for 2014 included in Section II.C).

13. PROFIT FORECASTS OR ESTIMATES

This Registration Document does not include any future profit forecasts or estimates.

13.1 Principal assumptions upon which the company has based its forecasts and estimates

Not applicable.

13.2 Report prepared by independent accounts or auditors stating that forecasts and estimates have been properly compiled and are consistent with the accounting policies of the issuer

Not applicable.

13.3 Profit forecast or estimate

Not applicable.

13.4 Statement referring to forecasts published in a prospectus that is still outstanding

Not applicable.

14. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT

14.1 Names, business addresses and functions in the issuer of the members of the administrative, management and supervisory bodies, and principal activities performed by them outside the issuer where these are significant with respect to the issuer

The information regarding this item is partially contained in section 2.5 "*Corporate Governance*" of the consolidated Management Report for 2014 and in sections C.1.1. to C.1.13, C.1.16 and C.1.17 of the Annual Corporate Governance report for 2014, which, in accordance with article 538 of the revised text of the Spanish Companies Act (referred to by its Spanish acronym of **"LSC"**), forms an integral part of the consolidated Management Report for 2014 (see Section II.C) of this Registration Document). In this sense, the Annual Corporate Governance report is included as Appendix IV of the aforementioned consolidated Management Report. This information is supplemented and/or updated by the following information.

A) Board of Directors

Membership of the Board of Directors of Repsol, S.A. at the date of this Registration Document, showing the office held by each Board member, is as follows:

Name / company name	Office	Type of director	Shareholder proposing appointment	Date of last appointment
Mr. Antonio Brufau Niubó	Chairman	Executive	--	15/04/2011
Mr. Isidro Fainé Casas	1st Vice Chairman	Institutional	Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona (La Caixa)	31/05/2012
Mr. Manuel Manrique Cecilia	2nd Vice Chairman	Institutional	Sacyr, S.A.	31/05/2013
Mr. Josu Jon Imaz San Miguel	Director - CEO	Executive	--	30/04/2014
Mr. Artur Carulla Font(1)	Director	Independent	--	28/03/2014
Mr. Luis Carlos Croissier Batista	Director	Independent	--	15/04/2011
Mr. Rene Dahan	Director	Institutional	Temasek Holdings (Private) Limited	31/05/2013
Mr. Ángel Durández Adeva	Director	Independent	--	15/04/2011
Mr. Javier Echenique Landiríbar	Director	Independent	--	28/03/2014
Mr. Mario Fernández Pelaz	Director	Independent	--	15/04/2011
Mrs. María Isabel Gabarró Miquel	Director	Independent	--	31/05/2013
Mr. José Manuel Loureda Mantiñán	Director	Institutional	Sacyr, S.A.	15/04/2011
Mr. Juan María Nin Génova	Director	Institutional	Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona (La Caixa)	31/05/2012
Mr. Henri Philippe Reichstul(2)	Director	Independent	--	28/03/2014
Mr. Luis Suárez de Lezo Mantilla	Director and Secretary	Executive	--	31/05/2013
Mr. J. Robinson West(3)	Director	Independent	--	28/01/2015

(1) Lead Independent Director, by resolution of the Board of Directors, with the following functions:(i) to request the Chairman of the Board of Directors to convene the board where deemed appropriate; (ii) to request the inclusion of items on the agenda for the meetings of the Board of Directors; (iii) to coordinate and voice the opinions of the external directors; (iv) to direct the Board's evaluation of its Chairman's performance; and (v) to call and chair meetings of the independent directors where deemed necessary or appropriate.

(2) Appointed Director of Repsol, S.A. in December 2005. In order to maintain his status as Independent Director, he has irrevocably agreed to resign from office at the date of conclusion of the General Meeting of Shareholders of 2017, thus avoiding exceeding the limit of 12 years referred to in Article 529 of the LSC and in Article 13.2 of the Regulations of the Board.

(3) Appointed by co-optation, at the proposal of the Appointment and Remuneration Committee as approved by the Board of Directors on 28 January 2015. At the same meeting, the Board of Directors agreed to his appointment as a director of the Executive Committee.

The Board of Directors, at its meeting on 25 March 2015, approved to submit to the Annual General Meeting, convened for 30 April 2015, re-election for a further statutory term of four years of Messrs. Brufau, Croissier, Durández, Fernández Pelaz and Loureda, as well as the ratification of the appointment by co-optation and re-election for a further statutory term of four years of Messrs. Imaz and West. All of the members of the Board of Directors of Repsol, S.A. have their professional address for these purposes at Calle Méndez Álvaro, 44, Madrid, Spain.

Provided below is a brief résumé of each of the members of the Board of Directors of Repsol, S.A. This includes details of the companies or associations in which the board members of Repsol, S.A. have been owners or held office on administrative, management or supervisory bodies in the last five years.

- ***Antonio Brufau Niubó***

  Degree in Economic Studies from the University of Barcelona and Doctor Honoris Causa from the Ramón Llull University, Barcelona.

  Antonio Brufau Niubó began his professional career at Arthur Andersen, where he eventually became an audit partner. At the age of 40 he joined La Caixa as Assistant General Manager. He was General Manager of the La Caixa Group between 1999 and 2004 and between 1997 and 2004 he held office as Chairman of the Gas Natural Group.

  Currently, he is Chairman of Repsol, Vice-Chairman of Gas Natural Fenosa, and Chairman of Repsol S.A. and the Repsol Foundation. He is also Member of the European Round Table of Industrialists (ERT), Member of the Board of Acción Empresarial of CEOE, the Asociación Española de Directivos, the Círculo de Economía, Patron of the Fundación Privada Instituto Ildefons Cerdà, the Foundation CEDE (Confederación Española de Directivos y Ejecutivos) and Chairman of Consorcio Interinstitucional GLOBALleida.

  Mr. Brufau is a Director of Repsol, by the resolution of the Board of Directors since 23 July 1996, which was subsequently ratified by the Shareholders at their Annual General Meeting held on 6 June 1997. He was re-elected by the Annual General Meeting on 24 March 1999, 4 April 2003, 9 May 2007 and 15 April 2011.

- ***Isidro Fainé Casas***

  Doctor in Economics, ISMP in Business Administration from the University of Harvard and Diploma in Management from IESE. He is a member of the Royal Academy of Economics and Finance and of the Royal Academy of Doctors. He began his professional banking career as Investment Manager for Banco Atlántico in 1964, later becoming General Manager of Banco de Asunción in Paraguay in 1969. On his return to Barcelona, he held various managerial posts in financial entities: Head of Personnel at Banca Riva y García (1973), Director and General Manager of Banca Jover (1974) and General Manager of Banco Unión, S. A. (1978). In 1982 he joined “la Caixa”, and was appointed Deputy Executive General Manager. In late 1985, he was appointed Deputy Executive General Manager and in 1999 General Manager of the mentioned Company. Currently he is Chairman of “la Caixa”, First Vice-Chairman of Abertis Infraestructuras, S.A., Vice-Chairman of Telefónica, S.A., Chairman of Caixabank, S.A., Chairman of Criteria CaixaHolding, S.A., Chairman of CECA (Confederación Española de Cajas de Ahorros) and Chairman of Foundation “la Caixa”. He is also Vice-Chairman of Sociedad General de Aguas de Barcelona, Director of Banco Portugués de Investimento, S.A., Director of The Bank of East Asia Limited, Vice-Chairman of the European Savings Banks Group (ESBG) and Vice Chairman of the World Savings Banks Institute (WSBI).

Mr. Fainé was appointed Director of Repsol, by resolution of the Board of Directors dated 19 December 2007, and subsequently ratified by the shareholders at the Annual General Meeting held on 14 May 2008. He was re-elected at the Annual General Meeting held on 31 May 2012.

- ***Manuel Manrique Cecilia***

Mr. Manrique is a Civil Engineer who studied at the Madrid School of Civil Engineering. He has over 35 years' professional experience in the construction, infrastructure concessions, services, equity, development and energy sectors.

He began his professional career at the company Ferrovial. In 1987 he was a member of the founding core of Sacyr and became its International Head at the end of the 90's and its Executive Director for Construction in 2001. He began his professional career in Ferrovial. In 1987 he was one of the founding partners of Sacyr, being appointed its International Responsible in the late 1990's. In 2001, he was appointed Executive Director of the Construction area. In 2003, Mr. Manrique was appointed Chairman and CEO of the Company responsible for the construction division, after the merger of Sacyr and Vallehermoso; furthermore, coinciding with the mentioned merger, in 2003 he was appointed member of the Board of Directors of the holding Company of the new Group Sacyr Vallehermoso. In November 2004, he was appointed First Vice-Chairman and CEO of Sacyr, S.A. as well as member of the Delegate Committee of the Group. Since October 2011, Mr. Manrique also holds the position of Chairman of the Board of Directors of Sacyr, S.A. (formerly named Sacyr Vallehermoso, S.A.).

Mr. Manrique is also a member of the Board of Directors in other Group companies such as Testa Inmuebles en Renta, S.A.

Mr. Manrique was appointed Director of the Guarantor in accordance with the resolution passed by the Board of Directors on 25 April 2013 and was subsequently ratified and reelected by the Annual General Meeting on 31 May 2013.

- ***Josu Jon Imaz San Miguel***

Doctorate in Chemical Sciences from the University of the Basque Country. He graduated from the Faculty of Chemical Sciences in San Sebastián, and received the award of excellence upon completing his degree.

Mr. Imaz joined the Repsol Group in 2008 as Chairman of its subsidiary Petronor, a company where he successfully managed the challenges regarding modernization, sustainability and community relations.

In 2012 he joined the Executive Committee as General Director of the Industrial Area and New Energy, where he successfully completed two of the most important recent company projects: the modernization of the Cartagena refinery (the biggest industrial investment in Spanish history, amounting more than €3,100 million) and the construction of a new fuel oil reduction plant in the Petronor refinery in Muskiz, with an investment of more than €1,000 million.

These two projects have also had a significant positive effect on employment in the environments where they have been undertaken. Increases in production and efficiency as a result of these projects have contributed to both facilities being among the most efficient in Europe and ensure its viability at a particularly difficult time for the sector, and can generate significant resources to finance the growth of other Group units, in particular, hydrocarbon exploration.

Also, under his management, Repsol has developed growing activity in the area of new energy and energy sustainability, identifying business opportunities, promoting projects and undertaking initiatives in areas of advanced technology such as bioenergy, renewable generation and sustainable mobility. These pioneering projects are key to addressing the challenges facing the energy industry in the twenty-first century.

Before joining Repsol, Imaz San Miguel carried out significant work in the area of research; he was sent by the INASMET Research Centre to the French technology centre CETIM in Nantes. He also worked promoting industrial projects (Mondragón Group) and other business projects linked to the energy sector. He was also a visiting researcher at the Harvard Kennedy School in the United States.

In addition to his entrepreneurial activity, Josu Jon Imaz also held political responsibilities including terms at the Basque Government Ministry of Industry, Trade and Tourism in 1999 and the Chairmanship of the EAJ-PNV Executive from 2004 to 2007.

Acting within the scope of his professional capacity, and in addition to belonging to the Repsol Group, Imaz San Miguel has held the chairmanship of the Spanish Association of Oil Product Operators (Asociación Española de Operadores de Productos Petrolíferos, AOP) since November 2011.

In 2014 he was appointed Chief Executive Officer of the company and Director of the Executive Committee.

- ***Artur Carulla Font***

Graduate in Economics. He has been Executive Director of Arbora & Ausonia, S.L. and Managing Director of Agrolimen, S.A. Currently, he is Chairman of Agrolimen, S.A. and its participated companies; Affinity Petcare, S.A., Preparados Alimenticios, S.A. (Gallina Blanca Star), Biocentury, S.L., The Eat Out Group, S.L. and Roger Goulart, S.A.; Member of the Regional Board of Telefónica in Catalonia, member of Advisory Board of EXEA Empresarial, S.L. and member of Advisory Board of Roca Junyent. He is also Vice-Chairman of Círculo de Economía, Vice-Chairman of Foundation ESADE, Member of Foundation Lluis Carulla, Member of IAB (International Advisory Board) of the Generalitat de Catalunya, Member of the Management Board of Instituto de la Empresa Familiar, Member of Foundation MACBA (Museo de Arte Contemporaneo de Barcelona) and Member of FUOC (Fundació per a la Universitat Oberta de Catalunya).

Mr. Carulla was appointed Director of the Guarantor by resolution of the Annual General Meeting held on 16 June 2006 and re-elected by the annual shareholders' meeting on 30 April 2010 and on 28 March 2014.

- ***Luis Carlos Croissier Batista***

Formerly, professor in charge of economic policy of the Universidad Complutense of Madrid. During his long professional tenure, amongst other positions, he was Subsecretary of the Ministry of Industry and Energy, President of the National Institute of Industry (Instituto Nacional de Industria, I.N.I.), Minister of Industry and Energy and President of Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores). Currently, he is Director of Adolfo Dominguez, S.A., Testa Inmuebles en Renta, S.A., Eolia Renovables de Inversiones SCR, S.A. and Sole Director of Eurofocus Consultores, S.L.

Mr. Croissier was appointed director of Repsol, by resolution carried at the Annual General Meeting of 9 May 2007. He was reappointed by the Annual General Meeting held on 15 April 2011.

- ***Rene Dahan***

Mr Dahan was the former Director and Executive Vice President of ExxonMobil Corporation. He started his career with Exxon at its Rotterdam refinery in 1964. After several operating, engineering and staff assignments he was oppointed manager of the 325 kbd Rotterdam Refinery in 1974. He transferred to the European Exxon headquarters in 1976 where he was responsible for Exxon natural gas interests in Europe. After a short assignment in the corporation New York headquarters he was appointed CEO of Esso B.V., the company's affiliate responsible for all upstream and downstream interests in the Benelux countries.

In 1990 he transferred to New Jersey, USA and was appointed in 1992 President of Exxon Company International responsible for all Exxon businesses outside North America. In 1998 he joined the Management Committee and was appointed as Director of Exxon corporation in Dallas with responsibility for the worldwide downstream and chemical business. In 1999 he led the implementation of the merger between Exxon and Mobil and was subsequently named Executive Vice President of ExxonMobil Corporation. He retired in 2002.

In the period between 2002 and 2009 he served as a director in the Supervisory Boards of VNU N.V., TNT N.V. and Aegon N.V. and the Advisory Boards of CVC (private equity) and the Guggenheim group in New York. He resigned from the Supervisory Board of Royal Ahold N.V. on October 1, 2013 after serving as its Chairman for the past ten years. He is a Member of the International Advisory Board of the Instituto de Empresa in Madrid and President of the Dahan Family Foundation. Mr. Dahan is of Dutch nationality and resides in Montreaux, Switzerland. Mr. Dahan was appointed Director of Repsol by resolution of the Annual General Meeting on 31 May, 2013.

- ***Ángel Durández Adeva***

BA Economics, Professor of Commerce, chartered accountant and founding member of the Registry of Economic Auditors. He joined Arthur Andersen in 1965 where he was Partner from 1976 to 2000. Up to March 2004 he headed the Euroamerica Foundation, of which he was founder, an entity dedicated to the development of business, political and cultural relationships between the European Union and the different Latin American countries. Currently, he is Director of Mediaset España, S.A., Director of Quantica Producciones, S.L., Director of Ideas4all, S.L., Member of the Advisory Board of FRIDE (Foundation for International Relations and Foreign Dialogue), Chairman of Arcadia Capital, S.L. and Información y Control de Publicaciones, S.A., Member of Trustees of Foundation Germán Sánchez Ruipérez and Foundation Independiente and Vicepresident of Foundation Euroamérica.

Mr. Durández was appointed director of Repsol, by resolution carried at the annual General Shareholders' Meeting of 9 May 2007. He was reappointed by the Annual General Meeting held on 15 April 2011.

- ***Javier Echenique Landiríbar***

BA Economics and Actuarial Science. Former Director-General Manager of Allianz-Ercos and General Manager of BBVA Group. Currently Vice-Chairman of Banco Sabadell, S.A., Director of Telefónica Móviles México, Actividades de Construcción y Servicios (ACS), S.A., Grupo Empresarial Ence, S.A., Delegate of the Board of Telefónica, S.A. in the Basque region, Member of the Advisory Board of Telefónica Spain, Member of Foundation Novia Salcedo, Foundation Altuna and Member of the Círculo de Empresarios Vascos.

Mr. Echenique was appointed Director of the Guarantor by the Annual General Meeting held on 16 June 2006 and re-elected by the Annual General Meeting on 30 April 2010 and on 28 March 2014.

- ***Mario Fernández Pelaz***

Graduated in Law from Deusto University in 1965. Formerly, a Professor of Mercantile Law in the Faculty of Law of Deusto University and in the Faculty of Business Science at the same University, and Professor of different Masters at Deusto University. In his long professional career, he has served, among other charges, as Minister and later Vice-president of the Basque Government, Chairman of the Central Administration-Basque Government Transfers Mixed Committee, Chairman of the Basque Financial Council, Chairman of the Economic Committee of the Basque Government, Member of the Arbitration Committee of the Basque Autonomous Community. He was also Executive Director of BBVA Group and member of the Executive Committee from 1997 to 2002, and Main Partner of Uría Menéndez from that date to June 2009. From July 2009 to November 2012, he has been Chairman of BBK (Bilbao Bizkaia Kutxa). Until 2014, he was Executive Chairman of Kutxabank, S.A., Chairman of its Risk Delegate Committee and Chairman of its Executive Committee, and Vice-Chairman of Confederación Española de Cajas de Ahorros (CECA). He is currently Consul of the Consulado de Bilbao e Ilustre de Bilbao. He has also published on mercantile and financial matters.

Mr. Fernández was appointed director of Repsol, by resolution of the Annual General Meeting of 15 April 2011.

- ***María Isabel Gabarró Miquel***

Graduated in Law from the University of Barcelona in 1976. In 1979 she joined the Bar of Notaries. She has been a board member of important entities in different sectors: financial, energy, telecommunications, infrastructure and also property, where she was also a member of the Nomination and Compensation Committee and of the Audit and Control Committee. Currently, she is registered with the Bar of Notaries of Barcelona, since 1986, and is a member of the Sociedad Económica Barcelonesa de Amigos del País.

Mrs. Gabarró was appointed Director of the Guarantor by resolution of the Annual General Meeting on 14 May 2009 and reelected by the Annual General Meeting on 31 May 2013.

- ***José Manuel Loureda Mantiñán***

Mr. Loureda is a Civil Engineer. In 1965 he began his career in Ferrovial, where he held several positions. Founder of Sacyr, where he was Managing Director up to 2000 and Chairman up to 2003. From 2003 to 2004, following the merger of Sacyr and Vallehermoso, he was Chairman of the Sacyr Vallehermoso Group. Currently he is Director of Sacyr, S.A. (as representative of Prilou, S.L.), Chairman of Valoriza Gestión, S.A.U. and Director of Testa Inmuebles en Renta, S.A., Sacyr, S.A.U., Somague S.G.P.S., S.A. and Hoteles Bisnet.

Mr. Loureda was appointed director of Repsol, by resolution of the Board of Directors dated 31 January 2007, as subsequently ratified by the shareholders at the Annual General Meeting held on 9 May 2007. He was subsequently re-elected at the Annual General Meeting held on 15 April 2011.

- ***Juan María Nin Génova***

Degree in Law and Economics from the University of Deusto and Master in Laws from the London School of Economics and Political Sciences. He began his professional career in the financial sector in 1980 in the old Banco Hispano Americano as International Director. Following the creation of Banco Central Hispano in 1992, he was appointed General and Territorial Manager for Catalonia and two years later became Managing Director of Commercial Banking and was appointed member of the Bank's Management Committee. After the merger of the entity with Banco Santander, Juan María Nin became Santander Central Hispano's Director General of Commercial Banking and subsequently Corporate Banking, forming part of the new bank's Management Committee. Four years later, in 2002, he joined Banco Sabadell as Chief Executive Officer, an office he currently no longer holds. He has a long professional track-record in commercial, international and corporate banking, together with vast experience in managing bank mergers and acquisitions. Furthermore, he has held various positions as Director in service and industrial companies. He is currently Director General of "la Caixa", Vice Chairman of the "la Caixa" Foundation, Vice Chairman and Chief Executive Officer of CaixaBank, S.A., Vice Chairman of Criteria CaixaHolding, S.A., Director of VidaCaixa Grupo, S.A., Gas Natural SDG, S.A., Banco BPI, S.A., Erste Group Bank, A.G. and Grupo Financiero Inbursa, S.A.B. de C.V.

Also is Chairman of the Trustee of the US-Spain Council, member of the Council of the University of Deusto, Trustee of the Esade Business School Foundation, and Trustee of the Foundation Aspen Institute Spain Foundation.

Mr. Nin was appointed director of Repsol, by resolution of the Board of Directors dated 19 December 2007, as subsequently ratified by the shareholders at the Annual General Meeting held on 14 May 2008. He was re-elected at the Annual General Meeting held on 31 May 2012.

- ***Henri Philippe Reichstul***

BA Economics, University of São Paulo and Phd at Hertford College, Oxford. Former Secretary of the State Business Budget Office and Deputy Minister of Planning in Brazil. From 1988 to 1999 he held the position of Executive Vice President of Banco Inter American Express, S.A. From 1999 to 2001 he was Chairman of Brazilian State Oil Company Petrobrás. He is a Member of the Strategic Board of ABDIB, Member of Coinfra, Member of the Advisory Board of Lhoist do Brasil Ltda., Member of the Advisory Board of AES Brasil, Member of the Supervisory Board of Peugeot Citroen, S.A., Member of the Supervisory Board of Fives Group, Member of the International Board of UTC, Member of the Board of Directors of Gafisa, Member of the Board of Directors of Foster Wheeler, Member of the Board of Directors of Semco Partners and Vice-Chairman of the Board of the Brazilian Foundation for Sustainable Development.

Mr. Reichstul was appointed Director of the Guarantor by resolution of the Board of Directors on 29 December 2005, and subsequently ratified and appointed by the Annual General Meeting on 16 June 2006 and re-elected by the Annual General Meeting on 30 April 2010 and on 28 March 2014.

- ***Luis Suárez de Lezo Mantilla***

Degree in Law from the Universidad Complutense and State Counsel (on leave). Lawyer specialising in Commercial and Administrative Law. He was Director of Legal Affairs at Campsa until the end of the oil monopoly and has practised law on the deregulated market focusing on the energy sector. He is currently a Director of Gas Natural SDG, S.A. and is Vice Chairman of the Repsol Foundation. He is also a member of the Environment and Energy Commission at the International Chamber of Commerce (ICC).

Mr. Suárez de Lezo was appointed Director of Repsol, by resolution of the Board of Directors dated 2 February 2005, as subsequently ratified by the shareholders at the Annual General Meeting held on 31 May 2005. He was re-elected at the Annual General Meeting held on 14 May 2009 and on 31 May 2013.

- ***J. Robinson West***

  A graduate of the University of North Carolina at Chapel Hill and Juris Doctor by the Temple University Law School of Philadelphia, West is a renowned international energy expert, specifically in oil and gas. He founded PFC Energy in 1984 and was its Chairman until 2013.

  Before founding PFC Energy, West held various positions of responsibility at the White House in different administrations. During the Reagan administration he developed and implemented the five-year plan for the use and exploitation of the Outer Continental Shelf (OCS) oilfields and organized the leasing schedule, the largest non-financial auction in the world at that time. He served in the Ford administration as deputy assistant secretary of defense for international economic affairs and received the Secretary of Defense Medal for Outstanding Civilian Service.

  He is currently Senior Adviser to the Energy & National Security Program at the Center for Strategic & International Studies (CSIS), a non-profit organization based in Washington that advises governments and public companies on analysis and solutions to the challenges facing the world of energy.

  He is also a Member of the National Petroleum Council and Emeritus Vice-President of the Institute of Peace of the United States and Co-president of the German Marshall Fund.

  Mr. West was named an Independent Director at Repsol through a resolution approved at the Board of Directors meeting held on January 28th, 2015. His appointment was ratified and he was re-elected at the Annual General Meeting on April 30th, 2015.

B) Senior Executives

For the purposes of the information presented under this section and in item 15.1 below (see Section II.A) - "*Equivalence Table*", Repsol considers "Senior Executives" or "Management Staff" to comprise the members of the Repsol Group's Executive Committee. This definition is provided for information purposes only and does not substitute or in any way configure the concepts of senior management envisaged in the legislation applicable to the Group (such as the definition contained in Royal Decree 1382/1985, of 1 August, regulating the special employment relationship with senior management staff), nor does it have the effect of creating, recognising, amending or extinguishing any legal or contractual rights or obligations.

The members of the Repsol Group's Executive Committee at the date of this Registration Document are as follows:

Name	**Office**
Mr. Antonio Brufau Niubó..............................	Chairman
Mr. Josu Jon Imaz San Miguel.........................	Chief Executive Officer
Mr. Luis Suárez de Lezo Mantilla.....................	General Counsel and Secretary of the Board of Directors
Mr. Miguel Martínez San Martín......................	Executive Director of Finance (CFO)
Mr. Pedro Fernández Frial	Executive Director of Strategy, Control and Resources
Mrs. Cristina Sanz Mendiola	Executive Director People and Organisation
Mrs. Begoña Elices García..............................	Executive Director Communication and Chairman's Office
Mr. Luis Cabra Dueñas	Executive Director of Exploration and Production

Provided below are brief résumés of those members of the Repsol Executive Committee who are not members of the Board of Directors:

Miguel Martínez San Martín

Degree in Industrial Engineering from the Madrid School of Industrial Engineering and specialist in financial information systems.

Miguel Martínez has been Audit Director at Arthur Andersen and Chief Financial Officer of Elosua companies and Page Ibérica.

In 1993 he joined Repsol as ED Finance for Refining and Repsol Comercial, where he also had executive responsibility for the CAMPSA Red proprietary network. He was also director of Repsol Service Stations in Europe and Managing Director of Strategy and Corporate Development for Repsol.

In 2007 he was appointed as the company's ED for Operations. He currently holds the position of Chief Financial Officer (CFO).

Pedro Fernández Frial

Degree in Industrial Engineering from the Madrid School of Industrial Engineering and post-degree diploma from the IESE business school.

Pedro Fernández began his career with the Repsol Group in 1980, starting out in the Refining area. He joined the Group's Planning and Control Department in 1992 with his responsibilities including the planning of the gas business. In 1994 he was appointed Director for Planning and Control of the Chemicals area. In 2002 he became head of this business area and in 2003 he was appointed Corporate Director for Planning and Control of the Repsol Group.

In January 2005, he moved on to serve as ED *Downstream*, responsible for the Refining, Marketing, Chemicals, LPG, Trading and New Energies businesses.

He currently holds the post of Executive Director of Strategy, Control and Resources at Repsol, including the Group areas of Strategy, Technology, Engineering, Procurement and Contracts, Economics and Fiscal Policy, Safety and Environment, Planning, Control and Risks and Auditing and Control of Reserves.

Cristina Sanz Mendiola

Degree in Industrial Engineering from the Madrid School of Industrial Engineering, specialising in Industrial Organisation. Cristina Sanz spent the early years of her career in the steel industry, and later worked for a year in Pittsburgh (USA) as an associate professor of the Engineering and Public Policy Department of Carnegie-Mellon University. After that, she entered the Ministry of Industry and Energy's Corpse of Industrial Engineers by public examination, where she worked as Deputy Director General of International Industrial Relations. During this time she was in charge of bilateral international, as well as European Union, industrial relations, taking part in the negotiations for Spain's entry into the European Economic Communities. Subsequently she was in charge of the General Sub-Division for Energy Planning, covering Environmental matters and Research and Development in the energy sector.

She joins the Repsol Group in 1994 as Repsol's Director of Environmental Affairs, from where she was promoted to Director of Environmental Affairs, Safety and Quality. In May 2007 she became ED Resources, a department where she had already been Corporate Director since 2005 with responsibility for the Engineering, Technology, Insurance, Procurement and Contracting, Information Systems, and Environment and Safety Departments.

Begoña Elices García

Degree in Information Sciences from the Complutense University of Madrid. She is currently Repsol ED Communication and Chairman's Office, directing dialogue with the Spanish and international media, including regional and sports press, as well as on-line communications (corporate website) and sports sponsorship, advertising and corporate identity actions. She also coordinates actions in the area of external relations at industrial complexes and in all the countries where the company operates. Before joining Repsol, she was Assistant Director General and Director of Information Relations at Banco Santander Central Hispano, Director of Information Relations and Assistant Director General, Information Relations Manager at Banco Central Hispano and Information Relations Director at Banco Hispano Americano. Prior to her involvement in business communications, Begoña worked for more than ten years for the EFE news agency, where she worked as a journalist reporting on international, national and financial news.

Luis Cabra Dueñas

Doctor in Chemical Engineering from the Complutense University of Madrid. He studied business management at the INSEAD and IMD international business centres. He worked as a Head Lecturer and Associate Lecturer at the Complutense University and the University of Castilla-La Mancha. He joined Repsol in 1984 as a process engineer at the La Coruña oil refinery. Since then, he has held numerous management positions in the Refining, Technology, Engineering, Procurement, and Safety and Environment areas. He has represented Repsol within international associations, including a position as Chairman of the Fuels Committee of the European Petroleum Industry Association, Chairman of the European Biofuels Technology Platform and member of the European Research Advisory Board.

In September 2010 he was appointed Managing Director of Development and Production in Repsol's *Upstream* Division and since May 2012 he is Repsol's Executive Director of Exploration and Production.

According to the information available to Repsol, S.A., none of the persons identified in this item 14.1 has been found guilty of fraud in the five years leading up to the date of this Registration Document; has been a member of the administrative, management or supervisory bodies, or senior executive, of any entities subject to insolvency or liquidation proceedings; has been officially charged or sanctioned by any statutory or regulatory authority; or has been disbarred by any court as a consequence of actions taken as member of the administrative, management or supervisory bodies of any issuer of securities or in relation to the management of affairs in any issuer of securities.

According to the information available to Repsol, S.A., no family links exist between any of the persons identified in this section.

14.2 Administrative, management and supervisory bodies and senior management conflicts of interests

Information on this particular section is contained in Note 28 -*"Remuneration of the members of the Board of Directors and executives"* of the Consolidated Financial Statements for 2014 and likewise under Sections C.1.19, C.1.23 and D.6 of the Annual Corporate Governance report of Repsol, S.A. for 2014 (see Section II.C). It is also supplemented and updated with the following additional information.

A) *Potential conflicts of interest between the duties to the issuer of the persons mentioned in item 14.1 above and their private interests and/or other duties*

In 2014 and at the meetings held up to the date of this Registration Document, the resolutions of the Board of Directors and of the Nomination and Compensation Committee relating to: (i) the ratification of nominations and re-appointment of board members; (ii) the appointment or re-appointment of members of the Board's committees; and (iii) the designation of posts on the Board of Directors, have all been adopted without the involvement of the Board Member affected by the proposed motion. Likewise, the Executive Directors were not involved in the passing of any Board resolution relating to their remuneration for holding office or carrying out management functions within Repsol, S.A.

In accordance with Article 227 et seq. of the Spanish Companies Act (LSC), Repsol, S.A. has established specific internal regulations to detect, identify and resolve potential conflicts between the private interests of any director and those of Repsol, S.A.

- In general, the Regulations of the Board of Directors require Repsol, S.A. directors to avoid any direct or indirect conflicts they may have with the interests of Repsol, and in any event to report the existence of any such conflict to the Board of Directors where the same is unavoidable. In the event of conflict, the affected director is required to abstain from debate and voting on the matter concerned in the conflict.
- Any director affected by proposals for appointments, reappointments or removal must abstain from any debate or votes concerning such matters. Voting in relation to proposals for appointment, reappointment or removal is secret.
- Except by waiver of the Board of Directors, the Director may not serve on more than four Boards of listed companies other than Repsol, S.A. For the purposes of this rule: (a) the boards of all the companies belonging to the same group shall be counted as a single Board of Directors, together with the representation of major shareholders at the proposal of a group company, even when the participation in the share capital of the company or its degree of control does not allow to consider it as part of the group; and (b) not counting Directors of holding companies or companies that constitute vehicles or accessories for the professional exercise of the Director, their spouses or persons with a similar relationship, or their close relatives.
- Directors are also required to report all other professional obligations to the Nomination and Compensation Committee, as well as any significant changes in their professional situation or such as might affect the capacity or condition in which they may have been appointed as directors. If directors are affected by any case of incompatibility or legal, by law or regulatory prohibition, they are required to tender their resignation to the Board of Directors and to resign where the latter considers this appropriate. Such circumstances include cases in which a director is affected by a permanent conflict of interests with Repsol, S.A.
- In fulfilment of their duty of loyalty, the Directors must conduct themselves with the due solidarity and coordination befitting the members of a collegiate body.
- Articles 19 to 22 of the Regulations of the Board of Directors impose mandatory obligations on the directors in matters of no competition, use of information and corporate assets and business opportunities, along with requirements in relation to related-party transactions entered into by Repsol, S.A. with its directors, major shareholders represented on the Board and persons related with such parties.

Particularly relevant are Articles 19 and 22 of the Regulations of the Board of Directors. As such, Article 19 of the Regulations of the Board of Directors governs the no competition obligation of Board members, dictating as a general rule that directors may not engage, on their own or someone else's behalf, in activities whose exercise constitutes competition with Repsol, S.A., unless:

(i) it is reasonably foreseeable that the competitive situation activity will not cause harm to Repsol, S.A. or that the foreseeable harm shall be compensated by the expected benefit that Repsol, S.A. can reasonably obtain for allowing this situation of competition;

(ii) when, having received advice from an independent external consultant of international renown, the Nomination and Compensation Committee issues a report assessing compliance with the requirement under section (i) above; and

(iii) when the Annual General Meeting agrees expressly to waive the prohibition of competition via the affirmative vote of seventy-five per cent of the share capital present or represented at the Annual General Meeting.

For the purposes of the provisions of this Article the companies with which Repsol, S.A. has established a strategic alliance, among others, shall be deemed to not be in a situation of competition with the Company, even if they have the same, similar or complementary corporate purposes and while that alliance remains in effect.

In turn, Article 22 of the Regulations of the Board of Directors establishes substantive and procedural requirements governing Repsol, S.A. dealings with directors, with significant shareholders represented on the Board and with related parties.

As a general rule (and except for transactions of little to no importance) transactions must be authorised by the Board of Directors after receiving a favourable report from the Nomination and Compensation Committee.

In addition, and in the case of transactions that exceed 5% of the Group’s assets; are aimed at Repsol’s strategic assets; entail a transfer of relevant Repsol technology; or are aimed at establishing strategic alliances, these may only be entered into if the transaction is fair and efficient from the standpoint of the company’s corporate interest, provided this is corroborated by the Nomination and Compensation Committee after receiving a report from an independent expert of recognised standing within the financial community as to the reasonableness and arm’s length terms of the related-party transaction, and insofar as the General Shareholders’ Meeting authorises the transaction with a favourable vote of 75% of the capital present and represented at the General Shareholders’ Meeting.

However, in those cases in which, due to special circumstances, it is not advisable to wait until the next Annual General Meeting, and provided that the transaction value does not exceed 10% of the assets (as established in article 230.2 of the LSC), the transaction may be approved by the Board of Directors under certain conditions: (i) the report issued by the Nomination and Compensation Committee is favourable to the transaction; (ii) the agreement is adopted with the affirmative vote of two thirds of the Board members not affected by the conflict of interest. In this case the Board shall inform the terms and conditions of the transaction to the next Annual General Meeting.

At the time of calling the Annual General Meeting to deal with or be informed of the related-party transactions, the Board must provide the shareholders with the aforementioned reports of the Nomination and Compensation Committee and the independent expert.

The Annual General Meeting held on 31 May 2012 agreed to introduce the redrafted articles 19 and 22 of the Regulations of the Board of Directors into the By-laws by adding a new Article 22 bis (*“Related party transactions”*) and a new Article 44 bis (*“Prohibition of competition”*).

In addition, the Spanish Corporations Act (*Ley de Sociedades de Capital*, LSC), following the amendment approved by *Act 31/2014, of 3 December, amending the Spanish Corporations Act to improve corporate governance*, has come to establish a more precise characterisation of the duty of loyalty by Directors and the procedures to follow in the event of a conflict of interest. In particular, the

Director shall take the necessary measures to avoid involvement in situations in which his interests, either on his own account or on behalf of third parties, may conflict with the corporate interest and with his duties to the company. This duty requires the director to refrain from:

a. Carrying out transactions with the company, except for routine transactions made under standard conditions for clients and of little relevance, defined as those whose information is not necessary to provide a true and fair view of the equity, financial situation and the company results.
b. Using the company name or their position as director to improperly influence private operations.
c. Making use of corporate assets, including confidential company information for private purposes.
d. Taking advantage of the company's business opportunities.
e. Obtaining benefits or remuneration from parties other than the company and its associated groups in the performance of his duties, except in the case of mere courtesy.
f. Conducting activities on his own account or on behalf of third parties, which may involve either actual or potential effective competition with the company or that may otherwise involve him in a permanent conflict of interests with the company.

These previsions also apply in the event that the recipient of the prohibited acts or activities is a person or entity related to the Board Member.

The Company may waive the above prohibition in individual cases authorising the execution of a particular transaction with the company, the use of certain corporate assets, the use of a specific business opportunity, gaining an advantage or remuneration from a third party.

The authorisation must necessarily be agreed by the Annual General Meeting when it involves waiving the ban on obtaining a benefit or compensation from third parties, or when it affects a transaction whose value exceeds 10% of the corporate assets.

In all other cases, authorisation may also be granted by the Board provided independence for the members who grant such authorisation is ensured with respect to the exempt Director. It will also be necessary to ensure the safety of the operation authorised for the company's assets or, where appropriate, its implementation in market conditions and transparency of the process.

The obligation not to compete with the company may only be waived in the event no damage is expected to be caused to the company or when it can be expected that the company would be compensated by the benefits that may be obtained from the waiver. The waiver is granted by express and separate agreement of the Annual General Meeting. In all cases, at the request of any member, the General Meeting shall decide on the resignation of the Director who undertakes competitive activities where the risk of damage to company has become relevant.

Furthermore, Repsol, S.A. has implemented specific regulations designed to detect, identify and resolve any possible conflicts between the interests of employees or executives (including members of the Executive Committee) and the interests of Repsol, S.A.

The Repsol Group's Internal Conduct Regulations Regarding the Securities Market is especially applicable to directors and members of the Executive Committee in their condition as persons with habitual access to Repsol's confidential information (Article 2.2 of the Internal Conduct Regulations - *"Register of persons affected"*), providing for the prevention and resolution of conflicts of interest in sections 8.3 and 8.4, as follows:

> *"In order to control possible conflicts of interest, the executives and employees of Repsol Group shall inform in advance their respective heads of department of any situations that could potentially, in each specific circumstance, give rise to conflicts of interest with Repsol, S.A. or any of the companies in its group. Such notification shall be given sufficiently in advance of effecting the transaction or closing the deal in question to enable the appropriate decisions to be taken.*
>
> *If the person affected by the potential conflict of interest is a member of the Board, the Board shall be notified and, if necessary, the opinion of the Audit and Control Committee shall be sought.*
>
> *If there is any doubt as to the existence of a conflict of interest, the executives and employees of Repsol Group shall, as a measure of prudence, inform their respective heads of department or the Board, as the case may be, of the specific circumstances of the case, so that the latter may form an opinion on the situation."*
>
> **[**…**]**
>
> *"As a general rule, the principle for all kinds of conflicts of interest is abstention. Anyone potentially affected by a conflict of interest shall, therefore, abstain from participating in any decisions that may affect the individuals or entities with which the conflict could arise. They shall also abstain from trying to influence those decisions, acting in loyalty to the Repsol Group. In any conflicts of interest between the executives and employees of the Repsol Group and Repsol or any other company in its group, the former shall act at all times out of loyalty to the Repsol Group, putting the interests of the group above their own interests."*

On a final note, section 3.6 of the Ethics and Conduct Regulation applicable to all Repsol executives and employees provides as follows:

> *"Conflicts of interest occur when employees' personal interests directly or indirectly run contrary to or clash with the Company's interests, interfere with the proper fulfilment of their professional duties and responsibilities or involve them personally in any Company economic transaction or operation.*
>
> *Repsol recognises and respects its employees' participation in financial and business activities apart from those performed by the company, provided they are legal and ethical and do not clash with their responsibilities as employees of Repsol.*
>
> *Repsol employees shall avoid any situations that could give rise to a conflict between their personal interests and those of the Company. They shall refrain from representing the company and participating or exerting any influence in the making of decisions regarding any situation in which they or people linked to them may directly or indirectly have a personal interest. They shall act at all times, in the performance of their responsibilities, with loyalty and in defence of the interests of Repsol. For these purposes, considered as a close relative will be a spouse or persons with a similar personal relationship, forebears, descendants and siblings of the employee him- or herself and of his or her spouse, spouses of the employee's forebears, descendants and siblings and companies directly or indirectly controlled by the employee or an intervening person.*

Furthermore, Executive Directors and persons linked to Repsol by an employment relationship may not, on their own or someone else's behalf, carry out tasks or work or provide services to the benefit of companies in the sector or companies which carry out activities liable to compete directly or indirectly with those of Repsol or which may come to do so.

In the case of a possible conflict of interest, Repsol's employees will obey the following general principles for action:

a) Communication: they will inform their hierarchical superiors in writing about conflicts of interest to which they are subject before performing the transaction or concluding the business in question, so that the appropriate decisions may be made in each specific circumstance, thereby preventing any jeopardy to their unbiased actions.

b) Abstention: they will refrain from directly or indirectly intervening in or influencing decision making which could affect Repsol's organisations with which a conflict of interest exists, from taking part in meetings in which such decisions are proposed and from gaining access to confidential information affecting that conflict.

c) Independence: they will act professionally at all times, out of loyalty to Repsol and its shareholders and independently of their own interests and those of third parties. Consequently, they will refrain at all times from placing their own interests or those of third parties first at the expense of Repsol.

B) Any agreement or understanding with major shareholders, customers, suppliers or others, pursuant to which any of the persons mentioned in item 14.1 was selected as a member of the administrative, management or supervisory bodies, or a senior executive

Aside from the institutional external directors mentioned in item 14.1 above, none of the members of the Board of Directors of Repsol, S.A. or of the Executive Committee has been appointed to office under any kind of agreement or understanding with significant shareholders, customers, suppliers or any other person or entity.

C) Details of any restrictions agreed by the persons referred to in item 14.1 on the disposal within a period of time of their holdings in the company's securities

Pursuant to Article 81 of the *Spanish Securities Market Act of 28 July 1988 (Law 24/1988)*, Repsol Group's Internal Conduct Regulations Regarding the Securities Market prohibits the Directors of Repsol and members of its Executive Committee, among other persons, from engaging in transactions involving any securities issued by Repsol, S.A. or by companies belonging to the Repsol Group that may be traded on official markets, insofar as such persons have access to privileged information concerning such securities or the issuers thereof.

Furthermore, in their capacity as "Persons Affected" (persons with recurring access to the Company's privileged information) by the Internal Conduct Regulations, the Repsol directors and the members of its Executive Committee shall not carry out any transactions involving the aforementioned securities for a period of fifteen days prior to each announcement of Repsol's earnings (whether yearly, half-yearly, or quarterly) until the stock market trading day immediately following the publication date.

16. BOARD PRACTICES

16.1 Date of expiration of the current term of office, if applicable, and the period during which the person has served in that office

In accordance with that laid down in Article 43 of Repsol, S.A.'s Company By-laws, the members of the Board of Directors are appointed by the Annual General Meeting for a maximum period of four years and can be re-elected for equal periods of time, without prejudice to the power of the Board to appoint persons needed to occupy vacancies which occur, until the next Annual General Meeting is convened. In case the Annual General Meeting has already been convened by the time the vacancy occurs, the appointment will take place at the next Annual General Meeting.

Accordingly, the mandates of the current directors will expire after a period of four years has elapsed from the date of their appointment or re-election, as stated in item 14.1, with the exception of Mr. Reichstul who has irrevocably agreed to resign from office at the date of conclusion of the Annual General Meeting of 2017 (i.e., one year before the expiry of their term of office), thus avoiding exceeding the limit of 12 years referred to in Article 529 of the LSC and Article 13.2 of the Regulations of the Board of Directors.

In accordance with Article 222 of the Spanish Companies Act, directors' terms of office shall expire when the first General Shareholders' Meeting is held after the end of such term or when the period allowed for the annual general meeting charged with approval of the financial statements for the preceding year has elapsed.

16.2 Information about members of the administrative, management or supervisory bodies' service contracts with the issuer or any of its subsidiaries providing for benefits upon termination of employment, or an appropriate negative statement

Information concerning this item is provided in Note 28 -*"Remuneration of the members of the Board of Directors and executives"* of the Consolidated Financial Statements for 2014 and under Section C.1.45 of the Annual Corporate Governance report of Repsol, S.A. for 2014 (see Section II.C)) and it is completed and updated with the information included in the Annual Directors Remuneration Report for 2014, pursuant to Article 5 of Spanish Order EHA/3537/2005 (Orden EHA/3537/2005), that Report is deemed incorporated by reference in this Registration Document and is available for consultation on the Repsol website (www.repsol.com) and on the CNMV website (www.cnmv.es).

The Board of Directors has resolved to propose to the Annual General Meeting to be held on 30 April 2015, the approval of the Remuneration Policy for Directors of Repsol, S.A. for 2015, 2016 and 2017. As described therein, it is expected that on conclusion of the Annual General Meeting, the Board of Directors resolves to attribute all executive functions to the CEO, Mr. Brufau continuing as non-executive Chairman of the Company, exercising certain institutional duties, playing a key role in setting and monitoring strategy for the medium and long term, in institutional relations with management, shareholders and other stakeholders and in the supervision of management tasks.

For the proposed remuneration in this new phase with Mr. Brufau as non-executive Chairman, the Board has taken into consideration: (1) that ceasing the executive duties he performed is one of the instances for which he is entitled to receive the financial compensation provided for in his contract for the provision of services as Executive Chairman which, in the event of contractual termination before his re-election amounts, together with compensation for the agreement not to compete post-contractually, to EUR 14,253,691, and; (2) that it regards as essential that Mr. Brufau remain as Chairman and remains linked to a high level of activity, involvement and commitment both in management support as well as for the governing body in relation to the duties outlined in the previous paragraph.

In view of the foregoing, Mr. Brufau has decided to waive the payment that would be due at the end of his contract as chief executive and, in return, and given his tenure as Chairman with an active presence and high level of activity and involvement, the Board has agreed, subject to the approval of the Annual General Meeting, that the remuneration payable to Mr. Brufau in the event of being re-elected should amount to the sum of EUR 2,500,000 gross per year. This amount, which includes the amounts Mr. Brufau may earn for belonging to the Board of Directors and Committees of Group companies, joint ventures and associates, will remain fixed until the 2019 Annual General Meeting is held, when his new contract will terminate. Likewise, he may continue as a beneficiary of remuneration in kind. In the event of early termination of that new contract before the 2019 Annual General Meeting, and as part of the reason for that agreement, Mr. Brufau is entitled to receive the amount remaining from each annuity payment until such Meeting is held, unless this takes place, among other circumstances, due to voluntary unilateral withdrawal on his part.

16.3 Information about the issuer's audit committee and remuneration committee, including the names of committee members and a summary of the terms of reference.

Information related to this item is contained in section C.2 of the Repsol S.A.'s Annual corporate governance report for 2014 (see Section II.C)).

Information on the following Repsol, S.A. committees is updated below.

Delegate Committee

The actual composition of Repsol S.A. Delegate Committee is as follows:

Name	Office	Type of director
Mr. Antonio Brufau Niubó.......................................	Chairman	Executive
Mr. Josu Jon Imaz San Miguel	Director	Executive
Mr. Luis Suárez de Lezo Mantilla	Director and Secretary	Executive
Mr. Artur Carulla Font	Director	Independient
Mr. Henri Philippe Reichstul	Director	Independient
Mr. J.Robinson West	Director	Independient
Mr. Isidro Fainé Casas...	Director	Institutional
Mr. Manuel Manrique Cecilia	Director	Institutional
Mr. Rene Dahan	Director	Institutional

Audit and Control Committee

The actual composition of Repsol S.A. Audit and Control Committee is as follows:

Name	Office	Type of director
Mr. Javier Echenique Landiríbar...	Chairman	Independient
Mr. Ángel Durández Adeva	Director	Independient
Mr. Luis Carlos Croissier Batista	Director	Independient
Mr. Mario Fernández Pelaz	Director	Independient

16.4 Statement as to whether or not the issuer complies with its country of incorporation's corporate governance regime(s)

Repsol complies with prevailing Spanish corporate governance legislation.

On its Annual Corporate Governance report for 2014 (section G "*Extent of compliance with the corporate governance recommendations*" – see section II.C)), Repsol, S.A. has reported on the extent of compliance with all of the recommendations contained in the Unified Code of Good Governance published by the CNMV in 2013. Out of its 53 recommendations, Repsol fully complies with 49 of them, partially complies with 1 (8[a]) and 3 of them (2[a], 20[a] and 31[a]) are not applicable.

With respect to recommendation no. 8, on the powers of the Board of Directors, Repsol, S.A. complies with its content with the exception of paragraph a.iii), concerning the definition of the structure of the corporate group because, given the complexity and the large number of companies that currently make up the Repsol Group, it was not considered appropriate to expressly include the contents of this recommendation in its internal regulations.

In February 2015, the Spanish National Securities Market Commission (CNMV) published a new Code of Good Governance for listed companies. Currently, Repsol is considering new recommendations included in the Code and the need and desirability of adapting such recommendations for their internal policies.

17. EMPLOYEES

17.2 Shareholdings and stock options

Information regarding this item is provided in section d).i) of Note 23 -“*Personnel obligations*” and in Note 28 -“*Remuneration of the members of the Board of Directors and executives”* of the Consolidated Financial Statements for 2014 and under Section A.3 of the Annual Corporate Governance report for 2014 (see Section II.C)) and is likewise updated by the information set forth below.

According to Repsol, S.A. figures, existing directors own a total of 592,204 shares in Repsol, S.A. as of the date of this Registration Document, representing approximately 0.043% of the company's share capital.

Name/Company name	No. of shares directly held	No. of shares indirectly held	Total no. of shares	Percentage of total capital (%)	Nº options
Mr. Antonio Brufau Niubó	339,865	951	340,816	0.025	--
Mr. Isidro Fainé Casas	30,472	--	30,472	0.002	--
Mr. Manuel Manrique Cecilia	116	1,016	1,132	0.000	--
Mr. Josu Jon Imaz San Miguel	35,794	--	35,794	0.003	--
Mr. Artur Carulla Font	61,416	--	61,416	0.004	--
Mr. Luis Carlos Croissier Batista	1,436	587	2,023	0.000	--
Mr. Rene Dahan	11,127	--	11,127	0.001	--
Mr. Ángel Durández Adeva	6,942	--	6,942	0.001	--
Mr. Javier Echenique Landiríbar	--	20,613	20,613	0.001	--
Mr. Mario Fernández Pelaz	4,793	--	4,793	0.000	--
Mrs. María Isabel Gabarró Miquel	10,045	4,715	14,760	0.001	--
Mr. José Manuel Loureda Mantiñán	63	32,604	32,667	0.002	--
Mr. Juan María Nin Génova	288	--	288	0.000	--
Mr. Henri Philippe Reichstul	50	--	50	0.000	--
Mr. Luis Suárez de Lezo Mantilla	31,171	--	31,171	0.002	--
Mr. J. Robinson West	--	--	--	--	--
Total	**533,578**	**60,486**	**594,064**	**0.043**	--

Source: according to Repsol, S.A. figures and communications filed with the CNMV (CNMV website consulted at the date of this Registration Document).

As of the date of this Registration Document, the members of the Repsol Group's Executive Committee who are not also members of the Board of Directors own a total of 298,031 shares in Repsol, S.A., representing 0.022% of the company's share capital.

Name/Company name	No. of shares directly held	No. of shares indirectly held	Total no. of shares	Percentage of total capital (%)
Mr. Miguel Martínez San Martín	145,209	--	145,209	0.009
Mr. Pedro Fernández Frial.....................................	67,351	--	67,351	0.004
Mrs. Cristina Sanz Mendiola.................................	57,053	--	57,053	0.003
Mrs. Begoña Elices García....................................	13,922	--	13,922	0.001
Mr. Luis Cabra Dueñas	14,496	--	14,496	0.001
Total	**298,031**	**0**	**298,031**	**0.022**

Likewise, and as of the date of this Registration Document, no options over Repsol, S.A. shares have been awarded to any Board member or to any member of the Executive Committee.

18. MAJOR SHAREHOLDERS

18.1 Name of any person other than a member of the administrative, management or supervisory bodies who, directly or indirectly, has a significant interest in the issuer's capital or voting rights, together with the amount of each person's interest

Information concerning this item is contained in Note 14 - *"Equity"* to the Consolidated Financial Statements for 2014 and in Section A.2 *"Details on the direct and indirect holders of significant interests in your company at year-end, excluding directors"* and H.3.3 of Repsol's Annual Corporate Governance report for 2014, such information as included under Section II.C). This information is similarly updated by the information set forth below.

The following table shows the major shareholders of Repsol, S.A. according to the most recent information available at the date of this Registration Document.

	Notifications of voting rights		
	% of voting rights		
Shareholder)	**% Direct**	**% Indirect**	**% Total**
Fundacion Bancaria Caixa d´Estalvis i Pensions de Barcelona(1).	--	11.710	11.710
Sacyr, S.A.(2).	--	8.890	8.890
Temasek Holdings (Private) Limited(3)	--	6.030	6.030
Blackrock, Inc.(4)	--	3.091	3.091
Total	**--**	**29.721**	**29.721**

Source: according to information in hands of Repsol, S.A. and communications filed with the CNMV (CNMV website consulted at the date of this Registration Document).

(1) Fundacion Bancaria Caixa d´Estalvis i Pensions de Barcelona holds its ownership interest through Caixabank, S.A. (11,70%) and Vidacaixa, S.A. (0,000%).
(2) Sacyr, S.A. holds its ownership interest through Sacyr Participaciones Mobiliarias, S.L.
(3) Temasek holds its stake through its subsidiary Chembra Investment PTE, Ltd.
(4) Blackrock holds its stake through various subsidiaries, all with the same voting policy. Information regarding Blackrock is based on the statement filed by the entity with the CNMV on 25 June 2014 in respect of the share capital on that date.

18.3 Control of the issuer

To the best of Repsol's knowledge as at the date of this Registration Document, Repsol, S.A. is not directly or indirectly under the individual or concerted control of any natural person or legal entity.

18.4 Description of any arrangements known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer

To the best of the knowledge of Repsol, S.A., no arrangements exist the operation of which could at a subsequent date give rise to a change in control of Repsol, S.A.

19. RELATED PARTY TRANSACTIONS

The information relating to this item is stated:

(i) in the Consolidated Financial Statements for 2014: Note 27 - *"Information on related party transactions"* and Note 28 - *"Remuneration of the members of the Board of Directors and executives"* (see Section II.C) of this Registration Document); and

(ii) in the Consolidated Financial Statements for 2013: Note 32 - *"Information on related party transactions"* and Note 33 - *"Information on the members of the Board of Directors and executives"* (see Section II.D) of this Registration Document)

Furthermore, the information relating to this item is stated:

- in sections C.1.15 and C.1.16 (*"Board of Directors"*), in sections D.2, D.3 and D.4 (*"Related party transactions"*) and in sections H.1.5, H.1.6, H.1.7 and H.1.8 (*"Other information of interest"*) of the Annual Corporate Governance report for 2014;
- in sections C.1.15 and C.1.16 (*"Board of Directors"*), in sections D.2, D.3 and D.4 (*"Related party transactions"*) and in sections H.1.5, H.1.6, H.1.7 and H.1.8 (*"Other information of interest"*) of the Annual Corporate Governance report for 2013; and
- in sections B.1.11 and B.1.12 (*"Board of Directors"*), in sections C.2, C.3 and C.4 (*"Related party transactions"*) and in sections G.6, G.7 and G.10 (*"Other information of interest"*) of the Annual Corporate Governance report for 2012.

The Annual Corporate Governance reports for 2014 and 2013, in accordance with that laid down in Article 538 of the Spanish Capital Companies Act (LSC), form an integral part of the consolidated Management Report for the years 2014 and 2013, respectively (see Sections II.C) and II.D)).

Pursuant to Article 5 of Spanish Order EHA/3537/2005 (Orden EHA/3537/2005), the Annual Corporate Governance report for 2012 is deemed incorporated by reference in this Registration Document. The 2011 Annual Corporate Governance report is available for consultation on the Repsol website (www.repsol.com) and on the CNMV website (www.cnmv.es).

Repsol undertakes transactions with related parties under general market conditions. For purposes of presenting this information, related parties are considered to be the following:

(i) Significant shareholders: according to the latest information available at 31 December 2014.

(ii) Directors and executives: includes members of the Board of Directors and of the Executive Committee.

(iii) People or Group companies: includes transactions with Group companies or entities not eliminated in the consolidation process, fundamentally transactions undertaken with companies accounted for using the equity method.

The latest available information on related party transactions is for 31 December 2014. Repsol has no record of significant related party transactions taking place, from 31 December 2014 to the date of this

Registration Document, which were not part of Repsol's ordinary course of business or trade or were not carried out under market conditions.

20. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

20.1 Historical financial information

The consolidated historical financial information of Repsol pertaining to 2014, 2013 and 2012 has been incorporated into this Registration Document in accordance with the equivalence table included under Section II.A.).

Restated historical restated financial information for 2013

Due to the application of IFRS 11 as of 1 January 2014, the Group has performed an analysis to identify the joint arrangements and to classify them either as joint operation or joint venture and determine the necessary balance sheet, income statement and cash flow statement line item reclassifications.

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

Joint arrangements structured through a vehicle or a separately identifiable financial structure that limits its rights to the assets and obligations for the liabilities relating to the arrangement have been classified as joint ventures, including: the Gas Natural Fenosa Group, the Repsol Sinopec Brazil Group, YPFB Andina, S.A. and BPRY Caribbean Ventures, LLC.

Included below, for information purposes only, is financial information for 2013 which has been restated, in accordance with IFRS, with respect to that appearing in the Financial Statements formulated for 2013, as a result of the application of IFRS 11 (*"Joint Arrangements"*). This information is presented as comparative figures for 2013 in the Consolidated Financial Statements for 2014.

This restated financial information for 2013 was drawn up from the audited financial information as at 31 December 2013, in accordance with the standards contained in IFRS 11 *"Joint Arrangements"*; was not audited by an independent auditor; and does not constitute pro-forma financial information for the purposes envisaged in Regulation 809/2004 (*"Appendix II - Pro forma financial information building block"*).

1. Consolidated balance sheet at December 31, 2013 and restated consolidated balance sheet at December 31, 2013

The following table presents the consolidated balance sheet for 2013, as prepared by the Board of Directors on 25 February 2014, and the consolidated balance sheet restated for comparative purposes to register the impact of the application of IFRS 11 "*Joint Arrangements*".

CONSOLIDATED BALANCE SHEET (according to IFRS)	**31/12/2013** Consolidated Repsol Group as originally stated (in million €) Audited	**Variation (in million €)**	**31/12/2013 [(1)]** Restated Consolidated Repsol Group (in million €) Unaudited
ASSET			
Intangible Assets:…………………………………………………….…	5,325	(3,596)	1,729
a) Goodwill………………………………………………………...	2,648	(2,158)	490
b) Other intangible assets…………………………………………….	2,677	(1,438)	1,239
Property, plant and equipment………………………………………….	26,244	(10,218)	16,026
Investment property……………………………………………….….	24	-	24
Investment accounted for using the equity method……………………	412	9,928	10,340
Non-current assets held for sale subject to expropriation………………	3,625	-	3,625
Non-current financial assets……………………………………………..	1,802	86	1,888
Deferred tax assets…………………………………………………….	4,897	(818)	4,079
Other non-current assets…………………………………………….....	253	(193)	60
Non-current assets	**42,582**	**(4,811)**	**37,771**
Non current assets held for sale………………………………………..	1,851	(159)	1,692
Inventories………………………………………………………………...	5,256	(318)	4,938
Trade and other receivables………………………………………………	7,726	(2,791)	4,935
a) Trade receivables…………………………………………………..	5,621	(2,402)	3,219
b) Other receivables…………………………………………………..	1,634	(304)	1,330
c) Income tax assets…………………………………………………	471	(85)	386
Other current assets……………………………………………………..	144	(3)	141
Other current financial assets…………………………………………...	93	261	354
Cash and cash equivalents……………………………………………..	7,434	(1,718)	5,716
Current assets…………………………………………………………….	**22,504**	**(4,728)**	**17,776**
TOTAL ASSETS…………………………………………………………	**65,086**	**(9,539)**	**55,547**

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

CONSOLIDATED BALANCE SHEET (according to IFRS)	31/12/2013 Consolidated Repsol Group as originally stated (in million €) Audited	Variation (in million €)	31/12/2013 [(1)] Restated Consolidated Repsol Group (in million €) Unaudited
Liabilities and equity			
Net equity			
Issued share capital……………………………………………….	1,324	-	1,324
Share premium………………………………………………….....	6,428	-	6,428
Reserves…………………………………………………………...	259	-	259
Treasury shares and own equity instruments……………………….	(26)	-	(26)
Retained earnings and other reserves……………………………….	19,785	-	19,785
Profit attributable to the equity holders of the parent……………...	195	-	195
Dividends and remunerations……………………………………….	(232)	-	(232)
Equity…………………………………………………………..	**27,733**	**-**	**27,733**
		-	
Financial assets available for sale………………………….……..	488	-	488
Other financial instruments……………………………….…......…	-	-	-
Hedge transactions………………………………………….……..	(60)	-	(60)
Translation differences………………………………………………	(954)	-	(954)
		-	
Adjustements for changes in value…………………………….....	**(526)**	**-**	**(526)**
Equity attributable to equity holders of the parent………………	**27,207**	**-**	**27,207**
Minority inteterst……………………………………………………	**713**	**(470)**	**243**
		-	
Total Equity………………………………………………………….	**27,920**	**(470)**	**27,450**
		-	
Grants…………………………………………………………………	66	(56)	10
Non-current provisions ………………………………………………	3,625	(925)	2,700
Non-current financial liabilities:……………………………………...	13,125	(4,656)	8,469
a) Bank borrowings, bonds and other securities…………………...	13,053	(4,640)	8,413
b) Other financial liabilities…………………………………………	72	(16)	56
Deferred tax liabilities………………………………………………...	3,352	(1,486)	1,866
Other non-current liabilities…………………………………………..	2,179	(503)	1,676
Non-current liabilities……………………………………………….	**22,347**	**(7,626)**	**14,721**
Liabilities related to non-current assets held for sale…………..…...	1,533	(76)	1,457
Current provisions……………………………………………..........	303	(54)	249
Current financial liabilities:…………………………………………...	4,519	1,314	5,833
a) Bank borrowings, bonds and other securities…………………...	4,464	1,316	5,780
b) Other financial liabilities…………………………………………	55	(2)	53
Trade payables and other payables:…………………………………	8,464	(2,627)	5,837
a) Trade payables…………………………………………………...	4,115	(1,527)	2,588
b) Other payables…………………………………………………...	4,056	(942)	3,114
c) Current income tax liabilities…………………………………….	293	(158)	135
Current liabilities……………………………………………………	**14,819**	**(1,443)**	**13,376**
Total equity and liabilities……………………………………….	**65,086**	**(9,539)**	**55,547**

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

2. Consolidated income statement at 31 December 2013 and restated at 31 December 2013

The following table presents the consolidated income statement for 2013, as prepared by the Board of Directors on 25 February 2014, along with the income statement restated for comparative purposes to register the impact of the application of IFRS 11 "*Joint Arrangements*".

	31/12/2013		31/12/2013 (1)
	Consolidated Repsol Group as originally stated		**Restated Consolidated Repsol Group**
	(in million €)	**Variation**	**(in million €)**
CONSOLIDATED INCOME STATEMENT ***(according to IFRS)***	**Audited**	**(in million €)**	**Unaudited**
Sales……………………………………………………………………...	54,683	(8,594)	46,089
Services rendered and other income……………………………………..	1,063	(298)	765
Changes in inventories of finished goods and work in progress inventories	(228)	(13)	(241)
Income from reversals of impairment losses and gains on disposal of non-current assets………………………………………………………………	23	(4)	19
Allocation of grants on non-financial assets and other grants……………..	13	(12)	1
Other operating income…………………………………………………….	744	(47)	697
OPERATING REVENUE……………………………………………..	**56,298**	**(8,968)**	**47,330**
Supplies………………………………………………………………….	(43,170)	4,731	(38,439)
Personnel expenses………………………………………………………	(2,039)	368	(1,671)
Other operating expenses………………………………………………..	(5,796)	1,186	(4,610)
Depreciation and amortization of non-current assets……………………	(2,559)	1,039	(1,520)
Impairment losses recognised and losses on disposal of non-current assets	(163)	32	(131)
OPERATING EXPENSES…………………………………………….	**(53,727)**	**7,356**	**(46,371)**
OPERATING INCOME………………………………………………….	**2,571**	**(1,612)**	**959**
Finance income…………………………………………………………..	162	(68)	94
Finance expenses………………………………………………………...	(963)	312	(651)
Changes in the fair value of financial instruments……………………….	(131)	2	(129)
Net exchange gains/ (losses)…………………………………………….	98	27	125
Impairment and gains/ (losses) on disposal of financial instruments………	79	-	79
FINANCIAL RESULT…………………………………………………...	**(755)**	**273**	**(482)**
Share of results of companies accounted for using the equity method after taxes………………………………………………………………….	**48**	**757**	**805**
NET INCOME BEFORE TAX………………………………………..	**1,864**	**(582)**	**1,282**
Income tax……………………………………………………………….	(947)	516	(431)
Net income for the period from continuing operations…………………	**917**	**(66)**	**851**
Net income for the period from continuing operations attributable to minority interests…………………………………………………………...	(38)	66	28
NET INCOME FOR THE PERIOD FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE PARENT……………….	**879**	**-**	**879**
Net income for the period from discontinued operations after taxes…	**(684)**	**-**	**(684)**
Resultado atribuido a intereses minoritarios por operaciones interrumpidas	-	-	-
NET INCOME FOR THE PERIOD FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO THE PARENT………………..	**(684)**	**-**	**(684)**
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT……..	**195**	**-**	**195**

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

3. Consolidated cash flow statement at 31 December 2013 and restated at 31 December 2013

The following table presents the consolidated cash flow statement for 2013, as prepared by the Board of Directors on 25 February 2014, along with the cash flow statement restated for comparative purposes to register the impact of the application of IFRS 11 "*Joint Arrangements*".

CONSOLIDATED STATEMENT OF CASH FLOWS *(according to IFRS)*	31/12/2013 Consolidated Repsol Group as originally stated (in million €) Audited	Variation (in million €)	31/12/2013 [2] Restated Consolidated Repsol Group (in million €) Unaudited
Net income before tax……	**1,864**	**(582)**	**1,282**
Adjustments to net income:……	**3,639**	**(2,172)**	**1,467**
Depreciation and amortization of non-current assets……	2,559	(1,039)	1,520
Other adjustments to results (net)……	1,080	(1,133)	(53)
Changes in working capital……	**(502)**	**227**	**(275)**
Other cash flows from operating activities:……	**(1,005)**	**1,097**	**92**
Dividends received……	33	595	628
Income tax received / (paid)……	(893)	468	(425)
Other proceeds from / (payments for) operating activities……	(145)	34	(111)
Cash flows from operating activities [1]……	**3,996**	**(1,430)**	**2,566**
Payments for investing activities:……	**(3,971)**	**1,636**	**(2,335)**
Group companies, associates and business units……	(183)	40	(143)
Property, plant and equipment, intangible assets and investment properties……	(3,438)	1,446	(1,992)
Other financial assets……	(350)	150	(200)
Proceeds from disvestments:……	**683**	**(415)**	**268**
Group companies, associates and business units……	155	(11)	144
Property, plant and equipment, intangible assets and investment properties……	102	(20)	82
Other financial assets……	426	(384)	42
Otros flujos de efectivo ……	**-**	**-**	**-**
Cash flows used in investing activities [1]……	**(3,288)**	**1,221**	**(2,067)**
Proceeds from/ (payments for) equity instruments:……	**1,014**	**-**	**1,014**
Acquisition……	(106)	-	(106)
Disposal……	1,120	-	1,120
Proceeds from / (payments for) financial liabilities:……	**(1,325)**	**199**	**(1,126)**
Issues……	8,876	(1,735)	7,141
Return and depreciation……	(10,201)	1,934	(8,267)
Payments for dividends and payments on other equity instruments…	**(528)**	**58**	**(470)**
Other cash flows from financing activities:……	**(974)**	**(52)**	**(1,026)**
Interest payments……	(827)	236	(591)
Other proceeds from/ (payments for) financing activities……	(147)	(288)	(435)
Cash flows used in financing activities [1]……	**(1,813)**	**205**	**(1,608)**
Effect of changes in exchange rates……	(54)	36	(18)
Net increase / (decrease) in cash and cash equivalents……	**(1,159)**	**32**	**(1,127)**
Cash Flows from operating activities from discontinued operations……	129	(19)	110
Cash Flows from investment activities from discontinued operations……	2,319	59	2,378
Cash Flows from financing activities from discontinued operations……	246	3	249
Effect of changes in exchange rates from discontinued operations……	(4)	2	(2)
Net increase / (decrease) in cash and discontinued operations……	**2,690**	**45**	**2,735**
Cash and cash equivalents at the beginning of the year……	5,903	(1,795)	4,108
Cash and cash equivalents at the end of the year……	7,434	(1,718)	5,716

COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**31/12/2013**		**31/12/2013**
Cash and banks......	4,650	(739)	3,911
Otros activos financieros......	2,784	(979)	1,805
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**7,434**	**(1,718)**	**5,716**

(1) Includes cash flows relating to continuing operations.

(2) Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see section 20.1 *"Historical financial information"*, in section II.B) in this Registration Document).

20.2 Pro forma financial information

Repsol informs of all significant aspects of the agreement to acquire Talisman Energy Inc. in section 5.2.3. As of the date of this Registration Document the transaction has not completed and therefore Repsol does not have access to information that would be necessary for the preparation of pro-forma consolidated financial information for Repsol and Talisman. As Talisman is a listed group subject to the reporting requirements of the Canadian and American capital markets, the information is public and available at (www.talisman-energy.com).

20.3 Financial statements

The Consolidated Financial Statements for 2014, 2013 and 2012 are incorporated in item 20.1 - *"Historical financial information"*, according to the equivalence table contained in Section II.A) of this Registration Document.

Item 24 - *"Documents on display"* explains where interested parties can consult the annual non-Consolidated Financial Statements of Repsol, S.A. and the consolidated statements of the Repsol Group for 2014, 2013 and 2012.

20.4 Auditing of historical annual financial information

20.4.1 Statement that the historical financial information has been audited

The non-consolidated and Consolidated Financial Statements of Repsol, S.A. and the Group for 2014, 2013 and 2012 have been audited by Deloitte (see item 2 - *"Auditors"*). The audit reports did not contain any qualifications. Furthermore, both the audit report for Repsol, S.A.'s non-Consolidated Financial Statements for 2014 and the audit report for the Repsol Group's Consolidated Financial Statements for 2014 did not include emphasis paragraphs.

20.4.2 Indication of other information in the registration document which has been audited by the auditors

No other financial information exists in the Registration Document which has been audited by the auditors.

The auditor has verified that the accounting information contained in the consolidated Management Reports for 2014, 2013 and 2012 is consistent with that disclosed in the Consolidated Financial Statements for those years.

20.4.3 Where the financial data in the registration document is not extracted from the issuer's audited financial statements, state the source of the data and state that the data is unaudited

The information on oil and gas exploration and production activities as contained in Section II.E) of this Registration Document has not been audited.

The other historical financial information included in this Registration Document has been taken from the Consolidated Financial Statements or Management Reports for 2014 and 2013.

20.5 Age of latest financial information

The last year of audited financial information does not reach back more than 15 months from the date of this Registration Document.

20.6 Interim and other financial information

Not applicable. At the date of this Registration Document, Repsol has not published interim financial information.

20.7 Dividend policy

20.7.1 Amount of dividends per share in each financial year for the period covered by the historical financial information

The information relating to this item is stated:

- in Note 14 - *"Equity"* to the Consolidated Financial Statements for 2014 and the *"Results, Financial overview & our Shareholder Remuneration"* section 4 of Repsol's consolidated Management Report for 2013, contained in Section II.C); and
- in Note 14 - *"Equity"* to the Consolidated Financial Statements for 2013 and the *"Results, Financial overview & our Shareholder Remuneration"* section 4 of Repsol's consolidated Management Report for 2013, contained in Section II.D).

The amount of the dividend pay-out is set by the Annual General Meeting of Repsol, S.A. upon a proposal from the Board of Directors. Repsol, S.A. currently has no established dividend distribution policy. The payment of any dividends that may eventually be decided by Repsol, S.A. will depend on a host of different factors, including business performance and operating results.

The Board of Directors, on its meeting held on 25 March 2015, agreed to submit to the Annual General Meeting, convened for the 30 April 2015, the continuity of the "*Repsol Flexible Dividend*" program, in lieu of the traditional final dividend for 2014 and the traditional interim dividend for 2015. Specifically, the Board of Directors agreed to submit to the Annual General Meeting, in lieu of a final dividend for 2015, a compensation equivalent to €0.50 per share using the scrip dividend formula.

20.8 Legal and arbitration proceedings

The information regarding this item is contained in Note 3 - *"Accounting estimates and judgements"*, in Note 21 - *"Taxation"* and in Note 29 - *"Contingencies, Commitments and Guarantees"* of the Consolidated Financial Statements for 2014 (see Section II.C)). This information is updated with the following facts.

Legal proceedings:

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

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

On February 2015, Repsol, YPF, and Maxus responded to the Cross Claim lodged by OCC in 2012 (see Note 4 to the Consolidated financial statements for the financial year 2014 for more details on this matter).

In addition, the counterclaims filed by Repsol and Maxus against the Cross Claim were answered on March 2, 2015 by OCC.

On March 9, 2015, the judge issued a new schedule for the proceedings, setting the date for the hearing on January 11, 2016, amongst other things.

20.9 Significant changes in the issuer's financial or trading position

No significant changes in the financial or trading position of Repsol occurred from 31 December 2014, the date of the last published financial statements, except for the Talisman acquisition agreement (see item 5.2.3) and the issuance of the €2,000 million subordinated bonds (see item 10.1).

21. ADDITIONAL INFORMATION

21.1 Share capital

21.1.1 Amount of issued capital

Information regarding this item is contained in Note 14 - *"Equity"* of the 2014 Consolidated Financial Statements and in Section A.1 of the 2014 Annual Corporate Governance report, which forms an integral part of the 2014 consolidated Management Report (see Section II.C)). This information is updated by the following information.

At the date of this Registration Document, following the most recent paid-up capital increase resulting from the approval of item sixth of the agenda by the Annual General Meeting, held on 28 March 2014, the share capital of Repsol, S.A. is currently represented by 1,374,694,217 shares divided into 1,324,516,020 ordinary shares represented by book entries, all of the same series and of a par value of €1 and all fully subscribed and paid up.

a) Number of authorised shares

The General Shareholders' Meeting held on 28 March 2014 has authorised the Board of Directors to increase share capital in accordance with article 297.1.b) of the Spanish Companies Act on one or more occasions and at any time within a period of five years, subject to a maximum of par value of 662,258,010 shares, the figure is the half of the share capital of Repsol, S.A. as of the date on which the General Meeting adopted the resolution.

The share capital increases covered by this authorisation shall be carried out by issuing new shares (with or without share premium) payable in cash. The Board of Directors is authorised to decide in relation to each increase whether the stock to be issued, where applicable, will consist of ordinary or non-voting shares, and likewise to establish the terms and conditions of the capital increases and the features of the shares in relating to all matters not provided for in the authorisation. The Board may also freely offer the unsubscribed new shares in the period or periods for the exercise of preferential subscription rights.

In the event of incomplete subscription, the Board of Directors may also dictate that capital will be increased only by the amount of the subscriptions actually received and amend the wording of the company's By-laws with regard to the amount of share capital and the number of shares accordingly.

Moreover, the Board of Directors may decide to exclude preferential subscription rights, either fully or in part. However, this power shall be restricted to capital increases carried out under the authorisation up to a maximum 20% of the share capital of Repsol, S.A. at the date the authorisation was granted.

The Board of Directors is further authorised to delegate the powers conferred under the resolution to the Delegate Committee and/or to one or more members of the Board or attorneys of Repsol, S.A.

At the date of this Registration Document, the Board of Directors has not made use of this authorisation.

b) Number of fully paid up shares issued, and shares issued but not fully paid

All of the shares issued by Repsol, S.A. have been fully paid up at the date of this Registration Document.

c) Par value per share, and shares without par value

The unit par value per share is €1.

d) Number of shares of the company in circulation at the beginning and end of 2014

From 1 January 2014 to 14 January 2014, the number of Repsol, S.A. shares in circulation was 1,302,471,907. From 14 January 2014 to 10 July 2014 the number of shares in circulation was 1,324,516,020. From 10 July 2014 to 31 December 2014, inclusive, the number of Repsol, S.A. shares in circulation was 1,350,272,389.

21.1.2 If there are shares not representing capital, state the number and main characteristics of such shares

No shares exist that do not represent capital.

21.1.3 Number, book value and face value of shares in the issuer held by or on behalf of the issuer itself or by subsidiaries of the issuer

Information concerning this item is contained in Note 14 - "*Equity*" to the Consolidated Financial Statements for 2014 and in sections A.8 and A.9 of the 2013 Annual Corporate Governance report, which forms an integral part of the 2014 consolidated Management Report, which is part of the 2014 consolidated Management Report (see Section II.C)). This information is updated by the following information.

At the date of this Registration Document, Repsol, S.A. owns, directly or through its investee companies, 873,912 shares representing 0.064% of the current share capital of Repsol, S.A.

21.1.4 Amount of any convertible securities, exchangeable securities or securities with warrants, with an indication of the conditions governing and the procedures for conversion, exchange or subscription

The Ordinary General Shareholders' Meeting of 31 May 2012 approved the delegation to the Board of the power to issue fixed-income securities, on one or more occasions and for a maximum term of 5 years, convertible and/or exchangeable for Repsol, S.A. shares or exchangeable for shares in other companies, as well as warrants (options to subscribe to new shares or to acquire Repsol, S.A. shares in circulation or those in other companies), for a maximum total amount of €8,400 million or its equivalent in other currencies.

This limit, in turn, is divided into two additional limits: (i) Issuing of securities convertible and/or exchangeable for Repsol, S.A. shares or of warrants on newly issued Repsol, S.A. shares from which preference subscription rights are excluded (€4,400 million); (ii) Issuing of securities convertible and/or exchangeable for Repsol, S.A. shares or of warrants in which preference subscription rights are not excluded or of securities (including warrants) exchangeable for shares in other companies (€4,400 million).

At the date of this Registration Document, the Board of Directors of Repsol, S.A. has not made use of this authorisation, nor has Repsol, S.A. issued securities exchangeable for or convertible into shares or warrants.

21.1.5 Information about and terms of any acquisition rights and/or obligations over authorised but unissued capital or an undertaking to increase the capital

The Board of Directors, on its meeting held on 25 March 2015, agreed to submit to the Annual General Meeting, convened for the 30 April 2015, the approval, in the framework of the "Repsol Flexible Dividend" programme, of two increases in capital charged to voluntary reserves from retained earnings, for a reference value of 687,347,109 euros for the first and a maximum of 850,000,000 euro for the second with the irrevocable commitment of Repsol in both increases to purchase the free-of-charge allocation rights deriving from the increase at a guaranteed fixed price.

Aside from the matters referred to above and in item 21.1.1 a), at the date of this Registration Document, no acquisition rights and/or obligations exist over authorised but unissued capital, or any undertaking to increase capital.

21.1.6 Information about any capital of any member of the group which is under option or agreed conditionally or unconditionally to be put under option and details of such options, including those persons to whom such options relate

At the date of this Registration Document, the Group, within the management of its treasury shares and in order to cover this partially, has sold American call options on Repsol, S.A. shares for a notional number of 500,000 shares (notional of 200,000 shares with Santander, 150,000 shares with Morgan Stanley and 150,000 shares with Natixis), with a "strike" price per share of €18.50 and a maturity date of 19 June 2015.

21.2 By-laws and deed of incorporation

21.2.1 Description of the issuer's objects and purposes, and where they can be found in the by-laws and deed of incorporation

In accordance with Article 2 of the By-laws, Repsol, S.A. is engaged in:

> *"I. Research, exploration, exploitation, importing, storage, refining, petrochemistry and other industrial operations, transport, distribution, sale, exporting and marketing of hydrocarbons of whatsoever nature and their by-products and waste products.*
>
> *II. Research and development of alternative sources of energy from those deriving from hydrocarbons and the exploitation, production, importing, storage, distribution, transport, sale, exporting and marketing thereof.*
>
> *III. Operation of the real estate, intellectual property and technology owned by the Company.*
>
> *IV. Marketing of all kinds of products at establishments annexed to service stations and petrol pumps and through the sales networks established for products manufactured by the Company, and the provision of services linked to the consumption or use of the latter.*

V. *Planning, commercial management, factoring and technical or financial assistance services for its subsidiaries, excluding any activities that may lawfully be provided only by financial and credit institutions."*

Interested parties may approach the Mercantile Registry of Madrid to obtain or view the By-laws of Repsol, S.A. or visit the company's registered office or its website (www.repsol.com).

The deed of incorporation of Repsol, S.A. may also be viewed at the Commercial Registry of Madrid.

21.2.2 Provisions of the issuer's by-laws or internal regulations with respect to the members of the administrative, management and supervisory bodies

Information relating to this item is provided in section C. of Repsol, S.A.'s Annual Corporate Governance report for 2013 (see Section II.C) of this Registration Document). This information is supplemented by the following.

Provisions relating to the members of the administrative, management and supervisory bodies are contained in the By-laws and the Regulations of the Board of Directors. Pursuant to Article five of Spanish Order EHA/3537/2005, the Regulations of the Board of Directors of Repsol, S.A. are deemed incorporated into this Registration Document by reference herein. These regulations are available to interested parties on the Repsol website (www.repsol.com) and on the website of the CNMV (www.cnmv.es).

Chapter 3 of the Regulations of the Board of Directors contains the Legal Statute of the Repsol, S.A. directors, governing, inter alia, the appointment, re-election, ratification and removal; the system governing incompatibility; term of office; general duties; duty of confidentiality; obligations regarding no competition and use of information and corporate assets; business opportunities; related party transactions; rights to advice and information; and the remuneration system for directors.

As the ninth item on the agenda of the Annual General Meeting called for 30 April 2015, a statutory modification comprising the provisions of the By-laws relating to the Board of Directors, its committees and the status of the Directors was proposed. Under this item, the following amendments were submitted to shareholders: the amendment of Articles 32 (*Qualitative composition of the Board*), 33 (*Management and supervisory powers*), 39 (*Audit and Control Committee*), 39 *bis* (*Appointment and Remuneration Committee*), 40 (*Chairman, Vice Chairman and Independent Coordinator Director*), 42 (*Secretary and Deputy Secretary*), 43 (*Term of office and filling of vacancies*), 44 (*General obligations of the Directors*), 45 (*Directors' remuneration*) and 45 *ter* (*External evaluation of the Board*), and the addition of Article 45 *bis* (*Approval of the remuneration policy of the Directors*). This amendment is intended primarily to adapt the By-Laws to legal reforms in the Spanish Corporations Act (LSC) through *Act 31/2014, of 3 December, amending the Spanish Corporations Act to improve corporate governance* .

21.2.4 Description of what action is necessary to change the rights of holders of the shares, indicating where the conditions are more significant than is required by law

Amending of the rights of Repsol, S.A. shareholders requires the corresponding amendment to be made to the By-laws of Repsol, S.A.

Up until Repsol S.A.'s Ordinary General Meeting of 31 May 2012, the By-laws of Repsol, S.A. did not establish any conditions for amendment other than those set forth in the Spanish LSC, except for the amendment to the last paragraph of Article 27 ("*Discussion and adoption of resolutions"*), relating to the maximum number of votes a shareholder or the companies belonging to the same group could cast at General Meetings. This resolution and the resolution to amend the special rule contained in the last paragraph of Article 22 (*"Special resolutions, quorums and voting majorities"*) of the By-laws require the votes in favour of 75% of the share capital with voting rights present at the General Meeting at both the first and the second call.

The Annual General Meeting held on 31 May 2012 resolved, on one hand, to eliminate the aforementioned provisions of Article 22 (*"Special resolutions, quorums and voting majorities"*) and of Article 27 (*"Discussion and adoption of resolutions"*) of the By-laws and, on the other hand, to include in Article 22 reference to the new situations requiring qualified voting majorities: (i) amendments to Articles 22.bis (*"Related-party transactions"*) and 44.bis (*"Prohibition of competition"*) of the By-laws; (ii) authorisation of material related-party transactions; and (iii) the concession by the General Shareholders' Meeting of the prohibition of competition on company directors.

The Annual General Meeting of 28 March 2014 approved an amendment to the By-laws (among others, of Article 22 "*Special arrangements, constitution and majorities*") for which a qualified majority of 75% of the share capital with the right to vote is required for the Board to approve any transaction which has the purpose or produces the effect of the division or liquidation of the *Upstream* and/or *Downstream* businesses; and to approve structural changes (transformation, merger, segregation and the transfer of the registered office abroad) that, under current corporate law, would be only be subject to a majority in excess of 50% if those attending the General Shareholders` Meeting represented less than half of the issued share capital.

As the eighth item on the agenda of the Annual General Meeting called for 30 April 2015, a statutory modification of, among others, the articles on the powers of the General Meeting and the majority system for adopting agreements was proposed.

The proposals for amendment to Article 15 of the By-laws aim to adapt those provisions to the changes introduced by *Act 31/2014, of 3 December, amending the Spanish Corporations Act to improve corporate governance*, in relation to determining the exclusive powers of the Board and in respect of majorities.

Therefore, the list of exclusive powers of the Annual General Meeting already contained in Article 15, proposed introducing those powers pertaining to acts of acquisition or disposal of key assets, approval of the remuneration policy for directors, the waiver of obligations arising from the duty of loyalty in cases where authorisation from the Board is legally required, reallocate core activities that were previously carried out by the Company itself to subsidiaries, and approval of operations the effect of which is equivalent to winding up the Company. The opportunity was also taken to complete the list with other powers already provided in the Spanish Corporations Act (LSC), which were not contained in the By-laws (such as approval of the final liquidation balance sheet), and to remove the provision on the separation of upstream and downstream business incorporated in the Ordinary General Meeting on 28 March 2014, a forecast that the Board of Directors believes is no longer necessary as it was absorbed by other more generic businesses, mandatory by law, and, in particular, by those where the power of the Board is reserved for core asset operations, demerger or, where appropriate, liquidation.

It further proposed amendment of Article 15 to clarify that the majority required to adopt each decision can be different, and to coordinate with the amendment of the majorities system which is also proposed in relation to Article 22.

In addition, amendment of Article 22 was proposed to bring together in a single precept all the rules relating to the majorities required for adopting resolutions at the Meeting (the general legal majority, qualified legal majority, and the statutory qualified majority) . Section 1, relating to the general rule for adopting resolutions that do not require reinforced quorums, proposes to specify, under the provisions of the Spanish Corporations Act (LSC), that the applicable majority by default is the simple majority. Section 2 outlines the agreements that require approval by an absolute majority including those legally required, i.e., any amendment to the By-laws, including the increase or decrease of capital, issuance of debentures, the elimination or restriction of right of first refusal for new shares, the transformation, merger, spin-off, global transfer of assets and liabilities, transfer of the registered office abroad and the dissolution of the Company. Section 3 states the cases of qualified majority, set at 75% of the voting capital present at the Meeting, suppressing those related to structural changes (transformation, merger, global transfer of assets and liabilities, international transfer of the registered office) and the separation of upstream and downstream businesses. Once the new law introduced a more severe discipline for conflicts of interest, it did not seem necessary to maintain a qualified majority for these types of operations which, on occasion, could lead to a loss of flexibility for Repsol.

21.2.5 Description of the conditions governing the manner in which annual general meetings and extraordinary general meetings of the shareholders are called, including the conditions of admission

Calls for meetings

1. Ordinary or Extraordinary General Meetings will be announced by the Board of Directors by means of advertisement published in at least the following media: (i) the Official Gazette of the Commercial Registry or one of Spain's highest circulation newspapers; (ii) the website of the CNMV (www.cnmv.es); and (iii) Repsol's website (www.repsol.com). There must be at least one month between the call and the planned date for holding the meeting, except in cases in which a different notice period is established, in which case it will be in accordance with this latter.

   The announcement must contain the information required by law and shall in any event include the name of the company, the date, time and venue of the meeting at first call and all of the items included on the agenda, along with the post of the person or persons announcing the meeting. The announcement shall also, where applicable, include the date and time on which the General Shareholders' Meeting is to meet on second call. If a second call is included, the time of the meeting must be at least 24 hours from the first meeting. Likewise, the announcement will state the date by which shareholders must have registered their shares in their name in order to take part in and vote at the Annual General Meeting. The announcement shall also explain where and how the unabridged text of documents and motions can be obtained, along with the website on which this information will be available, without prejudice to the power of shareholders to request and to be sent all such documents free of charge.

   The announcement must similarly contain clear and precise information on the steps that shareholders must follow to take part in and cast their vote at the General Shareholders' Meeting, including, in particular, the following aspects:

   (i) The right to request information, including items on the agenda and put forward motions, as well as the timeframe for exercising these rights. When the company's website states that shareholders can obtain more detailed information on such rights, the announcement may simply indicate the timeframe for exercising this right.

   (ii) The system for casting votes by proxy, with special mention of the forms that shareholders must use when delegating their vote and the channels that must be used in order for the company to accept electronic notifications of proxies conferred.

   (iii) The procedures in place for casting votes remotely, whether by post or via electronic channels.

   The Annual General Meeting will be held at the venue stipulated in the announcement and within the municipality where the company has its registered office.

   If the duly convened Annual General Meeting is not held at first call but no date for a second call was set in the announcement, the second call must be announced, subject to the same publicity requirements as the first call, within fifteen days of the date at which the General Shareholders' Meeting was originally scheduled to be held and at least 10 days prior to the new date set for the meeting.

A copy of the announcement must be sent to the stock exchanges on which the shares are listed and to the custodian entities of the shares so that the same may issue attendance cards.

2. The Board is required to call an Extraordinary General Shareholders' Meeting whenever shareholders owning at least 5% of the share capital request that it do so, expressing the items to be included on the agenda in their request. In such case, the Board of Directors must call the meeting subject to the minimum notice period required by law within a maximum term of two months from receiving the notarised request to that effect.

3. Shareholders representing at least 5% of the share capital may request that a supplement to the announcement for a General Shareholders' Meeting be published containing one or more additional items for inclusion on the agenda, provided such shareholders provide justifiable reasons for adding the new items or, where applicable, for adding new motions. This right may be exercised subject to due notice accrediting ownership of the aforementioned percentage of the share capital. Notice must be received at the registered address of the Company within five days of publication of the announcement. The supplement to the announcement must be published at least 15 days ahead of the scheduled date for the General Shareholders' Meeting. Where any supplement to the announcement exists, Repsol, S.A. will publish any motions referred to therein on its website as from the date of publication of the supplement, providing such motions are duly submitted to Repsol, S.A.

4. In addition to the legal and statutory requirements, Repsol, S.A. will publish all proposals to be put to the shareholders by the Board of Directors in relation to the items included on the Agenda on its corporate website as from the date of publication of the announcement of the Annual General Meeting. When the proposals concern the appointment of directors, the text published shall include the information required by the Law. An exception may be made in those cases where the Board considers that it would not be justified to publish proposals and no legal or statutory requirement exists to make the same known to the shareholders as from the date of the call for the meeting.

Right of attendance and voting

1. Shareholders owning any number of shares may attend the General Meeting providing the shares are duly entered in the pertinent share register at least 5 days prior to the date of the meeting and the shareholder has been issued with an attendance card.

   The board may, provided it so states in each notice of call, swap the attendance cards issued for each shareholder for other standard attendance registration documents issued by the company to facilitate drawing-up of the attendance list, exercise of the voting right and other shareholders' rights.

   Registration of attendance cards shall commence two hours before the scheduled start time of the General Shareholders' Meeting.

2. Shareholders may delegate their vote on proposals concerning items included on the agenda for any class of General Shareholders' Meeting, or otherwise cast their vote by post, electronically or by any other remote communication system, provided the identity of the individual casting the vote is duly assured. Shareholders voting remotely shall be treated as present for the purposes of convening the General Meeting.

   The Board of Directors may establish the most appropriate procedure for delegating votes and for remote voting at each General Meeting, depending on the legislation prevailing from time to time and the state of the art. This procedure must be described in detail in the announcement of the General Shareholders' Meeting.

21.2.7 Provisions of the by-laws or internal regulations, if any, governing the ownership threshold above which shareholder ownership must be disclosed

The By-laws and internal regulations of Repsol, S.A. do not establish any threshold above which shareholder ownership must be disclosed.

22. MATERIAL CONTRACTS

Material contracts to which the Repsol Group is party, aside from agreements entered into in the ordinary course of its business, are described below.

Agreement between Repsol and la Caixa for joint control of Gas Natural

Repsol and la Caixa entered into an agreement in relation to Gas Natural on 11 January 2000, which was subsequently amended on 16 May 2002, 16 December 2002 and 20 June 2003.

The key terms of these agreements with la Caixa are as follows:

- Repsol and la Caixa will control Gas Natural jointly in accordance with the principles of transparency, independence and professional diligence.
- The Board of Directors of Gas Natural shall be formed by 17 directors. Repsol and la Caixa shall have the right to propose five directors each. Repsol and la Caixa shall vote in favour of the directors put forward by the other party. One director shall be proposed by Caixa de Catalunya and the remaining 6 shall be independent directors.
- La Caixa shall propose the Chairman of Gas Natural's Board of Directors while Repsol shall propose the Chief Executive Officer. Both parties undertake that the directors proposed and appointed by each shall support appointments to these offices within the Board of Directors.
- The Executive Committee of Gas Natural shall have eight members, of whom three shall be proposed by Repsol and three by la Caixa from among the directors proposed for the Board of Directors of Gas Natural, including the Chairman and the Chief Executive Officer. The remaining 2 executive directors shall be independent directors.
- Before presenting the Board of Gas Natural, Repsol and la Caixa shall jointly agree upon: (i) Gas Natural's strategic plan, which will include all decisions affecting the core strategies of Gas Natural; (ii) Gas Natural's organisational structure; (iii) Gas Natural's annual budget; (iv) concentration operations; and (v) any acquisition or disposal of material assets pertaining to any strategic lines of development of Gas Natural.

These agreements will remain in effect for as long as Repsol and la Caixa hold ownership interests of at least 15% of Gas Natural's share capital. At the date of this Registration Document, Repsol S.A.'s ownership interest in the capital of Gas Natural is 30%.

23. THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST

23.1 Statements and reports attributed to experts

This Registration Document does not include any statements or reports attributed to experts.

23.2 Truthfulness and accuracy of reports issued by experts

Not applicable.

24. DOCUMENTS ON DISPLAY

During the period of validity of this Registration Document, the following Repsol, S.A. documents will be displayed at the places indicated below:

Document	Registered office of Repsol	Repsol website(1)	CNMV website(2)	Mercantile Registry of Madrid
Deed of incorporation	Yes	No	No	Yes
By-laws	Yes	Yes	No	Yes
Regulations of the General Shareholders' Meeting	Yes	Yes	Yes	Yes
Regulations of the Board of Directors	Yes	Yes	Yes	Yes
ICRSM(3)	Yes	Yes	Yes	No
ACGR (4) for 2014, 2013 and 2012	Yes	Yes	Yes	Yes
Non-Consolidated Financial Statements and Management Report for 2014	Yes	Yes	Yes	No
Non-Consolidated Financial Statements and Management Report for 2013	Yes	Yes	Yes	Yes
Non-Consolidated Financial Statements and Management Report for 2012	Yes	Yes	Yes	Yes
Consolidated Financial Statements and consolidated Management Report for 2014	Yes	Yes	Yes	No
Consolidated Financial Statements and consolidated Management Report for 2013	Yes	Yes	Yes	Yes
Consolidated Financial Statements and consolidated Management Report for 2012	Yes	Yes	Yes	Yes

(1) www.repsol.com.
(2) www.cnmv.es.
(3) Internal Conduct Regulations regarding the Securities Market
(4) Annual Corporate Governance Reports (in conformity with article 538 of LSC, the Annual Corporate Governance Report is part of the corresponding consolidated Management Report).

Pursuant to the provisions of article five of Spanish Order EHA/3537/2005, all the most significant relevant events to have been published on the website of the CNMV (www.cnmv.es) from 25 February 2015 (the preparation date of the Consolidated Financial Statements for 2014) through to the date of this Registration Document are deemed incorporated by reference herein. These events are also available for consultation on Repsol's own website (www.repsol.com).

Of these relevant events, the following are the most significant:

- Relevant event of 26 March 2015 (registration no. 220,704) in which Repsol, S.A. notified the proposals and reports submitted to the Annual General Meeting, including those regarding the Board of Directors.

- Relevant event of 18 March 2015 (registration no. 220,324) in which Repsol, S.A. notified the issuance of two subordinated hybrid bonds, for a total amount of €2,000 million.

25. INFORMATION ON HOLDINGS

Appendix I of the 2014 Consolidated Financial Statements of the Repsol (see Section II.C) of this Registration Document) includes, in relation to the main component companies of the Repsol Group, their name, country, business, and capital and equity details (corresponding to the most recent non-Consolidated financial statements approved by the respective General Shareholders' Meeting and drawn up in accordance with current accounting principles in effect in the relevant jurisdiction), as well as Repsol, S.A.'s percentage of ownership in such companies. Additionally, Note 9 of the 2014

Consolidated Financial Statements of the Repsol includes information on investments accounted for using the equity method.

Likewise, item 7 of this Registration Document includes information on the shareholdings of Repsol, S.A. in the capital of its main directly-controlled, jointly-controlled and associate companies. Besides these stakes, there are no other share participations which could have a significant effect on Repsol's valuation or financial position.

This Registration Document was initialled on all pages and signed on 28 April 2015.

Signed on behalf of Repsol, S.A.
p.p

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Miguel Martínez San Martín
Chief Financial Officer

C) CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED MANAGEMENT REPORT OF REPSOL, S.A. AND INVESTEES COMPRISING THE REPSOL GROUP FOR THE FINANCIAL YEAR 2014.

CONSOLIDATED FINANCIAL STATEMENTS
For the financial year 2014

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

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

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

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

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

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

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

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

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

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

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

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

EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**Euros/share**	**Euros/share [2]**
Basic	14	1.17	0.14
Diluted	14	1.17	0.14

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

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

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

REPSOL, S.A. AND INVESTEES COMPRISING THE REPSOL GROUP
Consolidated statement of recognized income and expenses for the years ended December 31, 2014 and 2013

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

INDEX

APPENDIX

(1) GENERAL INFORMATION

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

The Repsol Group is engaged in all the activities relating to the oil and gas industry, including exploration, development and production of crude oil and natural gas, transportation of oil products, liquified petroleum gas (LPG) and natural gas, refining, the production of a wide range of oil products and the retailing of oil products, oil derivatives, petrochemicals, LPG and natural gas, as well as the generation, transportation, distribution and supply of electricity.

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

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

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

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

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

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

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

(2) BASIS OF PRESENTATION

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

The preparation of the consolidated financial statements in accordance with IFRS, which is the responsibility of the Board of Directors of the Group's parent company, makes it necessary to use accounting estimates and judgments when applying the Standards. The areas, in which most significant judgments, assumptions and estimates have to be made, are detailed in Note 3 *"Accounting Estimates and Judgments."*

2.1) New standards issued

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

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

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

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

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

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

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

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

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

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

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

(1) Includes cash flows from discontinued operations.

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

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

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

2.2) Comparison of information

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

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

(3) ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The accounting policies and areas which require the highest degree of judgment and estimates in the preparation of the consolidated financial statements are: (i) crude oil and natural gas reserves; (ii) provisions for litigation and other contingencies; (iii) the calculation of income tax and deferred tax assets; (iv) impairment testing and the calculation of the recoverable value of the Group's assets (see Notes 6, 7, 8 and 15), and (v) the value of derivative financial instruments (see Appendix IV section 24, and Note 18).

Crude oil and gas reserves

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

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

Provisions for litigation and other contingencies

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

Repsol makes judgments and estimates in recording costs and establishing provisions for environmental clean-up and remediation costs which are based on current information regarding costs and expected plans for remediation. For environmental provisions, costs can differ from estimates because of changes in laws and regulations, discovery and analysis of site conditions and changes in clean-up technology. Therefore, any change in the factors or circumstances related to provisions of this nature, as well as changes in laws and regulations could, as a consequence, have a significant effect on the provisions recognized for these costs (see Notes 29 and 30).

Calculation of income tax and deferred tax assets

The appropriate assessment of the income tax expense is dependent on several factors, including estimates of the timing and realization of deferred tax assets and the timing of income tax payments. Actual collections and payments may differ materially from these estimates as a result of changes in tax laws as well as unanticipated future transactions impacting the Company's tax balances (see Note 21).

Testing assets for impairment and calculating their recoverable amounts

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

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

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

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

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

On the occurrence of new events, or changes in existing circumstances, which prove that an impairment loss recognized on a prior date could have disappeared or decreased, a new estimate of the recoverable value of the corresponding asset is developed, to determine whether it is applicable to reverse the impairment losses recognized in previous periods.

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

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

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

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

a) Oil and gas sale prices. The international price benchmarks used by the Group include Brent, WTI and HH (Henry Hub). In countries where international list prices do not mirror local market circumstances, the prices modeled factor in local market prices. Year one of the projections is based on the annual budgets approved by Repsol's Executive Committee. After year one, prices are projected on the basis of price trends gleaned from internal reports on the global energy environment that not only factor in in-house forecasts but also consider so-called consensus estimates built from a mixture of consultancy opinions, investment banking estimates and futures prices. The resulting prices are consistent with those used by the Group to make investing decisions. Lastly, if the productive lives of the respective fields are longer than the period covered by the corporate price projections, prices are extrapolated in line with operating expenses and capital expenditure.

b) Reserves and production schedules. Production schedules are estimated on the basis of output levels at existing wells and the development plans in place for each productive field. These schedules are then used to estimate proven and non-proven resources. Proved oil and gas reserves are estimated on the basis of the oil and gas reserves reporting and disclosure requirements and framework established by the Securities Exchange Commission (SEC) and the criteria established by the Society of Petroleum Engineers' Petroleum Resource Management System (PRMS-SPE). Non-proven reserves are similarly estimated using PRMS-SPE criteria and guidelines and are weighted for the risk factors associated with each class of exploration and production assets.

c) Operating expenses and capital expenditure. These are calculated in year one on the basis of the Group's annual budget and thereafter in keeping with the asset development programs. These costs were extrapolated at a growth rate of 2% for impairment testing purposes in 2014 and subsequent years.

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

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

b) The cash flows generated by the LNG businesses that were not sold as part of the transaction detailed in Note 4 were estimated on the basis of the following key assumptions:

i. Gas and LNG prices: the international benchmark prices used by the Group include Brent, HH (Henry Hub) and NBP (National Balancing Point), adjusted as required for local market considerations in the event that these international benchmarks do not fully reflect local market circumstances. As in the Exploration and Production segment, these prices are taken from the assumptions underpinning the annual budget in year one and, from year two on, using the price trends forecasted in internal reports of the global energy environment.

ii. Gas and LNG volumes and sales margins: the volumes used for cash flow forecasting purposes are estimated on the basis of the contracts in force at year-end and estimates for the trading activity, all of which in keeping with the business plan. Margins factor in historical data, the price forecasts detailed in i. above and the outlook for margins going forward.

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

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

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

(1) US dollar-denominated discount rates.

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

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

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

(4) CHANGES IN THE GROUP’S COMPOSITION

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

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

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

4.1.1) Expropiated shares

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

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

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

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

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

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

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

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

Accounting treatment

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

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

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

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

4.1.2) Unexpropriated shares

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

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

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

4.2) Sale of part of the LNG businesses and assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4.3) Other divestments

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

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

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

(5) SEGMENT REPORTING

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) Investments in equity-accounted investees and the Group's share of these companies' results do not include the figures corresponding to joint ventures and other managed entities operated as such in the amount of €6,237 million (*Upstream*, *Downstream* and Corporation: €6,150, €80 and €7 million, respectively) and €5,599 million (*Upstream*, *Downstream* and Corporation: €5,435, €153 and €11 million, respectively) and €376 million (€377, €2 and -€3 million, respectively) and €326 million (€327, €1 and -€2 million, respectively) in 2014 and 2013, respectively.

(2) The adjusted amortization as of December 31, 2014 and 2013 includes charges corresponding to joint ventures and other managed entities operated as such in the amount of €530 million (*Upstream*, *Downstream* and Corporation: €522, €7 and €1 million, respectively) (€488 million; *Upstream* and *Downstream*: €481 and €7 million, respectively in 2013).

(3) The adjusted net impairment gain/(loss) at December 31, 2013 includes an impairment loss corresponding to joint ventures and other managed entities operated as such of -€7 million, all of which corresponding to in the *Upstream* segment (no adjustment was required under this sub-heading in 2014). In addition, in relation to asset impairment testing, the Group recorded provisions for onerous contracts, as detailed in Notes 8 and 15.

(4) Includes investments accrued during the period but does not include investments in "*Other financial assets*". Adjusted operating investments include investments corresponding to joint ventures and other managed entities operated as such in the amount of €1,113 million in 2014 (*Upstream* and *Downstream*: €1,087 and €26 million, respectively) and €1,015 million in 2013 (€1,003 and €12 million, respectively).

(5) Adjusted income tax includes tax income corresponding to joint ventures and other managed entities operated as such in the negative amount of -€407 million in 2104 (*Upstream* and *Downstream*: €406 and €1 million, respectively) and €376 million in 2013 (all of which corresponding to the *Upstream* segment).

(6) Includes capital employed corresponding to joint ventures, the non-current, non-financial assets, working capital and other non-financial liability headings. Capital employed does not include discontinued operations in 2013.

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

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

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

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

(6) GOODWILL

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

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

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

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

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

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

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

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

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

(7) OTHER INTANGIBLE ASSETS

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

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

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

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

(3) See Note 4 *"Changes in the Group´s composition"*.

(4) In 2014, the column headed *"Carbon Emission Allowances"* includes mainly €43 million corresponding to CO_2 allowances allocated for no consideration in 2014 under Spain's National Allocation Plan and the derecognition corresponding to allowances consumed as a result of emissions made during 2013 in the amount of €54 million. In 2013, the same column *"Carbon Emission Allowances"* included mainly €60 million corresponding to CO_2 allowances allocated for no consideration for 2013 under Spain's National Allocation Plan and the derecognition of allowances used, associated with the emissions incurred in 2012, in the amount of €69 million.

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

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

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

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

Impairment of "*Other intangible assets*"

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

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

(8) PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Impairment of "*Property, plant and equipment*"

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

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

- On non-conventional assets at the Mississippian Lime (Mid-Continent) field, located in the states of Kansas and Oklahoma in the US, as a result of the decrease in oil prices and the change in development plans: €319 million (before tax). The discount rate used to calculate the recoverable amount of this asset in 2014 was 7.5%.

- At the Reganne field in Algeria, as a result of the decrease in oil prices: €64 million (before tax). The discount rate used to calculate the recoverable amount of this asset in 2014 was 8.6%.

- In relation to the ongoing Sandía exploratory drill, performed in the Atlantic Ocean off the coasts of Fuerteventura and Lanzarote, where the readings obtained from the prospecting work have revealed an insufficient volume of gas in the area and of insufficient quality for commercially-viable operations: impairment charge against capitalized investments at year-end 2014 of €89 million (before tax).

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

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

- The partial reversal of impairment losses recognized against the value of the North American LNG business as a result of favorable trends in business metrics (volumes and margins): €179 million (before tax). The discount rate used in 2014 to obtain the recoverable amount of this asset was of 5.5%.

- As a result of the new electricity sector regulations determining the remuneration regime applicable to power generated from renewable sources and using co-generation (Spanish Royal Decree 413/2014 of June 6, and Ministerial Order IET/1045/2014): a €21 million impairment loss against the value of co-generation assets (before tax).

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

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

(9) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

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

(1) Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 *"Basis of presentation"*).
(2) In 2013 this heading mainly includes the derecognition of the LNG businesses sold (see Note 4).
(3) In 2013 this heading includes movements corresponding to the LNG businesses being sold (see Note 4).
(4) In 2014 this heading includes the repayment of a part of the equity of Repsol Sinopec Brasil, S.A. amounting €64 million.

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

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

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

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

Gas Natural Fenosa (GNF) Group

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

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

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

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

Repsol Sinopec Brasil (RSB)

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

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

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

YPFB Andina, S.A.

Repsol holds a 48.33% equity interest in YPFB Andina, S.A. This investee's main activities are crude oil and gas exploration, exploitation and commercialization. It operates mainly in Bolivia.

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

BPRY Caribbean Ventures, LLC (BPRY)

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

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

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

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

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

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

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

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

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

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

(1) Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 *"Basis of presentation"*).
(2) Does not include trade and other accounts payable and provisions.
(3) In 2014 RBS includes current and non-current provisions for dismantling obligations in the amount of €208 million (€130 million en 2013).
(4) The gain corresponds to goodwill.

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

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

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

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

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

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

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

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

(11) FINANCIAL ASSETS

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

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

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

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

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

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

(1) Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 *"Basis of presentation"*).
(2) In the heading "*Other non-current assets,*" and in the headings "*Trade receivables*" and "*Other receivables*" of the balance sheet include an amount , in 2014, of €155 million classified under long term and €4,550 million classified under short-term and in 2013 an amount of €60 million classified under long term and €4,525 million classified under short term, arising out of commercial receivables not included in the breakdown of the financial assets in the previous table. Additionally, in 2013 the assets presented under *"Non-current assets held for sale subject to expropriation*" in the consolidated balance sheet, as detailed in Note 4, are not included in the financial assets disclosures provided in the table above.

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

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

Level 1: Valuations based on a quoted price in an active market for an identical instrument. They relate mainly to derivatives held for trading, investment funds and, in 2013 only, unexpropriated YPF shares.
Level 2: Valuations based on a quoted price in an active market for similar financial assets or based on other valuation techniques that rely on observable market inputs.
Level 3: Valuations based on inputs that are not directly observable in the market.

(1) Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 *"Basis of presentation"*).
(2) Does not include €59 million 2014 and 2013, respectively, corresponding to equity investments in companies that are measured at acquisition cost under IAS 39.

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

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

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

11.1) Financial assets held for trading

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

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

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

11.3) Financial assets available for sale

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

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

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

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

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

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

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

11.4) Loans and receivables

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

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

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

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

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

The return accrued on the financial assets disclosed in the table above was equivalent to an average interest rate of 3,62% in 2014 and of 5.65% in 2013.

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

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

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

11.5) Held to maturity investments

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

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

(1) Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 *"Basis of presentation"*).
(2) In 2014 this heading includes €2,125 million corresponding to repurchase agreements of Spanish government bond on maturity on January 2, 2015 (year-end 2013: €1,350 million due January 2, 2014).

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

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

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

(12) INVENTORIES

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

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

(1) Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 *"Basis of presentation"*).
(2) Includes provisions for inventory impairment losses of €225 million at year-end 2014 (year-end 2013: €36 million).

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

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

(13) TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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

(14) EQUITY

14.1) Share capital

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

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

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

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

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

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

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

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

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

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

(1) Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona holds its stake through CaixaBank, S.A. and Vidacaixa, S.A.
(2) Sacyr, S.A. holds its stake through Sacyr Participaciones Mobiliarias, S.L.
(3) Temasek holds its stake through its subsidiary, Chembra Investment PTE, Ltd.
(4) Blackrock holds its stake through several controlled subsidiaries, all of which subject to a vote syndication arrangement. The information pertaining to Blackrock is based on the declaration presented by the latter to the CNMV on June 25, 2014 regarding its shareholding as of that date.

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

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

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

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

(1) Exchanges or markets for which the Group has specifically applied for admission to trading. Other exchanges, markets or multilateral trading platforms on which the shares may be traded without having been specifically requested by the Group are not included.
(2) Repsol's American Depositary Shares (ADSs) are traded on the OTCQX, an OTC (over-the-counter) US trading platform.

14.2) Share premium

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

14.3) Reserves

Legal reserve

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

Other reserves

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

14.4) Own shares and own equity investments

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

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

(1) On March 4, 2013, investment group Singapur Temasek acquired 64.7 million of Repsol shares for €16.01 per share, implying a payment of €1,036 million to Repsol and a negative impact on equity in the first half of 2013 of €208 million.
(2) All of the shares acquired under the scope of the Share Acquisition Plan and the Loyalty Program are delivered to employees (see Note 23.d).
(3) New shares received under the "*Repsol Flexible Dividend*" scheme bonus share issues corresponding to treasury shares.
(4) In millions of euros.

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

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

14.5) Adjustments for changes in value

The heading includes:

Financial assets available for sale

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

Hedging transactions

It comprises the effective part, net of the related tax effect, of changes in the fair value of derivative instruments defined as cash flow hedges (see section 24 of Appendix IV and Note 18).

Translation differences

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

14.6) Shareholder remuneration

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

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

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

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

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

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

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

14.7) Earnings per share

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

	2014	2013
Net income attributable to the parent (millons of euros)	1,612	195
Net income attributable to the parent from discontinuing operations (millions of euros)	597	(684)
Weighted average number of shares outstanding (millions of shares)	1,374	1,363

EARNING PER SHARE (EPS) ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT (EUROS)	2014	2013
Basic (euros)		
EPS basic attributed to parent	1.17	0.14
EPS basic attributed to parent from discontinuing operations	0.43	-
Diluted (euros)		
EPS basic attributed to the parent	1.17	0.14
EPS basic attributed to the parent from discontinuing operations	0.43	-

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

14.8) Minority interests

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

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

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

(15) CURRENT AND NON CURRENT PROVISIONS

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

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

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

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

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

(4) See Note 4 *"Changes in the Group's composition"*.

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

(6) "*Other provisions*" include provisions recognized to cover obligations deriving mainly from tax claims, legal and arbitration proceedings, employee incentive awards, insurance policies and provisions corresponding to the Group's interests in other entities. Note 21 "Tax situation" and Note 29 "Contingencies, commitments and guarantees" provides additional information on these matters. In addition, this heading includes environmental provisions (see Note 30.2 "Environmental provisions"), the provisions recognized in respect of carbon emission allowances used (see Note 30.5 "CO_2 emissions"), as well as provisions for pension obligations in the amount of €24 million at December 31, 2014.

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

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

(16) FINANCIAL LIABILITIES

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

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

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

(2) Recognized in heading "*Other Payables*" of the balance sheet.

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

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

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

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

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

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

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

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

Level 1: Valuations based on a quoted price in an active market for an identical instrument.
Level 2: Valuations based on a quoted price in an active market for similar financial assets or based on other valuation techniques that rely on observable market inputs.
Level 3: Valuations based on inputs that are not directly observable in the market.

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

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

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

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

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

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

(1) Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 *"Basis of presentation"*).
(2) Series B and Series C preference shares of Repsol International Capital Ltd were early redeemed ahead in December 2014 (see section 16.2).

16.1) Bank borrowings

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

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

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

16.2) Bonds and other securities

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

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

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

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

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

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

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

Key issues, repurchases and redemptions carried out in 2014

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

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

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

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

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

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

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

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

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

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

Key issues, repurchases and repayments carried out in 2013

The Group completed the following issues in 2013:

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

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

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

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

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

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

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

Guaranteed debt security issues

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

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

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

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

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

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

16.3) Other financial liabilities

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

(17) FINANCIAL RISK AND CAPITAL MANAGEMENT

17.1) Financial risk management

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

17.1.1) Market risk

Market risk is the potential loss faced due to adverse movements in market variables. The Group is exposed to several types of market risks: exchange rate risk, interest rate risk and commodity risk.

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

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

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

a) Exchange rate risk

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

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

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

Effect of fluctuations in the euro against the dollar:

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

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

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

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

b) Interest rate risk

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

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

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

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

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

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

c) Commodity price risk

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

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

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

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

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

17.1.2) Liquidity risk

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

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

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

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

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

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

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

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

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

17.1.3) Credit risk

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

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

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

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

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

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

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

The maximum exposure to credit risk of the Group, according to the type of financial instruments and without excluding the amounts covered by guarantees and other arrangements mentioned below, is detailed below at December 31, 2014 and 2013:

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

(1) Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 *"Basis of presentation"*).
(2) At December 31, 2014 and 2013 the heading "*Non-current loans and receivables*" included loans granted to the Petersen Group to acquire its stake in YPF SA, which are fully impaired.

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

The Group's credit risk on trade receivables is not significantly concentrated as it is spread out among a large number of customers and other counterparties. The maximum net exposure to a third party, including official bodies and public sector entities, does not exceed 2%, and no single private client accumulates risk exposure of more than 1%.

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

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

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

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

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

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

17.2) Capital management

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

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

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

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

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

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

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

(1) Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 *"Basis of presentation"*).
(2) This heading excludes €1,590 and €1,417 million of current and non-current finance leases (see Note 19). In 2013 it included €84 million in preference shares which have been repurchased in 2014 (see Note 16).
(3) Net Capital employed includes that corresponding to discontinued operations.

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

(18) DERIVATIVE TRANSACTIONS

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

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

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

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

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

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

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

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

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

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

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

Accounting hedges

The most significant transactions correspond to:

- Interest rate financial swaps' cash flow hedging entered during the year 2014 to support future issues of financial instruments (see Note 33). Through this hedging, the Group pays an average interest rate of 1.693% and received EURIBOR 6 months. As of December 31, 2014, the notional of these operations amounted to €1,000 million, maturity in 2015 and a negative fair value of €86 million.

- Interest rate financial swaps' cash flow hedging (in dollars) related to the financing of the investment in GNL's project for Canaport, in Canada. Through these transactions the Group pays an average interest rate of 5.28% and received LIBOR 3 months. As of December 31, 2014, the notional of these operations amounted to €325 million, maturity later than 2019, and presented a negative fair value of €90 million. As of December 31, 2013, the notional amounted to €294 million, and presented a negative fair value of €58 million.

- The commodities prices' hedging arranged in 2014 corresponded to cash flow hedging in dollars. Its purpose was to cover the variability of gas prices during the winter of 2014-2015, and the maturity is less than a year. As of December 31, 2014, the notional of these operations amounted to €62 million (3,050,000 MBtu at an average price of $25/MBtu), and presented a fair value of €25 million.

Other derivative transactions

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

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

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

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

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

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

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

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

(19) OTHER NON-CURRENT LIABILITIES

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

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

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

(2) Includes the amounts associated to the CO_2 emission rights granted gratuitously (see Note 7).

19.1) Obligations under finance leases

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

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

Recognized as:	2014	2013
Non-current obligations under finance leases	1,414	1,263
Current obligations under finance leases	176	154
Total	**1,590**	**1,417**

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

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

- On May 15, 2006 the Group signed an agreement with Emera Brunswick Pipeline Company, Ltd. for the transportation of natural gas through a pipeline that connects the Canaport plant with the US border. The agreement has an initial term of 25 years (renewable for up to an additional 30 years). It came into effect in July 2009. At December 31, 2014 and 2013, the amount recognized in this heading was $477 million (€393 million) and $498 million (€361 million), respectively.

- In addition, on April 21, 2006 the Group signed an agreement with Maritimes & North East Pipeline for the transportation of Canadian natural gas from the Canadian border to Dracut for an initial term of 25 years (renewable for up to an additional 30 years). The agreement became effective in March 2009. The corresponding liability recognized in this heading at year end 2014 and 2013 amounted to $1,212 million (€999 million) and $1,233 million (€894 million), respectively.

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

19.2) Guarantees and deposits

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

(20) TRADE PAYABLES AND OTHER PAYABLES

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

	Millions of euros	
	2014	2013 [1]
Trade payables	**2,350**	**2,588**
Obligations under finance leases (Note 19)	176	154
Tax Payables	548	576
Derivative financial instruments (Note18)	144	85
Others	2,534	2,299
Other payables	**3,402**	**3,114**
Income tax payables	**165**	**135**
Total	**5,917**	**5,837**

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

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

Information regarding deferrals of payments settled with suppliers.

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

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

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

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

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

(21) TAX SITUATION

Corporate income tax

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

a) In Spain

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

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

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

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

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

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

b) Other countries

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

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

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

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

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

Accrued income tax expense

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

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

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

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

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

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

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

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

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

Deferred taxes

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

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

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

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

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

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

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

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

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

Administrative and legal proceedings with tax implications

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

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

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

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

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

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

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

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

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

Bolivia

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

Brazil

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

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

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

Canada

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

Ecuador

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

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

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

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

Spain

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

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

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

Trinidad and Tobago

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

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

(22) OPERATING REVENUES AND EXPENSES

Sales and services rendered and other income

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

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

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

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

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

Income includes the following items:

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

(1) Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 *"Basis of presentation"*).
(2) Includes the reversal of a €179 million impairment loss that had been recognized in respect of the Canaport regasification plant and gas pipelines.

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

Mentioned expenses include the following items:

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

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

Other operating income

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

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

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

Supplies

This heading includes the following items:

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

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

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

Personnel expenses

“Personnel expenses” heading includes the following items:

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

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

Other operating expenses

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

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

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

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

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

(23) PERSONNEL OBLIGATIONS

a) Defined contribution pension plans

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

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

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

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

b) Defined benefit pension plans

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

c) Medium and long-term incentive plan.

The company has implemented a loyalty building program aimed at senior executives and other persons occupying positions of responsibility in the Group, consisting of medium/long-term incentives as part of their benefit package. The purpose of this program is to strengthen the identification of executives and managers with shareholders' interests, based on the company's medium and long-term earnings sustainability as well as the compliance with the Strategic Plan, while at the same time facilitating the retention by the Group of key personnel.

At year end, the 2011-2014, 2012-2015, 2013-2016 and 21014-2017 incentive programs were in force. The 2010-2013 plan was closed, as originally stipulated, on December 31, 2013 and its beneficiaries perceived their bonuses during 2014.

The four plans of this type in force (2011-2014, 2012-2015, 2013-2016 and 2014-2017 incentive plans) are independent of each other but their main characteristics are the same. All four are specific pluri-annual remuneration plans covering the stated years. Each plan is tied to the Group attaining a series of strategic objectives. Fulfillment of the respective objectives entitles the beneficiaries of each plan to receive an amount of variable remuneration at medium term in the first quarter of the year following the last year of the plan. However, in each case, receipt of this incentive payment is tied to the beneficiary remaining in the Group's employ until December 31 of the last year of the plan, except in the special cases envisaged in the terms and conditions of the related plan.

In all cases, the pluri-annual incentive payment, if received, will consist of an amount determined at the time the incentive is granted, to which a first variable coefficient will be applied on the basis of the extent to which the objectives set are achieved, which will be then multiplied by a second variable coefficient tied to the beneficiary's average individual performance under the Target Management scheme during the years used for benchmarking under each incentive program.

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

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

d) Share-based payment plans

i.) "Loyalty Program"

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

In order to simplify execution of the Loyalty Program, it has been determined that, only beneficiaries of the pluri-annual incentive schemes can be beneficiaries of the loyalty programs and the maximum amount they can invest upfront under the Loyalty Program has been set at 50% of the pre-tax bonus received by each beneficiary under the corresponding pluri-annual incentive scheme. Beneficiaries must purchase their shares by May 31 of each calendar year at the latest.

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

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

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

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

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

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

ii.) Share Acquisition Plan

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

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

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

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

The shares to be delivered under both schemes i) and ii) may be sourced from Repsol's directly or indirectly held treasury shares, new-issued shares or from third party entities with whom the Group has entered into agreements to guarantee coverage of the commitments assumed.

(24) FINANCE INCOME AND EXPENSES

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

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

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

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

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

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

(25) NET INCOME FROM DISCONTINUED OPERATIONS

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

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

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

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

(26) CASH FLOW FROM OPERATING ACTIVITIES

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

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

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

(27) INFORMATION ON RELATED PARTY TRANSACTIONS

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

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

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

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

(1) Data prior to the close of the scrip issue detailed in section 14.1 "*Share capital*".
(2) Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona holds its interest through CaixaBank, S.A. and Vidacaixa, S.A.
(3) Sacyr, S.A. holds its shareholding through Sacyr Participaciones Mobiliarias, S.L.
(4) Temasek holds its investment through its subsidiary, Chembra Investment PTE, Ltd.

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

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

b. Executives and directors: includes members of the Board of Directors and of the Executive Committee.

c. People or Group Companies: includes transactions with Group companies or entities for the part not eliminated in the consolidation process, corresponding mainly to transactions undertaken with companies consolidated using the equity method.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

28.1) Remuneration of the members of the Board of Directors

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

a) Due to membership of the Board

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

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

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

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

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

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

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

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

(1) Mr. Imaz was appointed to the Board of Directors of Repsol, S.A. and its Delegate Committee on April 30, 2014.
(2) Mr. Echenique stepped down from the Delegate Committee and was appointed to the Strategy, Investment and Corporate Social Responsibility Committee on April 30, 2014.
(3) Pemex Internacional España, S.A. presented its resignation from the Board of Directors of Repsol, S.A. and its Strategy, Investment and Corporate Social Responsibility Committee on June 4, 2014.
(4) Ms. Beato resigned from the Board of Directors of Repsol, S.A. and its Audit and Control Committee on April 30, 2014.

Additionally, it should also be noted that:

- The members of the Board of Directors of the parent company have not been granted any loans or advances by any Group company, joint agreement or associate.

- The non-executive Directors only receive the fixed remuneration indicated in the table above and are excluded from the schemes financed by the Company to provide coverage in the event of termination, death or other developments and from the Company's short and long term performance-based bonus schemes.

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

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

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

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

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

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

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

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

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

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

d) Due to civil liability insurance premiums

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

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

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

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

28.2) Indemnity payments to executives

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

28.3) Other transactions with directors

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

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

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

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

28.4) Remuneration of executives

a) Scope

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

The information included in this Note relates to the seven people who have been members of the Executive Committee of the Group in 2014[2], excluding, unless stated otherwise, those who are also members of the Board of Directors of Repsol, S.A., since the information relating to them is disclosed in the paragraph 1) of this note.

b) Wages and salaries

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

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

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

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

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

c) Executive welfare plan

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

d) Pension fund and insurance premiums

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

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

e) Advances and loans granted

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

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

28.5) Indemnity payments to executives

The executive officers to which this note is referred to (see Section 4 of this Note) have, in their respective contracts, the right to receive a compensation in the event of termination of their relationship with the company, provided that the termination was not due to a breach of obligations of the such management member, due to retirement, handicap or the employee's voluntary withdrawal not founded in some of the compensable assumptions gathered in the mentioned contracts.

Those compensations shall be recognized as a provision and a personnel expense only when the termination of the relationship between the executive and the Group is due to a reason that entitled him or her to such perception. The Group has a collective insurance policy contracted which aims to guarantee the payment of such compensations to the executive officers to which this Note is referred to (see Section 4 above), including the General Counsel and Secretary Director.
No executive officer received any indemnity payment from Repsol in 2014.

28.6) Other transactions with executive officers

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

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

(29) CONTINGENCIES, COMMITMENTS, AND GUARANTEES

29.1) Legal and arbitration proceedings

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

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

Argentina

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

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

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

United States of America

The Passaic River and Newark Bay lawsuit.

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

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

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

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

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

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

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

Ecuador

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

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

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

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

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

Spain

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

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

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

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

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

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

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

29.2) Contractual commitments

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

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

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

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

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

deliveries starting in 2017, one of which was entered into with the Gas Natural Fenosa Group. In Spain it includes the commitment contractually assumed in 2013 with Gas Natural Fenosa for the supply of natural gas to Repsol's refineries.

(3) Includes primarily capital commitments in Algeria, Peru, Venezuela, Angola and Bolivia amounting to €602, 285, 229, 228 and €222 million, respectively.

(4) Operating lease expenses recognized at December 31, 2014 amount to €308 million (€296 million at year-end 2013).

(5) Corresponds mainly to commitments under service stations leases amounting to €881 million.

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

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

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

(1) Mainly includes commitments to sell oil products (fuels, LPG and petrochemical products) in Spain and Peru in the amount of €6,682 million and €1,954 million, respectively.

(2) Primarily includes natural gas sale commitments in Algeria (€1,989 million) and Peru (€1,667 million).

(3) Mainly includes the execution of oil and gas transactions in Bolivia under the terms of the Operating Agreements signed by Repsol E&P Bolivia, S.A (see Appendix III).

29.3) Guarantees

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

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

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

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

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

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

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

(30) ENVIRONMENTAL INFORMATION

The criteria used to measure environmental costs are established in the "Repsol Safety and Environmental Costs Guide," which adapts the American Petroleum Institute (API) guidelines to the Group's operations and technical approach.

It is important to note in this regard that the traditional "bottom-line" solutions for reducing environmental impact are gradually giving way to preventive measures built into processes right from the time the facilities are designed. This sometimes requires the identification of environmental assets through a system of coefficients applied to investment projects and the related property, plant and equipment, per the guidelines expressed in the aforementioned Guide.

30.1) Environmental Assets

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

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

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

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

Among the most significant environmental investments made in 2014, it is worth highlighting the ones dedicated to improving environmental quality of petroleum products, increasing energy saving and efficiency, improving contingency systems and spill prevention systems, optimizing water consumption, reducing landfill waste pollution and minimizing emissions.

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

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

30.2) Environmental provisions

Repsol recognizes the provisions required to cover the measures aimed at preventing and repairing environmental impact. These provisions are estimated on the basis of technical and economic criteria and are classified under "*Provisions for risks and current and non-current environmental expenses*" under the "Other provisions" column in the table reconciling the movement in provisions in Note 15.

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

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

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

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

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

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

30.3) Environmental Expenses

In 2014 and 2013 environmental expenses amounted to €128 million and €133 million respectively, classified as "*Supplies*" and "*Other operating expenses*." These expenses include €54 million of expenses for the allowances needed to cover CO_2 emissions made in each of 2014 and 2013, although the net impact on the income statement was a net expense of €11 million and €9 million, respectively.

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

30.4) Applicable Framework

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

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

We also continue to highlight the potential impact of:

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

30.5) CO_2 emissions

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

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

(1) Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 *"Basis of presentation"*).
(2) Corresponds to the expense incurred to acquire the allowances needed to cover the Group's carbon emissions.
(3) In 2014 and 2013, corresponds to the derecognition of allowances used to cover emissions made in 2013 and 2012, respectively (see Note 7).

During 2014 and 2013 the companies comprising the consolidation scope recognized emission allowances allocated free of charge under the Spanish National Allocation plan equivalent to €9 million tons of CO_2 respectively, measured at €43 and €60 million, (see Note 7).

In 2013, the value of the Group's emission allowances written down for impairment by €16 million, a charge which was offset almost in full by the recognition of deferred income corresponding to the emission allowances received free of charge. The net total impact of the CO_2 management effort, including the gains/losses on the portfolio of allowances held for trading, equated to income of €39 million in 2014 and an expense of €41 million in 2013.

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

(31) STAFF

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

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

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

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

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

(1) Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 *"Basis of presentation"*).
(2) Does not include employees with annual working hours of 20% or less of those stipulated in the collective bargaining agreements.

(32) FEES PAID TO THE AUDITORS

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

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

(33) SUBSEQUENT EVENTS

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

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

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

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

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

(34) EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

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

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

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

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

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

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

(2) Percentage related to the ownership interest of parent companies in the subsidiary.
(3) Relates to data of the individual companies, except in the cases specifically identified below, from the latest financial statements approved by the Shareholders in General Meeting (in general, data at December 31, 2013), prepared in accordance with generally accounting principles prevailing in their corresponding jurisdictions. The equity of companies whose functional currency is not the euro have been converted using the year-end exchange rate. The amounts have been rounded off (figures under half a million are shown as zero).
(4) Data relating to the consolidated financial statements.
(5) Companies incorporated in the Repsol Group in the year 2014.
(6) Data corresponding to the financial statements closed at March 31, 2014.
(7) Parent of a group comprised of more than 300 companies; relevant information can be consulted in the consolidated financial statements of this company (www.portal.gasnatural.com).
(8) This company has a branch office domiciled in Liberia.
(9) This company owns 100% of Repsol Exploration Services, LTD, a company under liquidation domiciled in the Cayman Islands.
(10) This company is the parent of Hunt Pipeline Development Perú, LP, which in turn holds 100% of Hunt Pipeline Company of Peru, Ltd., a dormant company domiciled in the Cayman Islands in the process of liquidation sociedad inactiv
(11) Formerly called SKSOL Lube Base Oils, S.A.
(12) Formerly called Transierra, S.A.
(13) Formerly called Repsol Cuba, S.A.
(14) Formerly called Repsol New Energy Ventures, S.A.
(15)This company holds minority interests in the mutual reinsurance companies Oil Casual Insurance (4.4%) amd Oil Insurance, Ltd (1.09%), domiciled in Bermuda.
(16) Investments in joint arrangements that are either not articulated through a financial structure or vehicle that can be separately identified or, being so structured, such vehicle does not limit their rights to the assets or obligations for the liabilities relating to the arrangement.
These investments are held by the Group through investments in fully-consolidated subsidiaries.
(17) Data corresponding to the 2012 annual financial statements duly authorized for issue.

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

					31.12.14			31.12.13		
						% of Total Ownership			% of Total Ownership	
Name	**Country**	**Parent Company**	**Concept**	**Date**	**Consolidation method [1]**	**% of Direct Ownership**	**% of control [2]**	**Consolidation method [1]**	**% equity interest**	**% of control [2]**
Repsol Comercializadora de Gas, S.A.	Spain	Repsol Exploración, S.A.	Sale	ene-14	-	-	-	F.C.	100%	100%
Kuosol Agrícola S.A.P.I. de C.V.	Mexico	Kuosol S.A.P.I. de C.V.	Sale	ene-14	-	-	-	(4)	50.00%	100%
Repsol Angostura, Ltd.	Trinidad & Tobago	Repsol Exploración, S.A.	Constitution	feb-14	F.C.	100%	100%	-	-	-
Empresa Petrolera Maxus Bolivia, S.A.	Bolivia	Repsol Bolivia, S.A.	Absorption	feb-14	-	-	-	F.C.	100%	100%
Repsol Trading Perú, S.A.C.	Peru	Repsol Trading, S.A.	Constitution	mar-14	F.C.	100%	100%	-	-	-
Transportadora de Gas del Perú, S.A. (TGP) [3]	Peru	Hunt Pipeline Company of Perú, Ltd.	Sale	mar-14	-	-	-	E.M.	10.00%	22.38%
Repsol YPF Trading y Transportes Singapur, Ltd.	Cayman Islands	Repsol Trading, S.A.	Liquidation	abr-14	-	-	-	F.C.	100%	100%
Orisol, Corporación Energética, S.A.	Spain	Repsol Nuevas Energías, S.A.	Sale	may-14	-	-	-	(4)	46.81%	46.81%
Alsugas Gaviota, S.L.	Spain	Repsol Tesorería y Gestión Financiera, S.A.	Acquisition	may-14	F.C.	100%	100%	-	-	-
Repsol St. John LNG, S.L.	Spain	Repsol LNG Holdings, S.A.	Constitution	jun-14	F.C.	100%	100%	-	-	-
Repsol Trading Singapore Pte, Ltd.	Singapur	Repsol Trading, S.A.	Constitution	jun-14	F.C.	100%	100%	-	-	-
Algaenergy, S.A.	Spain	Repsol Nuevas Energías, S.A.	Sale	jun-14	-	-	-	(4)	20.02%	20.02%
Tocardo International B.V.	Netherlands	Repsol New Energy Ventures, S.A.	Sale	jul-14	-	-	-	E.M.	20.34%	20.34%
YPFB Andina, S.A.	Bolivia	Repsol Bolivia, S.A.	Decrease shareholding	ago-14	P.C.	48.33%	48.33%	(4)	48.92%	48.92%
Ibilek Car-Sharing Vehículo Eléctrico, S.A.	Spain	Ibil, Gestor de Carga de Vehículo Eléctrico, S.A.	Absorption	sep-14	-	-	-	(4)	50.00%	100%
Saint John Gas Marketing Company	USA	Repsol St. John LNG, S.L.	Constitution	sep-14	F.C.	100%	100%	-	-	-
Repsol Libreville, S.A. avec A.G.	Gabon	Repsol Exploración, S.A.	Constitution	sep-14	F.C.	100%	100%	-	-	-
Saint John LNG Development Company, Ltd.	Canada	Repsol St. John LNG, S.L.	Constitution	sep-14	F.C.	100%	100%	-	-	-
Air Miles España, S.A.	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Decrease shareholding	sep-14	E.M.	24.16%	25.00%	E.M.	25.78%	26.67%
Noroil, S.A.	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Absorption	oct-14	-	-	-	F.C.	96.67%	100%
Repsol Exploración Colombia COL-4, S.A.	Spain	Repsol Exploración, S.A.	Constitution	oct-14	F.C.	100%	100%	-	-	-
Repsol Exploración Nicaragua, S.A.	Spain	Repsol Exploración, S.A.	Constitution	nov-14	F.C.	100%	100%	-	-	-
Calio Holdings, Llc.	USA	Repsol Exploración Venezuela, B.V.	Liquidation	dic-14	-	-	-	F.C.	100%	100%
Societat Catalana de Petrolis, S.A. (PETROCAT)	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Increase shareholding	dic-14	F.C.	87.20%	90.00%	E.M.	43.69%	45.00%
Neol Biosolutions, S.A.	Spain	Repsol New Energy Ventures, S.A.	Sale	dic-14	-	-	-	(4)	50.00%	50.00%
TAPBC Acquisition, Inc.	Canada	Repsol Exploración, S.A.	Constitution	dic-14	F.C.	100%	100%	-	-	-
Windplus, S.A.	Portugal	Principle Power, Inc.	Increase shareholding	dic-14	P.C.	22.56%	91.28%	(4)	23.73%	70.62%
Principle Power, Inc.	USA	Repsol New Energy Ventures, S.A.	Decrease shareholding	dic-14	P.C.	24.71%	24.71%	(4)	33.61%	33.61%
Repsol Lubrificantes e Especialidades Brasil Participaçoes, Ltda.	Brazil	Repsol Lubricantes y Especialidades, S.A.	Constitution	dic-14	F.C.	100%	100%	-	-	-
Gas Natural Group Companies (several companies) [5]		**Gas Natural SDG, S.A.**								

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

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

(3) See Note 4.

(4) Investments in joint arrangements that are either not articulated through a financial structure or vehicle that can be separately identified or, being so structured, such vehicle does not limit their rights to the assets or obligations for the liabilities relating to the arrangement. These investments are held by the Group through investments in fully-consolidated subsidiaries.

(5) In 2014 the Gas Natural Fenosa Group's scope of consolidation (Note 9) changed as a result of additions, derecognitions and increased and decreased shareholdings in investees (see the 2014 consolidated financial statements of Gas Natural Fenosa).

APPENDIX Ib: MAIN CHANGES IN THE CONSOLIDATION SCOPE FOR THE YEAR ENDED DECEMBER 31, 2013

					31.12.13			31.12.12		
						% of Total Ownership			% of Total Ownership	
Name	Country	Parent Company	Concept	Date	Consolidation method [3]	% of Direct Ownership	% of control [4]	Consolidation method [3]	% equity interest	% of control [4]
Pacific LNG Bolivia, S.A.	Bolivia	Repsol Bolivia, S.A.	Liquidation	ene-13	-	-	-	EM	37.50%	37.50%
Tocardo International B.V.	Netherlands	Repsol New Energy Ventures, S.A.	Acquisition	ene-13	EM	20.34%	20.34%	-	-	-
Eurotek	Russia	AR Oil & Gas BV	Decrease shareholding	ene-13	FC	49.01%	100%	FC	100%	100%
MC ALREP, Llc.	Russia	AR Oil & Gas BV	Acquisition	feb-13	FC	49.01%	100%	-	-	-
Kuosol Servicios, S.A. de C.V.	Mexico	Kuosol S.A.P.I. de C.V.	Absorption	feb-13	-	-	-	FC	49.99%	99.98%
Repsol Exploración Gharb, S.A.	Spain	Repsol Exploración, S.A.	Constitution	mar-13	FC	100%	100%	-	-	-
Principle Power Inc.	USA	Repsol New Energy Ventures, S.A.	Acquisition	mar-13	FC	33.61%	33.61%	-	-	-
Principle Power Portugal Unipessoal, Lda.	Portugal	Principle Power Inc.	Acquisition	mar-13	FC	100%	33.61%	-	-	-
Principle Power (Europe), Ltd.	United Kingdom	Principle Power Inc.	Acquisition	mar-13	FC	100%	33.61%	-	-	-
Windplus, S.A.	Portugal	Principle Power Inc.	Decrease shareholding	abr-13	FC	23.73%	70.62%	FC	30.95%	30.95%
Repsol Exploración Guyana, S.A.	Spain	Repsol Exploración, S.A.	Constitution	jun-13	FC	100%	100%	-	-	-
Air Miles España, S.A.	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Increase shareholding	jun-13	EM	25.78%	26.67%	EM	21.75%	22.50%
SC Repsol Targu Jiu SRL	Romania	Repsol Exploración, S.A.	Constitution	jul-13	FC	100%	100%	-	-	-
SC Repsol Baicoi SRL	Romania	Repsol Exploración, S.A.	Constitution	jul-13	FC	100%	100%	-	-	-
SC Repsol Targoviste SRL	Romania	Repsol Exploración, S.A.	Constitution	jul-13	FC	100%	100%	-	-	-
SC Repsol Pitesti SRL	Romania	Repsol Exploración, S.A.	Constitution	jul-13	FC	100%	100%	-	-	-
Repsol Exploración Cendrawasih I, B.V	Netherlands	Repsol Exploración, S.A.	Constitution	jul-13	FC	100%	100%	-	-	-
Repsol Exploración Gorontalo, B.V.	Netherlands	Repsol Exploración, S.A.	Constitution	jul-13	FC	100%	100%	-	-	-
Repsol Exploración Numfor, B.V.	Netherlands	Repsol Exploración, S.A.	Constitution	jul-13	FC	100%	100%	-	-	-
Algaenergy	Spain	Repsol Nuevas Energías, S.A.	Increase shareholding	jul-13	PC	20.02%	20.02%	FC	20.01%	20.01%
San Andrés Park S.L	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Acquisition	sep-13	FC	96.67%	100%	-	-	-
Bahía Bizkaia Electricidad, S.L. [1]	Spain	Repsol, S.A.	Sale	oct-13	-	-	-	FC	25.00%	25.00%
Albatros S.a.R.L.	Luxembourg	Repsol, S.A.	Constitution	nov-13	FC	100%	100%	-	-	-
Repsol - Gas Natural LNG, S.L.	Spain	Gas Natural SDG, S.A.	Sale	dic-13	-	-	-	FC	65.00%	100%
Perú LNG Company Llc. [1]	USA	LNG Shipping Operation Services Netherland, B.V.	Sale	dic-13	-	-	-	EM	20.00%	20.00%
Perú LNG, S.R.L. [1]	Peru	Perú LNG Company, Llc.	Sale	dic-13	-	-	-	EM	20.00%	20.00%
Atlantic 1 Holdings, Llc. [1]	USA	Repsol LNG Port Spain, B.V.	Sale	dic-13	-	-	-	EM	20.00%	20.00%
Atlantic 2/3 Holdings Llc. [1]	USA	Repsol LNG Port Spain, B.V.	Sale	dic-13	-	-	-	FC	25.00%	25.00%
Atlantic 4 Holdings Llc. [1]	USA	Repsol LNG Port of Spain, B.V.	Sale	dic-13	-	-	-	EM	22.22%	22.22%
Atlantic LNG 2/3 Company of Trinidad&Tobago, Unlimited [1]	Trinidad & Tobago	Atlantic 2/3 Holdings Llc.	Sale	dic-13	-	-	-	FC	25.00%	100%
Atlantic LNG 4 Company of Trinidad&Tobago, Unlimited [1]	Trinidad & Tobago	Atlantic 4 Holdings Llc.	Sale	dic-13	-	-	-	EM	22.22%	100%
Atlantic LNG Co. of Trinidad&Tobago [1]	Trinidad & Tobago	Atlantic 1 Holdings, Llc.	Sale	dic-13	-	-	-	EM	20.00%	100%
Repsol LNG T&T, Ltd. [1]	Trinidad & Tobago	Repsol LNG Port Spain, B.V.	Sale	dic-13	-	-	-	FC	100%	100%
Repsol LNG Port of Spain, B.V. [1]	Netherlands	Netherlands ALNG Holding Company, B.V.	Sale	dic-13	-	-	-	FC	100%	100%
LNG Shipping operation services netherlands B.V. [1]	Netherlands	Repsol Exploración, S.A.	Sale	dic-13	-	-	-	FC	100%	100%
Netherlands ALNG Holding Company B.V. [1]	Netherlands	Repsol International Finance, B.V.	Sale	dic-13	-	-	-	FC	100%	100%
Gas Natural Group companies (several companies) [2]		Gas Natural SDG, S.A.								

(1) Companies forming part of the scope of the sale to Shell of the Group's LNG assets and businesses. Bahía Bizkaia Electricidad, S.L. was ultimately sold to BP (Note 31)
(2) The consolidation scope of the Gas Natural Fenosa group changed in 2013, with new companies consolidated, others deconsolidated and increases and decreases in existing shareholdings; none of these changes has a significant impact on the Group's financial statements.
(3) Consolidation Method:
F.C. Full consolidation
P.C. Proportionate Consolidation
E.M. Equity Method
(4) Percentage corresponding to the Parent Company's ownership in the subsidiairy.

APPENDIX II: Joint Operations for the year ended December 31, 2014

Name	% Ownership interest (1)	Operator	Activity
Angola			
Block 22	42.86%	Repsol Angola 22 B.V. (sucursal)	Exploration
Block 35	35.71%	ENI West Africa SPA	Exploration
Block 37	28.57%	ConocoPhillips Angola 37 Ltd	Exploration
Algeria			
TFT	30.00%	Groupement TFT	Exploration and Production
Issaouane (TFR)	59.50%	Repsol Exploration Argelia - Sonatrach	Exploration and Production
Reggane	26.25%	Groupement Reggane	Exploration and Production
Sud Est Illizi	52.50%	Repsol Exploration Argelia S.A.	Exploration and Production
Aruba			
Aruba offshore block	35.00%	Repsol Aruba, B.V.	Exploration
Australia			
Block WA48	55.00%	BHP BP	Exploration
Bolivia			
Block San Alberto (2)	50.00%	Petrobras Bolivia S.A.	Exploration and Production
Block San Antonio (2)	50.00%	Petrobras Bolivia S.A.	Exploration and Production
Block Monteagudo (2)	20.00%	Repsol E&P Bolivia S.A.	Exploration and Production
Planta de Compresión de Gas Rio Grande (2)	50.00%	YPFB Andina S.A.	Exploration and Production
Block Charagua	30.00%	Repsol E&P Bolivia S.A.	Exploration
Block Caipipendi	37.50%	Repsol E&P Bolivia S.A.	Exploration and Production
Block Monteagudo	30.00%	Repsol E&P Bolivia S.A.	Exploration and Production
Brazil (3)			
Albacora Leste	10.00%	Petrobras	Production
BM-C-33	35.00%	Repsol Sinopec Brasil S.A.	Exploration
BM-ES-21	10.00%	Petrobras	Exploration
BM-S-50	20.00%	Petrobras	Exploration
BM-S-51	20.00%	Petrobras	Exploration
BM-S-7	37.00%	Petrobras	Exploration
BM-S-9	25.00%	Petrobras	Exploration
Cabiunas	15.00%	Petrobras	Exploration and Production
Floating LNG	16.33%	Petrobras	Exploration and Production
Bulgaria			
Han Asparuh	30.00%	TOTAL	Exploration
Canada			
Canaport LNG Limited Partnership	75.00%	Repsol Canadá Ltd	LNG Regasification
Colombia			
Cravo Norte (4)	22.50%	OXYCOL	Production
Cosecha (4)	70.00%	OXYCOL	Production
Chipirón (4)	35.00%	OXYCOL	Production
Rondón (4)	25.00%	OXYCOL	Production
Capachos	50.00%	Repsol Exploration Colombia Sucursal	Abandoned
El Queso	50.00%	Repsol Exploration Colombia Sucursal	Abandoned
Guajira OFF-1	50.00%	Repsol Exploration Colombia Sucursal	Exploration
Cebucan	20.00%	Petrobras	Exploration
Catleya	50.00%	Ecopetrol	Exploration
Tayrona	30.00%	Petrobras	Exploration
RC11	50.00%	Repsol Exploration Colombia Sucursal	Exploration
RC12	50.00%	Repsol Exploration Colombia Sucursal	Exploration
Guadual	20.00%	Petrobras	Abandoned
Orquidea	40.00%	Hocol	Abandoned
COL-4	34.34%	Repsol	Exploration
Cuba			
Block 25-29 y 35*36	40.00%	Repsol Cuba Sucursal	Exploration
Ecuador			
Block 16	35.00%	Repsol Ecuador S.A.	Exploration and Production
Block Tivacuno	35.00%	Repsol Ecuador S.A.	Exploration and Production
USA			
Midcontinent	13.44%	Sandridge	Development
Midcontinent	6.38%	Cummings Oil	Development
Midcontinent	5.92%	Empire	Development
Midcontinent	4.75%	Veritas Energy	Development
Midcontinent	4.69%	PetroQuest	Development
Midcontinent	4.43%	Chesapeake	Development
Midcontinent	4.00%	Coffeyville Resources	Development
Midcontinent	3.80%	Fairway Resources	Development

Name	% Ownership [1]	Operator	Activity
Midcontinent	3.56%	Red Fork	Development
Midcontinent	3.32%	Eagle Exploration	Development
Midcontinent	3.22%	Plymouth	Development
Midcontinent	2.96%	Range Resources	Development
Midcontinent	2.37%	Chaparral	Development
Midcontinent	2.20%	Atlas Resource	Development
Midcontinent	2.03%	Primexx	Development
Midcontinent	1.76%	D & J Oil	Development
Midcontinent	1.30%	HighMount	Development
Midcontinent	1.29%	Enervest Operating	Development
Midcontinent	1.03%	Midstates	Development
Midcontinent	0.70%	Devon	Development
Midcontinent	0.60%	Comanche	Development
Midcontinent	0.08%	Equal Energy	Development
Midcontinent	0.07%	Wicklund	Development
Midcontinent	0.04%	Triad Energy	Development
Midcontinent	0.01%	Cisco	Development
Alaska	70.00%	Repsol E&P USA Inc	Exploration
Shenzi GOM	28.00%	BHPBilliton	Development
Buckskin GOM	12.50%	Chevron	Exploration
Key Largo	40.00%	Marathon	Exploration
Leon	60.00%	Repsol E&P USA Inc	Exploration
Tiger	12.50%	Chervron USA Inc.	Exploration
Iowa	75.00%	Repsol Louisina Corporation	Exploration
Spain			
Albatros	82.00%	Repsol Investigaciones Petrolíferas, S.A.	Development
Angula	54.00%	Repsol Investigaciones Petrolíferas, S.A.	Development
Barracuda	60.00%	Repsol Investigaciones Petrolíferas, S.A.	Production
Boquerón	62.00%	Repsol Investigaciones Petrolíferas, S.A.	Production
Casablanca	67.00%	Repsol Investigaciones Petrolíferas, S.A.	Development
Casablanca Unit	69.00%	Repsol Investigaciones Petrolíferas, S.A.	Development and Production
Chipirón	98.00%	Repsol Investigaciones Petrolíferas, S.A.	Production
Fulmar	84.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Gaviota I y II	82.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Montanazo	75.00%	Repsol Investigaciones Petrolíferas, S.A.	Production
Rodaballo	69.00%	Repsol Investigaciones Petrolíferas, S.A.	Production
Siroco	60.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Bezana Bigüenzo	40.00%	Petroleum Oil & Gas España, S.A.	Exploration
Rodaballo Concesión	65.00%	Repsol Investigaciones Petrolíferas, S.A.	Development
Canarias	50.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Indonesia			
Seram PSC	45.00%	Black Gold Indonesia LLC	Exploration and Production
East Bula PSC	45.00%	Black Gold East Bula LLC	Exploration and Production
Cendrawasih Bay III	50.00%	NIKO Resources (Cendrawasih Bay III) Limited	Exploration and Production
Cendrawasih Bay IV	50.00%	NIKO Resources (Cendrawasih Bay IV) Limited	Exploration and Production
Cendrawasih I bay block	30.00%	Black Gold Cendrawasih L.L.C.	Exploration
Iraq			
Piramagrun and Qala Dze Blocks	50.00%	Repsol Oriente Medio SA (Suc Kurdistán)	Exploration
Qala Dze	50.00%	Repsol Oriente Medio SA (Suc Kurdistán)	Exploration
Irland			
Dunquin	25.00%	Exxon	Exploration
Newgrange	40.00%	Repsol Exploration Irlanda SA	Exploration
Liberia			
Block 10	10.00%	Anadarko	Exploration
Libya			
Epsa IV NC115	25.20%	Akakus Oil Operations	Exploration and Production
Epsa IV NC186	19.84%	Akakus Oil Operations	Exploration and Production
Epsa IV NC115 Exploration	40.00%	Repsol Exploracion Murzuq. S.A.	Exploration and Production
Epsa IV NC186 Exploration	32.00%	Repsol Exploracion Murzuq. S.A.	Exploration and Production
Pack 1	60.00%	Repsol Exploracion Murzuq. S.A.	Exploration and Production
Pack 3	35.00%	GDF	Exploration and Production
Area 137	50.00%	Sancor	Exploration and Production
Morocco			
Tánger Larrache	48.00%	Repsol Exploration Marruecos S.A.	Exploration
Mauritania			
TA09	70.00%	Repsol Exploration S.A.	Exploration
TA10	70.00%	Repsol Exploration S.A.	Exploration

Name	% Ownership interest (1)	Operator	Activity
Namibia			
Block 10	44.00%	Repsol Exploration Namibia PTY Ltd.	Exploration
Nicaragua			
Tyra	20.00%	Noble Energy Nicaragua LTD	Exploration
Isabel	20.00%	Noble Energy Nicaragua LTD	Exploration
Norway			
Licence PL528	6.00%	Centrica	Exploration
Licence PL529	10.00%	ENI Norge	Exploration
Licence PL541	35.00%	Repsol Exploration Norge	Exploration
Licence PL557	40.00%	OMV (Norge)	Exploration
Licence PL589	30.00%	Wintershall Norge	Exploration
Licence PL628	20.00%	Statoil	Exploration
Licence PL640	40.00%	Talisman	Exploration
Licence PL642	40.00%	Repsol Exploration Norge	Exploration
Licence PL644	20.00%	OMV (Norge)	Exploration
Licence PL656	20.00%	E.ON Rurhgas	Exploration
Licence PL658	50.00%	Dong	Exploration
Licence PL692	40.00%	Repsol Exploration Norge	Exploration
Licence PL704	30.00%	E.ON Rurhgas	Exploration
Licence PL705	40.00%	Repsol Exploration Norge	Exploration
Licence PL711	40.00%	Repsol Exploration Norge	Exploration
Licence PL721	20.00%	RWE Dea Norge	Exploration
Licence PL750	40.00%	RWE Dea Norge	Exploration
Licence PL763	40.00%	Repsol Exploration Norge	Exploration
Oman			
Zad-2	50.00%	RAK Petroleum	Exploration
Peru			
Batch 57	53.84%	Repsol Exploration Perú Sucursal del Perú	Exploration and Development
Batch 90	50.50%	Repsol Exploration Perú Sucursal del Perú	Exploration
Batch 56	10.00%	Pluspetrol Perú Corporation	Production
Batch 88	10.00%	Pluspetrol Perú Corporation	Production
Batch 76	35.00%	Hunt Oil Company of Perú LLC Sucursal del Perú	Exploration
Batch 103	30.00%	Talisman Petrolera del Perú LLC Sucursal del Perú	Exploration
Batch 109	70.00%	Repsol Exploration Perú Sucursal del Perú	Exploration
Batch 101	30.00%	Talisman Petrolera del Perú LLC Sucursal del Perú	Abandoned
Portugal			
Lagosta	90.00%	Repsol Exploration S.A. (sucursal Portugal)	Exploration
Lagostim	90.00%	Repsol Exploration S.A. (sucursal Portugal)	Exploration
Ostra	65.00%	Repsol Exploration S.A. (sucursal Portugal)	Exploration
Mexilhão	65.00%	Repsol Exploration S.A. (sucursal Portugal)	Exploration
Ameijoa	65.00%	Repsol Exploration S.A. (sucursal Portugal)	Exploration
Camarão	65.00%	Repsol Exploration S.A. (sucursal Portugal)	Exploration
Licence	70.00%	Repsol Exploration S.A. (sucursal Portugal)	Exploration
Romania			
Block 13 Targu Jiu	49.00%	OMV Petrom	Exploration
Baicoi 6000	49.00%	OMV Petrom	Exploration
Targoviste Piscuri Deep	49.00%	OMV Petrom	Exploration
Block 12 Pitesti	49.00%	OMV Petrom	Exploration
Sierra Leone			
SL6	25.00%	Anadarko S.L.	Exploration
SL7	25.00%	Anadarko S.L.	Exploration
Trinidad			
Block 5B	30.00%	BP	Exploration
Venezuela			
Yucal Placer	15.00%	Ypergas	Exploration and Production

NOTE: Does not include the joint ventures managed through the Gas Natural Fenosa Group. That information can be found in that Group's consolidated annual financial statements (www.portal.gasnatural.com)

(1) Corresponds to the shareholding that the ownership company holds of the asset involved in the operation.
(2) Activities or assets operated through YPFB Andina, S.A., joint control company with a participation of the 48.33%.
(3) Activities or assets operated through Repsol Sinopec Brasil, S.A., joint control company with a participation of the 60%.
(4) Activities or assets operated through Occidente de Colombia L.L.C., joint control company with a participation of the 25%.

APPENDIX II: Joint Operations for the year ended December 31, 2013

Name	% Ownership interest (1)	Operator	Activity
Angola			
Block 22	42.86%	Repsol Angola 22 B.V. (sucursal)	Exploration
Block 35	35.71%	ENI West Africa SPA	Exploration
Block 37	28.57%	ConocoPhillips Angola 37 Ltd	Exploration
Algeria			
TFT	30.00%	Groupement TFT	Exploration and production
Issaouane (TFR)	59.50%	Repsol Exploración Argelia - Sonatrach	Exploration and production
Reggane	26.25%	Groupement Reggane	Exploration and production
Sud Est Illizi	52.50%	Repsol Exploración Argelia S.A.	Exploration and production
Bolivia			
Block San Alberto (2)	50.00%	Petrobras Bolivia S.A.	Exploration, development and pr
Block San Antonio (2)	50.00%	Petrobras Bolivia S.A.	Exploration, development and pr
Block Monteagudo (2)	20.00%	Petrobras Bolivia S.A.	Exploration, development and pr
Planta de Compresión de Gas Rio Grande (2)	50.00%	YPFB Andina S.A.	Exploration, development and pr
Block Charagua	30.00%	Repsol E&P Bolivia S.A.	Exploration
Block Caipipendi	37.50%	Repsol E&P Bolivia S.A.	Exploration, development and pr
Block Monteagudo	30.00%	Repsol E&P Bolivia S.A.	Exploration, development and pr
Brazil (3)			
Albacora Leste	10.00%	Petrobras	Production
BM-C-33	35.00%	Repsol Sinopec Brasil S.A.	Exploration
BM-ES-21	10.00%	Petrobras	Exploration
BM-S-50	20.00%	Petrobras	Exploration
BM-S-51	20.00%	Petrobras	Exploration
BM-S-7	37.00%	Petrobras	Exploration
BM-S-9	25.00%	Petrobras	Exploration
Cabiunas	15.00%	Petrobras	Gas
Floating LNG	16.33%	Petrobras	Gas
Bulgaria			
Han Asparuh	30.00%	OMV Offshore	Exploration
Canada			
Canaport LNG Limited Partnership	75.00%	Repsol Canadá Ltd	LNG Regasification
Colombia			
Cravo Norte (4)	22.50%	OXYCOL	Production
Cosecha (4)	70.00%	OXYCOL	Production
Chipirón (4)	35.00%	OXYCOL	Production
Rondon (4)	35.00%	OXYCOL	Production
Capachos	50.00%	Repsol Exploración Colombia Sucursal	Abandoned
El Queso	50.00%	Repsol Exploración Colombia Sucursal	Abandoned
Guajira OFF-1	50.00%	Repsol Exploración Colombia Sucursal	Exploration
Cebucan	20.00%	PETROBRAS	Exploration
Catleya	50.00%	ECOPETROL	Exploration
Tayrona	30.00%	PETROBRAS	Exploration
RC11	50.00%	Repsol Exploración Colombia Sucursal	Exploration
RC12	50.00%	Repsol Exploración Colombia Sucursal	Exploration
Guadual	20.00%	PETROBRAS	Abandoned
Orquidea	40.00%	HOCOL	Abandoned
Cuba			
Block 25-29 y 35*36	40.00%	Repsol YPF Cuba S.A	Exploration
Ecuador			
Block 16	35.00%	Repsol Ecuador S.A.	Exploration and production
Block Tivacuno	35.00%	Repsol Ecuador S.A.	Exploration and production
Spain			
Albatros	82.00%	Repsol Investigaciones Petrolíferas S.A.	Development
Angula	53.85%	Repsol Investigaciones Petrolíferas S.A.	Development
Barracuda	60.21%	Repsol Investigaciones Petrolíferas S.A.	Producción
Bezana Bigüenzo (6)	100.00%	Petroleum Oil & Gas España S.A.	Exploration
Boquerón (5)	66.45%	Repsol Investigaciones Petrolíferas S.A.	Production
Canarias	50.00%	Repsol Investigaciones Petrolíferas S.A.	Exploration
Casablanca (5)	76.85%	Repsol Investigaciones Petrolíferas S.A.	Exploration and production
Casablanca Unit	68.67%	Repsol Investigaciones Petrolíferas S.A.	Development / Production
Chipirón (5)	100.00%	Repsol Investigaciones Petrolíferas S.A.	Production

Name	% Ownership interest (1)	Operator	Activity
Fulmar	84.23%	Repsol Investigaciones Petrolíferas S.A.	Exploration
Gaviota I y II	82.00%	Repsol Investigaciones Petrolíferas S.A.	Exploration
Montanazo (5)	92.10%	Repsol Investigaciones Petrolíferas	Production
Rodaballo (5)	73.42%	Repsol Investigaciones Petrolíferas S.A.	Exploration and production
Rodaballo Concesión	65.42%	Repsol Investigaciones Petrolíferas S.A.	Development
Siroco	60.00%	Repsol Investigaciones Petrolíferas S.A.	Exploration
Indonesia			
Seram PSC	45.00%	Black Gold Indonesia LLC	Exploration and production
East Bula PSC	45.00%	Black Gold East Bula LLC	Exploration and production
Cendrawasih Bay II	50.00%	Repsol Exploracion Cendrawasih II B.V.	Exploration and production
Cendrawasih Bay III	50.00%	NIKO Resources (Cendrawasih Bay III) Limited	Exploration and production
Cendrawasih Bay IV	50.00%	NIKO Resources (Cendrawasih Bay IV) Limited	Exploration and production
Cendrawasih I bay block	30.00%	Black Gold Cendrawasih L.L.C.	Exploration
Iraq			
Piramagrun and Qala Dze Blocks	50.00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration and production
Ireland			
Dunquin	25.00%	Exxon	Exploration
Newgrange	40.00%	Repsol Exploración Irlanda SA	Exploration
Kenya			
L5	20.00%	Woodside Energy N.A.	Exploration
L7	20.00%	Woodside Energy N.A.	Exploration
Liberia			
Block 10	10.00%	Anadarko	Exploration
Block 15	27.50%	Anadarko	Exploration
Libya			
Epsa IV NC115	25.20%	Akakus Oil Operations	Exploración y Producción
Epsa IV NC186	19.84%	Akakus Oil Operations	Exploración y Producción
Epsa IV NC115 Exploración	40.00%	Repsol Exploracion Murzuq. S.A.	Exploración y Producción
Epsa IV NC186 Exploración	32.00%	Repsol Exploracion Murzuq. S.A.	Exploración y Producción
Pack 1	60.00%	Repsol Exploracion Murzuq. S.A.	Exploración y Producción
Pack 3	35.00%	GDF	Exploración y Producción
Area 137	50.00%	Sancor	Exploración y Producción
Morocco			
Tánger Larrache (5)	88.00%	Repsol Exploración Marruecos S.A.	Exploration
Mauritania			
TA09	70.00%	Repsol Exploración S.A.	Exploration
TA10	70.00%	Repsol Exploración S.A.	Exploration
Namibia			
Block 10	44.00%	Repsol Exploration Namibia PTY Ltd.	Exploration
Norway			
Licence PL512	25.00%	Det Norske	Exploration
Licence PL541	35.00%	Repsol Exploration Norge	Exploration
Licence PL557	40.00%	OMV (Norge)	Exploration
Licence PL356	40.00%	Det Norske	Exploration
Licence PL529	10.00%	ENI Norge	Exploration
Licence PL589	30.00%	Wintershall Norge	Exploration
Licence PL530	10.00%	GDF Suez E&P Norge	Exploration
Licence PL531	20.00%	Repsol Exploration Norge	Exploration
Licence PL642	40.00%	Repsol Exploration Norge	Exploration
Licence PL644	20.00%	OMV (Norge)	Exploration
Licence PL640	40.00%	Talisman	Exploration
Licence PL656	20.00%	E.ON Rurhgas	Exploration
Licence PL658	50.00%	Dong	Exploration
Licence PL692	40.00%	Repsol Exploration Norge	Exploration
Licence PL705	40.00%	Repsol Exploration Norge	Exploration
Licence PL711	40.00%	Repsol Exploration Norge	Exploration
Licence PL704	30.00%	E.ON Rurhgas	Exploration
Licence PL721	20.00%	RWE Dea Norge	Exploration

Name	% Ownership interest (1)	Operator	Activity
Oman			
Zad-2	50.00%	RAK Petroleum	Exploration
Peru			
Batch 57	53.84%	Repsol Exploración Perú Sucursal del Perú	Exploration and development of I
Batch 39	55.00%	Repsol Exploración Perú Sucursal del Perú	Exploration of Hydrocarbons
Batch 90	50.50%	Repsol Exploración Perú Sucursal del Perú	Exploration of Hydrocarbons
Batch 56	10.00%	Pluspetrol Perú Corporation	Production of Hydrocarbons
Batch 88	10.00%	Pluspetrol Perú Corporation	Production of Hydrocarbons
Batch 76	50.00%	Hunt Oil Company of Perú LLC Sucursal del Perú	Exploration of Hydrocarbons
Batch 103	30.00%	Talisman Petrolera del Perú LLC Sucursal del Perú	Exploration of Hydrocarbons
Batch 109	70.00%	Repsol Exploración Perú Sucursal del Perú	Exploration of Hydrocarbons
Batch 101	30.00%	Talisman Petrolera del Perú LLC Sucursal del Perú	Exploration of Hydrocarbons (ab
Portugal			
Lagosta	90.00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Lagostim	90.00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Ostra	65.00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Mexilhão	65.00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Ameijoa	65.00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Camarão	65.00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Licence	70.00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Romania			
Block 13 Targu Jiu	49.00%	OMV Petrom	Exploration
Block 5 Baicoi	49.00%	OMV Petrom	Exploration
Block 6 Targoviste	49.00%	OMV Petrom	Exploration
Block 12 Pitesti	49.00%	OMV Petrom	Exploration
Sierra Leone			
SL6	25.00%	Anadarko S.L.	Exploration
SL7	25.00%	Anadarko S.L.	Exploration
Trinidad			
Block 5B	30.00%	BP	Exploration
Venezuela			
Yucal Placer	15.00%	Ypergas	Exploration and Production

NOTE: does not include the joint ventures managed by the Gas Natural Fenosa Group. This information can be found in the consolidated annual financial statements of that Group (www.portal.gasnatural.com).

(1) Corresponds to the shareholding that the ownership company holds of the asset involved in the operation.
(2) Activities or assets operated through YPFB Andina, S.A., joint control company with a participation of the 48.92%.
(3) Activities or assets operated through Repsol Sinopec Brasil, S.A., joint control company with a participation of the 60%.
(4) Activities or assets operated through Occidente de Colombia L.L.C., joint control company with a participation of the 25%.
(5) Part of the participation over the activity or asset is operated by Gas Natural SDG S.A., joint control company with a participation of the 30.001%.

APPENDIX III: REGULATORY FRAMEWORK

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

Spain

Spain currently has a legislation which implements a liberalization of the Oil Industry, an example of which is the Hydrocarbons Sector Law 34/1998 of October 7, which has been amended by several legislative acts, including the Law 12/2007 of July 2, and implemented through numerous royal decrees and ministerial orders. This Law establishes the criteria for allocating competencies among the General State and Regional Public Administrations.

Law 2/2011, of March 4, on Sustainable Economy, modified the Hydrocarbons Sector Law, establishing binding guidelines for energy planning under criteria designed to contribute to the creation of a safe, cost-effective, economically-sustainable, and environmentally-friendly energy system. It further establishes measures for cutting greenhouse gas emissions and provides for the creation of a carbon allowance trading fund as well as a broad spectrum of measures affecting nearly all segments of the energy sector.

On June 5, 2013 the Official State Gazette (BOE – “Boletin Oficial del Estado,” in Spanish) published Law 3/2013 of June 4, regarding the creation of the National Markets and Competition Commission (CNMC – “Comisión Nacional de los Mercados y la Competencia,” in Spanish) as an overseeing body, charged with the specific duties and tasks relating to supervision and control of regulated markets, which were previously supervised by various National Commissions, amongst them the National Energy Commission and the National Competition Commission.

The aforementioned Law 3/2013 substantially modified the regime controlling corporate transactions in the energy sector. The control function had formerly been part of what was known as the CNE’s public duty no. 14 ("Duty 14"). Law/2013 repeals this duty and assigns it to the Ministry of Industry Energy and Tourism (hereinafter, “Minetur”). The new law devises a new ex post regime with respect to certain transactions by either requiring the buyer to notify Minetur of the execution of certain transactions or by means of the ministry’s power to impose conditions on the business operations of the companies acquired, in so far as energy supply in Spain is deemed threatened.

A novelty of this new control regime is the assimilation of the liquid hydrocarbons sector with the sectors that previously fell under a control regime (electricity and gas). Where the liquid hydrocarbons sector is concerned, its scope encompasses companies that pursue refining activities, pipeline transportation, and storage of petroleum products (related activities), or companies that hold title to said assets. Such assets acquire the condition of strategic assets.

This control regime shall extend to both: (i) active transactions, in which the active subject of the transaction (the acquirer) is an entity from the above-listed energy sectors that is regulated directly or by assimilation, insofar as the transaction has a relevant impact or significant influence on the development of the business activities of the company notifying the transaction; and (ii) passive transactions in which the object or acquiree is an energy company that is regulated directly or by assimilation insofar as the transaction in question delivers “significant influence” over the acquiree’s management.

Within the sector’s regulation, the figures of ‘principal operators’ and ‘dominant operators’ are significant. Under Royal Decree-Law 5/2005, of March 11, the CNE is obliged to publish not only the list of principal operators but also the dominant operators in each market or sector. This duty has been vested in the newly-created CNMC.

Dominant operators are defined as those commanding a share of more than 10% of the corresponding benchmark market. A principal operator, on the other hand, is the operator ranked among the top five players by market share in the following markets or sectors. Designation as a dominant operator, as far as prevailing legislation is concerned, implies certain regulatory restrictions in the Electricity Sector.

As for the principal operators, Article 34 of Royal Decree-Law 6/2000, of June 23, establishes a series of limitations related to the acquisition of voting rights in the equity of companies qualifying as principal operators and serving on their boards of directors. Specifically, it stipulates that any natural or legal person holding an equity interest of 3% or more in two or more companies that qualify as principal operators in a given market may not exercise the voting rights corresponding to their equity interests in excess of this threshold at more than one company. Nor may such persons appoint, directly or indirectly, members of the board of directors of another principal operator

Liquid hydrocarbons, oil, and petroleum derivatives

Hydrocarbon deposits and underground storage existing on Spanish territory and in the territorial marine subsoil and ocean bottoms which are under Spanish sovereignty are considered public properties.

Research permits are granted by national or regional governments, depending on whether autonomous areas are affected, and exclusive investigation rights are granted for periods lasting six years.

A concession for exploiting hydrocarbon reserves grants the owners exclusive exploration rights for 30 years, renewable for two successive ten-year periods, as well as the right to continue exploration activities in these areas and obtain authorization for stipulated activities, as well as to freely sell the hydrocarbon products they obtain.

Several of the activities falling within the scope of Law 34/1998 may be subject to prior authorizations, permits, and/or concessions. Law 25/2009, of December 22, modifies the Hydrocarbon Act, Law 34/1998 of October 7; this requires, among other aspects, the elimination of the need to obtain prior authorization for natural gas suppliers, LPG wholesalers, bulk LPG retailers, or petroleum product wholesalers, and also establishes the obligation for interested parties to sign a responsibility declaration and issue a notification prior to commencing business operations.

The construction and operation of refining, transportation, and fixed storage facilities is subject to receiving prior authorization, the granting of which requires meeting the relevant technical, financial, environmental, and safety requirements.

Third parties may access transportation and fixed storage facilities of oil products, such as the facilities of Compañía Logística de Hidrocarburos S.A. (“CLH”), on conditions agreed on an objective and non-discriminatory basis.

No physical or legal person may hold, directly or indirectly, ownership of more than 25% of the capital stock of CLH. The aggregate ownership interest in CLH of entities with refining capacity in Spain may not exceed 45% of CLH’s capital.

Law 11/2013 of July 26, regarding measures to support entrepreneurs and to stimulate growth and job creation, introduces a number of measures in the wholesale and retail markets for petroleum products intended to increase effective competition in the sector.

In the retail side of the business, Law 11/2013 introduces certain changes to exclusive supply agreements for the distribution of vehicle fuel. Specifically, the term of these agreements is now limited to one year (from five years previously); they can be automatically rolled over for additional one-year periods, for a maximum of three years, if and only if the distributor so desires. The new legislation similarly bans clauses that set, recommend or influence, directly or indirectly, the price at which fuel is sold to the public.

Lastly, Spanish Law 11/2013 limits growth in the number of fuel supply facilities on the part of wholesalers with provincial markets shares, measured by number of points of sale, of over 30% for a period of five years; the Spanish government may, however, revise this percentage or lift this ban when market trends or the sector business structure so warrants.

Petroleum derivative prices have been liberalized, with the exception of LPG, which is subject, in some cases, to maximum retail prices. The prices of bulk LPG and bottled LPG in cylinders with capacity of under 8 kilograms or over 20 kilograms are deregulated; Royal Decree-Law 8/2014 of July 4, and thereafter Lay 18/2014 of October 15, has also deregulated the prices of containers with a tare weight of no more than 9 kilograms other than containers of LPG mixes intended for use for fuel purposes.

Additionally, this legislation also consolidates users' right to home delivery of containers weighing between 8 and 20 kilograms by obliging the LPG wholesalers with the biggest market shares in the corresponding mainland and island territories to perform this home delivery service. The list of LPG wholesalers so obliged is determined by a resolution issued by the General Directorate of Energy Policy and Mining every three years. The Spanish government is entitled to revise the terms of this obligation every five years and has the power to remove it. The current list of mandatory home suppliers is as follows: Repsol Butano on the mainland and in the Balearics, DISA in the Canaries and Atlas in Ceuta y Melilla.

In the event that the LPG wholesalers subject to this supply obligation do not have containers with a tare weight of over 9 kilograms, the obligation to provide home delivery of LPG at maximum sales prices will extend to containers with a weight of less than 9 kilograms in the corresponding region.

The retail marketing of LPG cylinders may be carried out freely by any natural or legal person.

Natural Gas

Law 12/2007 of July 2, which amended Law 34/1998 on the hydrocarbon sector, and incorporated into Spanish Law the European Parliament Directive 2003/55, incorporates measures for achieving a completely liberalized market. This legislation establishes the framework for eliminating the tariff system and creates the role of the supplier of last resort with ultimate liability for supplying customers lacking sufficient bargaining power. Moreover, these suppliers are subject to a price cap (“last resort tariff”), which is set by Minetur. Business operations in the natural gas sector can be classified into: (i) regulated activities: essentially the transport (including storage, regasification and transport per se) and distribution of natural gas; and (ii) deregulated activities: production, acquisition and retailing of natural gas. The first require prior administrative authorization, their remuneration is regulated and are subject to specific obligations. On the contrary, the latter activities are not regulated, and are therefore not subject to administrative intervention.

Prevailing legislation stipulates functional unbundling (separation) obligations which imply accounting unbundling, in order to prevent cross subsidies and increase toll royalty and tariff calculation transparency, legal unbundling, by means of separate companies, and also separation of regulated activities by requiring them to operate independently of the other companies in their consolidated groups.

In accordance with European Union directives, the distribution of natural gas is fully deregulated in Spain, which means that all Spanish consumers are qualified consumers and are accordingly free to choose their natural gas provider since January 1, 2003. The construction, operation, modification and closing of basic network and carrier network facilities require prior government authorizations.

Enagás, S.A., the Natural Gas System Operator, is responsible for the coordinating and ensuring that the system works properly. Law 12/2007 limits equity ownership interests in Enagás, S.A. to 5%, caps voting rights at 3% as a general rule, although this cap falls to 1% in the case of companies carrying out business activities related to the gas sector and; in any case, the aggregate ownership interest of shareholders whose business activities relate to the gas sector cannot exceed 40%.

Royal Decree Law 13/2012, of March 30, transposes into Spanish legislation Directive 2009/73/EC of the Parliament and of the Council of July 13, 2009, introduces the concept of separation of ownership of assets, which is understood to be a situation in which the network owner is appointed network controller and is separate from any company with interests in its production and supply.

The abovementioned Royal Decree Law also implements Directive 2009/28/EC of the Parliament and of the Council, of April 23, 2009, on the promotion of the use of energy from renewable sources and amends and repeals Directives 2001/77/EC and 2003/30/EC.

Minimum stock for security

Royal Decree 1766/2007, partially amending Royal Decree 1716/2004, regulates the obligation to maintain a minimum stock in the oil and natural gas sectors, the obligation to diversify the natural gas provisions and the activities of the Corporation of Strategic Reserves of Petroleum Products (CORES for its acronym in Spanish).

The obligation to maintain minimum stocks of oil and gas products for security reasons, excluding LPG, currently requires storing at all times an amount equivalent to 92 days of sales based on the sales during the previous 12 months. Repsol was obliged to maintain a stock corresponding to 50 days of sales, while the remaining stocks required to make up the difference with the abovementioned safety stock requirement are held by CORES on behalf of the various operators (strategic reserves).

Royal Decree-Law 15/2013, of December 13, introduces an amendment to the Hydrocarbon Sector Act, Law 34/1998, of October 7, bringing Spanish legislation into line with Council Directive 2009/119/EC of September 14, 2009. It also provides that, via regulation, administrative procedures and obligations needed to ensure, on an ongoing basis, a minimum safety buffer equivalent, at least, to the higher of the volume corresponding to 90 days of average net daily imports and 61 days of average internal daily consumption corresponding to the year of reference and measured in oil equivalent.

Spanish legislation does not require these reserves to be handled, measured or stored in any specific manner; indeed any products accounted for by the operators as part of their inventories in the ordinary course of their business operations qualify as strategic reserves to this end.

Electricity sector regulation in Spain

Deregulation of the Spanish electricity sector began in 1997 with the passage of Law 54/1997, of November 27, the Electricity Sector Act, which is implemented in Spanish Law Directive 96/92/EC concerning common rules for the internal market in electricity, as fleshed out by enacting regulations. The Electricity Sector Act was amended by Law 17/2007, of July 4, and more recently overhauled by the new Electricity Sector Act, Law 24/2013, of December 26 (the “New Electricity Sector Act”). The New Electricity Sector Act took effect on December 28, 2013.

Although the new sector Act contains many new provisions, the electricity system it regulates is broadly similar, insofar as generation and supply activities continue to be deregulated competitive businesses, while transmission, distribution and the system’s technical and financial management remain regulated activities. Power supply, for its part, is classified as a service of general economic interest.

More specifically, the commercialization business is based on the principles of the freedom of contract and choice of supplier by the end customer. As a deregulated activity, the commercialization of electricity is remunerated at amounts freely agreed among the parties. Power transmission and distribution and technical and economic system management continue to qualify as regulated activities insofar as pursuit thereof is subject to specific obligations and requires authorization from the authorities, while remuneration is regulated.

As regards power generation, Law 24/2013 eliminates the distinction between ‘ordinary’ and ‘special’ (aka renewable-CHP) regime generation. All electricity production facilities are now regulated as a whole, with certain idiosyncratic provisions for renewable facilities.

The electricity system has not been self-sufficient for several years; this phenomenon has given rise to an annual tariff deficit that has had to be financed by the sector players. Against this backdrop, Royal Decree-Law 6/2009, of April 30, established a series of measures designed to address the tariff deficit by creating a state-guaranteed securitization fund and introducing price reductions for household consumers meeting certain requirements in respect of consumption and purchasing power to be financed by the generators. However, these measures, intended to reduce and even eliminate the tariff deficit, failed, so that the deficit has increased in the meantime. The New Electricity Sector Act attempts to address this situation and provide the regulatory stability the sector needs, articulated around the principle of the economic and financial sustainability of the electricity system.

The System Operator in Spain is Red Eléctrica de España, S.A. (REE). REE’s key function is to guarantee electricity supply continuity and safety as well as the correct coordination of the generation and transmission system. Spanish Law 17/2007 generally caps interests in REE at 3% of share capital or voting; this limit falls to 1% in the case of parties engaged in electricity sector business activities. Moreover, the aggregate interests held by shareholders engaged in electricity sector business activities may not exceed 40%.

In recent years, the Spanish government has passed a series of laws with the aim of modifying and reducing the premium remuneration awarded to certain classes of power generation assets.

Spanish Royal Decree Law 1/2012, of January 27, 2012, eliminates the financial incentives for new generation plants under the special regime and for ordinary regime plants using technology akin to the technologies governed by the special regime.

Elsewhere, as foreshadowed by Law 24/2013, on June 6, 2014, the Spanish Cabinet approved Royal Decree 413/2014 (published in the Official State Journal, or BOE for its acronym in Spanish, on June 10) regulating the generation of electricity from renewable energy sources, co-generation and waste. The purpose of this piece of legislation is to regulate the legal and economic regime governing the generation of electricity from renewable energy sources. This regime affects the Repsol Group’s co-generation facilities, part of the now defunct ‘special’ regime and assimilated ordinary regime. The new regime is based on the necessary participation of these facilities in the market, complimenting the market-driven revenue with a specific regulated payment designed to enable them to compete on an even footing with the rest of the technologies in the marketplace, compensating owners for the costs that, unlike conventional generation technologies, cannot be recouped in the market in order to enable them to earn an adequate return on their investment by using metrics that are tailored for the various standard facilities.

To finalize the electricity sector reform work the Ministry of Industry, Energy and Tourism issued the Ministerial Order IET/1045/2014, of June 16 (published in the Official State Journal on June 20, 2014), enacting the standard facility remuneration parameters applicable to certain electricity-producing facilities that use co-generation, renewable energy sources or waste.

Bolivia

Bolivia’s New Constitution took effect on February 7, 2009. It affected several aspects of the oil and gas sector, notably among which the designation of hydrocarbons as the inalienable and imprescriptible property of the Bolivian people, so that title to Bolivia's natural resources cannot be listed on securities markets or used to secure or securitize financial transactions. In addition, the New Constitution makes state-owned Bolivian company Yacimientos Petrolíferos Fiscales Bolivianos (YPFB) solely responsible for controlling and managing the hydrocarbon production chain and the sale of these products, stipulating that it may not transfer its rights or obligations in any way but empowering it to enter into service agreements with public, mixed-ownership or private companies, whether Bolivian or foreign, engaging such companies to perform certain production chain activities on its behalf in exchange for remuneration or payment for their services. YPFB may also form associations or mixed-ownership enterprises to carry out oil and gas related business activities, but must retain at least 51% of these companies’ share capital.

The Bolivian oil and gas industry is regulated by Law 3,058 of May 19, 2005 (the “Hydrocarbons Law”).

On May 1, 2006, Supreme Decree 28,701 (the “Nationalization Decree”) was published, which nationalized the country’s hydrocarbons and transferred ownership and control to the Bolivian state company Yacimientos Petrolíferos Fiscales Bolivianos (YPFB). Furthermore, the shares required to enable YPFB to control at least 50% plus one vote in different companies, among them Empresa Petrolera Andina, S.A., currently known as YPFB Andina S.A. (YPFB Andina), were nationalized.

Subsequently, Law No. 466 of December 26, 2013 established that YPFB Andina take the legal form thereafter of a mixed-capital public limited company (SAM for its acronym in Spanish), to which end YPFB acquired 79,557 shares from Repsol Bolivia S.A. on August 4, 2014. YPFB currently holds 51% of the share capital of YPFB Andina, thereby complying with Law No. 466 and paragraph II of article 363 of the State’s Political Constitution.

At the date of authorizing these financial statements for issue, Repsol Bolivia S.A.'s shareholding in YPFB stood at 48.33%.

Operating contracts

According to the Hydrocarbons Law and the Nationalization Decree, Repsol E&P Bolivia S.A. and its subsidiary YPFB Andina S.A. signed with YPFB the Operating Contracts establishing the conditions for the prospecting and production of hydrocarbons in Bolivia, effective as of May 2, 2007.

Regarding these Operating Contracts, significant legislation was issued in 2008 and 2009, which had the effect of: setting the conditions and parameters for the recognition and approval by YPFB of the Recoverable Costs within the framework of the Operating Contracts; amending the regulations governing the settlement of royalties and investments with the Bolivian Treasury; and regulating the tendering, contracting and purchase of materials, works, goods and/or services by Operating Contract Holders.

Further, in compliance with what is established in Ministerial Order 101/2009, the amended Development Plan corresponding to the Operating Contract governing the Caipipendi Area, and the Margarita and Huacaya Fields was presented. This Development Plan was approved by YPFB on March 8, 2010.

In respect of the Delivery Agreements, the Second Addendum to the Natural Gas Delivery Agreement corresponding to the Operating Agreement in Caipipendi was executed with YPFB on November 28, 2014, which has the effect of increasing the volume of natural gas to be supplied from the Margarita and Huacaya fields to the export markets of Brazil and Argentina, thereby enabling implementation of Phase III of the Caipipendi development with the corresponding increase in production.

Under prevailing Bolivian law, the allocation of oil and gas produced by YPFB must be made by field and market in conformity with the volumes committed to in the Delivery Agreements arranged with YPFB in accordance with the following order of priority: Gas Natural: (1) Domestic Market; and (2) Export Markets, in keeping with the chronological order established in the respective Natural Gas Sale-Purchase Agreements arranged by YPFB. Liquid Hydrocarbons: (1) Domestic Market; and (2) Export Market.

Brazil

Exploration and Production

The Constitution of the Federative Republic of Brazil states that the Federal Government is the holding company (state monopoly) devoted to the exploration, development, and production of oil, gas, and other liquid hydrocarbons, as well as their refining, importation, exportation, and transportation, and is able to engage private or government corporations to assume the above functions, in accordance with the conditions established in legislation.

Law 9,478/97, known as the Oil Act, introduced the first contractual model for exercising exploration activities and encompasses the following:

- It confirms the Brazilian government as the oil and gas monopoly and it creates: (i) the National Council on Energy Policy (CNPE), a body entrusted with establishing energy policies, which is subordinate to the President of the Republic, and (ii) the National Agency of Petroleum, Natural Gas and Biofuel (ANP), an independent regulatory agency which falls under the Mines and Energy Ministry and which is in charge of establishing upstream and downstream activity guidelines.
- It stipulates that concession contracts must be awarded through specific tenders, and sets minimum bid requirements.
- It also establishes minimum terms and conditions to be included in concession contracts covering the exploration, development, and production of hydrocarbons.
- It provides for the payment of the following amounts: (i) signature bonuses (paid at the signing of the contract); (ii) royalties (paid on a monthly basis, in amounts ranging from 5% to 10% of the oil and/ or natural gas production, depending on the terms set forth in the tender); (iii) a special participation (paid in situations involving a large volume of production); and (iv) occupation or retention payments.

Under the Concession Agreement, the Federal Government grants its concessionaires the right to explore, develop, and produce hydrocarbons in a certain area during a determined period of time established in the agreement; the exploration stage may last between three to eight years, and the production phase may last twenty-seven years, commencing on the date commercial viability is declared (and can be extended by obtaining ANP authorization).

The main rights of the concessionaries are as follows: (i) exclusive exploration, development, and production rights in a granted area; (ii) ownership of produced hydrocarbons; (iii) the right to commercialize the production; and (iv) the right to export hydrocarbons, taking into account the obligation to supply domestic production in the case of a state of emergency.

Concessionaires assume the following obligations as part of the agreement: (i) all the risks and costs related to the exploration, development, and production of hydrocarbons; (ii) compliance with the relative local content and demands; (iii) compliance with the demands related to the execution of minimal work; and (iv) payment of government take.

The production allocation regime for pre-salt areas for which concessions have not yet been awarded and areas of strategic potential, to be defined by the executive branch, was introduced in 2010 under Brazilian

Law 12,351/10. The aforementioned piece of legislation further establishes that:

- The exploration and production in areas contemplated in the above regimes (production allocation) must be directly granted to Petrobras, the company controlled by the Federal Government, in exclusive contractual terms, without the necessity of undergoing a bidding process;
- Should a tender protocol exist, Petrobras will always have a 30% minimum share of the winning consortium, and must be designated block operator;
- A new public company, Empresa Brasileira de Administração de Petróleo e Gás Natural S.A. – Pré-Sal Petróleo S.A. (PPSA), created by virtue of Law 12,304 in 2010 will manage the production sharing contracts, and in principle, participate in the consortium agreement signed with Petrobras or other entities involved, without assuming the risks or investments involved in exploration, evaluation, development, production, and installation dismantlement;
- Should oil reserves be found, the successful bidders will be allowed to recover in hydrocarbons the costs incurred during the above-mentioned stages (known as oil cost), and will also be entitled to the final production minus the cost of crude, royalties, and the participation of the Federal Government in the production (known as crude oil surplus);
- The winner of this regime's bid process will be the company or companies able to provide the largest oil reserves to the Federal Government;
- In relation with the financial compensation, the distribution regime of the production foresees the payment by the successful bidders in the form of: (i) royalties, and (ii) signature bonuses.

Natural Gas

In 2009, Law 11,909/09 (the Gas Act) was approved; it regulates certain activities within the natural gas industry, including transportation and commercialization (excluding the distribution of piped natural gas, which is the exclusive domain of state governments). The ANP continues to regulate the above activities while also granting concessions and authorizations, as applicable.

Ecuador

In accordance with the Constitution of 2008 and the Hydrocarbons Law of Ecuador, the nation's hydrocarbon fields and the associated substances are the inalienable, imprescriptible and unattachable property of the State. The State explores and operates the oil and gas fields directly through Petroecuador. Petroecuador, in turn, can perform this activity sub-contracting with third parties. It is also possible to incorporate mixed-ownership enterprises between local companies and renowned expert foreign companies that are legally established in Ecuador.

In accordance with the provisions set down in the amended legislation of the Hydrocarbons Law and the Internal Tax Regime Law, of July 27, 2010, the agreements for the exploration and exploitation of hydrocarbons under the various contractual forms must be modified to reflect the amended hydrocarbons exploration and exploitation services agreement model provided for in article 16 of the Hydrocarbons Law under which the contractor is obliged to perform, using its own financial resources, oil and gas exploration and exploitation services in the indicated areas, investing the capital and using the equipment and technology needed to this end. When there are, or the service provider discovers, commercially viable hydrocarbon reserves, it is entitled to payment of a set price per net barrel of oil produced and delivered to the state. This price, which constitutes the contractor's gross revenue, is contractually stipulated based on estimated depreciation schedules, cost/expense schedules and a reasonable profit in light of the risk incurred.

Repsol Ecuador, S.A. (Ecuador Branch), as the contractor and operator of Block 16, entered into a hydrocarbons (crude oil) exploration and exploitation service agreement covering Block 16 in the Ecuadorian Amazon region. The agreement was filed with the Hydrocarbons Register on December 23, 2010 and took effect on January 1, 2011.

In addition, on January 22, 2011, Repsol signed an agreement with the Ecuadorian State amending the services agreement covering the Tivacuno Block. This contract was filed with the Hydrocarbons Register on February 21, 2011.

The United States

Exploration y Production

The two government agencies responsible for offshore exploration and production are the Bureau of Ocean Energy Management (BOEM) and the Bureau of Safety and Environmental Enforcement (BSEE - previously called the Minerals Management Service, for its acronym “MMS”) of the U.S. Department of the Interior.

i. The BOEM is in charge of responsibly ensuring the economic and environmental development of US offshore resources. Its functions include: offshore leasing, resources evaluation, review and administration of oil and gas exploration, development plans, renewable energies development, National Environmental Policy Act (NEPA) analyses, and environmental studies.

ii. The BSEE is responsible for safety and environmental oversight of offshore oil and gas operations, including permitting and inspections of offshore oil and gas operations. Its functions include the development and enforcement of safety and environmental regulations, permitting offshore exploration, development, and offshore production, inspections, offshore regulatory programs, oil spill response and newly formed training and environmental compliance programs.

With regards to U.S. onshore exploration and production activities, the oil and gas industry is primarily regulated by the laws of the individual states. Oil and Gas production are considered mining activities, and therefore, cannot be governed by federal law.

Federal authorities have exclusive jurisdiction over the sale and transportation of gas and oil in interstate commerce for resale. The power to regulate the production or gathering of natural gas, which involves the physical acts of drawing gas from the earth and preparing it for the first stages of distribution, is reserved exclusively to the states.

At present, Repsol E&P USA Inc. has operations in Alaska, Kansas, Oklahoma and Louisiana and is therefore subject to the laws of those States. In Alaska, exploration and production activities are controlled by the Alaska Department of Natural Resources, Division of Oil and Gas. The Bureau of Safety and Environmental Enforcement is the body responsible for fully reviewing the environmental impact of a given project (whether exploration or development work) under the National Environmental Policy Act (NEPA).

Liquid Natural Gas

As for the Group's LNG business activities in the United States, under the Natural Gas Act, the Federal Energy Regulatory Commission (FERC) has the exclusive power to authorize the establishment of LNG import or export operations.

LNG imports and exports into and out of the United States require the approval of the federal government, which approval is granted by the Office of Fossil Energy of the Department of Energy (DoE). This approval must be obtained by any party looking to market, exchange or use natural gas from overseas.

Peru

Regulation of the hydrocarbons market in Peru is included in its Constitution. The Constitution states that the government promotes the private initiatives, recognizing the economic pluralism, and having the state a subsidiary role in terms of business concerns. The Constitution establishes that private and public business activity must be treated equally under the law, and those national and foreign investments are subject to the same conditions.

The Constitution also states that natural resources are National heritage and by Organic Law establishes the conditions of their use and concession to private entities.

Exploration and Production

The Organic Law of Hydrocarbons (OLH), regulates this natural resource. To provide legal assurance to investors, it states that the contracts entered into under it shall be considered Contract-Law, and therefore can only be modified by written agreement between the two parties. To achieve these goals the OLH created PERUPETRO, a state-owned Limited Company organized in accordance with the General Corporate Law, to which the state, as owner of the hydrocarbons located in its territory, grants the right of ownership over the hydrocarbons, so that PERUPETRO can negotiate, execute and monitor exploration and/or exploitation contracts, with a licensee (Contractor) by means of License Agreements, Service Agreements and other forms of contracts authorized by the Peruvian Ministry of Energy and Mining.

The License Agreements grant Contractors the authorization to explore and exploit hydrocarbons within a determined area. The contractor has ownership over the extracted hydrocarbons and can commercialize them freely. By virtue of the Services Agreements, PERUPETRO grants the Contractor the right to perform hydrocarbon exploration and exploitation activities within the contracted area, and the Contractor receives retribution based on the final certified output. Under this type of agreement, PERUPETRO retains ownership over the extracted hydrocarbons, and therefore is free to arrange for its exportation or its refining and commercialization in the national market.

Article 14 of OLH states that national or foreign individuals or legal entities interested in entering into hydrocarbon exploration and/or exploitation contracts must receive prior authorization from PERUPETRO, which is granted based on their legal, technical, economic, and financial capacity to comply with all its contractual obligations.

Refining and commercialization of hydrocarbons

The OLH stipulates that any national or foreign individuals or legal entities may install, operate, and maintain petroleum refineries, plants for processing natural gas and condensed, natural asphalt, greases, lubricants, and petrochemicals, subject to the norms specifically established by The Mines and Energy Ministry. The OLH does not have established requirements for each activity, and therefore, it is necessary to refer to the Regulations for each of the abovementioned activities.

In Peru, the commercialization of hydrocarbon-derived products is subject to supply and demand, however, by virtue of Urgency Decree No. 010-2004, the Fuel Price Stabilization Fund ("The Fund") was created to cushion Peruvian consumers from the high volatility of prices of in the national oil markets. The Fund's equity is comprised of the contributions and discounts made by Producers and Importers on the price of each product, depending on whether the Export Parity Prices (EPP) are over or under the price range. Law No. 29552 made this Fund a permanent mechanism.

Law No. 28694 also regulated the sulphur content of diesel fuel, stipulating that from January 1, 2010 it is forbidden to sell diesel for domestic use with a sulphur content of over 50ppm, further banning the import of Diesel No. 1 and Diesel No. 2 fuel with a sulphur content of over 2500 ppm. This Law empowered the Ministry for Energy and Mining to establish, exceptionally, geographic regions in the interior of the country in which the sale of diesel with a higher sulphur content is permitted.

Law No. 29852 creates the Hydrocarbon Energy Safety System (SISE for its acronym in Spanish) and the Energy Social Inclusion Fund (FISE). The safety system, or SISE, encompasses the infrastructure required to ensure the safety of the energy system, and is therefore made up of networks of pipeline and storage facilities deemed strategic by the Peruvian state (infrastructure) and is remunerated by means of a tariff levied on the infrastructure comprising the national network of liquid oil and gas transportation and supply pipelines. The FISE sets up a Social Compensation and Universal Service scheme focused on the more vulnerable members of society, being remunerated by a series of surcharges levied on: i) deregulated users of interconnected electricity systems; ii) the supply of liquid products deriving from hydrocarbons and liquid natural gas, by levying every primary sale made by Producers and Importers, to be passed on to liquid hydrocarbons end prices; and iii) the monthly invoicing of tariff charges levied on users of the system for transporting natural gas by pipeline or ducts.

Regarding applicable law and jurisdiction regulating hydrocarbons in general, national or foreign individuals or legal entities that carry out hydrocarbon-related activities will be expressly subject to the laws of the Republic of Peru and waive all diplomatic claims. Claims arising during execution, compliance, and in general, all other hydrocarbons-related activities encompassed by this Law are subject to judicial authority or national or international arbitration.

The bodies in charge of supervising hydrocarbons are: the MINEM, which prepares, approves, proposes, and implements sector policies while establishing regulations complementary to those already in existence to keep them updated; the Dirección General de Hidrocarburos of the Ministry of Energy and Mines, which is in charge of monitoring regulatory compliance and application; the Organismo Superior de la Inversión en Energía y Minería (OSINERGMIN), which inspects and sanctions individuals or legal entities which perform activities related to electrical / hydrocarbon sub-sectors when they are not in compliance with MINEM and Perupetro's legal and technical obligations.

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

Venezuela

The Constitution of the Bolivarian Republic of Venezuela stipulates that the mines and oil and gas fields, irrespective of their nature, located on national territory, under the territorial sea, in the exclusive economic zone or on the continental platform, belong to the Republic, are public-domain goods and are, therefore, inalienable and imprescriptible.

By virtue of organic law and to protect national interests, the Venezuelan State has reserved the Venezuelan oil and gas activities for itself. For reasons of economic and political sovereignty and for national strategic purposes, the State holds all of the shares of Petróleos de Venezuela, S.A. (or the entity that may be set up to run the oil and gas industry).

Venezuela’s Hydrocarbons Organic Law regulates all matters regarding the exploration, operation, refining, industrialization, transportation, storage, sale and conservation of hydrocarbons, including related refined products and the works required to perform these activities.

Exploration and Production

The performance of the activities relating to exploration for hydrocarbon fields, the extraction of hydrocarbons in their natural form, and their collection, transportation and initial storage is reserved to the State, either conducted directly by the National Executive Power or by wholly-owned State companies. The State may also conduct these activities through mixed owned companies whose equity interest is over 50%.

The incorporation of Mixed Companies and the terms governing the performance of primary activities require prior approval from the National Assembly. Any subsequent amendment to these terms also requires the National Assembly approval. Accordingly, Mixed Companies are governed by law and specifically by the terms and conditions established by the Agreement approval of the National Assembly. These companies are also subject to the rules established in the Code of Commerce and other applicable regulations. Mixed Companies can be functioning for a maximum term of 25 years; this term can be extended for a period agreed upon by the parties of no more than 15 years.

The State is entitled to a thirty per cent (30%) participation in the hydrocarbon volumes extracted from any of its fields, notwithstanding the companies' requirement to pay all other applicable taxes.

The commercialization activities of natural hydrocarbons and of any derivative products indicated by the National Executive Power by Decree, may only be performed by wholly-owned State companies. As a result, the Mixed Companies that engage in primary activities may only sell the natural hydrocarbons they produce to companies that are wholly-owned by the State.

Pursuant to the Organic Gaseous Hydrocarbons Law, the following activities may be carried out by the state either directly or through state-owned entities or by private national or foreign bodies, with or without state ownership: (i) activities consisting of exploration for non-associated gaseous hydrocarbons and operation of these fields; (ii) the extraction, storage and use of the non-associated natural gas found at these fields and the gas produced in association with oil or other fossil fuels; and (iii) the processing, industrialization, transportation, distribution and domestic and foreign trading of such gases.

Activities to be carried out by private national or foreign bodies, with or without state ownership, does require a license or permit and must be associated with specific projects or uses linked to national development objectives.

A single party may not simultaneously perform or control in a given region two or more production, transportation or distribution activities.

The Mixed Companies agreements referred to in the Organic Hydrocarbon Act do not impose restrictions on this legal form of company in terms of transferring funds in the form of cash dividends, loan repayments or the redemption of shareholder advances in foreign currency (USD). A similar consideration applies to the permits awarded in conjunction with the Organic Gaseous Hydrocarbons Act to the extent as the licensee receives payment in currency in conjunction with the performance of its activities, whereas the funds received in Bolivares are subject to the exchange control regime.

In accordance with the prevailing exchange agreements both the Mixed Companies referred to in the Organic Hydrocarbon Act and license holders under the Organic Gaseous Hydrocarbons Act, may hold accounts overseas with banks and similar financial institutions for the purpose of making the payments they need to make outside the Bolivarian Republic of Venezuela. All sums of money from these accounts brought into the country have to be sold to the Venezuelan central bank at the official exchange rate.

Other countries

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

APPENDIX IV: ACCOUNTING POLICIES

1. *New standards issued for mandatory application in future years*

A) The standards and amendments to standards that have been issued by the IASB and endorsed by the European Union and which will be mandatory in future reporting periods are listed below:

Mandatory application in 2015:

- IFRIC 21 *Levies*(1)
- Improvements to IFRSs 2011-2013.

Mandatory application in 2016:

- Improvements to IFRSs 2010-2012 (2)
- Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*(3)

(1) Interpretation of IFRIC 21 *Levies* was issued by the IASB with effect in annual periods beginning on or after January 1, 2014. This document was endorsed by means of Regulation (EU) 2014/634, effective in the EU for annual periods beginning on or after June 17, 2014, which, in the case of the Group, implies first-time application from January 1, 2015.

(2) *Improvements to IFRSs 2010-2012* introduces amendments to several IFRSs. Some of these amendments have been issued by the IASB with effect from July 1, 2014, while others have been issued by the IASB effective for annual periods beginning on or after July 1, 2014. This document was endorsed by means of Regulation (EU) 2015/28, effective in the EU for annual periods beginning on or after February 1, 2015, which, in the case of the Group, implies first-time application from January 1, 2016.

(3) *Amendments to IAS 19 Defined Benefit Plans: Employee Contributions* was issued by the IASB with effect for annual periods beginning on or after July 1, 2014. This document was endorsed by means of Regulation (EU) 2015/29, effective in the EU for annual periods beginning on or after February 1, 2015, which, in the case of the Group, implies first-time application from January 1, 2016.

The Group believes that application of the amended standards outlined in section A) above will not have a significant impact on its consolidated financial statements, with the exception of certain additional disclosure requirements.

B) At the date of issuance of these consolidated financial statements, the standards and amendments that have been issued by the IASB but not yet endorsed by the European Union are the following:

Mandatory application in 2016:

- IFRS 14 *Regulatory Deferral Accounts* (1).
- Improvements to IFRSs 2012-2014.
- Amendments to IFRS 11 Accounting for *Acquisitions of Interests in Joint Operations*
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.*
- Amendments to IAS 27 *Equity Method in Separate Financial Statements.*
- Amendments to IAS 16 and IAS 41 Agriculture: *Bearer Plants.*
- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortization.*
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception.*
- Amendments to IAS 1 *Disclosure Initiative*.

Mandatory application in 2017:

- IFRS 15 *Revenue from Contracts with Customers.*

Mandatory application in 2018:

- IFRS 9 *Financial Instruments*

(1) This standard only applies to entities that carry out regulated activities and are applying IFRSs for the first time.

With regard to the other standards, interpretations and amendments outlined in the current section B), the Group is currently assessing the impact their application may have on the consolidated financial statements.

2. *Basis of consolidation*

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

Subsidiaries, which are those companies over which Repsol exercises direct or indirect control, are fully consolidated. The power to exercise control is generally evidenced by direct or indirect ownership of at least 50% of an investee's voting rights, giving the Group the current ability to direct its relevant activities and influence the amount of variable returns to which the Group is exposed as a result of its involvement with the investee.

The share of the non-controlling interests in the equity and profit of the Repsol Group's consolidated subsidiaries is presented under "*Minority interests*" within "*Equity*" in the consolidated balance sheet and "*Net income from continuing operations attributable to minority interests*" and " *Net income from discontinuing operations attributable to minority interests*" in the consolidated income statement.

The interests in arrangements over which Repsol has joint control by virtue of a shareholder agreement with third parties are structured as follows:

- Interest in joint operations that are structured through a Joint Operating Agreement (JOA) either via a consortium arrangement (UTE for its acronym in Spanish) or a similar separate vehicle that does not limit its rights to the assets and obligations for the liabilities relating to the arrangement. The Group has classified as joint operations certain joint arrangements structured through holding companies or similar vehicles in which, despite their legal form, the parties in the arrangement retain the rights to substantially all of the economic benefits of the assets held by the vehicle and the vehicle depends on the parties on a continuous basis for settling the liabilities related with the activity performed under the arrangement. All of these investments in joint operations are held by the Group through investments in fully-consolidated subsidiaries.

- Investments in joint arrangements in which Repsol has rights to the net assets of the arrangement (joint ventures) are accounted for using the equity method. The equity method consists of recognizing the Group's share of the joint venture's net assets and goodwill, if any, in a single consolidated balance sheet line item called "*Investments accounted for using the equity method*". The Group's share of the net profit or loss of these investees every year is recognized in the consolidated income statement within "*Share of results of entities accounted for using the equity method - after taxes*".

Repsol's investments in associates, investees over which it has significant influence (presumed to exist in the case of shareholdings of 20% or more), are also accounted for using the equity method described above.

Appendix I contains a list of the main consolidated subsidiaries, associates and most significant joint ventures in which Repsol, S.A. as of December 31, 2014, has direct and indirect ownership interests, which were included in the scope of consolidation, as well as the changes in the consolidation scope in 2014 and 2013.

The balances, transactions and profit or loss generated between the fully consolidated companies were eliminated on consolidation. The profit or loss on transactions between Group companies and joint ventures or associates was eliminated in proportion to the Group's share in these investees.

The accounting policies used by the Group's companies have been adjusted so that they are consistent with those applied by the parent and so that the consolidated financial statements are presented using uniform accounting policies for like transactions.

The financial statements of the investees whose functional currency differs from the presentation currency (see section 5) are translated as follows:

- The assets and liabilities in each of the balance sheets presented are translated applying the closing exchange rate on the balance sheet date.
- For practical reasons, income and expense are generally translated applying the average exchange rate for the period in which the transactions were performed. However, the transaction-date exchange rate is used to translate significant transactions or when exchange rates have fluctuated significantly during the reporting period.
- Any exchange differences arising as a result of the foregoing are recognized as "*Translation Differences*" under the caption "*Adjustments for changes in value*" of "*Equity*" heading.

The exchange rates against the euro of the main currencies used by the Group companies at December 31, 2014 and 2013 were as follows:

	December 31, 2014		December 31, 2013	
	Year - end rate	Cumulative Avergae Rate	Year - end rate	Cumulative Avergae Rate
American Dollar	1.21	1.33	1.38	1.33
Brazilian Real	3.22	3.12	3.23	2.87

3. *Classification of assets and liabilities into current and non-current*

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

4. *Offsetting of balances and transactions*

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

5. *Functional currency and foreign currency transactions*

a) Functional currency

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

b) Foreign currency

Transactions in currencies other than the functional currency of an entity are deemed to be 'foreign currency transactions' and are translated to the functional currency by applying the exchange rates prevailing at the date of the transaction. At each year end, the foreign currency monetary items on the balance sheet are measured applying the exchange rate prevailing at that date and the exchange rate differences arising from such measurement are recorded as "*Net exchange gains/(losses)*" within "*Financial result*" in the consolidated income statement in the year incurred. This does not apply to the accounting treatment of monetary items that qualify as hedging instruments (see section 24).

6. *Goodwill*

Goodwill represents the excess of the cost of a business combination over the acquirer's interest in the net fair value of the assets acquired and the liabilities assumed at the date of acquisition that meet the pertinent recognition criteria. Goodwill is recognized as a non-current asset in the corresponding intangible asset caption on the consolidated balance sheet on the date of acquisition.

Because goodwill has an indefinite useful life, it is not depreciated. Subsequent to initial recognition, it is measured at cost less any accumulated impairment losses (see Note 3).

7. *Other intangible assets*

The Repsol Group initially recognizes intangible assets at acquisition or production cost, except in the case of the emission allowances received for no consideration as described in section c) below. This cost is amortized on a straight-line basis over the assets' useful lives, except for assets with indefinite useful lives described below, which are not amortized but are tested for impairment at least annually, and whenever indicators of impairment are detected. At closing balance sheet date, these assets are measured at cost less accumulated amortization and any accumulated impairment losses.

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

a) Service/Gas stations association rights and other rights

This heading primarily includes the costs associated with the various forms of agreements for acquiring service station association rights, reflagging rights and image rights of publicity and the associated exclusive supply agreements. These costs are amortized over the related contract terms, which range from 1 to 50 years.

b) Exploration permits

The costs incurred to acquire stakes in exploration permits for a given period of time are capitalized under this heading at their purchase price. During the exploration and evaluation phase, these costs are not amortized, although they are tested for impairment at least once a year and whenever indications of impairment are detected, in accordance with the guidelines set forth in IFRS 6 *Exploration for and evaluation of mineral resources*. Any impairment losses detected are recognized- or reversed -in profit or loss in accordance with the general rules established -IAS 36 *Impairment of Assets*. Once the exploration and evaluation phase is completed, if no reserves are found, the amounts previously capitalized are recognized as an expense in the consolidated income statement. If the exploration work does yield positive results, giving rise to commercially exploitable wells, costs are reclassified to "*Investment in areas with reserves*" (see section 8 c) at their carrying amount when this determination is made.

c) Carbon emission allowances

Emission allowances are recognized as an intangible asset and are initially recognized at acquisition cost.

Allowances received for no consideration under the emissions trading system for the period 2013-2020, are initially recognized at the market price prevailing at the beginning of the year in which they are issued, and a balancing item is recognized as a grant for the same amount as deferred income. As the corresponding tons of CO_2 are issued, the deferred income is reclassified to profit or loss.

The allowance rights are not amortized as their carrying amount equals their residual value and, therefore, the depreciable basis is zero. Emission allowances are subject to an impairment test (see Note 3). The fair value of the emission allowances is measured based on price of the benchmark contract in the futures market provided by the ECX-European Climate Exchange.

The Group records an expense under "*Other operating expenses*" in the income statement for the CO_2 emissions released during the year, recognizing a provision calculated based on the tons of CO_2 emitted, measured at: (i) their carrying amount in the case of the allowances of which the Group is in possession at year end; and (ii) the closing list price in the case of allowances of which it is not in possession at year end.

When the emissions allowances for the CO_2 tons emitted are delivered to the authorities, the intangible assets as well as their corresponding provision are derecognized from the balance sheet without any effect on the income statement.

When carbon emission allowances are actively managed to take advantage of market trading opportunities (see Note 30), the trading allowances portfolio is classified as trading inventories.

d) Other intangible assets

This heading primarily includes the following items:

i. Concessions and others: these are initially recognized at acquisition cost if they are acquired directly from a government or other public sector body, or at the fair value attributable to the concession if they are acquired as part of a business combination. They are subsequently measured at acquisition cost less accumulated amortization and impairment loss, if any. These concessions are amortized on a straight-line basis over the term of the concession agreements.

ii. Development costs are capitalized only if all the conditions stipulated in the applicable accounting standard are met. Research costs incurred by the Group are expensed in the income statement as costs of the year.

iii. Other costs, including those relating to software and industrial property, are amortized on a straight-line basis over their useful lives (which range between 3 and 20 years).

Trademarks and analogous intangible assets internally developed by the Group are not capitalized; and the related expenses are recognized in the consolidated income statement in the period in which they are incurred.

8. *Property, plant and equipment*

The Repsol Group uses the cost model by which items of property, plant and equipment are measured initially at acquisition cost.

a) Cost

The cost of property, plant and equipment includes their acquisition cost, all the costs directly related to the location of assets and all the costs to make them operational.

Additionally, if applicable, the costs “Property Plant and Equipment” elements would include the present value of the expected disbursements necessary for any costs of dismantling and removing the item or restoring the site on which it is located, when such obligations are incurred under certain conditions. Subsequent changes to the measurement of the dismantling obligations and related liabilities resulting from changes in the estimated cash flows and/or in the discount rate are added to or deducted from the asset’s carrying amount in the period in which they are incurred, except where the lower corrected value of the liability is greater than the carrying amount of the associated asset, in which case the surplus is recognized in the income statement.

Borrowing costs that are directly attributable to the acquisition or construction of assets that require more than one year to be ready for use are capitalized as part of the cost of these assets, in accordance with the limits established in the applicable accounting rules.

The costs of expansion, modernization or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalized, as long as the general capitalization criteria are met.

Repair, upkeep and maintenance expenses are recognized in the income statement as incurred. Furthermore, certain facilities require periodic reviews. In this respect, the assets subject to replacement are recognized specifically and are depreciated over the average term remaining until the next repairs are carried out.

This heading also includes investments relating to oil and gas exploration and production activities (see section c below) and the cost of assets held under finance leases (see section 21).

b) Depreciation

Property, plant and equipment, other than those items relating to oil and gas exploration and production activities (see section c below), are depreciated using the straight-line method on the basis of the acquisition cost of the assets less their estimated residual value, over the years of estimated useful life of the assets. Estimated useful life of the main assets classified as Property, Plant and Equipment are as follows:

	Years of estimated Useful Life
Buildings and other structures	20-50
Machinery and plant:	
Machinery, fixtures and tools	8-25
Specialized complex plants:	
Units	8-25
Storage tanks	20-40
Pipelines and networks	12-25
Gas and electricity infrastructure and distribution facilities	12-40
Transport equipment	5-20
Other PP&E:	
Furniture and other PP&E	9-15

Depreciation of these assets starts when the assets become available for use.

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

c) Recognition of oil and gas exploration and production transactions

Repsol recognizes oil and gas exploration and production transactions using accounting policies based on the "*successful-efforts*" method, whereby the accounting treatment of the various costs incurred is as follows:

i. The costs incurred in the acquisition of new interests in areas with proved and unproved reserves (including bonds, legal costs, etc.) are capitalized as incurred under "*Investments in areas with reserves*" associated with proven reserves or non-proven reserves, as appropriate when incurred.

ii. *Exploration costs* (mainly geological and geophysical expenditures), excluding exploratory drilling expenditures, are registered in the income statement as incurred.

iii. *Exploratory drilling costs*, including those relating to stratigraphic exploration wells, are recognized as assets under the heading "*Other exploration costs*" until it is determined whether proven reserves justifying their commercial development have been found. If no proven reserves are found, the capitalized drilling costs are registered in the income statement. In the event that reserves are found but remain under evaluation for classification as proven, their recognition depends on the following:

- If the area requires additional investments prior to that start of production, the drilling costs remain capitalized only during the period in which the following conditions are met: (i) the amount of proven reserves found justifies the completion of a productive well if the required investment is made; and (ii) the drilling of additional exploratory or stratigraphic wells is underway or planned for the near future. If either of the aforementioned conditions is not met, the drilling costs or the cost of the stratigraphic wells are recorded in the income statement.

- In all other circumstances, the existence of reserves that can be classified as proven have to be determined within one year from the completion of the prospection work. Otherwise, the related drilling costs are recorded in the income statement.

Costs incurred in exploratory drilling work that has yielded a commercially exploitable reserve finding are reclassified to "*Investments in areas with reserves*."

iv. Development expenditure incurred in lifting proven reserves and in processing and storing oil and gas (including costs incurred in drilling relating to productive wells and dry wells under development, oil rigs, recovery improvement systems, etc.) are recognized as assets under "*Investments in areas with reserves*".

v. Future field abandonment and dismantling costs (environmental, safety, etc.) are estimated, on a field-by-field basis, and are capitalized at their present value when they are initially recognized under "*Investments in areas with reserves*" in assets in the balance sheet. This capitalization is recorded against the caption dismantling provision (see Note 15).

The investments capitalized as described above are depreciated as follows:

i. Investments in the acquisition of proven reserves and certain associated items of property, plant and equipment are depreciated over the estimated commercial life of the field on the basis of the production for the period as a proportion of the proven reserves of the field at the beginning of the depreciation period.

ii. Investments relating to non-proven reserves or fields under evaluation are not depreciated. These investments are tested for impairment at least once a year and whenever indications of impairment are detected.

iii. Cost incurred in drilling work and subsequent investments to develop and lift oil and gas reserves are depreciated over the estimated commercial life of the field on the basis of the production for the period as a proportion of the developed proven reserves of the field at the beginning of the depreciation period.

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

At closing balance sheet date or whenever there are indications that the assets might have become impaired, their recoverable amount is compared to their carrying amount. Any impairment loss or reversal arising as a result of this comparison is recognized under "*Impairment losses and losses on disposal of non-current assets*" or, if applicable, "*Income from reversal of impairment losses and gains on disposal of non-current assets*" on the consolidated income statement (see Notes 3, 7, 8 and 22).

d) Environmental property, plant and equipment

Property, plant and equipment of an environmental nature, the purpose of which is to minimize environmental impact and to protect and improve the environment, are identified on the basis of the nature of the business activities carried on, based on the Group's technical criteria, which are based on the guidelines relating to these matters issued by the American Petroleum Institute (API).

Environmental property, plant and equipment and the related accumulated depreciation are recognized in the balance sheet together with other property, plant and equipment, classified by their nature for accounting purposes.

Their cost, depreciation methods and the valuation adjustments to be performed are determined in accordance with the rules relating to these asset items, as explained in sections 8.a) and 8.b) of this heading.

9. *Non-current assets and liabilities held for sale and discontinued operations*

The Group classifies a non-current asset (or group of assets) as held for sale if the carrying amount of the asset(s) and associated liabilities will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. The sale should be expected to be completed within one year from the date of classification although this could take longer depending on regulatory requirements or similar circumstances.

These assets or group of assets are presented at the lower of carrying amount and fair value less costs to sell and, except for the ones mentioned in the paragraph below, are not depreciated as long as they are classified as held for sale or form part of a group of assets classified as held for sale.

In the specific case of financial assets, deferred tax assets, investment properties, and assets related to employee benefits, even when classified as "held for sale" these assets are measured according to their nature, irrespective of the fact that they are presented under this heading.

In addition, the Group classifies as discontinued operations any component (a cash-generating unit or a group of cash-generating units) that represents a separate major line of business or geographical area of operations, or has been sold or disposed of by other means, or that qualifies for classification as held for sale.

Non-current assets held for sale are presented in the consolidated balance sheet separately from other assets under the heading “*Non-current assets held for sale*”, while the liabilities associated with assets qualifying for this classification are presented under “*Liabilities related to non-current assets held for sale*” described in the previous paragraphs. The after-tax profits or losses generated by discontinued operations are presented in a single heading “*Net income for the year from discontinued operations after taxes*”.

The equity investment in shares of YPF S.A and YPF Gas S.A. subject to expropriation by Argentina's government was recognized under “*Non-current assets held for sale subject to expropriation*” at December 31, 2013 (further information on the measurement bases is provided in Note 4).

10. *Investments accounted for using the equity method*

See section 2 of this Appendix for a description of how these investments are initially recognized.

To determine whether it is necessary to recognize any impairment losses on investments in associates and joint ventures, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 as a single asset, including any goodwill that may be implicit within the investment, by comparing its recoverable amount with its carrying amount. The recoverable amount of an investment in an associate or a joint venture is evaluated individually, unless it does not generate cash inflows from continuing use that are largely independent of those generated by other Group assets or cash-generating units.

11. *Financial assets*

The Group classifies its investments in financial assets when they are initially recognized and reviews their classification at period end date. The assets are classified on the basis of the nature of the financial assets and the purpose for which those assets were acquired.

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

a) Financial assets at fair value with changes through profit or loss

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

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

b) Financial assets available for sale

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

c) Loans and receivables

There are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for whose the Group does not intend to sell immediately or in the near term. They arise when the Group delivers goods or provides services or financing directly to a third party.

d) Held to maturity investments

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

A financial asset is initially recognized at fair value (see section 24). Transaction costs that are directly attributable to the acquisition or issuance of a financial asset are capitalized upon initial recognition of the asset, except in relation to assets designated as financial assets at fair value through profit or loss that are recognized in the income statement, as incurred.

Subsequent to initial recognition, all financial assets, except for “Loans and receivables” and “Held to maturity investments” are measured at fair value. Equity investments in unlisted prices whose fair value cannot be measured reliably are measured at cost.

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

“*Loans and receivables*” and “Held to maturity investments” are measured at amortized cost, and the accrued interest income is recognized in profit or loss using the corresponding effective interest rate.

Accounts receivables which do not bear explicit interest are recognized at their face value whenever the effect of not discounting the related cash flows is not significant. In this instance, these assets are subsequently measured at face value also.

An impairment loss on financial assets at amortized cost is recognized when there is objective evidence that the Group will not be capable of collecting all the related amounts under the original terms of the accounts receivable. The amount of the impairment loss is recognized in the consolidated income statement. The carrying amount of the asset is reduced through an allowance account.

If, in subsequent periods, the value of the financial asset is recovered, the previously recognized impairment loss shall be reversed. The reversal shall not exceed the carrying amount the financial asset prior to the initial recognition of the impairment loss. The amount of the reversal shall be recognized in the income statement for the period.

The Group derecognizes financial assets when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition.

12. *Inventories*

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

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

The Group assesses the net realizable value of inventories at the end of each period and recognizes the appropriate write-down in profit or loss to the extent the carrying amount of inventories exceeds their net realizable value. When the circumstances that previously caused the impairment no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed.

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

In the case of commodities and similar products, it is not necessary to write down their carrying amount below cost as long as management expects to recuperate its value through the sale of the finished goods in which they will be incorporated when it will be sold above cost.

“Commodities” inventories for trading activities are measured at fair value less costs to sell and changes in fair value are recognized in income statement.

13. *Cash and Cash equivalents*

Repsol classifies under "Cash and cash equivalents" liquid financial assets, deposits or liquid investments needed to meet payment obligations in the short term that can be converted into a known amount of cash within three months and that are subject to an insignificant risk of changes in value.

14. *Earnings per share*

Basic earnings per share are calculated by dividing the profit for the period attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the period taking into account, where appropriate, any treasury shares held by the Group (see Notes 2. and 14).

15. *Treasury shares*

Treasury shares are measured at acquisition cost and are presented as a deduction from equity. Any related gains or losses are recognized directly in equity.

16. *Financial liabilities*

Unless they are part of a transaction qualifying for hedge accounting, non-derivative financial liabilities are initially recognized at fair value and are subsequently measured at amortized cost. Any difference between the financing proceeds received (net of transaction costs) and the repayment value is recognized in the consolidated income statement over the life of the debt instrument in question, using the effective interest rate method.

Preference shares, which are detailed in Note 16 correspond to this liability category.

Trade payables and other payables are financial liabilities which do not bear explicit interest and which, are recognized at face value, when the effect of not discounting them is not material.

The Group derecognizes financial liabilities when the obligations are cancelled or expire.

17. *Provisions and contingent liabilities*

The Group makes a distinction between:

a) Provisions: present obligations, either legal or assumed by the Group, arising from past events, the settlement of which is probable to give rise to an outflow of resources the amount and timing of which are uncertain; and

b) Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group, or present obligations arising from past events, the amount of which cannot be measured with sufficient reliability or whose cancellation is not likely to give rise to an outflow of resources embodying future economic benefits.

Contingent liabilities are not recognized as provisions in the consolidated financial statements. Notwithstanding the above, whenever it is deemed as non-remote that settlement of such a liability will give rise to an outflow of resources, the existence of these liabilities is disclosed (see Note 29).

18. *Loyalty programs aimed at beneficiaries of the pluri-annual incentive plan and share acquisition plans*

Repsol holds loyalty programs and share acquisition plans (see detailed disclosures in Note 23).

The estimated cost of the shares to be delivered under those loyalty plans is recognized under the captions "*Personnel expenses*" and "*Other reserves*" to the extent that the plan beneficiaries' rights to receive the shares vest.

19. *Defined contribution pension plans*

Repsol has recognized defined contribution pension plans for certain employee groups (see Note 23).

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

20. *Grants*

a) Grants related to assets

These are grants related to non-current assets and are measured at either: (i) the amount granted or face value; or (ii) the fair value of the assets received, if they have been transferred for no consideration. They are classified on the liability side of the balance sheet as deferred income when it is certain that they will be received.

These grants are recognized in profit or loss income statement on straight line basis over the useful life of the assets they are financing. The consolidated financial statements present the assets and the grants received separately.

b) Grants related to income

These are grants not related to non-current assets that become receivable by the entity and are recognized as income for the period in which they become receivable.

This heading also includes as deferred income the amounts associated with carbon emission allowances received free of charge (section 7c)).

21. *Leases*

Determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires, at inception date, the evaluation of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

The agreements classified as leases for accounting purposes include the following categories:

a) Finance leases

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

Leased assets are presented in the consolidated balance sheet according to the nature of the leased asset, and, simultaneously, recognize a financial liability within "*Other non-current liabilities*" of the balance sheet for the same amount. These assets are depreciated according to criteria applied to the items of property, plant and equipment that are owned or are depreciated over the lease term, whichever is lower, provided there is no reasonable certainty that the lessee shall be granted the ownership at the end of the lease term.

The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The resulting finance expense is charged to the heading "*Financial result*" in the consolidated income statement.

b) Operating leases

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

Lease costs are recognized under "*Other operating expense*" in the consolidated income statement as incurred.

When the Group acts as lessor, the resulting income is recognized under "*Other operating income*" in the consolidated income statement, as accrued.

22. *Income tax*

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

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

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

The accrued income tax expense includes both the deferred income tax expense and the current income tax expense, which is taken to be the amount payable (or refundable) in relation to the taxable net income for the year (see Note 21).

"*Income tax*" in the accompanying consolidated income statement includes both the accrued income tax expense and the net provisions recognized in the year for income tax contingencies, insofar as latter relate to income tax.

Current and deferred taxes are recognized outside profit or loss account if they are related to items that are recognized outside profit or loss account. Those entries related to items recognized under "*Adjustments for changes in value*" are recognized under that heading and those recognized directly in equity are recognized within the equity heading in which the impact of the transaction was recognized.

23. *Revenues and expenses recognition*

Revenues are measured at fair value of the consideration received or receivable and represent the amounts receivable for the goods and services provided in the normal course of business, net of discounts and any amounts received on account of third parties, such as the Valued added tax.

In sales in which the Group acts as an agent, the Group does not recognize all the income and expenses associated with the transaction, recognizing as revenue only the margin received or pending to receive.

In order to minimize transport costs and optimize the Group's logistics chain, the Group arranges swaps of oil products of similar nature with other companies in a number of geographical locations. These transactions are not recognized in the income statement as separate purchases and sales (being recognized for the net amount).

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

An expense is recognized when there is a decrease of economic benefits associated to a reduction of an asset, or an increase in a liability, which can be measured reliably.

As a result of the legislation on oil and gas retailing in force in the countries in which the Group operates, Repsol reflects as both revenue and expenses the excise and analogous duties levied specifically on consumption related to the production and/or sale of oil and gas products.

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

24. *Financial Instruments-derivatives*

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

Long-term oil and gas sale and purchase firm commitments are analyzed with the aim to determine whether they correspond to the supply or marketing needs of the normal business activities of the Group or whether, on the contrary, these should be considered as a derivative instrument and be recognized in accordance with the criteria set forth in IAS 39 *Financial Instruments - Recognition and Measurement*.

The valuation methods and inputs used are detailed in Note 11 "*Financial assets*" and Note 16 "*Financial liabilities*".

The valuation and recognition of derivative financial instruments in keeping with specific hedge accounting criteria are as follows:

a) Fair value hedges

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

The changes in the fair value of hedging derivatives and the changes in the fair value of the hedged items attributable to the hedged risk, are recognized in the income statement.

b) Cash flow hedges

These are hedges of the exposure to changes in cash flows that: (i) are attributed to a particular risk associated with a recognized asset or liability, a highly probable forecasted transaction or a firm commitment, if the risk hedged is foreign currency related; and (ii) could affect profit or loss for the period.

The portion of the changes in the fair value of the hedging instruments that is determined to be an effective hedge is recognized in equity and the ineffective portion of the gain or loss on the hedging instrument (corresponding to the excess, in absolute terms, between the cumulative change in the fair value of the hedging instrument with respect to the change in the fair value of the hedged item) is recognized in profit or loss. The gains or losses accumulated in equity are transferred to profit or loss in the periods in which the hedged items affect profit or loss or, when the transaction hedge results in the recognition of a non-financial asset or liability, are included in the cost of the related asset or liability.

c) Hedges of net investments

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

Hedges of net investments in a foreign operation are accounted for in a similar way to cash flow hedges, although the exchange rate differences resulting from these transactions are recognized in "*Translation differences*" within equity in the accompanying consolidated balance sheet.

The cumulative amount of the translation differences are reclassified to the income statement, when the foreign operation subject to the hedge is sold or disposed of in any other way.

APPENDIX V: RESTATEMENT OF THE 2013 CONSOLIDATED FINANCIAL STATEMENTS

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

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

	Millions of euros			
	Stated		Restated [1]	Initial balance [1]
ASSETS	**31/12/2013**	**variation**	**31/12/2013**	**01/01/2013**
Intangible Assets:	5,325	(3,596)	1,729	1,759
a) Goodwill	2,648	(2,158)	490	490
b) Other intangible assets	2,677	(1,438)	1,239	1,269
Property, plant and equipment	26,244	(10,218)	16,026	17,832
Investment property	24	-	24	25
Investment accounted for using the equity method	412	9,928	10,340	11,230
Non-current assets held for sale subject to expropriation	3,625	-	3,625	5,392
Non-current financial assets	1,802	86	1,888	1,505
Deferred tax assets	4,897	(818)	4,079	2,506
Other non-current assets	253	(193)	60	50
NON-CURRENT ASSETS	**42,582**	**(4,811)**	**37,771**	**40,299**
Non current assets held for sale	1,851	(159)	1,692	288
Inventories	5,256	(318)	4,938	5,175
Trade and other receivables	7,726	(2,791)	4,935	4,932
a) Trade receivables	5,621	(2,402)	3,219	3,556
b) Other receivables	1,634	(304)	1,330	1,043
c) Income tax assets	471	(85)	386	333
Other current assets	144	(3)	141	222
Other current financial assets	93	261	354	200
Cash and cash equivalents	7,434	(1,718)	5,716	4,108
CURRENT ASSETS	**22,504**	**(4,728)**	**17,776**	**14,925**
TOTAL ASSETS	**65,086**	**(9,539)**	**55,547**	**55,224**

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

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

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

	Millions of euros			
	Stated		Restated [(1)]	Initial balance [(1)]
LIABILITIES AND EQUITY	**31/12/2013**	**variation**	**31/12/2013**	**01/01/2013**
NET EQUITY				
Issued share capital	1,324	-	1,324	1,282
Share premium	6,428	-	6,428	6,428
Reserves	259	-	259	247
Treasury shares and own equity instruments	(26)	-	(26)	(1,245)
Retained earnings and other reserves	19,785	-	19,785	20,526
Profit attributable to the equity holders of the parent	195	-	195	-
Dividends and remunerations	(232)	-	(232)	(184)
EQUITY	**27,733**	**-**	**27,733**	**27,054**
Financial assets available for sale	488	-	488	57
Other financial instruments	-	-	-	-
Hedge transactions	(60)	-	(60)	(210)
Translation differences	(954)	-	(954)	(199)
ADJUSTMENTS FOR CHANGES IN VALUE	**(526)**	**-**	**(526)**	**(352)**
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**27,207**	**-**	**27,207**	**26,702**
MINORITY INTERESTS	**713**	**(470)**	**243**	**285**
TOTAL EQUITY	**27,920**	**(470)**	**27,450**	**26,987**
Grants	66	(56)	10	10
Non-current provisions	3,625	(925)	2,700	1,367
Non-current financial liabilities:	13,125	(4,656)	8,469	9,877
a) Bank borrowings, bonds and other securities	13,053	(4,640)	8,413	9,675
b) Other financial liabilities	72	(16)	56	202
Deferred tax liabilities	3,352	(1,486)	1,866	1,509
Other non-current liabilities	2,179	(503)	1,676	2,981
NON-CURRENT LIABILITIES	**22,347**	**(7,626)**	**14,721**	**15,744**
Liabilities related to non-current assets held for sale	1,533	(76)	1,457	20
Current provisions	303	(54)	249	212
Current financial liabilities:	4,519	1,314	5,833	5,688
a) Bank borrowings, bonds and other securities	4,464	1,316	5,780	5,620
b) Other financial liabilities	55	(2)	53	68
Trade payables and other payables:	8,464	(2,627)	5,837	6,573
a) Trade payables	4,115	(1,527)	2,588	2,702
b) Other payables	4,056	(942)	3,114	3,724
c) Current income tax liabilities	293	(158)	135	147
CURRENT LIABILITIES	**14,819**	**(1,443)**	**13,376**	**12,493**
TOTAL EQUITY AND LIABILITIES	**65,086**	**(9,539)**	**55,547**	**55,224**

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

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

Consolidated income statement for December 31, 2013 and January 1, 2013

	Millions of euros		
	Stated		Re-stated [1]
	12/31/2013	**variation**	**12/31/2013**
Sales	54,683	(8,594)	46,089
Services rendered and other income	1,063	(298)	765
Changes in inventories of finished goods and work in progress inventories	(228)	(13)	(241)
Income from reversals of impairment losses and gains on disposal of non-current assets	23	(4)	19
Allocation of grants on non-financial assets and other grants	13	(12)	1
Other operating income	744	(47)	697
OPERATING REVENUE	**56,298**	**(8,968)**	**47,330**
Supplies	(43,170)	4,731	(38,439)
Personnel expenses	(2,039)	368	(1,671)
Other operating expenses	(5,796)	1,186	(4,610)
Depreciation and amortization of non-current assets	(2,559)	1,039	(1,520)
Impairment losses recognised and losses on disposal of non-current assets	(163)	32	(131)
OPERATING EXPENSES	**(53,727)**	**7,356**	**(46,371)**
OPERATING INCOME	**2,571**	**(1,612)**	**959**
Finance income	162	(68)	94
Finance expenses	(963)	312	(651)
Changes in the fair value of financial instruments	(131)	2	(129)
Net exchange gains/ (losses)	98	27	125
Impairment and gains/ (losses) on disposal of financial instruments	79	-	79
FINANCIAL RESULT	**(755)**	**273**	**(482)**
Share of results of companies accounted for using the equity method after taxes	**48**	**757**	**805**
NET INCOME BEFORE TAX	**1,864**	**(582)**	**1,282**
Income tax	(947)	516	(431)
Net income for the period from continuing operations	**917**	**(66)**	**851**
Net income for the period from continuing operations attributable to minority interests	(38)	66	28
NET INCOME FOR THE PERIOD FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE PARENT	**879**	-	**879**
Net income for the period from discontinued operations after taxes [1]	**(684)**	-	**(684)**
NET INCOME FOR THE PERIOD FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO THE PARENT	**(684)**	-	**(684)**
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT	**195**	-	**195**

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

REPSOL, S.A. AND INVESTEES COMPRISING THE REPSOL GROUP
Consolidated cash flow statement

	Millions of euros		
	Stated		Re-stated (1)
	31/12/2013	**variation**	**31/12/2013**
Net income before tax	**1,864**	**(582)**	**1,282**
Adjustments to net income:	**3,639**	**(2,172)**	**1,467**
Depreciation and amortization of non-current assets	2,559	(1,039)	1,520
Other adjustments to results (net)	1,080	(1,133)	(53)
Changes in working capital	**(502)**	**227**	**(275)**
Other cash flows from operating activities:	**(1,005)**	**1,097**	**92**
Dividends received	33	595	628
Income tax received / (paid)	(893)	468	(425)
Other proceeds from / (payments for) operating activities	(145)	34	(111)
Cash flows from operating activities (1)	**3,996**	**(1,430)**	**2,566**
Payments for investing activities:	**(3,971)**	**1,636**	**(2,335)**
Group companies, associates and business units	(183)	40	(143)
Property, plant and equipment, intangible assets and investment properties	(3,438)	1,446	(1,992)
Other financial assets	(350)	150	(200)
Proceeds from disvestments:	**683**	**(415)**	**268**
Group companies, associates and business units	155	(11)	144
Property, plant and equipment, intangible assets and investment properties	102	(20)	82
Other financial assets	426	(384)	42
Otros flujos de efectivo	-	-	-
Cash flows used in investing activities (1)	**(3,288)**	**1,221**	**(2,067)**
Proceeds from/ (payments for) equity instruments:	**1,014**	**-**	**1,014**
Acquisition	(106)	-	(106)
Disposal	1,120	-	1,120
Proceeds from / (payments for) financial liabilities:	**(1,325)**	**199**	**(1,126)**
Issues	8,876	(1,735)	7,141
Return and depreciation	(10,201)	1,934	(8,267)
Payments for dividends and payments on other equity instruments	**(528)**	**58**	**(470)**
Other cash flows from financing activities:	**(974)**	**(52)**	**(1,026)**
Interest payments	(827)	236	(591)
Other proceeds from/ (payments for) financing activities	(147)	(288)	(435)
Cash flows used in financing activities (1)	**(1,813)**	**205**	**(1,608)**
Effect of changes in exchange rates	(54)	36	(18)
Net increase / (decrease) in cash and cash equivalents	**(1,159)**	**32**	**(1,127)**
Cash Flows from operating activities from discontinued operations	129	(19)	110
Cash Flows from investment activities from discontinued operations	2,319	59	2,378
Cash Flows from financing activities from discontinued operations	246	3	249
Effect of changes in exchange rates from discontinued operations	(4)	2	(2)
Net increase / (decrease) in cash and discontinued operations	**2,690**	**45**	**2,735**
Cash and cash equivalents at the beginning of the year	5,903	(1,795)	4,108
Cash and cash equivalents at the end of the year	7,434	(1,718)	5,716
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**31/12/2013**		**31/12/2013**
Cash and banks	4,650	(739)	3,911
Other financial assets	2,784	(979)	1,805
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**7,434**	**(1,718)**	**5,716**

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

CONSOLIDATED MANAGEMENT REPORT
For the financial year 2014

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

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

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APPENDIX

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*.

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[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).

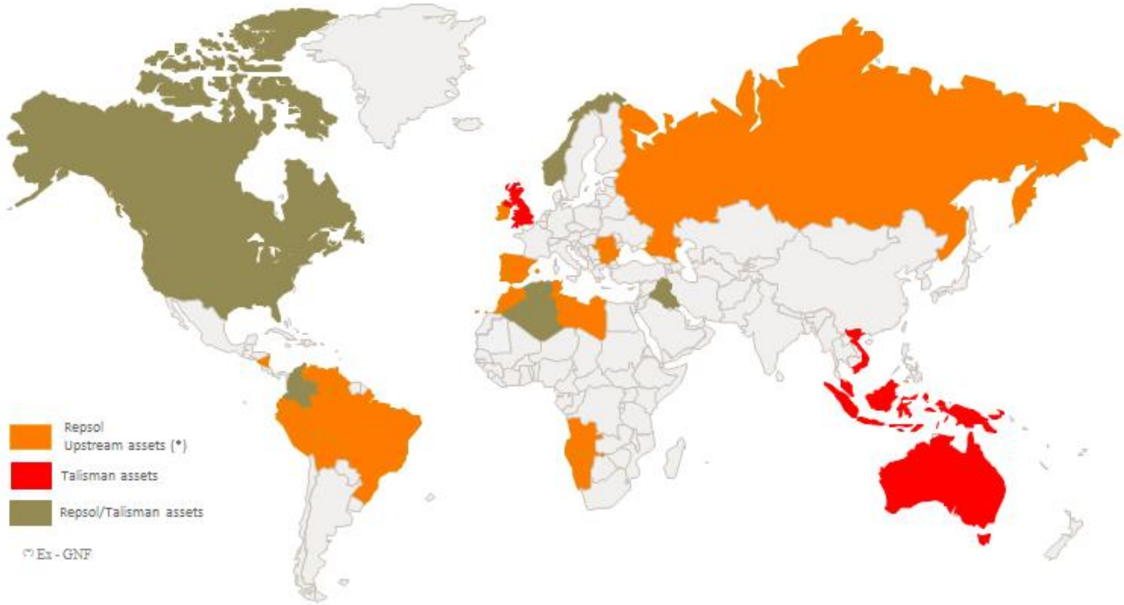
(1) Amounts corresponding to 2013 have been obtained from 2013 Talisman Energy Inc. Annual Report.
(2) Figures and estimated indicators (not audited) corresponding to 2014, have been obtained from 6-K Form submitted to the United States Securities and Exchange Commission (SEC) on February 10, 2015 by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

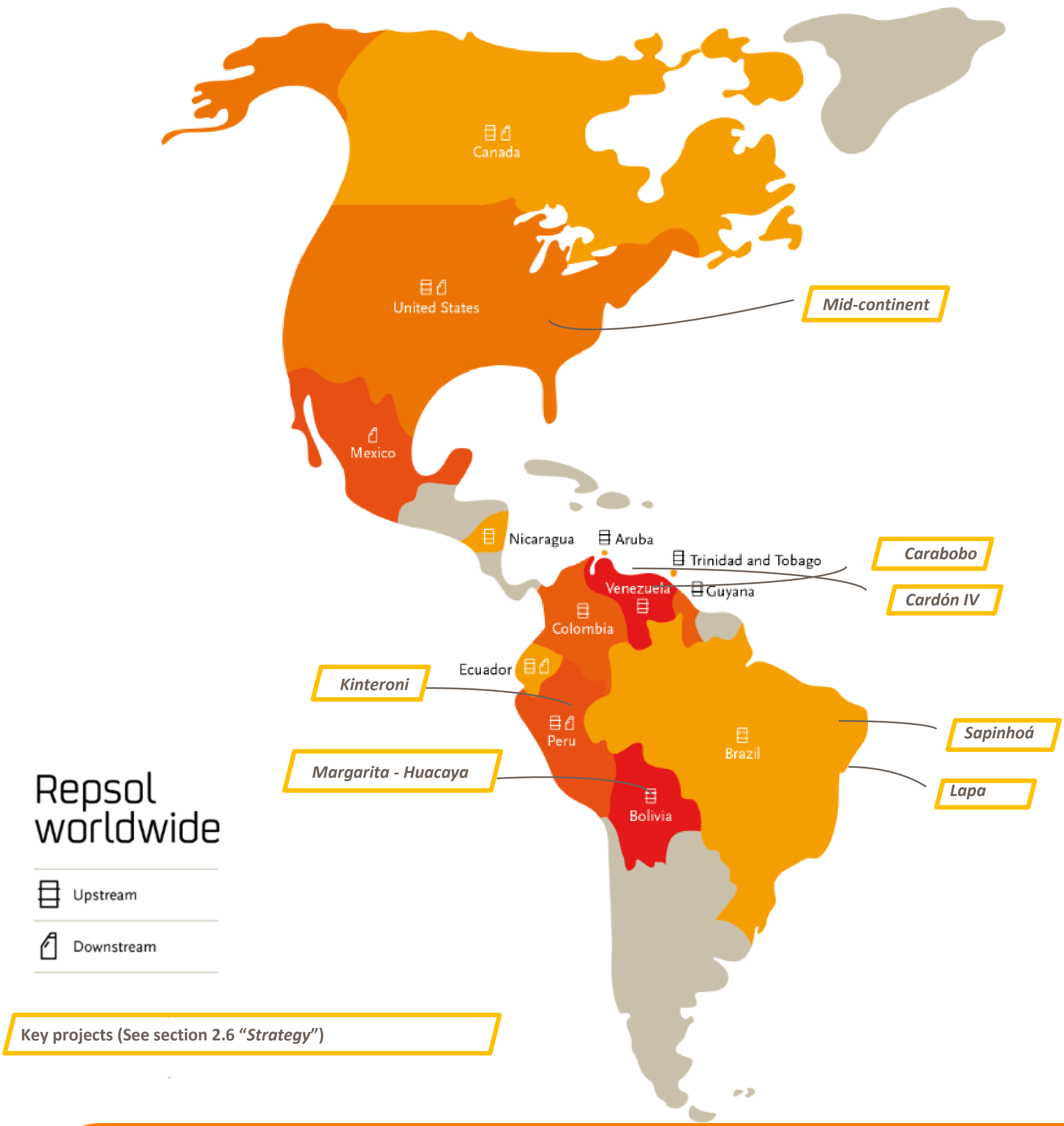
Downstream

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

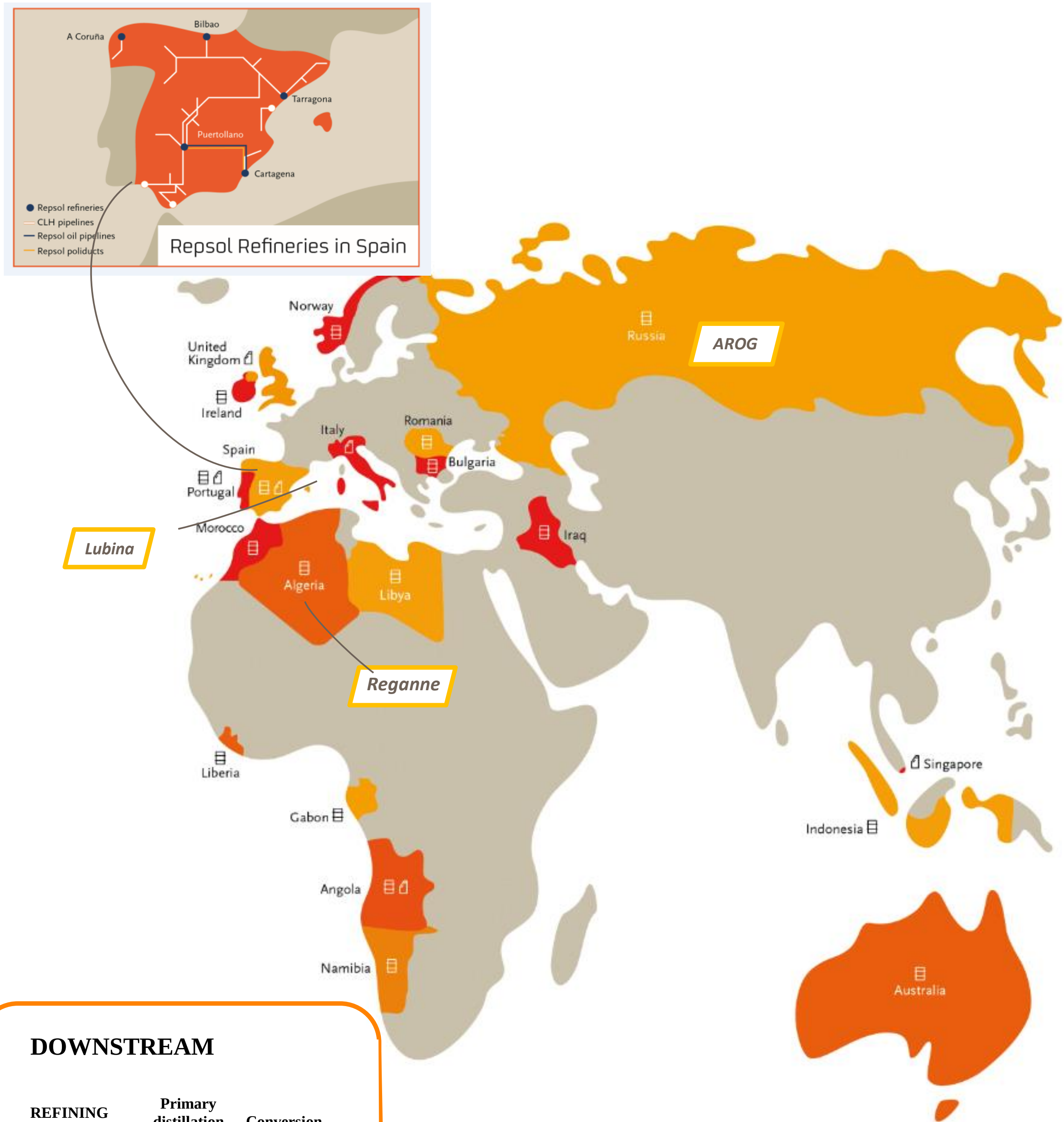
We participate in 695 oil and gas Exploration and Production blocks[1] in 29 countries, directly or through our affiliated companies.

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

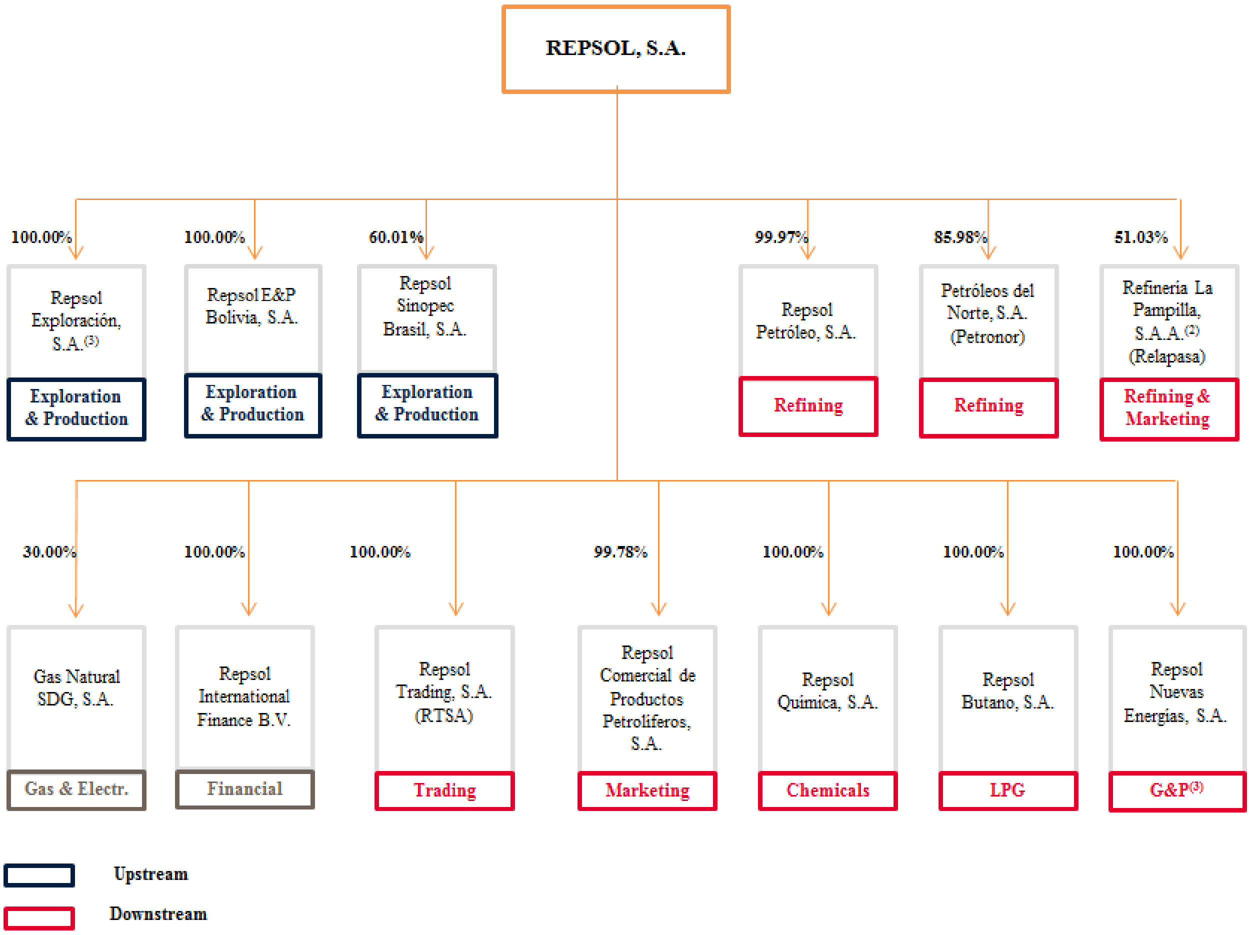
OTHERS 3

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.

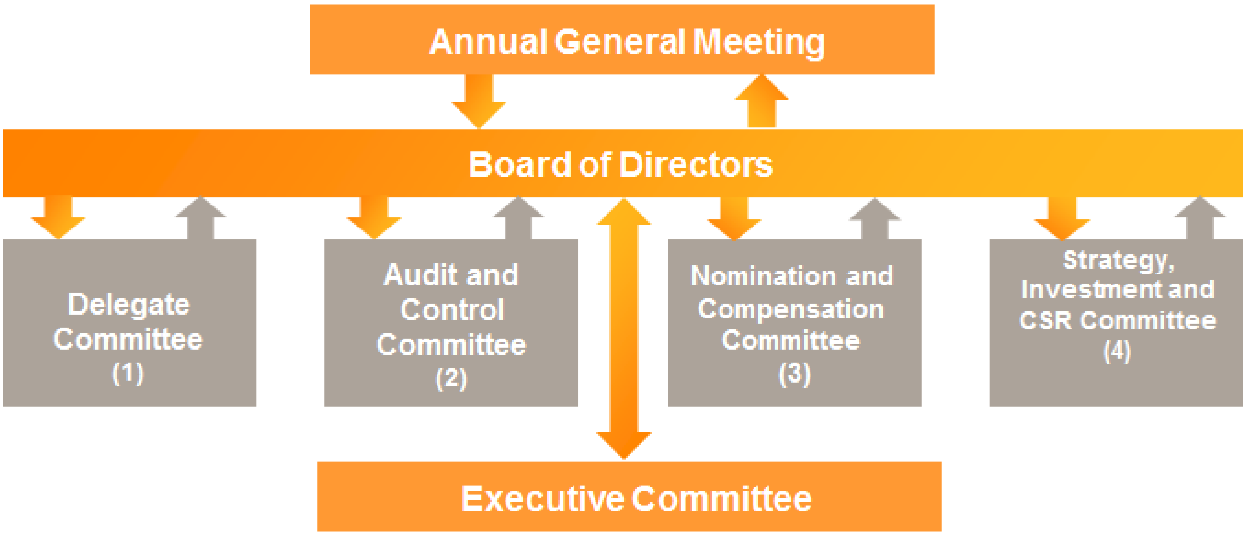
2.5) CORPORATE GOBERNANCE

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.

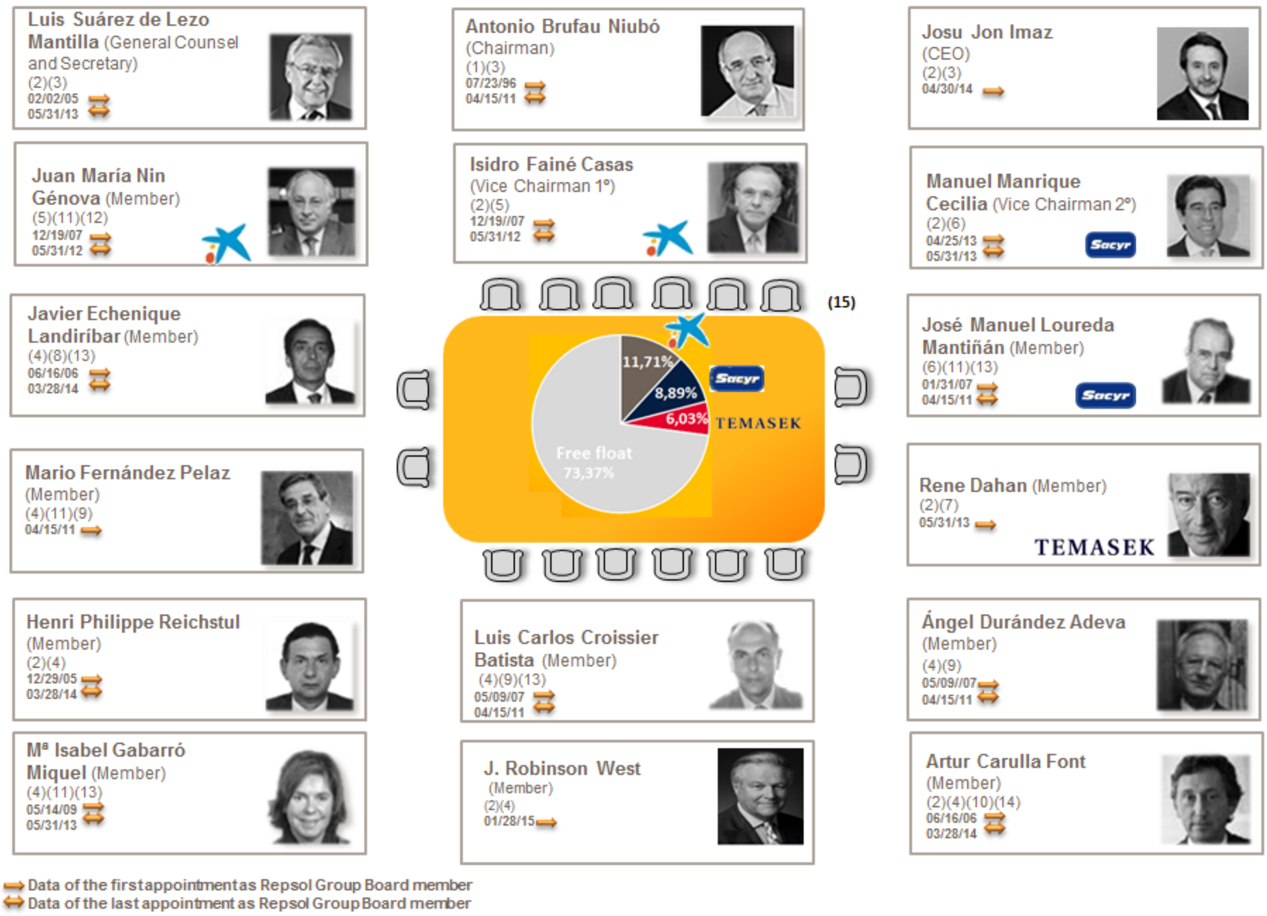
(1) The Executive Committee: composed of the Chairman of the Board of Directors and eight Directors more belonging to all Director categories, maintaining a similar proportion to that existing in the Board of Directors. This Committee is permanently delegated with all the powers of the Board of Directors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

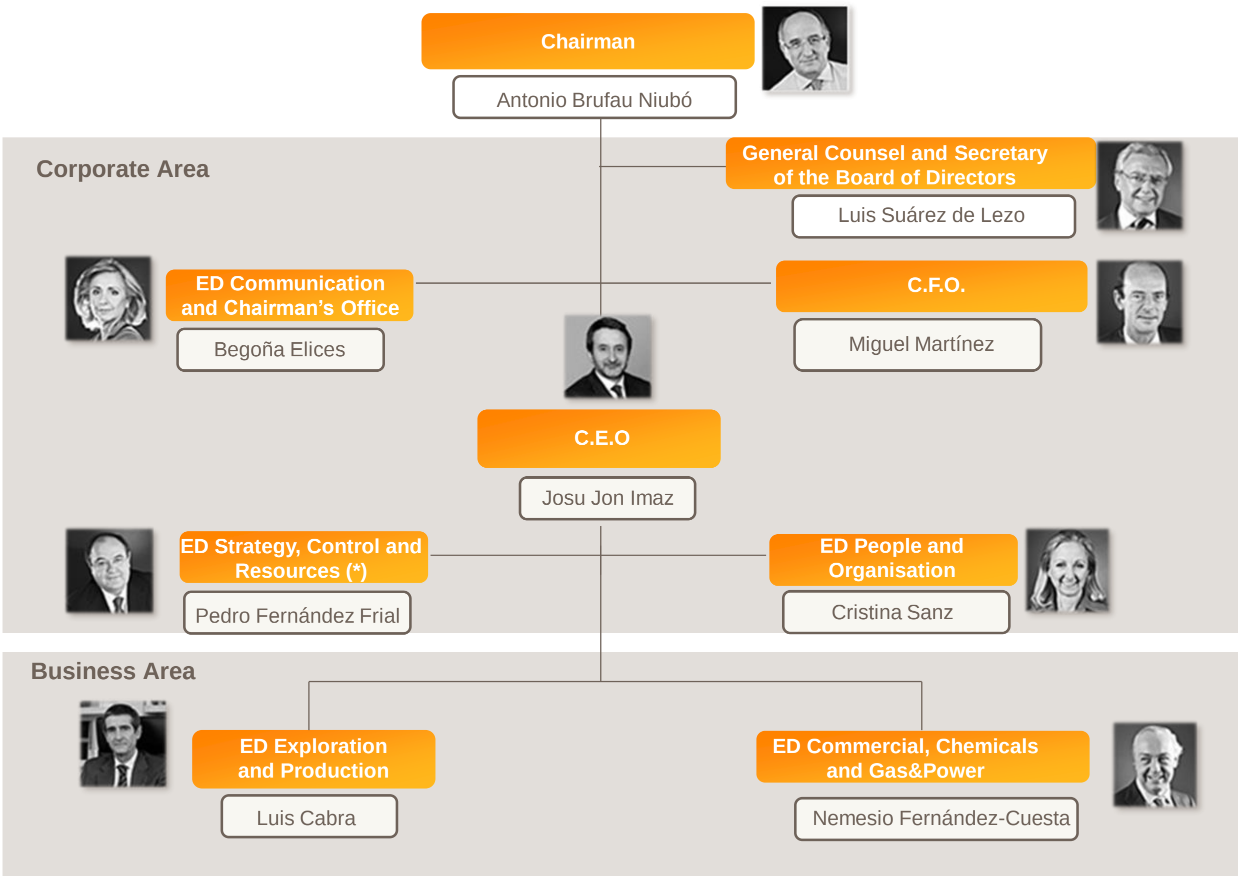
On April 30, 2014, the Board of Directors of Repsol, at the proposal of its Chairman, and with a favourable report issued by the Nominations and Remuneration Committee, approved a significant remodelling of the structure of the senior management team, in particular the appointment of Josu Jon Imaz San 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.

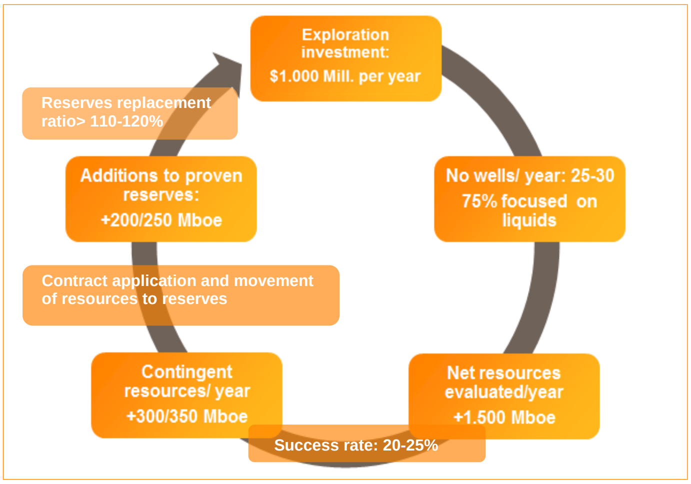
There are also many operational synergies and advantages arising from the integration of the *Upstream* and *Downstream* businesses, of which the most significant are:

- 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.

Upstream, driving growth

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

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



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

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

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

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

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

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

Downstream, operational excellence and margin optimization

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

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

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

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

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

Competitive remuneration for shareholders

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

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

Solid financial position

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

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

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

This financial soundness has allowed us inorganic growth.

Acquisition of Talisman and new strategic plan

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

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

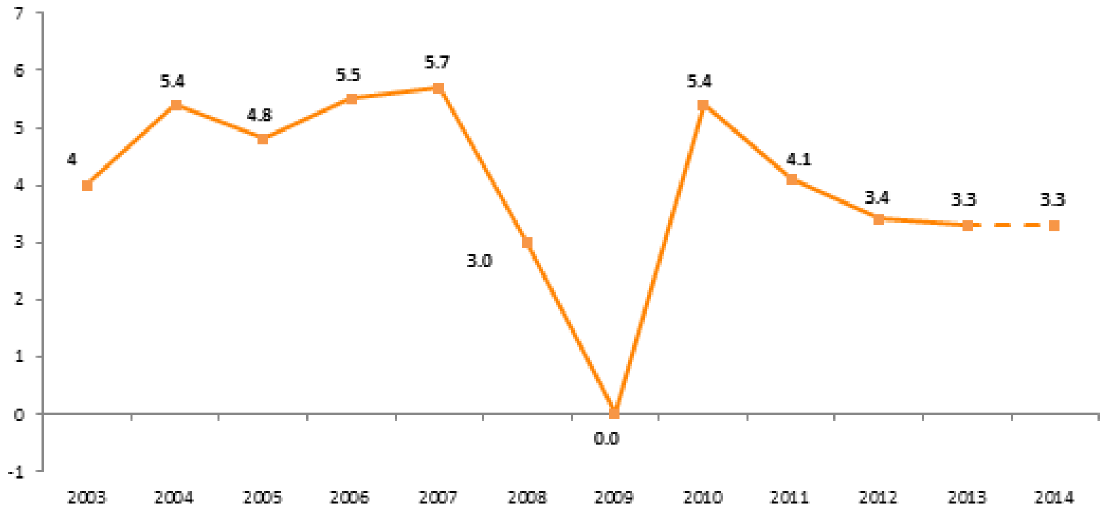
Following the culmination of this transaction, Repsol will present a new strategic plan.

3. MACROECONOMIC ENVIRONMENT

Recent economic developments

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

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.

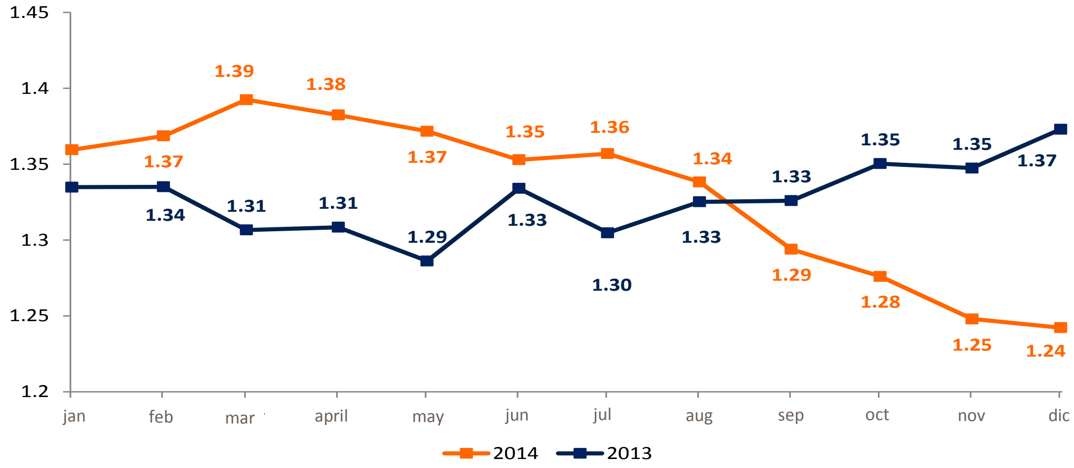
The eurozone recorded economic stagnation in the second quarter of the year, although for 2014 as a whole, preliminary forecasts suggest annual average growth of 0.9%. Overall, periphery countries have mostly completed their adjustment programmes and progress has been made towards banking union. However, 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

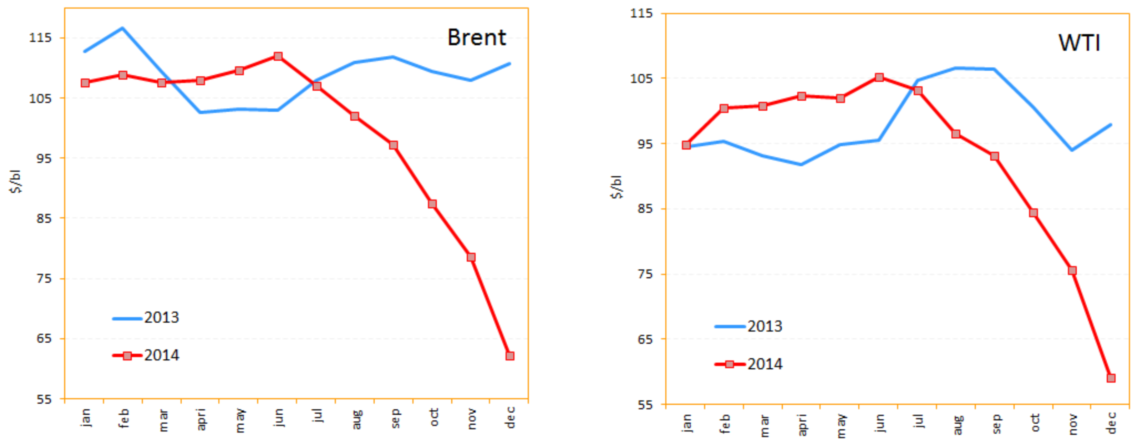
Between January and December the average price of Brent crude oil, the European benchmark, stood at 98.99 dollars per barrel ($/bbl). Throughout 2014, the evolution of prices exhibited two different trends: the first half was marked by a slight upward trend, reaching an annual maximum of $115 on June 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.

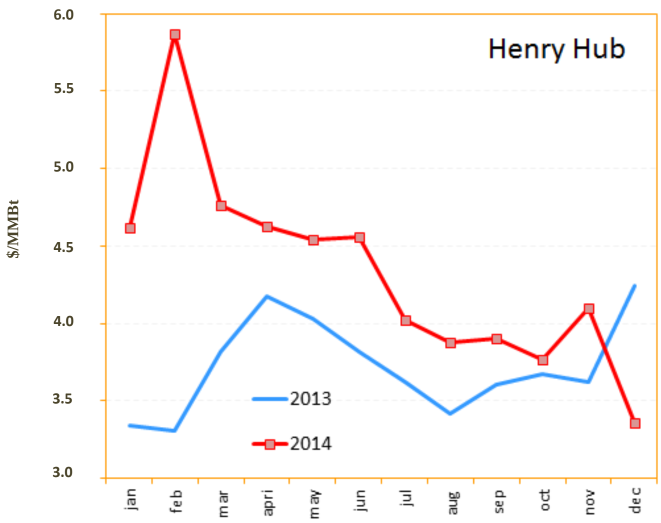
In terms of geopolitics, although the global geopolitical landscape in recent months has been very marked by conflicts in key oil producing countries, the situation is perceived by oil sector stakeholders as one of relative calm. In this sense, most analysts have announced that the major active conflicts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

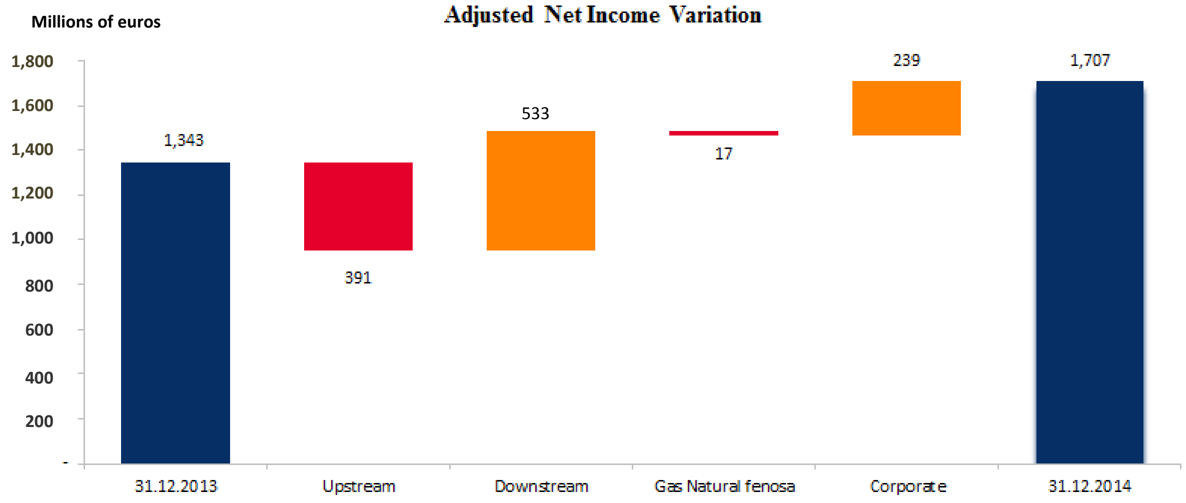
4. RESULTS, FINANCIAL OVERVIEW AND OUR SHAREHOLDER REMUNERATION

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.

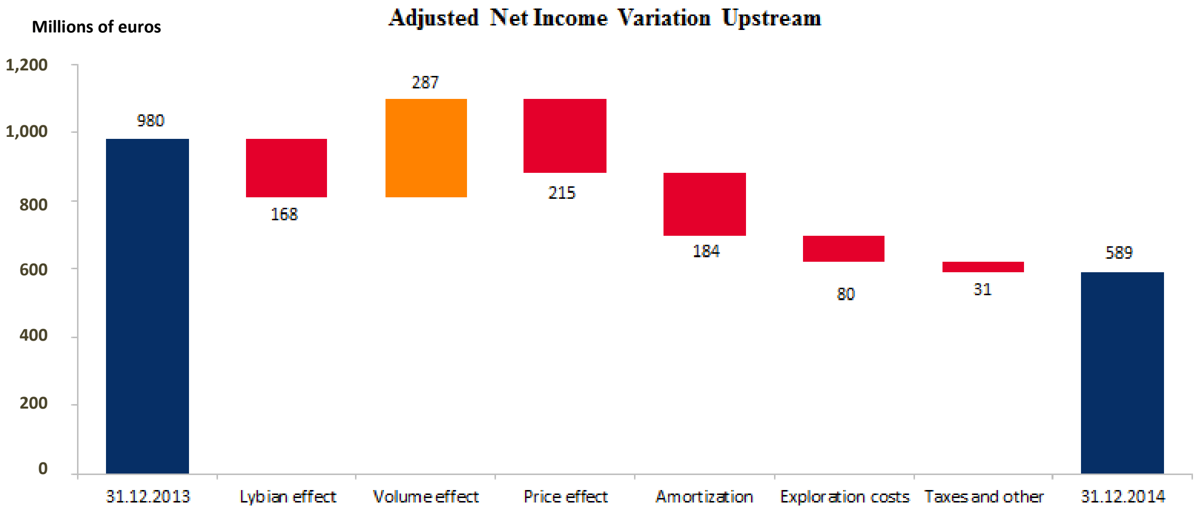
Adjusted Net Income for 2014 amounted to €1,707 million, 27% higher than in 2013. Due to a notable improvement in the results of the businesses of *Downstream* segment, influenced by a better international environment, and financial result as a consequence of reduction in net debt and the impact of the 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).

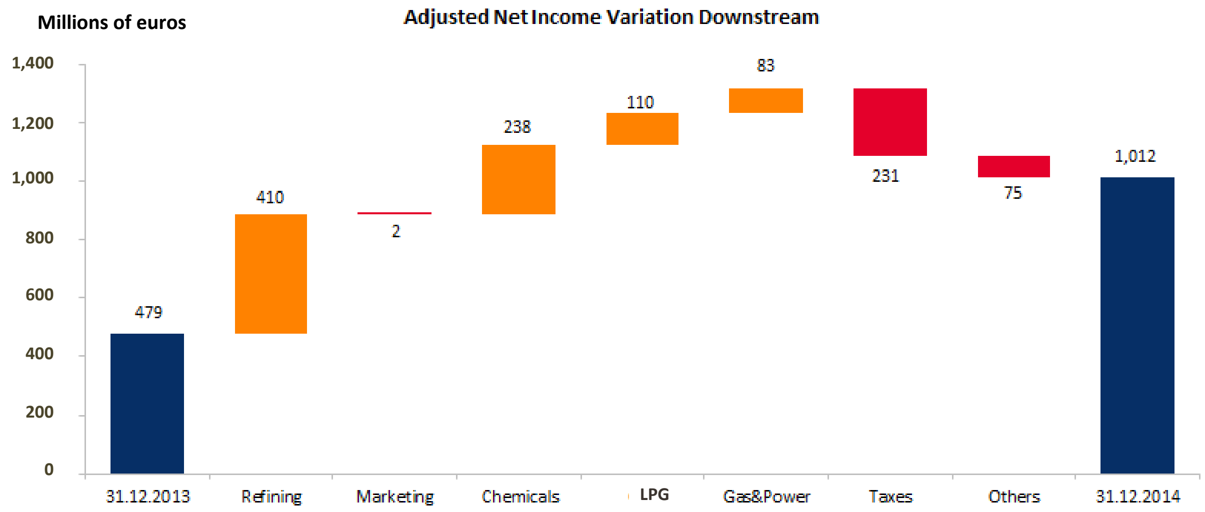


The main factors behind this reduction were:

- 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).

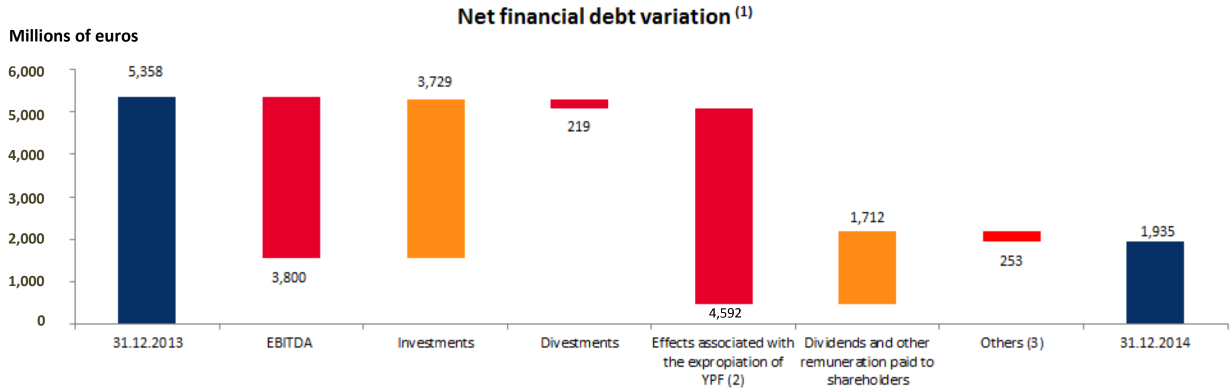
FINANCIAL OVERVIEW [(1)]

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.

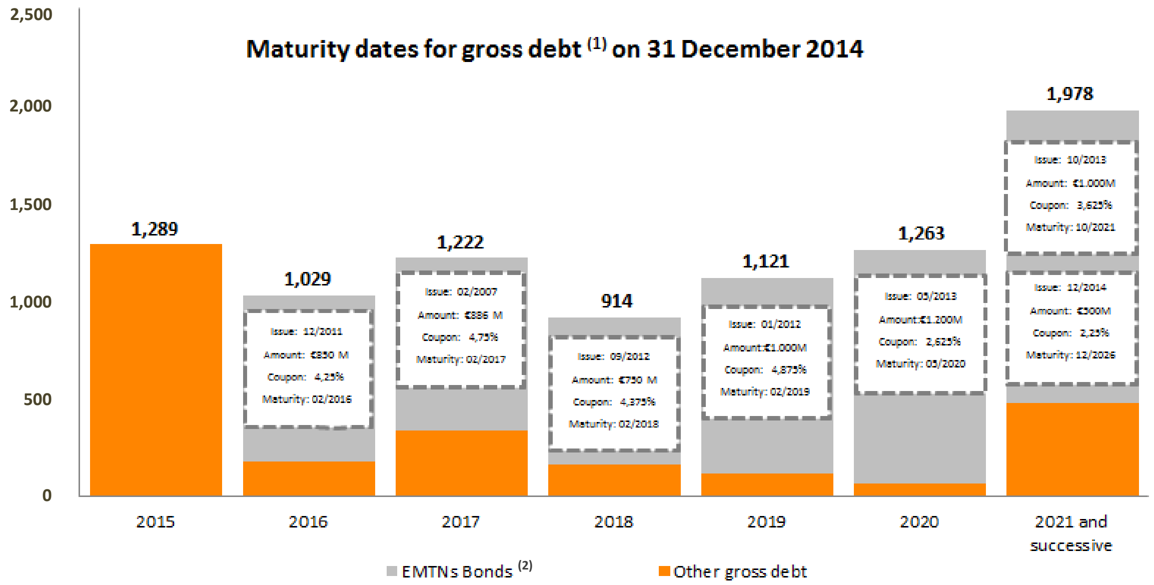
On July 1, 2014 Repsol, S.A. has cancelled ahead of maturity Simple Bonds Series I/2013 in the amount of €1,458 million, corresponding to principal (€500 per bond) and €13 million in respect of the ordinary gross coupon (€4.375 per bond).

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

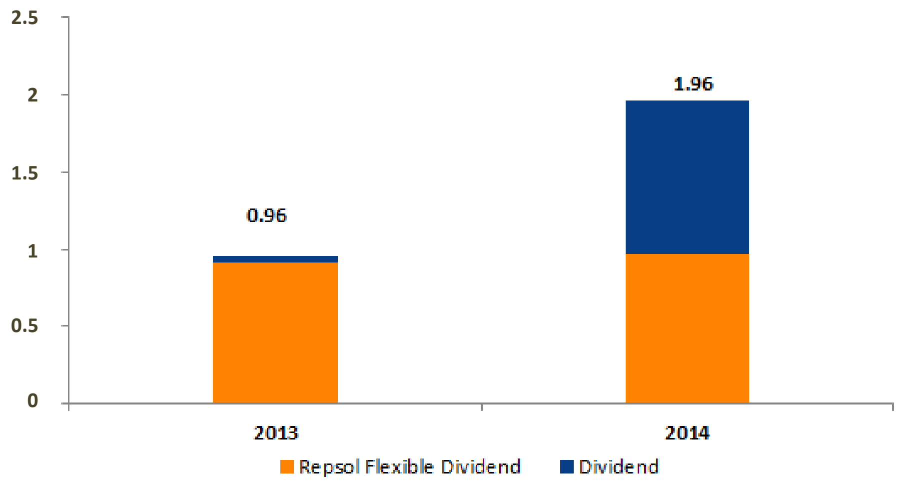
During 2014 no significant transactions have occurred with treasury shares and equity instruments. For further information on treasury shares and equity instruments, see Note 14 "*Equity*" of the Consolidated Annual Accounts corresponding to December 31, 2014.

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.

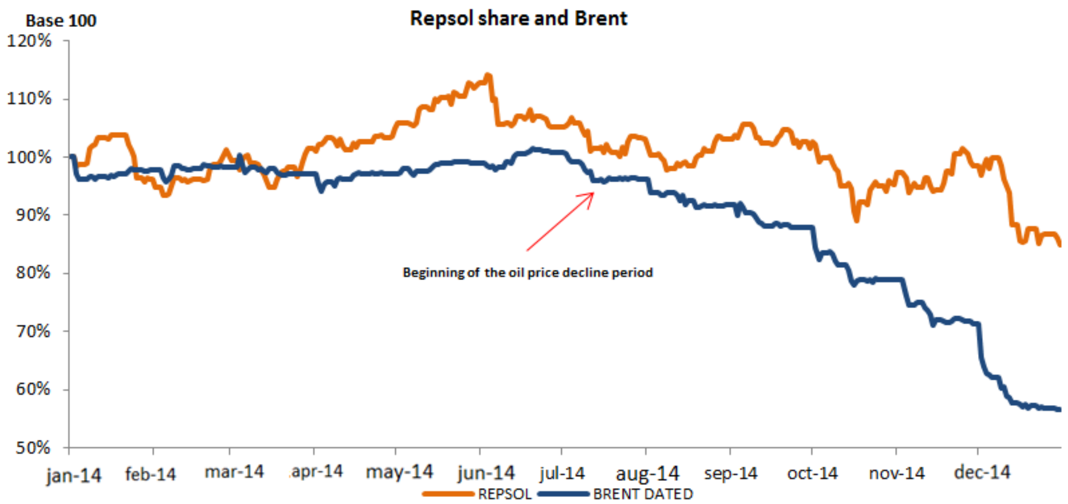
As at the date of these Annual Accounts, it is expected that the Board of Directors of the Company will propose to the next General Shareholders' Meeting a continuation of the "*Repsol Flexible Dividend*" programme, via a capital increase charged to voluntary reserves from retained earnings, on the dates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

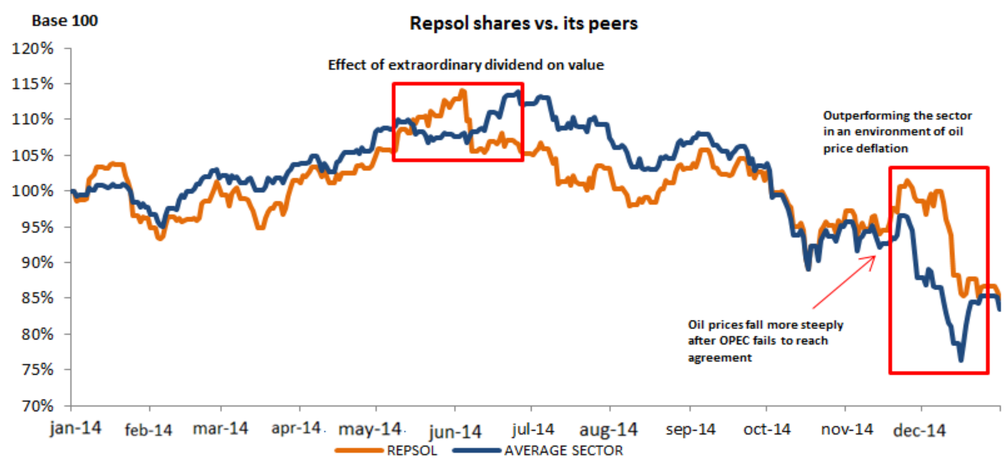
In 2014, Brent and WTI, major reference crudes oil, fell 44% and 46% respectively. This decline was emphasized after the OPEC meeting in November where the organisation decided to maintain current production quotas.



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 (km²) (2)				Net acreage (km²) (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 (Mm^3/d), above the 15 Mm^3/d recorded since January 2014. The production level of 14 Mm^3/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 Mm^3/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**

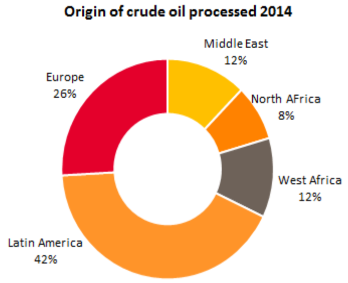
(1) Information submitted in accordance with the Repsol Group's reporting criteria: all the refineries cited are fully integrated in the Group's financial statements. The reported capacity in Tarragona includes the shareholding in ASESA.
(2) Defined as the ratio between the equivalent capacity coefficient of Fluid Catalytic Cracking (FCC) and primary distillation capacity.

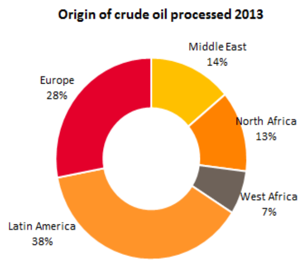
In this context, the Repsol refineries managed by the *Downstream* division processed 39.5 million tons of crude oil, representing an increase of 3.7% compared to 2013. The average use of refining capacity was 80.8% in Spain, higher than the 78.1% recorded in the preceding year. In Perú, refinery use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

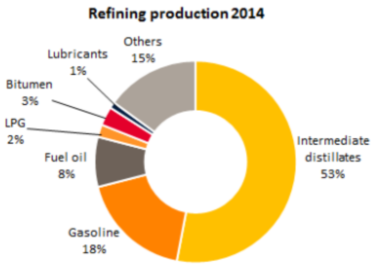
The table below provides a breakdown of refinery production, by main products:

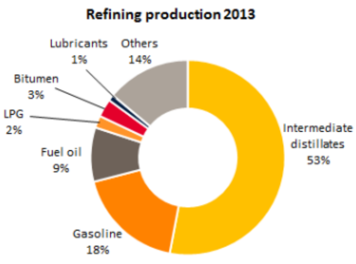
Refinery intake	**2014**	**2013**
Thousands of tons		
Crude oil	39,480	38,074
Other refinery intake	8,163	7,312
Total	**47,643**	**45,386**

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.

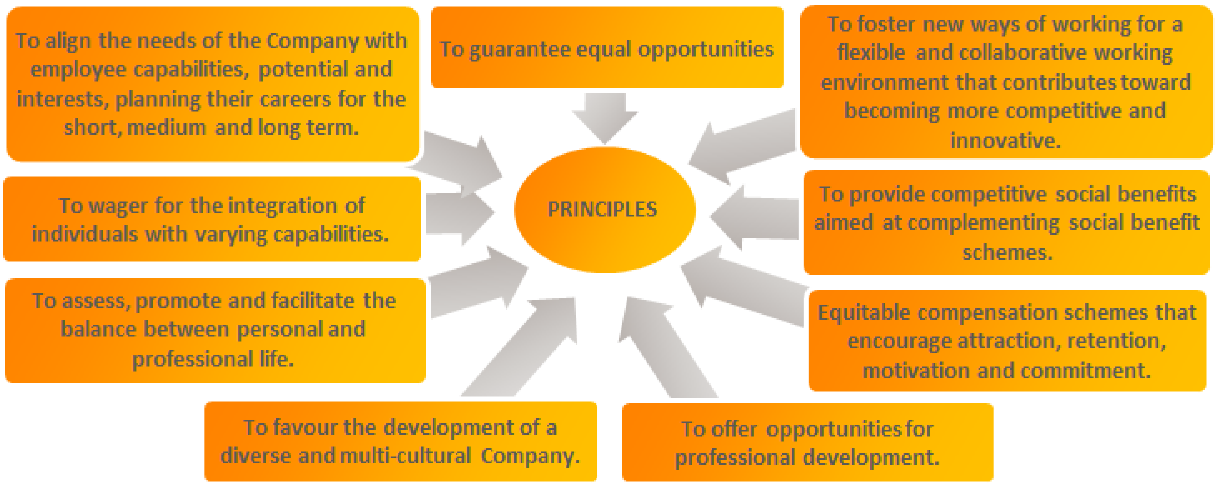
During the development of the projects, which will be completed in 2015 or 2016, the preliminary studies required before the construction and operations of the installations, which will commence operations from 2018 onwards, will be carried out. It is expected that the final decision as to whether or 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.

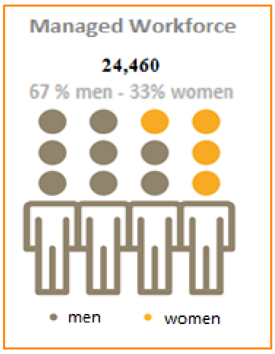
The principles stated in the "*Employee Management Policy*" reflect the management style and are the subject of monitoring, systematic assessment and improvement. Some of these principles are:



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

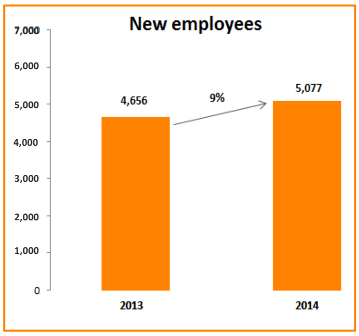


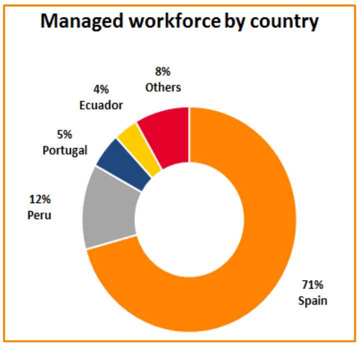
(1) The data provided exclude those employees with annual working hours equal to or less than 20% of the hours set in the collective agreement as well as employees of partially-owned companies in which Repsol does not have management control of its employees.

(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

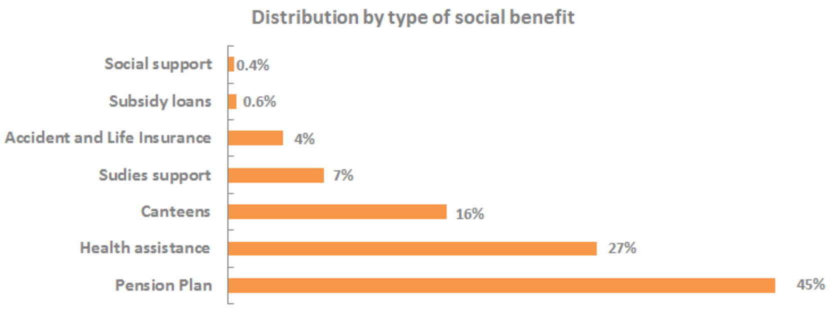
Remuneration is an element designed to make it easier to attract, retain, motivate, and commit professionals who provide their skills to the Organisation. Schemes vary to provide employees with greater opportunities for flexibility.

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.

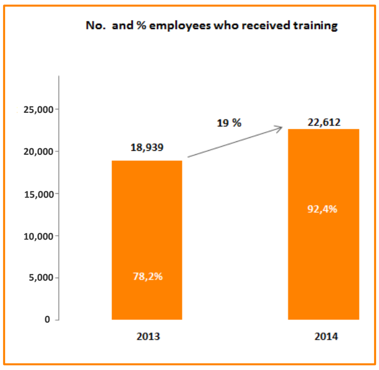
There are also other flexible systems for our employees in Scotland and the United States.

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.

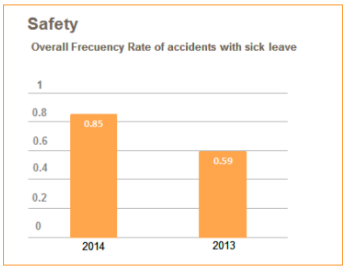
[(1)] Figures and indicators of this section have been calculated according to a new Corporate rule set common methodology and criteria in Safety and Environmental, including companies of the Repsol Group which were fully consolidated (control) and with responsibility of operation.

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.

[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.

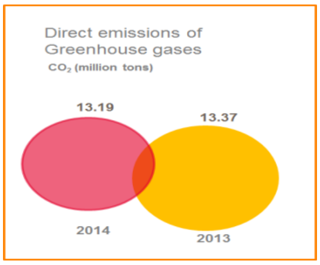
Improvement in waste management and minimization

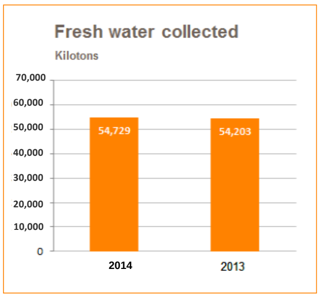
We are working on optimising waste management throughout the entire lifecycle of our processes. To do this, in 2103 the company's waste map was redesigned to adapt our reporting criteria to industry best practices and for the first time defining a quantitative reduction target, whose compliance has been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

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

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

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

Management of fiscal risk

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

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

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

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

Tax havens

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

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

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

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

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

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

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

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

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

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

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

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

Repsol, by means of research, development and innovation, seeks to develop solutions to meet the technological challenges facing the energy industry. In doing so we propel ourselves based on the talent of our teams and on cooperation, networking with scientific groups of excellence, in Spain and abroad.

The Repsol Technology Centre (CTR) located in Móstoles, which opened in the year 2002, is the scientific and technological heart from where the companies centralises its R+D+i activities. It is the largest private research centre in Spain and its mission is to create its own value and know-how by means of R+D+i. Top-level research is conducted in this 56,000 square metre complex, in *Upstream*, Refining, Fuels, Chemicals and Alternative Energies, recognised on an international level. Over 400 researchers and technicians work in it, with collaboration on some projects from universities and external technological centres, always for the purpose of reaching maximum efficiency and quality.

In 2014, Repsol invested €82 million in R&D activities carried out directly in the CTR, and a further €8 million in projects undertaken in the company’s different business units (in 2013, these amounted to €83 and €6 million, respectively). Repsol maintains an active policy of collaboration with technology centres, public and private universities and companies in Spain and abroad. The investment earmarked for these types of agreements was more than €24 million. Repsol participates in R&D financing projects run by different government authorities. In 2014, the Technology Centre participated in 13 projects promoted by the Spanish Administration and 8 European Union projects (in 2013, they were 12 and 3 projects, respectively), as well as on one project for international cooperation with Chile.

OPERATIONAL INDICATORS	2014	2013
R+D Investment (millions of euros) (1)(2)	90	89
No. of external scientific collaboration agreements	105	122
Projects promoted by the Spanish Administration	13	12
Projects promoted by the EU	8	3
International projects	1	1

(1) Indicator calculated in accordance with the Group's new reporting model described in Note 5 “*Segment Reporting*” of the Consolidated Annual Accounts corresponding to December 31, 2014.
(2) Amounts calculated using the guidelines established in the Frascati Manual of the OECD and the EU Industrial R&D Investment Scoreboard presented annually by the European Commission.

Upstream R+D Programmes

Some of the Strategic Research Projects have concluded in 2014, in line with the objectives set in the 2011-2015 *Upstream* Strategic Technology Plan, and the activities of the rest of the Plan have made significant progress.

At the start of the year, the project for the generation of models and tools specific to Optimisation of site Development Plans concluded. A set of data collection and simulation technologies were developed for this, based on various custom algorithms that enable significant improvements in the results of the optimisation and opportunity assessment. At present, the Company already has several successful application pilots of this tool.

Within the rest of the key technology areas, the set of projects continues to develop according to the defined plans. Among these are the projects whose purpose is to view the subsoil by advanced geophysical technologies, to improve the definition of prospects and optimize the placement of the appraisal. Another set of projects focuses on understanding the characteristics of reserves by means of the development of tools and methods for the analysis and modelling of the rocks and fluids they contain, that in the long term make it possible to decrease costs for hydrocarbon exploration, development and production. Lastly, progress has been made on projects focusing on the most specific characterisation of fluids during their extraction and transport, likewise addressing the assurance of the flow and potential corrosion problems. The tools developed by means of these projects are already being applied in various Company assets.

Relevant activities are being carried out on improved recovery projects with significant future potential in various sites and research activities in nanotechnology applications to various fields, among them drilling. Technologies are also under development regarding unconventional hydrocarbons, from extra-heavy oils to *shale gas/oil.*

In collaboration with an important international technology partner, a research project commenced in 2014 for the development of the first application of Cognitive Computational Systems to the oil industry. This is an ambitious challenge that, by means of the application of the new era of intelligent computation systems, makes it possible to optimise the access and extraction of information from enormous amounts of data ("*Big data*") on the industry and the taking of decisions on our *Upstream* assets.

Lastly, tasks have been carried out for the optimisation of the tool for surveillance and early detection of hydrocarbon spills (HEADs) in an aquatic environment developed in 2013. This tool is capable of automatically identifying very small quantities under any atmospheric or light condition. The development has already been implemented in the Tarragona dock and the Casablanca platform (opposite the Tarragona coast) and its placement in other settings and countries is being analyzed. This project is an obvious example of Repsol's commitment to the environment.

Downstream R+D Programmes

During the year 2014, the technology activity for Downstream businesses concentrated on improving operating and energy efficiency, product diversification and care of the environment.

In Refining, the most relevant activities focused on the area of operating efficiency, incorporating new mathematical developments into production programming models and the design and implementation of comprehensive models for the operation of conversion plants, for the purpose of increasing their margin.

This year the activity of technology in product diversification has had an application in almost all *Downstream*. Worthy of mention is the development of eco-efficient products and processes related to bitumens that contribute to differentiation and to their international expansion. Specifically, new exportable product formats were developed, capable of long-distance transportation without loss of performance, as well as the design of special emulsions for their use in the full recycling of pavements at low temperatures, a technology that constitutes one of the most eco-efficient options in the highway sector. Progress has also been made in research to obtain unlabelled extender oils through the use of alternative oils and new processes.

Basing ourselves on lines of collaboration existing with international institutions, extensive experimentation has been developed to demonstrate the Fuel Economy potential of lubricant formulas, for engines as well as transmissions and differentials.

With regard to automotive LPG, one of the most successful projects in 2014 was the ability to prove that Autogas in direct injection engines in the liquid phase complies with the stringent Euro 6c emissions regulations, that will be in force as of 2017, in terms of gas emissions (CO, HC and NOx), as well as the number of particles, without the need for particle filters. The decrease of 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
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

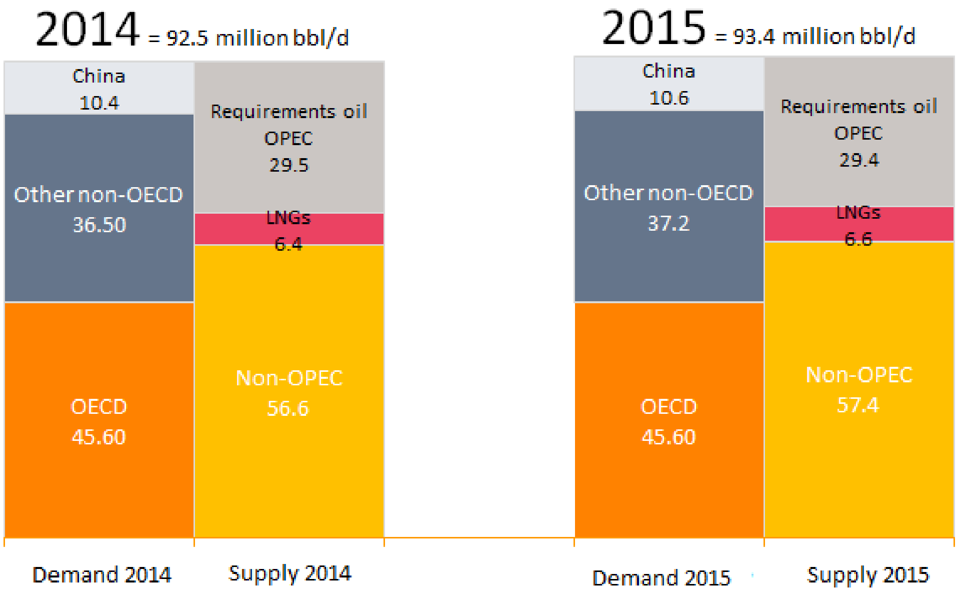
Source: IMF (World Economic Outlook Oct. 2014 and Update January 2015) and Repsol Technical Secretariat Dept.
*These figures were not updated by the IMF in the update of the WEO for January 2015

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



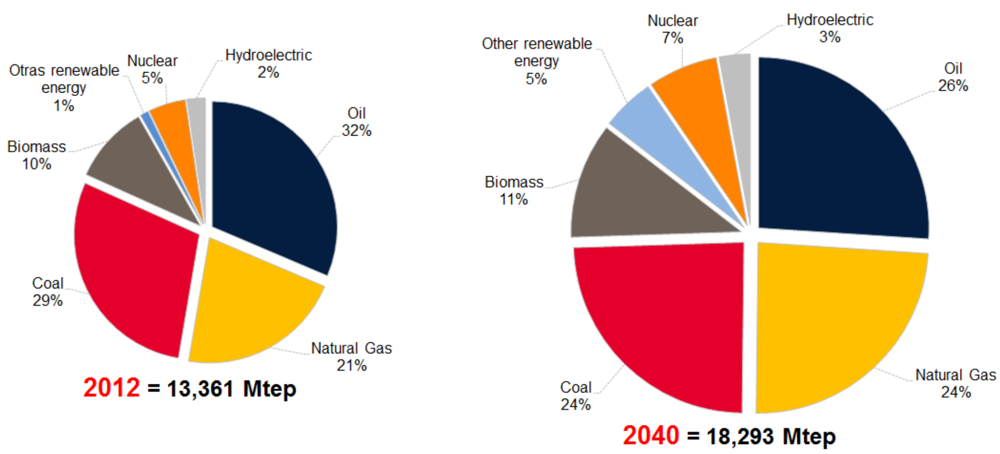
Source: IEA and Repsol Technical Secretariat Dept.

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.

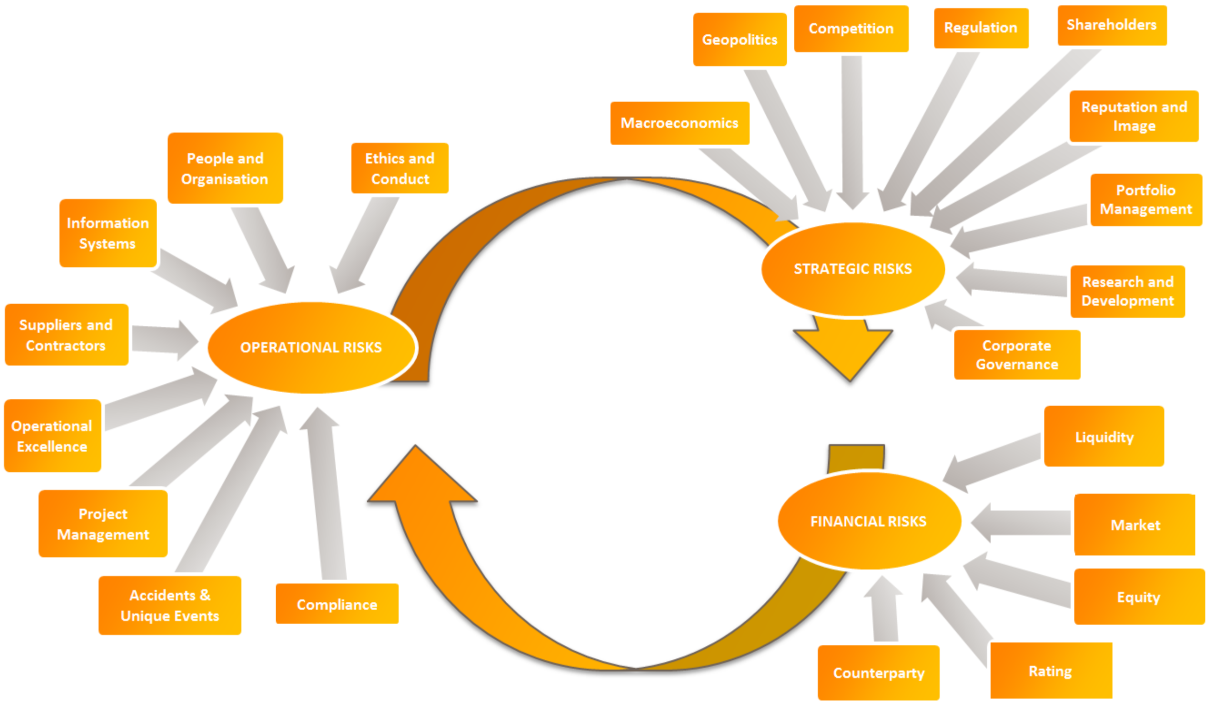
8. *RISK MANAGEMENT*

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:

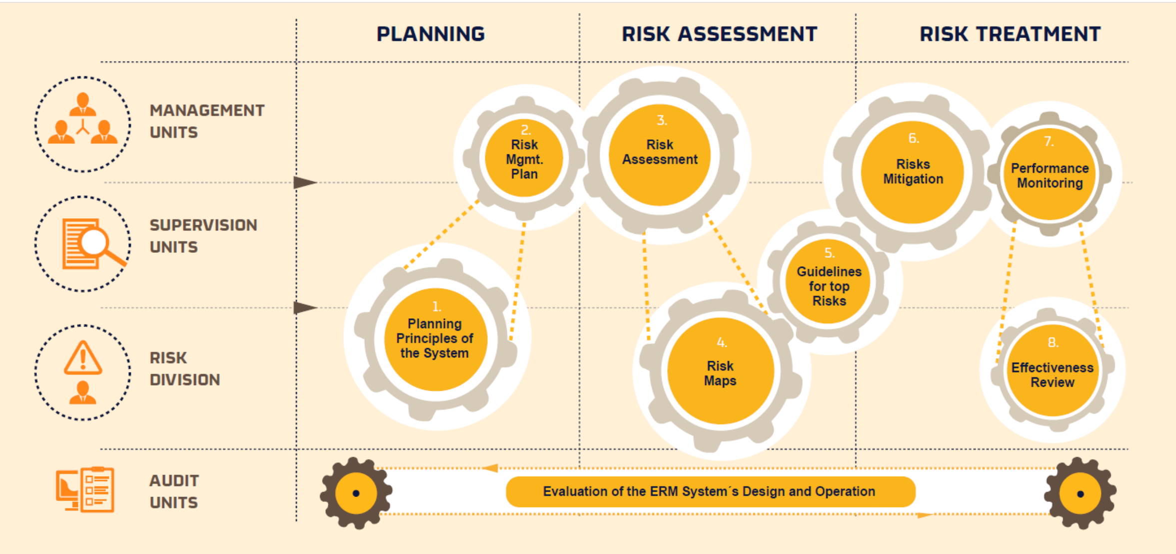
- Senior Management Leadership.

- 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*").

Translation of a report originally issued in Spanish.
In the event of a discrepancy, the Spanish-language version prevails.

ANNUAL CORPORATE GOVERNANCE REPORT

LISTED COMPANIES

DETAILS OF ISSUER

DATED END OF YEAR 2014

TAX REGISTRATION NUMBER: A78374725

Name: REPSOL, S.A.

Registered office: C/ Méndez Álvaro, 44 28045 Madrid

ANNUAL CORPORATE GOVERNANCE REPORT
LISTED COMPANIES

Read the instructions at the end of this report to correctly understand and complete the form.

A OWNERSHIP STRUCTURE

A.1 Complete the following table on the capital of the company:

Date latest modification	Capital (€)	Number of shares	Number of voting rights
07-07-2014	1,350,272,389	1,350,272,389	1,350,272,389

Indicate whether there are different classes of shares with different associated rights:

Yes [ ] No [X]

A.2 Give details on the direct and indirect holders of significant interests in your company at year-end, excluding directors:

Name of shareholder	Number of direct voting rights	Indirect voting rights		Interest / total voting rights (%)
		Direct holder of the interest	Number of voting rights	
Sacyr , S.A.	0	Sacyr Participaciones Mobiliarias, S.L.	122,208,433	9.05
Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona	0	CaixaBank,S.A.	160.675.452	11,899
Temasek Holdings (Private) Limited	0	Chembra Investments Pte. Ltd	82,949,191	6.37
Blackrock, Inc.	0	Subsidiaries Blackrock	49,939,119	3.091

Indicate the principal movements in the shareholding structure during the year:

Name of shareholder	Date of transaction	Description of the transaction
Blackrock, Inc	14/04/2014	Interest raised to over 3% of the capital
Blackrock, Inc	30/05/2014	Interest lowered to below 3% of capital
Blackrock, Inc	20/06/2014	Interest raised to over 3% of the capital
Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona	14/10/2014	Interest raised to over 10% of the capital
HSBC Holdings, PLC	29/05/2014	Interest raised to over 5% of the capital
HSBC Holdings, PLC	03/06/2014	Interest lowered to below 3% of capital
JP Morgan Chase & Co.	06/06/2014	Interest raised to over 3% of the capital
JP Morgan Chase & Co.	12/06/2014	Interest lowered to below 3% of capital
Petróleos Mexicanos	04/06/2014	Interest lowered to below 3% of capital

A.3 Complete the following tables on directors' voting rights corresponding to shares in the company:

Name of director	Number of direct voting rights	Indirect voting rights		Interest / total voting rights (%)
		Direct holder of the interest	Number of voting rights	
Antonio Brufau Niubó	330,155	Mª Isabel López-Marín Pérez	924	0.025
Isidro Fainé Casas	280	-	-	0.000
Manuel Manrique Cecilia	113	Cymofag, S.L.U.	987	0.000
Josu Jon Imaz	34,773	-	-	0.000
Artur Carulla Font	57,914	-	-	0.004
Luis Carlos Croissier Batista	1,395	Affidavit Imagen y Comunicación, S.L.	571	0.000

Rene Dahan	10,810	-	-	0.001
Ángel Durández Adeva	6,744	-	-	0.000
Javier Echenique Landiríbar	0	Bilbao Orvieto, S.L.	20,025	0.001
Mario Fernández Pelaz	4,657	-	-	0.000
María Isabel Gabarró Miquel	9,745	Francisco Miró-Sans Balcells	1,451	0.001
		Amtrak, S.L.	3,103	
José Manuel Loureda Mantiñán	61	Prilou, S.L.	31,673	0.002
Juan María Nin Génova	280	0		0.000
Henri Philippe Reichstul	50	0		0.000
Luis Suárez de Lezo Mantilla	30,282	0		0.002

Total % of voting rights held by board members	0.04

Complete the following tables on directors with stock options in the company:

Name or corporate name of the director	**Number of direct stock options**	**Indirect options**		**Equivalent number of shares**	**% of total stock options**
		Direct holder	**Number of options**		

A.4 Indicate family, commercial, contractual or corporate relationships among controlling shareholders known to the company, if any, except any that are insignificant and those deriving from ordinary commercial business:

Name of related parties	**Type of relationship**	**Brief description**

A.5 Indicate commercial, contractual or corporate relationships between controlling shareholders and the company and/or its group, if any, except any that are insignificant and those deriving from ordinary commercial business:

Name of related parties	Type of relationship	Brief description
Caja de Ahorros y Pensiones de Barcelona	Corporate	Repsol and Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona (controlling shareholder of Caixaholding Bank, S.A.U. and CaixaBank, S.A.) participate in Gas Natural SDG, S.A., which has as business purpose, among other activities, supply, production, piping and distribution of any type of combustible gas. Repsol and Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona have also signed an agreement in relation to Gas Natural SDG, S.A., considered by both entities as a concerted action of which the Comisión Nacional del Mercado de Valores (CNMV) has been duly notified.

A.6 State whether the company has been notified of any shareholders' agreements that may affect it pursuant to the Companies Act articles 530 and 531. If any, describe them briefly and list the shareholders related by the agreement:

Yes [ ] No [X]

Parties to shareholders' agreement	% of capital affected	Brief description of agreement

Indicate and describe any concerted actions among company shareholders of which the company is aware:

Yes [ ] No [X]

Parties to concerted action	% of capital affected	Brief description of arrangement

Expressly indicate any change or break-up of those agreements or concerted actions, if any, that has taken place during the year:

A.7 Indicate any individuals or entities that exercise or may exercise control over the company in pursuance of section 4 of the Securities Market Act:

Yes [ ] No [X]

Name

Comments

A.8 Complete the following tables on the company's treasury stock:

At year-end:

Number of direct shares	Number of indirect shares (*)	Treasury stock/capital (%)
8,191	7,681,180	0.56

(*) Through:

Name of direct holder of the shares	Number of direct shares
Repsol Tesorería y Gestión Financiera, S.A.	7,681,180
Total:	7,681,180

Give details on any significant variations during the year, according to the provisions of Royal Decree 1362/2007:

Date of communication	Total direct shares acquired	Total indirect shares acquired	% of capital

A.9. Indicate the term and conditions of the authorisation granted by the General Meeting to the Board to issue, buy back or sell own shares.

The Annual General Meeting of Shareholders of Repsol, S.A. held on first call on March 28, 2014, adopted the following resolution under item twenty on the Agenda:

"First. To authorize the Board of Directors for the derivative acquisition of shares of Repsol,S.A., by sale, purchase, exchange or any other onerous legal business modality, directly or through subsidiaries, up to a maximum number of shares, that added to those already own by Repsol, S.A. and its subsidiaries, not exceeding 10% of the share capital and for a price or equivalent value that may not be lower than the nominal value of the shares nor exceed the quoted price on the stock market.

The authorization includes the acquisition of shares that, if any, may be disbursed among the employees and directors of the Company and its Group or used to satisfy the exercise of option rights that such persons may hold.

This authorization, which is subject to the compliance of all other applicable legal requirements, shall be valid for 5 years, counted as from the date of the present General Shareholders Meeting, and leaves without effect the authorization granted by the Ordinary General Shareholders Meeting held on April 30, 2010 under the sixth point on the Agenda.

Second. To authorize the Board of Directors to delegate, pursuant to the provisions of article249.2 of Companies Act, the delegated powers contemplated in section first of these resolutions.""

A.10 State whether there are any constraints on the transferability of shares and/or any restrictions on voting rights. In particular, indicate the existence of any type of constraint or limitation that may hamper takeover of the company through the acquisition of its shares on the market.

Yes [X] No [ ]

Description of constraints
Article 34 of Royal Decree-Law 6/2000 establishes certain constraints on the exercise of voting rights in more than one principal operator in any one market or sector. Among others, it lists the fuel production and distribution, liquefied petroleum gas production and supply and natural gas production and supply markets. The principal operators are the entities holding the five largest shares of the market in question. These constraints are as follows: – Individuals or entities directly or indirectly holding more than 3% of the capital or voting rights of two or more principal operators on the same market may not exercise the voting rights corresponding to the excess over that percentage in more than one of such operators. – No principal operator may exercise the voting rights corresponding to an interest of more than 3% in the capital of another principal operator on the same market. These constraints shall not be applicable to parent companies that are principal operators in respect of their subsidiaries that are in the same position, provided this structure is imposed by law or the result of a mere redistribution of securities or assets among group companies. The Comisión Nacional de los Mercados y Competencia, regulator of the energy market, may authorise exercise of the voting rights corresponding to the excess provided this does not favour the exchanging of strategic information or imply any risks of

coordination of their strategic actions.

A.11 Indicate whether the General Meeting has resolved to apply the breakthrough rule against a takeover bid, under Act 6/2007:

Yes [ ] No [X]

If yes, explain the measures approved and the terms on which the restrictions will become ineffective:

A.12 State whether the company has issued any shares that are not traded on an EU regulated market:

Yes [X] No [ ]

If yes, indicate the different classes of shares and, for each class, the rights and obligations conferred.

At 31 December 2014, Repsol shares in the form of *American Depositary Shares* (ADSs) are listed on the OTCQX market. In addition, the shares in Refinería La Pampilla, S.A. are listed on the Lima Stock Exchange.

B GENERAL MEETING

B.1 Indicate whether there are any differences between the quorums established for General Meetings and the minimums stipulated in the Companies Act and, if any, explain:

Yes [ ] No [X]

	% quorum differing from that stipulated in the Companies Act article 193 for ordinary resolutions	**% quorum differing from that stipulated in the Companies Act article 194 for special resolutions**
Quorum required on 1st call		
Quorum required on 2nd call		

Description of the differences

B.2 Indicate whether there are any differences in respect of the system stipulated in the Companies Act for adopting corporate resolutions and, if any, explain:

Yes [X] No [ ]

What differences exist in respect of the system stipulated in the Companies Act?

	Larger majority than that established in the Companies Act article 201.2 for cases contemplated in article 194.1	Other cases requiring a larger majority
% established by the company for adopting resolutions		75%

Describe the differences

On both, first and second call the favourable vote of 75% of the voting capital attending the general meeting is required to validly adopt resolutions on the following matters:

- Alteration of Articles 22A and 44A of the Articles of Association on related party transactions and directors' prohibition from competing, or paragraph l) of Article 15 regarding transactions designed to produce or producing the effect of dividing or liquidating the Upstream and/or Downstream businesses.
- Authorisation of related party transactions in the cases contemplated in Article 22A of the Articles of Association.
- Releasing of a director from his obligation to not compete, pursuant to Article 44A of the Articles of Association.
- The transformation of the Company;
- The merger, division and global assignment of assets and liabilities, unless they are operations of the company with other companies in the Group headed by Repsol;
- Moving of the registered office abroad;
- Any transaction designed to produce or producing the division or liquidation of the Upstream and/or Downstream businesses in the sense of Article 15(l) of the By‑Laws.
- To amend this special regulation.

B.3 Indicate the rules to amend the company's Articles of Association. In particular, indicate the majorities stipulated for amend the Articles of Association and the rules, if any, protecting shareholders' rights in any amendment of the articles.

The Articles of Association of Repsol do not establish different conditions for altering articles of association from those set down in the Companies Act, except as provided in Article 22, which provides that to alter Articles 22A ("Related party transactions"), 44A ("No competition obligation"), paragraph l) of Article 15 and the special rule on alteration of the Articles of Association set out in Article 22, which requires the favourable vote of seventy-five per cent (75%) of the voting capital attending the general meeting on both first and second call.

Article 22 provides that annual and extraordinary general meetings must be attended on first call, in person or by proxy, by shareholders holding at least fifty per cent (50%) of the voting capital in order to adopt valid resolutions to alter the Articles of Association. On second call, the attendance of twenty-five per cent (25%) of that capital will be sufficient.

If a general meeting is attended by less than fifty per cent (50%) of the voting capital, resolutions altering the articles may only be validly adopted with the favourable vote of two-thirds of the capital present or represented at the general meeting.

B.4 Give details of attendance of general meetings held during the year of this report and the previous year:

	Details of Attendance				
Date General Meeting	**% in person**	**% by proxy**	**% distance voting**		**Total**
			Electronic vote	**Others**	
31-05-2013	15,33	42,42	0	6,82	64,57
28-03-2014	30.62	31.20	0	2.50	64.31

B.5 Indicate if there are any restrictions established in the articles of association requiring a minimum number of shares to attend general meetings

Yes [ ] No [X]

Number of shares required to attend general meetings	

B.6 State whether it has been ruled that certain decisions which entail a structural modification of the company (spin-offs, sale and purchase of essential operating assets, transactions equivalent to liquidation of the company…) are to be laid before the general meeting for approval even though this is not expressly required under commercial law.

Yes [X] No [ ]

B.7 Indicate the address and the way to access to the company's website, and where to find information on corporate governance and other information on general meetings that must be made available to shareholders through the company's website.

The contents of corporate governance and other information about the last general meetings are directly accessible through the corporate website of Repsol, S.A., www.repsol.com, in the section "Information for shareholders and investors, Corporate Governance",http://www.repsol.com/es_en/corporacion/accionistas-inversores/gobierno-corporativo/default.aspx.

C MANAGEMENT STRUCTURE OF THE COMPANY

C.1 Board of Directors

C.1.1 State the maximum and minimum numbers of directors stipulated in the articles of association:

Maximum number of directors	16
Minimum number of directors	9

C.1.2 Give details of the board members:

Name of director	Representative	Position on Board	Date first appointment	Date latest appointment	Election procedure
Antonio Brufau Niubó		Chairman	23-07-1996	15-04-2011	Vote at General Meeting
Isidro Fainé Casas		Deputy-Chairman	19-12-2007	31-05-2012	Vote at General Meeting
Manuel Manrique Cecilia		Deputy-Chairman	25-04-2013	31-05-2013	Vote at General Meeting
Josu Jon Imaz		CEO	30-04-2014	30-04-2014	Cooptation
Artur Carulla Font		Member	16-06-2006	28-03-2014	Vote at General Meeting
Luis Carlos Croissier Batista		Member	09-05-2007	15-04-2011	Vote at General Meeting
Rene Dahan		Member	31-05-2013	31-05-2013	Vote at General Meeting
Ángel Durández Adeva		Member	09-05-2007	15-04-2011	Vote at General Meeting
Javier Echenique Landiríbar		Member	16-06-2006	28-03-2014	Vote at General Meeting
Mario Fernández Pelaz		Member	15-04-2011	15-04-2011	Vote at General Meeting
María Isabel Gabarró Miquel		Member	14-05-2009	31-05-2013	Vote at General Meeting
José Manuel Loureda Mantiñán		Member	31-01-2007	15-04-2011	Vote at General Meeting
Juan María Nin Génova		Member	19-12-2007	31-05-2012	Vote at General Meeting
Henri Philippe Reichstul		Member	29-12-2005	28-03-2014	Vote at General Meeting
Luis Suárez de Lezo Mantilla		Member & Secretary	02-02-2005	31-05-2013	Vote at General Meeting

Total Number of Directors	15

Indicate any retirements from the board during the reporting period:

Name of director	Type of director at time of retirement	Date of retirement
Paulina Beato Blanco	Independent	30/04/2014
Pemex Internacional España, S.A.	Proprietary	04/06/2014

C.1.3 Complete the following tables on the types of board members:

EXECUTIVE DIRECTORS

Name of Director	Committee that informed on appointment	Position in company's organisation
Antonio Brufau Niubó	Nomination and Compensation Committee	Chairman
Josu Jon Imaz	Nomination and Compensation Committee	CEO
Luis Suárez de Lezo Mantilla	Nomination and Compensation Committee	Director, Company Secretary and Secretary of the Board

Total number of executive directors	3
% of board	20

NON-EXECUTIVE PROPRIETARY DIRECTORS

Name of Director	Committee that informed on appointment	Name of controlling shareholder represented or that proposed appointment
Isidro Fainé Casas	Nomination and Compensation Committee	CaixaBank, S.A.
Juan María Nin Génova	Nomination and Compensation Committee	CaixaBank, S.A.
Manuel Manrique Cecilia	Nomination and Compensation Committee	Sacyr, S.A.
José Manuel Loureda Mantiñán	Nomination and Compensation Committee	Sacyr, S.A.
Rene Dahan	Nomination and Compensation Committee	Temasek Holdings (Private) Limited

Total number of proprietary directors	5
% of board	33.33

NON-EXECUTIVE INDEPENDENT DIRECTORS

Name of director	

	Profile
Artur Carulla Font	Graduate in Economics. He has been Executive Director of Arbora & Ausonia, S.L. and Managing Director of Agrolimen, S.A. Currently, he is Chairman of Agrolimen, S.A. and its participated companies; Affinity Petcare, S.A., Preparados Alimenticios, S.A. (Gallina Blanca Star), Biocentury, S.L., The Eat Out Group, S.L. and Roger Goulart, S.A.; Member of the Regional Board of Telefónica in Catalonia, member of Advisory Board of EXEA Empresarial, S.L. and member of Advisory Board of Roca Junyent. He is also Vice-Chairman of Círculo de Economía, Vice-Chairman of Foundation ESADE, Member of Foundation Carulla, Member of IAB (International Advisory Board) of the Generalitat de Catalunya, Member of the Management Board of Instituto de la Empresa Familiar, Member of Foundation MACBA (Museo de Arte Contemporaneo de Barcelona) and Member of FUOC (Fundació per a la Universitat Oberta de Catalunya).
Luis Carlos Croissier Batista	He has been the professor in charge of economic policy of the Universidad Complutense of Madrid. During his long professional tenure, amongst other positions, he was Subsecretary of the Ministry of Industry and Energy, President of the National Institute of Industry (Instituto Nacional de Industria, I.N.I.), Minister of Industry and Energy and President of Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores). Currrently he is Director of Adolfo Dominguez, S.A., Testa Inmuebles en Renta, S.A. and Sole Director of Eurofocus Consultores, S.L.
Mario Fernández Pelaz	Graduate in Law at Deusto University in 1965. He has been Professor of Mercantile Law in the Faculty of Law of Deusto University and in the Faculty of Business Science at the same University, and Professor of different Masters at Deusto

	University. In his long professional career, he has served, among other charges, as Minister and later Vice-president of the Basque Government, Chairman of the Central Administration-Basque Government Transfers Mixed Committee, Chairman of the Basque Financial Council, Chairman of the Economic Committee of the Basque Government, Member of the Arbitration Committee of the Basque Autonomous Community. He was also Executive Director of BBVA Group and member of the Executive Committee from 1997 to 2002, and Main Partner of Uría Menéndez from that date to June 2009. From July 2009 to November 2013 he has been Chairman of BBK. He has been Executive Chairman of Kutxabank, S.A. Chairman of Chairman of its Risk Delegate Committee and Chairman of its Executive Committee, and Vicechairman of Confederación Española de Cajas de Ahorros (CECA). He is also Consul of the Bilbao Consulate and Illustrious of Bilbao. He has also published on mercantile and financial matters
Ángel Durández Adeva	BA Economics, Professor of Commerce, chartered accountant and founding member of the Registry of Economic Auditors. He joined Arthur Andersen in 1965 where he was Partner from 1976 to 2000. Up to March, 2004 he headed the Euroamerica Foundation, of which he was founder, entity dedicated to the development of business, political and cultural relationships between the European Union and the different Latin American Countries. Currently he is Director of Mediaset España, S.A., Director of Quantica Producciones, S.L., Director of Ideas4all, S.L., Member of the Advisory Board of FRIDE (Foundation for the international relations and the foreign development), Chairman of Arcadia Capital, S.L. and Información y Control de Publicaciones, S.A., Member of the Advisory

	Boar of Foundation Germán Sánchez Ruipérez and Foundation Independiente and Vicepresident of Foundation Euroamérica.
Javier Echenique Landiríbar	Ba Economics and Actuarial Science. Former Director-General Manager of Allianz-Ercos and General Manager of BBVA Group. Currently Vice chairman of Banco Sabadell, S.A., Director of Telefónica Móviles México, Actividades de Construcción y Servicios (ACS), S.A., Grupo Empresarial Ence, S.A. and Delegate of the Board of Telefónica, S.A. in the Basque region, Member of the Advisory Board of Telefónica Spain, Member of Foundation Novia Salcedo, Foundation Altuna and Member of the Círculo de Empresarios Vascos.
María Isabel Gabarró Miquel	Graduate in Law at the University of Barcelona in 1976. In 1979 she joined the Bar of Notaries. She has been a board member of important entities in different sectors: financial, energy, telecommunications, infrastructure and also property, where she was also a member of the Nomination and Compensation Committee and of the Audit and Control Committee. Currently, she is registered on the Bar of Notaries of Barcelona, since 1986, and is a member of the Sociedad Económica Barcelonesa de Amigos del País.
Henri Philippe Reichstul	Ba Economics, University of São Paulo and Phd at Hertford College, Oxford. Former Secretary of the State Business Budget Office and Deputy Minister of Planning in Brazil. From 1988 to 1999 he held the position of Executive Vice President of Banco Inter American Express, S.A. From 1999 to 2001 he was Chairman of Brazilian State Oil Company Petrobrás. He is Member of the Advisory Board of Lhoist do Brasil Ltda., Member of the Advisory Board of AES Brasil, Member of the Supervisory Board of Peugeot Citroen, S.A., Member of the Supervisory Board of Fives Group, Member of the International Board of UTC, Member of the Board of Directors of LATAM Airlines Group, Member of the Board of Directors of

	Semco Partners and Vice-Chairman of the Board of the Brazilian Foundation for Sustainable Development.

Total number of independent directors	7
% of board	46.67%

State whether any director qualified as independent receives from the company or any other company in the same group any sum or gain other than directors' emoluments, or has or has had a business relationship with the company or any other company in its group during the past year, in his/her own name or as controlling shareholder, director or senior executive of a company which has or has had such a relationship.

If appropriate, include a reasoned statement by the board explaining why it considers that the director in question can perform his/her duties as an independent director.

Name of director	Description of relationship	Reasoned statement

OTHER NON-EXECUTIVE DIRECTORS

Name of director	Committee that proposed his/her appointment

Total number of other non-executive directors	
% of board	

Explain why they cannot be considered proprietary or independent directors and their relationships, with the company or its executives or with the shareholders:

Name of director	Reasons	Company, executive or shareholder with which the director is related

Indicate any variations during the reporting period in the type of each director:

Name of director	Date of change	Previous type	Present type

C.1.4 Complete the following table with details of the number of female directors over

the past 4 years and the type of female directors:

	Number of female directors				Female directors / total directors of each type (%)			
	Year t	Year t-1	Year t-2	Year t-3	Year t	Year t-1	Year t-2	Year t-3
Executive	-	-	-	-	-	-	-	-
Proprietary	-	-	-	-	-	-	-	-
Independent	1	2	2	2	14.28%	25%	25%	25%
Other non-executive	-	-	-	-	-	-	-	-
Total	1	2	2	2	6.66%	12.5%	13.3%	12,5%

C.1.5 Explain any measures taken to endeavour to include in the board a number of women to give a balanced composition of men and women directors

Explanation of measures
Article 32 of the company's articles of association stipulates that both the general meeting and the board, exercising its power to propose tot he board and cooptation to fill vacancies, shall endeavour to apply policies of professional, international and gender diversity suited to the company's activity from time to time in respect of the composition of the board. The Regulations of the Board also include this provision and also expressly assigns to the Nomination and Compensation Committee the duty to oversee that when filling new vacancies or appointing new directors, the selection procedures are not implicitly biased against the selection of female directors and a conscious effort is made to include women with the target profile among the candidates, reporting to the Board on the initiatives taken in this regard and the outcome. In the latest selection processes, the Nomination and Compensation Committee has ensured that there are no implicit biases that may hinder the access of women to the vacancies. It evaluated the skills, knowledge and expertise of all the candidates according to the needs of the governing bodies at any time, assessing the dedication necessary to be able to suitably perform their duties in the light of the principles contained in the Board Regulations.

C.1.6 Explain any measures agreed by the nomination committed to ensure that the selection procedures are not implicitly biased against the selection of female directors and that a conscious effort is made to include women with the target profile among the candidates:

Explanation of measures
See previous section above. In 2012 the Nomination and Compensation Committee submitted a proposal to the Board to alter the Articles of Association and Regulations of the Board to incorporate diversity policies as a guideline to be followed by the Board

when selecting new candidates, both to fill vacancies by cooptation and to propose the appointment of new directors to the general meeting. The institutionalisation of a policy which promotes professional, international (nationality) and gender while taking account of the business requirements of Repsol from time to time helps to enrich the internal culture of the company and decision-making processes by contributing new experiences and points of view.

If, despite the measures taken, if any, there are few or no female directors, explain the reasons that justify this situation:

Explanation of reasons
See section above.

C.1.7 Explain the form of representation on the board of shareholders with significant interests.

All controlling shareholders with the right to proportional representation are represented on the Repsol board of directors.

C.1.8 Explain, if appropriate, why proprietary directors have been appointed at the request of shareholders holding less than 5% of the capital:

State whether any formal requests for presence on the board have been rejected from shareholders holding interests equal to or greater than others at whose request proprietary directors have been appointed. If appropriate, explain why such requests were not met.

Yes [ ] No [X]

Name of shareholder	Explanation

C.1.9 State whether any director has retired before the end of his/her term of office, whether said director explained the reasons for such decision to the Board and through what means, and if the explanations were sent in writing to the entire Board, explain below at least the reasons given by the director:

Name of director	Reason for retirement
Pemex Internacional España, S.A.	Sale by Pemex Group of its holding in Repsol
Paulina Beato Blanco	Professional reasons

C.1.10 Indicate the powers delegated to the Managing Director(s), if any:

Name of director	Brief description
Josu Jon Imaz	All powers of the Board except those that are legally or statutory non delegable.

C.1.11 Name Board members, if any, who are also directors or executives of other companies in the same group as the listed company:

Name of director	Name of Group company	Position
Josu Jon Imaz	Petróleos del Norte, S.A.	Chairman
Josu Jon Imaz	Repsol Petróleos, S.A.	Chairman
Josu Jon Imaz	TAPBC AQUISITION INC	Director

C.1.12 Name the company directors, if any, who are on the Boards of non-group companies listed on stock exchanges, insofar as the company has been notified:

Name of director	Listed company	Position
Antonio Brufau Niubó	Gas Natural SDG, S.A.	Deputy Chairman
Isidro Fainé Casas	Abertis Infraestructuras, S.A.	1st Deputy Chairman
Isidro Fainé Casas	Telefónica, S.A.	Deputy Chairman
Isidro Fainé Casas	CaixaBank, S.A.	Chairman
Isidro Fainé Casas	The Bank East of Asia, Limited	Director
Isidro Fainé Casas	Banco Portugués de Investimento, S.A.	Director
Isidro Fainé Casas	Suez Environnement Company	Director
Manuel Manrique Cecilia	Sacyr, S.A.	Chairman and CEO
Manuel Manrique Cecilia	Testa Inmuebles en Renta, S.A. (Grupo Sacyr)	Director
Luis Carlos Croissier Batista	Adolfo Domínguez, S.A.	Director
Luis Carlos Croissier Batista	Testa Inmuebles en Renta, S.A.	Director
Ángel Durández Adeva	Mediaset España, S.A.	Director
Javier Echenique Landiríbar	Banco Sabadell, S.A.	Deputy Chairman
Javier Echenique Landiríbar	Actividades de Construcción y Servicios (ACS), S.A.	Director
Javier Echenique Landiríbar	Grupo Empresarial ENCE, S.A.	Director
José Manuel Loureda Mantiñán	Testa Inmuebles en Renta, S.A.	Director
Juan María Nin Génova	Gas Natural SDG, S.A.	Director
Henri Philippe Reichstul	LATAM Airlines Group	Director
Henri Philippe Reichstul	PSA Peugeot Citroen	Director

Luis Suárez de Lezo Mantilla	Gas Natural SDG, S.A.	Director

C.1.13 Indicate and, where appropriate, explain whether the company has established rules on the number of directorships its directors may hold:

Yes **X** No

Explanation of the rules
Article 17 of the Board of Directors Regulations provides in its section 5 the following: *"Directors may not hold more than four (4) other mandates in other listed companies different from Repsol, S.A. To these effects:* *a) It will be considered as one single mandate all those mandates held in companies belonging to the same group as well as those Board memberships held as proprietary director proposed by a company of said group although the stock held in the company or the level of control may not qualify to consider said company as part of the group; and* *b) Board memberships in holding companies or companies ancillary to the development of the professional services of the own Director, the spouse, persons having equivalent emotional ties or closest family.* *Exceptionally and due to reasons properly justified, the Board may waive the Director from this prohibition. In addition, the Director shall inform the Nomination and Compensation Committee of any other professional obligations they may have and any material changes in their professional situation, as well as any that may affect the nature or condition by virtue of which they have been appointed Director."*

C.1.14 Indicate the company policies and general strategies that must be approved by the full Board:

	Yes	No
Investment and financing policy	X	
Definition of the structure of the group of companies		X
Corporate governance policy	X	
Corporate social responsibility policy	X	
Strategic or business plan, annual management objectives and budget	X	

Pay policy and performance rating of senior executives	X	
Risk management and control policy and regular monitoring of internal reporting and control systems	X	
Dividend policy, treasury stock policy and, in particular, the limits established	X	

C.1.15 Indicate the overall remuneration of the board:

Remuneration of the board (thousand euros)	12,829
Amount of the overall remuneration corresponding to the vested rights of directors in pension schemes (thousand euros)	
Overall remuneration of the board (thousand euros)	12,829

C.1.16 Name the members of top management who are not executive directors and indicate the aggregate remuneration accrued in their favour during the year:

Name or corporate name	**Position/s**
Josu Jon Imaz San Miguel	General Manager Industrial Area&Trading until April 30, 2014
Nemesio Fernández-Cuesta Luca de Tena	ED Commercial, Chemicals and Gas & Power
Miguel Martínez San Martín	CFO
Pedro Fernández Frial	ED Strategy, Control and Resources
Cristina Sanz Mendiola	ED People & Organisation
Begoña Elices García	ED Communication & Chairman's Office
Luis Cabra Dueñas	ED Exploration & Production
Isidoro Mansilla Barreiro	Group Manager Audit and Control

Total remuneration top management (thousand euros)	12,512

C.1.17 Name any board members who are also on the boards of companies holding significant interests in the listed company and/or in companies of its group:

Name of director	**Name of related controlling shareholder**	**Position**
Isidro Fainé Casas	Fundación Bancaria Caixa d'Estalvis y Pensions de Barcelona	Chairman
Isidro Fainé Casas	CaixaBank, S.A.	Chairman
Isidro Fainé Casas	Criteria CaixaHolding, S.A.U	Chairman
José Manuel Loureda	Valoriza Gestión, S.A (Grupo	Chairman

Mantiñán	Sacyr)	
José Manuel Loureda Mantiñán	Sacyr, S.A.U. (Grupo Sacyr)	Director
José Manuel Loureda Mantiñán	Testa Inmuebles en Renta, S.A. (Grupo Sacyr)	Director
José Manuel Loureda Mantiñán	Somague S.G.P.S., S.A. (Grupo Sacyr)	Director
Manuel Manrique Cecilia	Sacyr, S.A.	Chairman & CEO
Manuel Manrique Cecilia	Testa Inmuebles en Renta, S.A. (Grupo Sacyr)	Director

Describe the significant relationships other than those contemplated above of the board members with the controlling shareholders and/or companies in their group:

Name of related director	Name of related controlling shareholder	Description of relationship
Luis Carlos Croissier Batista	Sacyr , S.A.	Director of Testa Inmuebles en Renta, S.A.
José Manuel Loureda Mantiñán	Sacyr , S.A.	Indirect holder of 7.81% of the capital of Sacyr, S.A. through Prilou, S.L. and Prilomi, S.L.
José Manuel Loureda Mantiñán	Sacyr , S.A.	Representative of Prilou, S.L. on the board of Sacyr Vallehermoso, S.A.
Manuel Manrique Cecilia	Sacyr , S.A.	Indirect holder of 5.272% of the capital of Sacyr Vallehermoso, S.A. through Cymofag, S.L.U.

C.1.18 State whether any modifications have been made during the year to the Regulations of the Board:

Yes [X] No [ ]

Description of modifications
On February 25, 2014, the Board of Directors resolved to amend Articles 17 and 18 of the Regulations of the Board in order to develop and concrete the loyalty duty of Directors and to extend their confidentiality duties.

In the same meeting, the Board also resolved to amend Article 10 of the Regulations of the Board to reinforce the approval regime of any kind of structural modification and any other transaction with similar effects.

Subsequently, on April 30, 2014 the Board resolved to amend paragraph 1 of Article 25 of the Board's Regulations to eliminate the obligation of the Chairman to be the CEO.

C.1.19 Describe the procedures for selection, appointment, re-election, assessment and removal of directors. Indicate the competent bodies, the formalities and the criteria to be followed in each of these procedures.

Selection: The Nomination and Remuneration Committee, which is exclusively composed by External Directors, assesses the knowledge, expertise and experience required on the Board and defines accordingly the duties and skills required in the candidates who are to fill each vacancy and assess the time and dedication necessary for them to perform their duties adequately.

In turn, that committee must ensure that, whenever new vacancies arise or when appointing new directors, the selection procedures are not implicitly biased and involve no discrimination whatsoever, and that a conscious effort is made to include women with the target profile among the candidates, reporting to the Board on the initiatives taken in this respect and the results obtained.

Appointment: Board members are appointed by the General Meeting, without prejudice to the right of the Board to nominate shareholders to fill any vacancies that arise, up to the next succeeding General Meeting.

Within its powers of proposal to the General Meeting or appointment by cooptation, the Board may not propose as candidates or appoint as Directors any persons affected by any of the incompatibilities or prohibitions established in law, the Articles of Association or regulations or any persons, companies or entities in a situation of permanent conflict of interest with the company, including competitors of the company or their directors, executives or employees, or any persons related to or proposed by them.

Directors shall be persons who, apart from meeting the requirements stipulated for the position in the law and the Articles of Association, have recognised prestige and sufficient professional experience and expertise to perform their duties as such.

Furthermore, those persons indicated in section 2 of Article 13 of the Board's Regulations may not be nominated or appointed as Independent Directors. In addition, External Proprietary Directors who loose this status when the shareholder they represent sells its shares in the Company may only be re-elected as External Independent Directors when the shareholder they represented up to that time has sold all of its shares in the Company.

A Director who holds a shareholding interest in the Company may be appointed as External Independent Director, provided he meets all the conditions established in this article and does not hold a significant interest.

Nominations for the appointment of directors submitted by the Board to the General Meeting and appointments made by cooptation must be approved by the Board (i) upon proposal of the Nomination and Compensation Committee, in the case of Independent Directors, or (ii) subject to a report by said Committee for other directors.

Any Director affected by proposals for appointment, re-election or retirement shall abstain from participating in the discussions and voting of such matters and the voting shall be by secret ballot.

Re-election: Directors shall hold office for a maximum of four years, after which they shall be eligible for re-election for one or several periods with an equal duration. Directors appointed by cooptation shall hold office up to the first General Meeting following their appointment, at which their appointment shall be subject to ratification.

The Nomination and Compensation Committee shall be responsible for assessing the quality of their work and dedication of the directors proposed during their previous term in office.

Proposals to the General Meeting for the re-election of Directors shall be approved by the Board (i) upon proposal of the Nomination and Compensation Committee, in the case of Independent Directors, or (ii) subject to a report by said Committee for other directors.

Assessment

At least once a year, the Board of Directors shall assess its functioning and the quality and efficiency of its work. It shall also annually assess the work of its Committees, based on the reports they submit to it.

The Chairman shall organise and coordinate this regular assessment of the Board with the Chairmen of the Committees.

The Board shall commission an external assessment of its performance to an independent specialized firm at least once every three years.

Cessation

Directors shall retire from office upon expiry of the term for which they were appointed and in all other cases stipulated in law, the Articles of Association and the Regulations of the Board of Directors.

The Board shall not propose the removal of any Independent Director before the end of the period for which he was appointed, unless it has justified reasons for doing so, based on a report by the Nomination and Compensation Committee. In particular, such a proposal shall be justified if the Director (i) has defaulted the duties corresponding to his position; (ii) is in any of the situations described in section C.1.21 below; or (iii) falls into any of the circumstances by virtue of which he may no longer be considered an Independent Director.

The removal of Independent Directors may also be proposed following takeover bids, mergers or other similar corporate operations causing a change in the shareholding structure of the Company, insofar as may be necessary to establish a reasonable balance between Proprietary Directors and Independent Directors.

Directors shall also tender their resignations in any of the circumstances defined in section C.1.21.

C.1.20 Indicate whether the board has made any assessment of its activity during the reporting period.

Yes [X] No [ ]

If yes, explain to what extent the self-assessment has given rise to major changes in its internal organisation and the procedures applicable to its activities:

Description of modifications
According to the provisions of Article 45ter of the Bylaws and Article 11.2 of the Regulations of the Board, the independent firm Egon Zhender has conducted an external evaluation of the functioning of the Board of Directors of Repsol, S.A. and its Committees during fiscal year 2014. The report containing the conclusions of this evaluation will be presented at the meeting of the Board scheduled for March.

C.1.21 State the events in which directors are obliged to step down.

Directors shall tender their resignations and step down from the Board, should the latter consider this appropriate, in the following events:

a) If they fall into circumstances of incompatibility or prohibition contemplated in law, the Articles of Association or applicable regulations.

b) If they receive a serious warning from the Nomination and Compensation Committee or the Audit and Control Committee for defaulting their obligations as directors.

c) If, in the opinion of the board, in view of a report by the Nomination and Compensation Committee:

(i) Their remaining on the Board could jeopardise the interests of the company or adversely affect the functioning of the Board or the standing and reputation of the Company; or

(ii) If the reasons why they were appointed disappear. Directors shall find themselves in this position, particularly in the following cases:

- External Proprietary Directors, when the shareholder they represent or that nominated them directors transfers its entire shareholding interest. They shall also offer their resignation and, should the Board deem fit, step down from the Board, in the corresponding proportion, if the shareholder reduces its shareholding interest to a level requiring a reduction in the number of its External Proprietary Directors.

- Executive Directors, when they cease to hold the executive positions outside the board to which their appointment as director was linked.

C.1.22 Explain whether the Chairman of the Board is the highest executive of the company. If so, state what measures have been adopted to limit the risks of any single person having unfettered powers:

Yes [ ] No [X]

Measures for limiting risks

Indicate and if appropriate explain whether rules have been established authorising one of the independent directors to request the calling of a board meeting or the inclusion of new items on the agenda, to coordinate and echo the concerns of non-executive directors and to direct the assessment by the board.

Yes [X] No [ ]

Explanation of the rules
The Board of Directors of Repsol, in its meeting held on February 23, 2011, agreed to amend its regulations to, among other matters, incorporate into Company's system of corporate governance the figure of Lead Independent Director. According to current Article 25,5 of the Regulations of the Board of Directors:

"When the Chairman of the Board of Directors holds the role of CEO, the Board shall appoint, upon proposal by the Nomination and Compensation Committee, an independent director who, under the name of Lead Independent Director, may perform the following tasks:

a) Request to the Chairman of the Board, when he deems appropriate, the calling of the Board.

b) Request the inclusion of items on the Board's meetings agenda according to Article 9.3 of these Regulations.

c) Coordinate and give voice to the concerns of external directors.

d) Lead the Board's evaluation of the Chairman.

e) Call and chair meetings of independent directors as he deems necessary or desirable."

Additionally, Article 9 of the Regulations of the Board of Directors provides that *"The Chairman may call additional Board meetings whenever he deems appropriate. The call shall be mandatory when requested by the Lead Independent Director or by at least one-quarter of the directors, without prejudice to the provision of Article 17.2.e) of these Regulations. The Chairman shall draw up the agenda for meetings, although any of the directors may, prior to call, request the inclusion of any business they consider ought to be transacted at the meeting. Such inclusion is mandatory when the request has been made 48 hours prior to the date specified for the meeting."*

C.1.23 Are special majorities differing from those stipulated in law required for any type of decision?

Yes [X] No [ ]

If yes, describe the differences:

Description of the differences
The proposal to carry out any operation (including division, spin‐off to third parties or disposal) designed to produce or producing the effect where the Company ceases to be an integrated hydrocarbons company through the spin‐off or division of the Upstream and/or Downstream businesses or liquidation of all or substantially all the assets assigned to one or other of those businesses, shall be submitted to the General Shareholders Meeting and will require for its approval the favourable vote of three-quarters of the members of the Board. In addition, the alteration of Articles 19 and 22 of the Regulations of the Board regarding the no competition obligation and related party transactions,

respectively, requires the favourable vote of three-quarters of the board members.

The favourable vote of two-thirds of the members not involved in a conflict of interest is required to authorise the directors to provide counselling or representation services to the company's rivals, subject to a favourable report by the Nomination and Compensation Committee.

The favourable vote of two-thirds of the members not involved in a conflict of interest is also required to release from disqualification due to conflict of interest in respect of a proposal put to the general meeting or an appointment of candidates or directors by cooptation.

Finally, the favourable vote of two-thirds of the members not involved in a conflict of interest is also required to authorise related party transactions of the company with directors, controlling shareholders represented on the board or persons related to them for a sum exceeding 5% of the Group's assets according to the latest consolidated annual accounts approved by the general meeting, in respect of strategic assets of the company, involving the transfer of significant technology of the company, intended to establish strategic alliances and which are not mere agreements of action or execution of existing alliances. This is conditional upon the transaction being fair and efficient for the interests of the company, the Nomination and Compensation Committee having issued a favourable report after obtaining the corresponding report from a reputed independent financial expert indicating that the related party transaction will be made on reasonable, arm's length terms and if it is considered unadvisable to wait for the next general meeting to obtain authorisation, for reasons of opportunity.

C.1.24 Are there any specific requirements, other than those established for directors, to be appointed Chairman of the Board of Directors?

Yes [ ] No [X]

Description of requirements

C.1.25 Does the Chairman have a casting vote?

Yes [X] No [ ]

Matters on which there is a casting vote
According to Article 36 of the Articles of Association, save where greater majorities have been specifically established, resolutions of the Board shall be approved by the absolute majority of directors attending, and in the event of a tie, the Chairman or acting chairman shall have the casting vote.

C.1.26 Do the Articles of Association or Regulations of the Board establish an age limit for directors?

Yes ☐ No ☒

Age limit Chairman ☐

Age limit managing director ☐ **Age limit director** ☐

C.1.27 Do the Articles of Association or Regulations of the Board establish a limited term of office for independent directors other than as stipulated in law?

Yes ☐ No ☒

Maximum number of years in office	

C.1.28 Do the Articles of Association or Regulations of the Board establish specific rules for the delegation of votes at board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may hold, and whether it is compulsory to delegate to a director of the same type? If yes, include a brief description.

Without prejudice to the directors' duty to attend the meetings of the bodies they belong to or, if they are unable for justified reasons to attend the meetings to which they have been called, to issue the appropriate instructions to the director who is to represent them, if any, each Board member may grant a proxy to another member, with no limit on the number of proxies that may be held by any director for attendance of Board meetings.

Absent directors may grant proxies by any written means, including telegram, telex or telefax addressed to the Chairman or Secretary of the Board.

C.1.29 State the number of meetings held by the Board of Directors during the year, indicating, if appropriate, how many times the Board has met without the Chairman. Proxies made without specific instructions shall be considered non-attendance:

Number of board meetings	11
Number of board meetings held without the chairman	0

Indicate the number of meetings held by the different Committees of the Board:

Number of meetings of the Executive Committee	6
Number of meetings of the Audit Committee	8
Number of meetings of the Nomination and Remuneration Committee	3

C.1.30 State the number of meetings held by the Board during the period attended by all its members. Proxies made with specific instructions will be considered attendances:

Attendance of directors	11
% attendance over total votes during the year	100%

C.1.31 Are the separate and consolidated annual accounts submitted to the Board for approval previously certified?

Yes [X] No [ ]

If yes, name the person(s) who certify the separate or consolidated annual accounts of the company before they are approved by the Board:

Name	Position
Antonio Brufau Niubó	Chairman
Josu Jon Imaz San Miguel	CEO

C.1.32 Explain the mechanisms, if any, established by the Board to avoid a qualified auditors' report on the separate and consolidated accounts laid before the General Meeting.

The Audit and Control Committee, set up on 27 February 1995, has as main duty, the supporting to the Board in its supervisory duties, through regular checking of the preparation of economic and financial reporting, the effectiveness of its executive controls and the independence of the external auditors, as well as supervising the internal audit department, and checking the compliance with all the legal provisions and internal regulations applicable to the Company.

This Committee has the following duties, among others:

- Supervise the integrity and process of preparing the financial information on the company and its group, ensuring compliance with all requirements, adequate definition of the consolidated group and correct application of the accounting principles.

- Regularly check the internal control and risk management systems, ensuring that the principal risks are identified, handled and reported on adequately.

- Prior to their submission to the board, analyse the financial statements of the company and its consolidated group included in the annual, half-year and quarterly reports and any other financial information that the company is obliged to publish regularly by virtue of being a listed company, with the necessary requirements to ensure that they are correct, reliable, adequate and clear. For this purpose it shall have all the necessary information and such degree of aggregation as it may deem fit, assisted as necessary by the top management of the group. It shall, in particular, see that the annual accounts that are to be submitted to the board are certified by the Chairman and the CEO pursuant to the internal or external regulations applicable from time to time.

- Regularly receive information from the external auditors on the audit plan and results of their work, and check that the executives heed their recommendations.

- Regularly require the external auditors, and at least one a year, to assess the quality of the group's internal control procedures and systems.

- Be informed of any situations requiring adjustments that may be detected during the work of the external auditors whenever they are significant, considering this to mean any situations which, per se or in combination with others, may cause a material impact or damage to the net worth, results or reputation of the group. This consideration shall be left to the discretion of the external auditors, who shall, in case of doubt, opt for notification. The Chairman of the Committee shall be notified accordingly as soon as the auditors become aware of the situation in question.

- Oversee the degree of fulfilment by the audited units of the corrective measures recommended by the internal audit department in previous audits.

The committee shall be informed of any significant irregularities, anomalies or defaults detected by the internal audit department in the course of its work.

For this purpose, the members of this Committee shall have the necessary experience, capacity and dedication to perform their duties. Moreover, the Chairman shall have experience in business management and a working knowledge of accounting procedures, and at least one of the members shall have the financial experience that may be required by the regulatory bodies of the stock markets on which the stocks or shares of the company are listed.

C.1.33 Is the Secretary of the Board a Director?

Yes **X** No ☐

C.1.34 Explain the procedure for appointment and removal of the Secretary of the Board, indicating whether the Nomination Committee has issued a report for such appointment and removal and whether they were approved by the full board.

Appointment and removal procedure
As provided in Article 42 of the Articles of Association, the Board chooses its Secretary and Vice-Secretary, if any, who may or may not be Directors. Moreover, pursuant to Articles 5 and 33 of the Regulations of the Board of Directors, the Board shall appoint or remove its Secretary and Vice-Secretary, subject to a report by the Nomination and Compensation Committee.

	Yes	No

Does the Nomination Committee issue a report on the appointment?	X	
Does the Nomination Committee issue a report on the removal?	X	
Does the full Board approve the appointment?	X	
Does the full Board approve the removal?	X	

Is the Secretary of the Board responsible especially for overseeing compliance with the recommendations on good governance?

Yes **X** No

Comments
Article 42 of the Articles of Association establishes that the Secretary will ensure that the Board actions comply in form and substance with the law and that the company's procedures and rules of governance are respected. Furthermore, in pursuance of Article 27 of the Regulations of the Board of Directors, the Secretary of the Board is commissioned to ensure compliance with any provisions issued by regulatory bodies and heeding of their recommendations, if any, and to ensure that the corporate governance principles of the company are observed.

C.1.35 Describe any mechanisms established by the company to preserve the independence of the external auditor, financial analysts, investment banks and rating agencies.

One of the powers of the Audit and Control Committee contemplated in Article 39 of the Articles of Association is that of receiving information on any issues that may jeopardise the independence of the External Auditors.

In development of this provision of the Articles of Association, the Regulations of the Audit and Control Committee establish, as one of its duties, ensuring the independence of the External Auditors, in two ways:

a) Avoiding any factors that may compromise the warnings, opinions and recommendations of the External Auditors, and

b) Establishing and overseeing any incompatibilities between auditing and consultancy services and any others, the limits on concentration of the External Auditor's business and, in general, all other rules established to guarantee the independence of the auditor.

According to these duties, in 2003 the Audit and Control Committee agreed on a procedure to approve previously all the services, auditing or otherwise, provided by the External Auditor, whatever their extent, scope and nature. This procedure is regulated in an Internal Rule mandatory for the whole of the Repsol Group.

In addition, article 32 of the Regulations of the Board of Directors (the Audit and

Control Committee) provides that the Committee shall receive, annually, from the External Auditor written confirmation of its independence towards the Company or entities related to the same directly or indirectly, as well as the information of the additional services of any type provided to these entities by said Auditors or companies, or by the people or entities linked to the latter, in accordance with that established in the regulations governing the activity of auditors. The Committee shall issue annually, prior to the delivery of the Auditing report, a report stating an opinion on the independence of the Auditors. In any case, this report must make a declaration on the additional services provided and referred to.

Furthermore, Repsol Group has the Investor Relation Division whose responsibilities include ensuring that the information supplied by the Company to the market (financial analysts and investment banks, amount other) is transmitted fairly, commensurate and in useful time and, according with the Repsol Group Internal Conduct Regulations Regarding the Securities Market, that such information is accurate, clear, complete and, when required by the nature of the information, quantified, and shall by no means be misleading or confusing.

C.1.36 Indicate whether the external auditors have changed during the year. If so, name the incoming and outgoing auditors:

Yes [ ] No [X]

Outgoing auditor	Incoming auditor

Explain any disagreements with the outgoing auditor:

Yes [ ] No [X]

Explanation of disagreements

C.1.37 State whether the firm of auditors does any work for the company and/or its group other than standard audit work and if so, declare the amount of the fees received for such work and the percentage it represents of the total fees invoiced to the company and/or its group:

Yes [X] No [ ]

	Company	Group	Total
Cost of work other than auditing (thousand euro)	845	425	1,270
Cost of work other than auditing / Total amount invoiced by the auditors (%)	32%	12%	21%

C.1.38 Indicate whether the auditors' report on the annual accounts of the previous year was qualified. If so, state the reasons given by the Chairman of the Audit

Committee to explain the content and scope of the qualifications.

Yes [ ] No [X]

Explanation of reasons

C.1.39 State the number of years in succession that the current firm of auditors has been auditing the annual accounts of the company and/or its group. Indicate the ratio of the number of years audited by the current auditors to the total number of years that the annual accounts have been audited:

	Company	Group
Number of years in succession	13	13

	Company	Group
Number of years audited by current auditors / Number of years that the company has been audited (%)	59.04%	59.04%

C.1.40 Indicate, giving details if appropriate, whether a procedure has been established for directors to receive external counselling:

Yes [X] No [ ]

Details of procedure
The Regulations of the Board of Repsol, S.A. expressly recognise the directors' right to advisory services. Article 23 provides as follows: - The Directors shall likewise have the power to propose to the Board, by majority vote, the contracting at the Company's expense of legal advisers, accountants, technical, financial, and commercial experts, and experts of any other kind they consider necessary to the Company's interests, to provide assistance in the performance of the Directors' functions in regard to concrete problems of some magnitude and complexity relating to their positions. - Said proposals must be submitted to the Chairman of the Company through the Secretary of the Board. The Board of Directors may veto their approval on the grounds that they are unnecessary to the performance of the assigned functions, or that the number is disproportionate to the importance of the problem and to the Company's assets and income, or that the technical assistance in question could be adequately provided by experts within the Company. Furthermore, the Regulations of the Board of Directors establish that the Audit and Control Committee, the Nomination and Compensation Committee and the Strategy, Investment and Corporate Social Responsibility Committee may obtain

counselling from lawyers or other independent professionals, in which case the Secretary of the Board shall, at the request of the Chairman of the Committee, take whatever action may be necessary to engage the services of such lawyers or other professionals, which shall be provided directly to the corresponding Committee.

C.1.41 Indicate, with details if appropriate, whether there is an established procedure for directors to obtain sufficiently in advance any information they may need to prepare the meetings of the governing bodies:

Yes **X** No ☐

Details of procedure
The Regulations of the Board of Directors of Repsol, S.A. establish that the notice of call to Board meetings shall be sent to each director at least 48 hours prior to the date specified for the meeting, and shall include the agenda. The minutes of the previous meeting shall be enclosed, regardless of whether they have been approved, and any information considered necessary and that is available. The Regulations of the Board of Directors of Repsol, S.A. contemplate procedures to ensure that directors have the necessary information sufficiently in advance to prepare Board meetings. In this regard, Article 23 provides as follows: The Directors shall have access to all the Company's services and may obtain, with the broadest possible powers, the information and advising they need on any aspect of the Company provided they request it in connection with the performance of their functions. The right to information extends to the subsidiaries, whether national or foreign, and shall be channelled through the Chairman or the Secretary of the Board of Directors or of the appropriate Board Committee, who shall respond to Directors' requests and directly furnish them the information, offering them access to appropriate sources or taking all necessary measures to answer questions.

C.1.42 Indicate, with details if appropriate, whether the company has established any rules obliging Directors to report and, if necessary, retire in any situations that could be detrimental to the prestige and reputation of the company:

Yes **X** No ☐

Explain the rules
According to Article 16 of the Regulations of the Board of Directors, Directors shall offer their resignation and, should the board deem fit, step down as directors if, in the opinion of the Board, in view of a report by the Nomination and Compensation Committee, their remaining on the board could jeopardise the interests of the company or adversely affect the functioning of the board or the standing and reputation of the company.

In this regard, Article 17 of the Regulations of the Board of Directors provides that Directors shall notify the board as soon as possible and keep it up to date on any situations in which they may be involved and that could be detrimental to the standing and reputation of the company, to enable the board to assess the circumstances, particularly in pursuance of the preceding paragraph.

C.1.43 Has any member of the Board informed the company that he/she has been sued or brought to trial for any of the offences contemplated in article 213 of the Companies Act?

Yes [ ] No [X]

Name of Director	Prosecution	Comments

Has the Board studied the case? If so, indicate and explain the decision made as to whether or not the director should remain in office or, if appropriate, describe the actions taken by the board up to the date of this report, or which it plans to take.

Yes [ ] No [ ]

Decision made / action taken	Reasoned explanation

C.1.44 Describe any significant agreements entered into by the company which enter into force, are modified or terminated in the event of a takeover of the company following a takeover bid, and the effects thereof.

The company usually participates in the exploration and exploitation of hydrocarbons through consortiums or joint ventures with other oil companies, both public and private. The agreements regulating the relations among partners of the joint ventures commonly grant the other partners a right of pre-emption, on the participation of the member who intends to transfer all or part of its participation, over the share of the partner affected by a takeover when the value of that share is significant in relation to the total assets of the transaction or when other conditions stipulated in the agreements are met.
The laws regulating the oil and gas industry in several countries in which the company operates also submit to prior authorisation by the competent government of any transfer of all or part of licences for hydrocarbon exploration and exploitation concessions, and such authorisation is sometimes also required for takeovers of the concessionary company or companies, especially the one that operates the mining business.

In addition, the agreements signed between Repsol and Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona in respect of Gas Natural SDG, S.A., announced in regulatory filings with the National Securities Market Commission, the Industrial Action Agreement between Repsol and Gas Natural SDG, S.A. contemplated therein and announced in a CNMV filing on 29 April 2005 contemplate any change in the ownership structure of any of the parties as ground for termination.

C.1.45 Indicate globally and describe in detail any agreements made between the company and its directors, executives or employees contemplating golden handshake clauses in the event of resignation or unfair dismissal or termination of employment following a takeover bid or any other type of transaction.

Number of beneficiaries	309
Type of beneficiary	**Description of the agreement**
Directors: 6 members of the Management Committee (excluding the Executive Directors) and 300 Directors	The company has established a single statute for executives, defined in the Executive Contract, regulating the severance pay applicable in cases of termination of their employment, contemplating the grounds for compensation stipulated in law. For members of the Management Committee they include resignation by the Executive as a result of takeover of the company or a major change in its ownership, leading to a renewal of its governing bodies or the content of and approach to its main business activity. The amount of severance pay of the current members of the Management Committee is calculated according to the age, seniority and salary of each executive. Further compensation is set to pledge not post-contractual competition of an annuity of total annual remuneration in the case of members of the Management Committee and an annuity of fixed remuneration in the rest of Directors (in the latter case, under multiannual programs remuneration which owns the Director, if necessary, the company complements to that amount).
Executive Directors: 3	A deferred economic compensation is contemplated for executive directors in the event of termination of their relationship with the company, provided it does not occur as a result of default of their obligations or at their own will without one of the justifying causes contemplated in their contract. The details of such

	compensation are set out in the Annual Remuneration Report to be laid before the shareholders at the AGM 2015.

State whether these contracts have to be notified to and/or approved by the governing bodies of the company/group companies:

	Board of Directors	General Meeting
Body authorising the clauses	YES	NO

Is the General Meeting informed on the clauses?	YES

C.2. Committees of the Board

C.2.1 Give details of the different committees, their members and the proportion of proprietary and independent directors in each committee:

EXECUTIVE COMMITTEE

Name	Position	Type
Antonio Brufau Niubó	Chairman	Executive
Josu Jon Imaz	Member	Executive
Isidro Fainé Casas	Member	Proprietary
Manuel Manrique Cecilia	Member	Proprietary
Rene Dahan	Member	Proprietary
Artur Carulla Font	Member	Independent
Henri Philippe Reichstul	Member	Independent
Luis Suárez de Lezo Mantilla	Member & Secretary	Executive

% executive directors	37.5%
% proprietary directors	37.5%
% independent directors	25%
% other non-executive directors	-

AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Type
Javier Echenique Landiríbar	Chairman	Independent
Luis Carlos Croissier Batista	Member	Independent
Ángel Durández Adeva	Member	Independent

% executive directors	-
% proprietary directors	-
% independent directors	100%
% other non-executive directors	-

NOMINATION AND COMPENSATION COMMITTEE

Name	Position	Type
Artur Carulla Font	Chairman	Independent
María Isabel Gabarró Miquel	Member	Independent
Mario Fernández Pelaz	Member	Independent
José Manuel Loureda Mantiñán	Member	Proprietary
Juan María Nin Génova	Member	Proprietary

% executive directors	-
% proprietary directors	40%
% independent directors	60%
% other non-executive directors	-

STRATEGY, INVESTMENT AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Name	Position	Type
Juan María Nin Génova	Chairman	Proprietary
Luis Carlos Croissier Batista	Member	Independent
María Isabel Gabarró Miquel	Member	Independent
José Manuel Loureda Mantiñán	Member	Proprietary
Javier Echenique Landiríbar	Member	Independent

% executive directors	-
% proprietary directors	40%
% independent directors	60%
% other non-executive directors	-

C.2.2 Complete the following table with information on the number of female directors on the board committees over the past four years:

	Number of female directors			
	Year t Number - %	**Year t-1 Number - %**	**Year t-2 Number - %**	**Year t-3 Number - %**
Executive Committee	-	-	-	-
Audit and Compliance Committee		1 – 25%	1 – 33.33%	1 – 33.33%
Nomination and Compensation Committee	1 – 20%	1 – 20%	1 – 20%	1 – 25%
Strategy, Investment and Corporate Social Responsibility Committee	1 – 20%	1 – 20%	1 – 16.67%	1 – 16.67%

C.2.3 State whether the Audit Committee has the following duties:

	Yes	No

Oversee the preparation and integrity of the company's, and where appropriate the group's, financial reporting, checking compliance with the legal requirements, adequate definition of the consolidated group and correct application of accounting principles	X	
Regularly check the internal control and risk management systems, ensuring that the principal risks are adequately identified, managed and reported	X	
Ensure the independence and efficacy of the internal audit duties; propose the nomination, appointment, re-appointment and removal of the chief audit officer; propose the budget for this department; receive regular information on its activities; and check that the top management heeds the conclusions and recommendations set out in its reports	X	
Establish and supervise a "whistle-blowing" procedure so employees can confidentially and, where appropriate, even anonymously report any potentially important irregularities they observe within the company, particularly in financial and accounting aspects	X	
Submit to the Board proposals for nomination, appointment, re-appointment and replacement of external auditor, and terms of engagement	X	
Receive regularly from the external auditor information on the audit plan and the outcome of its fulfilment and see that top management heeds its recommendations	X	
Guarantee the independence of the external auditor	X	

C.2.4 Describe the rules of organisation and procedure and the responsibilities attributed to each Committee.

Delegate Committee: It is composed by the Chairman of the Board and up to a maximum of eight Directors from the three existing categories (executive, proprietary and independent), maintaining a similar proportion to that existing on the Board of Directors. Its members shall be appointed with a majority of at least two-thirds of the current Board members. The Chairman and the Secretary of the Delegate Committee shall be those of the Board.

All the powers of the Board are permanently delegated to the Delegate Committee, except those that may not be lawfully delegated and those considered as such by the Articles of Association or the Regulations of the Board of Directors.

Whenever the business is sufficiently important, in the opinion of the Chairman or three members of the Delegate Committee, the resolutions adopted by the

Delegate Committee shall be submitted to the full Board for ratification. The same shall be applicable in any business referred by the Board to be studied by the Delegate Committee, while reserving the ultimate decision thereon. In all other cases, the resolutions adopted by the Delegate Committee shall be valid and binding with no need for subsequent ratification by the Board.

The Delegate Committee has met six times in 2014.

Audit and Control Committee: It is composed exclusively by Independent Directors, no fewer than three in number, appointed by the Board on the basis of their experience and expertise in accounting, auditing or risk management.

The Board shall appoint the members of this Committee for a term of four years. Without prejudice to one or several re-elections, they shall retire at the end of that term, when they retire from the Board, in case they cease to be considered as Independent Directors or whenever so resolved by the Board, subject to a prior report by the Nomination and Compensation Committee. The chairman shall hold office as such for a maximum of four years, after which he shall not be eligible for re-election until one year has passed, without prejudice to his continuation or re-election as member of the Committee. The Secretary shall be the same of the Board.

This Committee supports the Board in its supervisory duties, through regular checking of the preparation of economic and financial reporting, executive controls, supervision of the systems for recording and controlling the company's hydrocarbon reserves, the internal audit department and the independence of the external auditors, as well as checking compliance with all the legal provisions and internal regulations applicable to the company. This Committee is competent to submit proposals regarding the appointment of external auditors and knowing and guiding the company's environmental and safety policies, objectives and guidelines and drawing up an Annual Report on its activities, on which it shall report to the Board and is public.

The Committee establishes an annual calendar of meetings, as well as an Action Plan for each year. Meetings shall be called whenever so requested by any two of its members. Eight meetings were held in 2014.

Nomination and Compensation Committee: This Committee consists of no fewer than three External Directors, being the majority Independent, taking account of the expertise, skills and experience of the directors and the duties of the Committee.

The Board shall appoint the members of this Committee for a term of four years. Without prejudice to one or several re-elections, they shall retire at the end of that term, when they retire from the Board or whenever so resolved by the Board, subject to a prior report by the Audit and Control Committee. The Chairman of this Committee shall be one of its members, who shall necessarily be an External Independent Director, and the Secretary shall be the Secretary of the Board.

This Committee has the duties of proposing and reporting to the Board on the selection, appointment, re-election and removal of Directors, Managing Director, Chairman, Vice-Chairman, Secretary, Vice-Secretary; proposing the Board's and the Executives' compensation policy; reporting on he appointment and removal of Senior Executives of the Company and their general pay policy and incentives; reporting on the compliance by Directors of the corporate governance principles or other obligations.
The Committee shall meet whenever the Board or Chairman of the Board requests reports or proposals within the scope of its duties, and whenever called by the Chairman of the Committee, requested by two Committee members or when reports are required. Three meetings were held in 2014.

Strategy, Investment and CRS: It is composed by no fewer than three directors appointed by the Board, taking account of the expertise, skills and experience of the directors and the duties of the Committee. Most of its members shall be External Directors.

The Board shall appoint the members of this Committee for a term of four years. Without prejudice to one or several re-elections, they shall retire at the end of that term, when they retire from the Board or whenever so resolved by the Board, subject to a prior report by the Nomination and Compensation Committee. One of the members of this Committee shall be appointed Chairman and the secretary shall be the Secretary of the Board.
This Committee has, among others, the duties of reporting on the principal highlights, landmarks and reviews of the Group's strategic plan; major strategic decisions, steer the policy, objectives and guidelines of the Repsol Group on Corporate Social Responsibility; and check and report on the Corporate Responsibility Report of the Repsol Group.

The Committee meets with the established frequency, whenever called by its Chairman or requested by two of its members. One meeting was held in 2014.

The respective Chairmen of the Committee shall regularly report to the Board on the actions taken by the Committees. At least once a year, the Committee shall assess its functioning and the quality and efficiency of its work, reporting to the full Board.

The Secretary of the Committee shall issue minutes of the resolutions adopted at each meeting, which shall be made available to Board members.

C.2.5 Indicate the existence, if appropriate, of regulations of the board committees, where they are available for consultation and any modifications made during the year. State whether an annual report has been issued voluntarily on the activities of each committee.

Delegate Committee

The internal regulation of the Delegate Committee is currently set out in the Articles of Association and the Regulations of the Board of Directors.The Articles of Association and the Regulations of the Board of Directors are entered in the Madrid Trade Registry and accessible to the public through the company's web site (www.repsol.com).

Audit and Control Committee

The internal regulation of the Audit and Control Committee is currently set out in the Articles of Association and the Regulations of the Board of Directors.The Articles of Association and the Regulations of the Board of Directors are entered in the Madrid Trade Registry and accessible to the public through the company's web site (www.repsol.com).The Audit and Control Committee has drawn up a Report of its activities during 2014.

Strategy, Investment and Corporate Social Responsibility Committee

The internal regulation of the Strategy, Investment and Corporate Social Responsibility Committee is currently set out in the Regulations of the Board of Directors.

The Regulations of the Board of Directors are entered in the Madrid Trade Registry and accessible to the public through the company's web site (www.repsol.com).

Nomination and Compensation Committee

The internal regulation of the Compensation Committee is currently set out in the Regulations of the Board of Directors.The Regulations of the Board of Directors are entered in the Madrid Trade Registry and accessible to the public through the company's web site (www.repsol.com).

C.2.6 Does the composition of the Executive Committee reflect the participation on the Board of the different types of Director?

Yes [X] No [ ]

If no, explain the composition of the executive committee

D RELATED PARTY AND INTER-COMPANY TRANSACTIONS

D.1 Name the competent body and explain the procedure, if any, for approving related party and inter-company transactions:

Body competent for approving related party transactions
The General Meeting is responsible for authorising, according to the procedure and requirements set out below, any related party transactions with directors, controlling shareholders or persons related thereto which: (i) are for a sum exceeding 5% of the Group's assets according to the latest consolidated annual accounts approved by the general meeting; (ii) involve strategic assets of the company; (iii) involve the transfer of significant technology of the company; or

(iv) are intended to establish strategic alliances and are not mere agreements of action or execution of existing alliances.

Other related party transactions must be authorised by the Board of Directors, after obtaining a report from the Nomination and Remuneration Committee, unless they meet all of the following three conditions:

i. the transaction is made under contracts or agreements with standard terms and conditions which are applied across the board to clients contracting the type of product or service in question;
ii. it is made at prices or rates generally established by the person acting as supplier of the good or provider of the service in question or, if the transaction refers to goods or services for which there are no prices established, on arm's length terms, similar to those applied in commercial relations with clients of a similar nature; and
iii. the amount of the transaction does not exceed 1% of the company's annual income.

The board's authorisation is not needed either in transactions made on arm's length terms and for a small amount within the normal course of business of the company.

Procedure for approving related party transactions

According to Article 22A of the Articles of Association, any transaction that the company makes directly or indirectly with directors, controlling shareholders represented on the board or persons related thereto which (i) are for a sum exceeding 5% of the Group's assets according to the latest consolidated annual accounts approved by the general meeting; (ii) involve strategic assets of the company; (iii) involve the transfer of significant technology of the company; or (iv) are intended to establish strategic alliances and are not mere agreements of action or execution of existing alliances, can only be made if they meet the following conditions:

a) the transaction is fair and efficient for the interests of the company;
b) after obtaining the corresponding report from a reputed independent financial expert indicating that the related party transaction will be made on reasonable, arm's length terms, the Nomination and Compensation Committee will issue a report assessing fulfilment of the requirement of (a) above; and
c) the General Meeting authorises the related party transaction with a favourable vote of seventy-five per cent (75%) of the capital present and represented at the general meeting. This notwithstanding, if it is considered unadvisable to wait for the next general meeting to obtain authorisation, for reasons of opportunity, the transaction may be approved by the board,

provided (i) the report by the Nomination and Compensation Committee contemplated in (b) above is favourable for the transaction, and (ii) the resolution is adopted with the favourable vote of at least two-thirds of the board members not affected by a conflict of interest. In this case, the board shall inform shareholders at the next general meeting on the terms and conditions of the transaction.

When calling the general meeting to discuss or be informed on the authorisation of the related party transaction, the board shall make available to shareholders the reports issued by the Nomination and Remuneration Committee and the independent expert contemplated in (b) above and, should it so deem fit, its own report on the matter.

Pursuant to Article 22 of the Regulations of the Board, any related party transactions other than those described above will only require authorisation by the board, subject to a report by the Nomination and Remuneration Committee.

Related party transactions are assessed from the point of view of equal treatment and arm's length terms and are described in the Annual Corporate Governance Report and the regular public information on the terms set out in the applicable laws and regulations.

Explain whether the power to approve related party transactions has been delegated, if so indicating the person or body to whom it has been delegated.

Pursuant to Article 22 of the Regulations of the Board, the related party transactions to be authorised by the board may, in extraordinary circumstances, be authorised by the Executive Committee, subject to prior ratification by the full board, whenever so required in cases of emergency.

D.2 List any transactions for a significant amount or object between the company and/or companies in its group and controlling shareholders of the company:

Name of controlling shareholder	Name of company or group company	Relationship	Type of transaction	Amount (thousand euros)
SACYR, S.A.	REPSOL GROUP	Contractual	Operating lease contracts	764

SACYR, S.A.	REPSOL GROUP	Commercial	Receipt of services	3,038
SACYR, S.A.	REPSOL GROUP	Contractual	Purchase of goods finished or not	4,116
SACYR, S.A.	REPSOL GROUP	Commercial	Rendering of services	5,159
SACYR, S.A.	REPSOL GROUP	Commercial	Sale of goods finished or not	11,045
SACYR, S.A.	REPSOL GROUP	Commercial	Others	79,704
SACYR, S.A.	REPSOL GROUP	Commercial	Purchase of property and equipment	46,055
SACYR, S.A.	REPSOL GROUP	Contractual	Guarantees & bonds	36,636
SACYR, S.A.	REPSOL GROUP	Corporate	Dividends and other distributed profits	239,773
CAIXABANK ,S.A.	REPSOL GROUP	Contractual	Interest paid	5,591
CAIXABANK ,S.A.	REPSOL GROUP	Contractual	Operated leases	143
CAIXABANK ,S.A.	REPSOL GROUP	Commercial	Receipt of services	4,908
CAIXABANK ,S.A.	REPSOL GROUP	Commercial	Contributions to pension plans and life insurance	15,485
CAIXABANK ,S.A.	REPSOL GROUP	Contractual	Interest charged	37,194
CAIXABANK ,S.A.	REPSOL GROUP	Contractual	Interest accrued but not collected	45
CAIXABANK ,S.A.	REPSOL GROUP	Commercial	Rendering of services	4,035
CAIXABANK ,S.A.	REPSOL GROUP	Commercial	Sale of goods finished or not	7
CAIXABANK ,S.A.	REPSOL GROUP	Commercial	Purchase of financial assets	15,228
CAIXABANK ,S.A.	REPSOL GROUP	Contractual	Financing agreements: loans	507,507
CAIXABANK ,S.A.	REPSOL GROUP	Contractual	Guarantees & bonds	61,846
CAIXABANK ,S.A.	REPSOL GROUP	Corporate	Dividends and other distributed profits	231,285
CAIXABANK ,S.A.	REPSOL GROUP	Contractual	Others	1,606,773
PETRÓLEOS MEXICANOS	REPSOL GROUP	Contractual	Purchase of goods finished or not	1,514,531
PETRÓLEOS MEXICANOS	REPSOL GROUP	Commercial	Others	471
PETRÓLEOS MEXICANOS	REPSOL GROUP	Contractual	Interest charged	2
PETRÓLEOS	REPSOL	Commercial	Provision of services	104

MEXICANOS	GROUP			
PETRÓLEOS MEXICANOS	REPSOL GROUP	Commercial	Sale of goods finished or not	52,631
PETRÓLEOS MEXICANOS	REPSOL GROUP	Corporate	Dividends and other distributed profits	18,275
TEMASEK HOLDINGS (PRIVATE) LIMITED	REPSOL GROUP	Corporate	Dividends and other distributed profits	162,746

D.3 List any significant transactions for a significant amount or object between the company and/or companies in its group and the directors or executives of the company:

Name of directors or executives	Name of related party	Relationship	Nature of the transaction	Amount (thousand euros)
Company executives	Repsol Group	Contractual	Financing agreements: loans and capital contributions (lender)	212

D.4 Report any significant transactions with other companies in the group that are not eliminated in the consolidated financial statements and which do not, by virtue of their object or terms, correspond to the normal business of the Company:

In any case, inform on any inter-company transaction with companies established in countries or territories considered tax havens:

Name of group company	Brief description of the transaction	Amount (thousand euros)
Greenstone Assurance Ltd.	Guarantees and bonds given	2,800
Greenstone Assurance Ltd.	Other incomes	16
Repsol Exploración Liberia (Sucursal)	Provision of services	52

D.5 State the amount of transactions made with other related parties.

D.6 Describe the mechanisms established to detect, define and resolve possible conflicts of interest between the company and/or its group, and its directors, executives or controlling shareholders:

The Regulations of the Board of Directors require directors to avoid any direct or indirect conflicts of interest with the Company's interests, notifying the Board whenever any such conflicts inevitably exist. In the event of a conflict, the director affected shall abstain in the discussion and decision dealing with the issues giving rise to the conflict.

Directors shall inform the Nomination and Compensation Committee of any other professional obligations they may have and any material change in their professional situation, as well as any affecting the nature or condition by virtue of which they have been appointed Director.

Finally, directors shall tender their resignations and step down from the Board, should the latter deem fit, whenever they incur in any of the events of incompatibility or disqualification established in law, the Articles of Association or Regulations.

Articles 19 to 22 of the Regulations of the Board of Directors set out the obligations to be met by Directors in respect of non-competition, use of corporate information and assets and taking advantage of business opportunities, and the requirements established in respect of related party transactions between the Company and the Directors, significant shareholders represented on the Board or persons related to them.

Similarly, the Repsol Group Internal Conduct Regulations regarding the Securities Market, applicable to directors, top management and the executives of certain departments and divisions with access to privileged information of the company or its group and who carry out tasks related with the Securities Market, contemplates the preclusion and solving of conflicts of interest in Articles 8.3. and 8.4. and the proceeding that shall be followed in those situations that could potentially create a conflict of interest with Repsol Group, setting *abstention* as the general principle to be considered in the resolution of all kind of conflicts of interest and the duty to act in all moments with loyalty to the Repsol Group, giving preference to the interest of the Repsol Group over its own interests.

Finally, the Ethics and Conduct Regulation for Repsol Employees which applies to all employees of Repsol including its executives and its Directors also provides in its Article 3.6 the action proceeding in case of a potential conflict of interest.

D.7 Is more than one company of the Group listed in Spain?

Yes [ ] No [X]

Name the subsidiaries listed in Spain:

Listed subsidiaries

Indicate whether the respective areas of activity and possible business relations between them have been precisely defined publicly and those of the listed subsidiary with other companies in the group:

Yes ☐ No ☐

Define any business relations between the parent company and listed subsidiary, and between the latter and other group companies

Describe the mechanisms established to solve any conflicts of interest between the listed subsidiary and other group companies:

Mechanisms to solve conflicts of interest

E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the company's Risk Management System.

The Repsol Group operates in a variety of countries, conditions and environments and in all phases of the energy business value chain. As a result, it is exposed to a variety of risks (strategic, operational and financial), which can affect the future performance of the organization and must be mitigated as effectively as possible.

The Company has an organization, procedures and system that enable it to manage these risks to a reasonable extent. Risk management is an integral element of the Group's decision-making processes, both within the corporate governance bodies and in business management.

Moreover, in 2013, Repsol decided to progress towards an integrated management model in order to anticipate, manage and control the risks with an overall vision. With this aim in mind, the mission of the Risk Management Unit within the General Management of Strategy Control and Resources is to coordinate and foster the existing risk management, giving it an integrated focus by implementing the Repsol Integrated Risk Management System (IRMS).

Repsol's commitment to implementing the IRMS is reflected in the Repsol Risk Management Policy, and its principles are clarified in the new Integrated Risk Management Rule approved by the company's Management Committee. This new management model was inspired by ISO 31000, the international benchmark standard, and the Three Lines of Defense model.

The key pillars of the IRMS are:

• Leadership of Senior Management.
• Common Risk Management Model that integrates all management processes and activities of the company, which ensures that all risks are managed under a common process of identification, assessment and treatment.
• Implementation the Business model and Corporate Departments, becoming units with varying levels of responsibility and specialization (risk management units, supervision units and audit units), as well as by Risk Management, which will manage and coordinate the integrated management system.

E.2 Name the corporate bodies responsible for preparing and implementing the Risk Management System.

Board of Directors

The full Board of Directors reserves the right to approve the risk management policy.

Audit and Control Committee of the Board of Directors

According to the Regulations of the Board of Directors of Repsol, the Audit and Control Committee regularly checks the efficiency of the internal control and risk management systems to ensure that the principal risks are identified, managed and reported adequately.

Management Committee

The Management Committee approves the governance elements required within the area of risk management, oversees their correct application and monitors the company's performance in respect of risks.

The Senior Management at Repsol views the Integrated Risk Management System as not only a tool for defining the company's strategy but also as a way of improving operations and of flexibly managing critical situations and becoming stronger in the process.

Repsol's Integrated Risk Management System is aligned with the Three Lines of Defense Model on the assignment of responsibilities in risk management and control. In this regard, Repsol is organized as follows:

Risk Management Units (1st Line of Defense). These units are responsible for direct management of risk in day-to-day operations, which encompasses the tasks of identification, analysis, evaluation and mitigation of risks.

Risk Supervision Units (2nd Line of Defense). As governance units specializing in the management of certain types of risks, they have the mission of furthering and overseeing the implementation of effective risk management practices in the Management Units and providing counseling for continuous improvement in risk management.

Risk Management. Risk Management governs the function of integrated risk management and ensures that it is global, homogenous, exhaustive and effectively influential in decision-making processes.

Risk Audit Units (3rd Line of Defense). These units are responsible for evaluating the design and functioning of the Group's risk management systems to ensure that the risks are adequately identified, measured, prioritized and controlled according to the laws and regulations in place and good practice in the industry.

E.3 Define the main risks that could have a bearing on achievement of the company's business goals.

The company's transactions and income are exposed to strategic, operational and financial risks. The main risks to which the Repsol Group is exposed are:

Strategic and Operational Risks:

- Uncertainty in the current economic context
- Fluctuations in the international prices of crude and benchmark products and in demand due to factors beyond Repsol's control
- Regulatory framework and taxation of Repsol's operations
- Subjection of Repsol to exhaustive safety and environmental risks and laws
- Operating risks inherent in the exploration and exploitation of hydrocarbons and dependence on the acquisition or discovery of reserves at a reasonable cost and subsequent development of the new crude and gas reserves
- Location of reserves
- Estimates of oil reserves and gas deposits
- Projects and operations developed through joint ventures and associates
- Repsol can make acquisitions, investments and disposals as part of its strategy
- The insurance cover for all operating risks to which Repsol is exposed might not be sufficient
- Exposure of operations in the natural gas sector to certain operational and market risks
- Cyclical nature of the petrochemicals business
- The strategy of the Repsol Group requires efficiency and innovation in a highly competitive market
- The Repsol Group is exposed to administrative, judicial and arbitration procedures
- Inadequate conduct or breaches of the applicable laws and regulations by our employees can damage the reputation of the Repsol Group
- Information technology and its reliability and sturdiness are fundamental for maintaining our operations

Financial Risks:

- Liquidity Risk
- Credit Risk
- Market Risk
    - Exchange rate risk
    - Commodity price risk
    - Interest rate risk
    - Credit rating risk

For more information: See chapter Risk Management (section "Risk factors") in the Repsol Consolidated Management Report 2014.

E.4 State whether the company has a risk tolerance level.

The Company has established tolerance levels which, depending on each type of risk, can be expressed on the basis of a numeric indicator (e.g., for market, credit, etc. risks) or as a management guideline establishing obligations or limits on activities or behavior (e.g., in operational risks).

Repsol has a risk evaluation process based on common, homogenous methodology for the identification and assessment of risks by all areas responsible. The assessment is based on common scales of impact and probability.

The impact scales used in 2014 contemplated the following dimensions: Economic or Operational, Reputation and Image, and People.

In 2014, the company launched Risk Management Workshops in order to obtain the risk maps of the various business units and corporate divisions before preparing a corporate risk map. A group of experts from the various business units/divisions of Repsol participated in the workshops, allowing the company to obtain a comprehensive view of the key risks using a common yardstick and identify efficient mitigation measures.

All in all, there were 46 Risk Workshops with more than 250 experts from the business unit and corporate divisions in the different companies where the company is active.

E.5 What risks have occurred during the year?

Furthermore, risks deriving from the Company's business materialised during the year. Nevertheless, the control systems established by the company worked properly, enabling adequate handling of those risks.

E.6 Explain the response and supervision plans for the main risks to which the company is exposed.

Repsol has an organization, procedures and system that enable it to identify, measure, evaluate, prioritize, control and reasonably manage the risks to which the group is exposed, and decide to what extent those risks are accepted, mitigated, hedged or avoided as far as possible.

The response plans are adapted to the peculiarities of each risk. The principal measures taken by the company include:

- Establishing targets, strategic lines and internal regulations (policy, rules, procedures, manuals and guidelines).
- Analyzing and measuring different variables associated mainly with financial risks (VaR, CFaR) and analyzing sensitivity to risk factors.
- Defining, monitoring and continuously assessing the design and functioning of

the internal control and compliance systems: Financial Reporting Internal Control System, Program for Regulatory Compliance with the formal legal obligations to Entities of legal persons belonging to the Repsol Group; Crime Prevention Model in the Group's Spanish companies.

- Taking out insurance coverage according to the type of risk and its availability in the insurance market and at reasonable conditions and premiums.

In this regard, part of the process of preparing the 2014 Risk Map involved identifying new lines of response and consolidation above and beyond the current practice, primarily through mitigating actions, for the risks most relevant to the company.

The company also has several independent analysis, supervision and control units and response units specializing in different areas of risk management, such as:

- Management and Control of Financial Risks
- Safety and Environment
- Corporate Security
- Corporate Responsibility
- Information Systems Risks and Continuity
- Reporting and Control of Tax Risks
- Control of Reserves
- Insurance

Finally, the company has an Internal Audit Unit which evaluates and enhances existing controls to make sure that the potential risks (strategic, operational and financial) that may hamper achievement of the Repsol Group goals are reasonably identified, measured and controlled. The Group also has two further audit units: Safety and Environment, and Reserves.

F INTERNAL CONTROL SYSTEMS AND RISK MANAGEMENT OVER FINANCIAL REPORTING (ICFR)

Describe the mechanisms comprising the system of internal control over financial reporting (ICFR) of your company

F.1 Control environment

Report on at least the following, describing their principal features:

F.1.1. Which bodies and/or duties are responsible for: (i) the existence and maintenance of an adequate and effective ICFR system; (ii) its implementation; and (iii) its supervision?

As indicated in its Bylaws, the Board of Directors of Repsol, S.A. is responsible for the governance, management and administration of the Company's businesses and interests save insofar as is reserved for the General Shareholders' Meeting. It focuses on the general function of supervision and the consideration of especially important issues for the Company.

The Regulations of the Board of Directors define the powers reserved for the Board, such as laying the individual and consolidated Annual Financial Statements and Directors' Report before the Ordinary (Annual) General Shareholders' Meeting. The Board must draw these documents up in clear, precise terms. It must also make sure they give a true and fair view of the net worth, financial position and results of the company and the group, as stipulated in law. Approval of the risks management and control policy and the annual and half-year financial reports which, as a listed company, the Company is obliged to publish regularly, is also reserved for the Board of Directors. The Board is ultimately responsible for supervising the Repsol Group's Financial Reporting Internal Control System.

The Regulations also establish the Board's responsibility for approving the company's codes of conduct and ethics, its own organization and functioning and that of the Senior Management, as well as specific duties referring to the company's activity on the securities market.

The Board of Directors has a direct relationship with the members of the Senior Management and the company's auditors, respecting their independence at all times.

Point C.1 of this Annual Corporate Governance Report contains information on the structure and composition of the Board of Directors.

The Board of Directors has appointed members to sit on several Committees, such as the Audit and Control Committee, whose main purpose according to the Regulations of the Board of Directors is to support the Board in its supervisory duties, through regular checking of the financial reporting process, the effectiveness of its executive controls and the independence of the external auditors, as well as checking fulfillment of all applicable laws and internal regulations.

All the members of the Audit and Control Committee are independent outside directors, with accounting and auditing expertise and experience. The Committee Chairman also has extensive experience in business, risk and financial management and a sound knowledge of accounting procedures. The structure and functioning of this committee are described in point C.2.4 of this annual corporate governance report, which expressly references the procedure for appointing the Committee Chairman.

As established in the Regulations of the Board of Directors regarding internal control and reporting systems, the Audit and Control Committee is responsible, among other duties, for regularly checking the efficacy of the risk management and internal control systems, ensuring that the principal risks are identified, managed and reported adequately.

Moreover, according to the aforesaid Regulations, the Audit and Control Committee is responsible for the following duties related to financial reporting process:

- Supervise the preparation and presentation of regulated financial reporting on the Company and the Group and its integrity, compliance with legal requirements, adequate definition of the consolidated group and correct application of the accounting principles.

- Before they are presented to the Board and with the necessary requirements of checking that they are correct, reliable, sufficient and clear, analyze the Financial Statements of the Company and its consolidated Group contained in the annual, half-year and quarterly reports, and any other financial information which, as a listed company, the Company is obliged to publish regularly, obtaining all the necessary information with the level of aggregation it considers appropriate, for which it will receive the necessary support from the Group’s executive management.

- Ensure that the Annual Financial Statements to be presented to the Board of Directors to be authorized for issue are certified by the Chairman and the Chief Executive Officer, as required by the internal or external regulations applicable from time to time.

- Check all significant changes in the accounting principles used and the presentation of the financial statements and make sure they are adequately publicized, expressly stating that the Committee has checked these aspects.

- Examine draft Codes of Conduct and Ethics and modifications thereto, as prepared by the corresponding department of the Group, and issue its prior opinion on the proposals that are to be put to the corporate bodies.

- Take particular care in ensuring compliance with the applicable market conduct regulations and overseeing the actions of the Company's Internal Transparency Committee.

- Make sure that the internal control and recording procedures and systems are sufficient, adequate and effective in the measurement, valuation, classification and accounting of the Group's hydrocarbon reserves, so that their inclusion in the periodical financial reporting complies at all times with the sector standards and applicable legislation.

- Protect the independence and efficacy of internal auditing; analyze and approve, if appropriate, the annual planning of the Internal Audit Department and obtain information on the extent to which the audited units have implemented the corrective measures recommended by the Internal Audit Department in previous inspections. The Audit and Control Committee reports to the Board any situations that may entail a substantial risk for the Group.

F.1.2. State whether the following elements exist, especially in respect of the financial reporting process:

- **Departments and/or mechanisms responsible for: (i) designing and reviewing the organizational structure; (ii) clearly defining the lines of responsibility and authority, with an adequate distribution of tasks and duties; and (iii) ensuring that there are sufficient procedures for adequately informing the company**

The internal regulations assign to the People and Organization Direction the duties and responsibilities associated with the study, design, approval and implementation of organizational structures and sizing in the company.

According to those regulations, the organizational structure establishes a hierarchical and functional level for the normal operation of the different business areas within the Group and determining the levels of responsibility, decision-making and functions in each of the business units.

The organizational structure is represented by means of an organization chart and the sizing defined. Approval of a structure requires two approving roles, then line approved and the GM for People and Organization, according to the levels established in the regulations.

The organizational principle that governs structure approval is based on the premise that a structure cannot be approved by the person who is directly responsible for it, but by his or her hierarchical superior.

There is also an organizational unit responsible for inputting the approved organizational changes in the computer system, according to the implementation plan defined, which makes it possible to ensure compliance with the requirements established as regards internal control.

- **Code of conduct, approval body, degree of dissemination and information, principles and values included (stating whether there is any specific mention of the operations register and preparation of financial reporting), body responsible for analyzing default and non-compliance and proposing remedial action and penalties**

In addition to the Bylaws, the Regulations of the Board of Directors, the Regulations of the Internal Transparency Committee and other internal rules, the Group also has the "Repsol Code of Ethics and Conduct for Employees", approved by the Board of Directors based on a favorable report by the Audit and Control Committee. This Code is applicable to all Group employees, including all the directors, executives and employees of Repsol, S.A. and the companies within its group, regardless of the type of employment contract they have, their rank and position and where they work, and anyone transferred temporarily to Repsol to provide professional services (*secondees*). This code outlines and explains the Group's values (integrity, responsibility, transparency, flexibility and innovation), the minimum rules of conduct that should guide all employees in their actions when performing their professional work and the provisions applicable for any breach of the code. Among other aspects, it considers the basic principles for action in respect of transparency, reliable information and control of records, as well as the processing of confidential, information, establishing specific obligations regarding the recording of transactions and preparation of financial reporting, and the commitment to carry out its activities in accordance with the current legislation in all countries and areas of activity.

In general, new employees are informed of the existence of the Code of Ethics and Conduct, which is placed at their disposal, and they sign an undertaking to comply with its terms. Employees are also regularly offered information and training courses, in order to boost their understanding and proper compliance with the Code of Conduct and Ethics.

The Company also provides a Welcome Manual, which is being progressively introduced, and is given to those joining the company, setting out the basic rules with which employees should be familiar and should observe from the start of their employment regardless of the division or business in which they are working or going to work, including direct access to each one for consultation. The first set of rules is the Code of Ethics and Conduct.

Company executives also agree to comply with the Executive Personnel Regulations, as an annex to their contracts. These regulations refer to the principles on which their professional actions should be based and the Company's values and rules, with a special emphasis on the Code of Ethics and Conduct.

There is a communication channel for the Repsol Code of Ethics and Conduct for Employees, which provides an effective medium for submitting consultations or informing of possible infringements of the conduct regulated in the Code. It can be consulted by Group employees or third parties by applying online through the Group website and the internal portal.

The Ethics Committee ensures supervision and compliance with the Code by all Group employees and deals with all notifications received through the communication channel. The Secretary of this Committee is responsible for processing confidentially the notifications received through this channel.

As established in the Regulations on the Repsol Ethics Committee, the committee consists of the General Counsel and Secretary of the Board of Directors, the Managing Director of People and Organization, the Chief Audit Officer, the Executive Director of Legal Services and the Executive Director of Labor Relations, Legal Labor Management and Safety at Work.

The Group also has an "Anti-Corruption Policy" defining the commitment and principles guiding the actions of Repsol and all its employees in combating corruption. This Policy is developed in the "Repsol Code of Ethics and Conduct for Employees".

In addition the Group has an "Internal Regulation on Conduct regarding the Securities Market", approved by the Board of Directors following a favorable report by the Audit and Control Committee, which responds to the requirements of Spanish law and develops aspects such as the rules of conduct for dealing in securities and financial instruments issued by the Group that are traded on securities markets, treatment of insider information, reporting of relevant information, trading in own shares, the prohibition on manipulating share prices and the handling and management of conflicts of interest. The Company has formally established mechanisms that promote the dissemination and fulfillment of its provisions within the organization. For this purpose, as stipulated in those Regulations, the Audit and Control Committee shall supervise the obligations established therein and any breach of its provisions will be considered a labor fault, the degree of seriousness of which shall be determined in the ensuing proceedings, pursuant to applicable provisions. An offence may also be considered to exist if the security market regulations are infringed and the infringer may be sued for civil or criminal liability.

- **Whistleblowing channel, through which the audit committee can be informed of any financial or accounting irregularities, any breaches of the code of conduct and irregular activities within the organization, indicating whether this channel is confidential**

According to the Regulations of the Board of Directors, the Audit and Control Committee is responsible for receiving confidentially and anonymously any communications expressing concerns about questionable accounting or auditing practices. The Audit and Control Committee has established a specific whistleblowing channel, through which it may be informed on issues relating to accounting, internal control and auditing that affect the Group. The channel is available to employees and third parties through the corresponding applications on the corporate website and on the internal portal.

- **Training programs and regular refresher courses for personnel involved in the preparation and review of financial reporting and ICFR system assessment, covering at least accounting standards, auditing, internal control and risk management.**

Training in Repsol is geared towards developing the professional capacities required for effective performance of the employees' work, supplemented with further training to support and foster progression in their careers. It is based on initiatives intended to structure knowledge, develop skills and foster employees' commitment to the Company's plans, culture and values throughout their careers.

To achieve this, the Company has a broad selection of training activities covering issues ranging from technical aspects, organized specifically for given groups, to other more general aspects, such as management, safety awareness, etc.

Through collaboration between the Repsol Training Centre and each of the units of the Group, Repsol ensures the acquisition and updating of essential knowledge to perform the economic administrative, risks management and internal audit and control duties. The training needs are planned to meet both short and long-term requirements and the corresponding annual plan is drawn up, identifying and paying attention not only to the form of training best suited to each group but also time enabling the Company to monitor attendance levels and the quality of training given to each employee.

These needs are met by both internal resources, with training activities designed and given by its own staff with experience and references in their respective fields, and by reputed firms contracted for their quality and specialization. Other resources are also used, such as conferences, talks, discussion forums, workshops and virtual libraries.

F.2 Evaluation of financial reporting risks

Report at least on the following:

F.2.1. What are the main features of the risk identification process, including risks of error or fraud, indicating:

- **Whether the process exists and is documented.**

The Repsol Group has an integrated risk management process as indicated in point E.1 of this report. This process establishes a homogenous methodology of risk identification and assessment by all responsible divisions in the Organization.

The result of the described process is the creation of the Repsol Group Risk Map, which financial reporting risks form part of.

In mitigation of these risks, the Repsol Group has an internal control model for financial reporting (ICFR) to enable compliance with the requirements of Act 24/1988, of 28 July, on the Securities Market (*Ley 24/1988, de 28 de julio del Mercado de Valores*) amended by Act 2/2011, of 4 March, on the Sustainable Economy (*Ley 2/2011, de 4 de marzo de Economía Sostenible*), Order ECC/461/2013, of 20 March determining the content and structure of the annual corporate governance report and Circular 5/2013, of 12 June, of the National Securities Market Commission, establishing the standard annual corporate governance reports of listed publicly traded companies (*Circular 5/2013, de 12 de junio, de la Comisión Nacional del Mercado de Valores, que establece los modelos de informe anual de gobierno corporativo de las sociedades anónimas cotizadas*).

The internal control model for financial reporting (ICFR) was initially developed based on the COSO (1992) (Committee of Sponsoring Organizations of the Treadway Commission) methodological framework, contained in its Internal Control-Integrated Framework report, the aim of which is to contribute to transactions being accurately recorded, in accordance with the corresponding accounting framework, providing reasonable security in relation to the prevention or detection or errors that may have a significant impact on the information contained in consolidated annual accounts. In 2014, the model was adapted to the new 2013 COSO Framework. In this regard, the Company will continue to advance the adaptation of its model to this new Integrated Internal Control

Framework. This internal control model on financial reporting is coordinated by an integrated process comprising of five components:

1. The existence of an appropriate **control environment**.

2. Identification, analysis and **assessment of risk**.

3. The definition and implementation of **control activities** to mitigate the risks identified.

4. **Information and communication**, enabling the various control responsibilities to be known and assumed.

5. **Supervision of the functioning of the system**, in order to evaluate its design, the quality of its performance, its adaption, implementation and effectiveness.

- **The process covers all the financial reporting objectives (existence and occurrence; integrity; valuation; presentation, breakdown & comparison; and rights & obligations), whether it is updated and how often.**

The identification of the principal risks that could affect the financial reporting objectives related with the existence and occurrence of operations, rights and obligations, the integrity, valuation and presentation thereof and their breakdown and comparability and which, therefore, could produce a material impact on the reliability of the financial reporting, is performed by preparing a financial reporting risks inventory, classified into the following categories:

- Definition of the general control environment
- Monitoring of regulatory changes
- Making of estimates and subjective calculations
- Identification and recording of business transactions
- Preparation of consolidated financial statements
- Financial reporting

This inventory covers the main risks associated with the process of preparing financial statements, whether individual or consolidated, as well as statements of other types (operational, financial, tax, employment, regulatory, etc), insofar as they may have a relevant impact on financial reporting.

Each of the aforementioned risk categories consists, in turn, of one or more specific risks, which are linked to the corresponding headings of the financial statements, the respective processes and to the different companies of the Group, reached in the Internal Control System over Financial Reporting. In this regard, as stated in section F.3.1, there is a process in place which enables the identification, determination and regular updating of the inventory of companies forming part of the Repsol Group, based on which the consolidation period is set.

The financial reporting fraud factor is also analyzed specifically for each and all of these risks, since this is an important element in the design, implementation and evaluation of the internal control model. This analysis is made taking account mainly of the references to consideration of fraud in risk assessment established within COSO 2013 (“Assesses Fraud Risk” Principle 8) and by the AICPA (American Institute of Certified Public Accountants) in its document “Consideration of Fraud in a Financial Statement Audit”, Section 316 (Standard Auditing Statement 99).

Lastly, the potential impact value of each of the financial reporting risks is established, as well as the probability of this occurring. From these two factors, the severity of each of the risks is established.

The risks inventory is reviewed annually in accordance with the integrated risk management process of the Repsol Group, as indicated in section E.1 of the Annual Corporate Governance Report.

- **There is a process for identifying the scope of consolidation, taking into account, among other aspects, the possible existence of complex corporate structures or special purpose vehicles.**

The Internal Control System over Financial Reporting (ICFR) is articulated through a process that defines and implements a series of control activities designed to prevent and detect errors, including cases of fraud that could arise from such errors, by identifying and evaluating financial reporting risks in order to mitigate its potential effects.

For this, after identification and regular updating of the inventory of financial reporting risks, a scope model for the internal control system over financial reporting is established, and in it, the processes and companies that should be included in the scope on account of their relevance and materiality are determined. This identification includes both quantitative and qualitative criteria.

In order to ensure integrity in the scope model, it is important to identify and regularly update the consolidation perimeter from which the consolidated financial statements are prepared. For this, there is a process for identifying changes in the shareholders in the groups companies and for determining the companies falling within the consolidation perimeter according to the applicable accounting criteria and the control structure present in each.

The determination of companies included within the scope of the Group ICFR system takes into account those in which control is exercised directly or indirectly, considering this to mean capacity to direct their operating and financial policies in order to obtain a gain on their activities. Therefore, companies in which there is joint control are not included in the model, since the strategic decisions regarding operational and financial activities require the unanimous consent of the parties sharing control, so the Group does not have an exclusive power to implement its own control system, alter the existing controls in those companies or assess their effectiveness. However, controls designed to guarantee homogeneity, validity and reliability of the financial information provided by joint ventures for incorporation in the consolidated financial statements are included.

- **The process takes account of the effects of other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the financial statements.**

In order to guarantee that these transactions are accurately recorded from their origin, the definition and design of the Repsol Group's ICFR system takes into account other types of risk that could have a relevant impact on the attainment of the Organization's operational and strategic goals, such as compliance, insofar as these may affect the preparation of financial statements.

In this regard, the Group's ICFR is an integrated process, providing reasonable security in relation to the prevention or detection of errors in the preparation of individual and consolidated financial statements.

Additionally, the Repsol Group includes the risks identified in other Group Units which might have a significant impact on the drafting of the financial states in the process of identification and assessment of financial reporting risks.

- **Which governing body supervises the process.**

The Board of Directors reserves the power to approve the risk management policy.

In accordance with the Regulations of the Board of Directors of Repsol, the Audit and Control Committee periodically reviews the efficiency of the internal control and risk management systems, so as to identify, manage and properly communicate the main risks.

The Management Committee approves the necessary elements of governance in the area of risk management. It will also supervise their proper application and monitor the Company's performance in terms of risks.

The Audit and Control Direction is responsible for evaluating the design and operation of the Group's risk management systems in order to ensure that risk is properly identified, measured, prioritized and controlled according to current regulations and the best practices in the industry.

F.3 Control activities

State whether the company has at least the following, indicating their main features:

F.3.1. Procedures for review and authorization of financial information to be published in the securities markets and description of the ICFR system, naming the persons responsible, and documentation describing the flows of activities and controls (including those concerning fraud risk) of the different types of transaction that might have a material effect on the financial statements, including the procedure for closing accounts and specific review of significant value judgments, estimates, valuations and projections.

The Repsol Group implemented its System of Internal Control over Financial Reporting (ICFR) based on the methodological framework of COSO 2013 (*Committee of Sponsoring Organizations of the Treadway Commission*) included in the internal report of Control-Integrated Framework to help the organization meet its goals according to the five components of internal control:

1. Control environment
2. Risk assessment
3. Control activities
4. Information and communication
5. Supervision activities

The system of Internal Control over Financial Reporting (ICFR) is integrated in the organization through the establishment of structure of roles and responsibilities for the different bodies and functions, which are described in procedures that have been duly approved and distributed within the Group. In addition to the indications in F.1.1 of this Annual Corporate Governance Report regarding the processes for checking and authorization of financial reporting by the Board of Directors and the Audit and Control Committee, below are detailed the other governing bodies and organizational units of the Group assigned relevant processes on this matter:

Chairman of the Board of Directors and Chief Executive Officer:

At closure of the financial period, all owners of the controls comprising the ICFR system will issue a certificate on the validity and effectiveness of the processes and controls within their area of responsibility. These are annual certificates which, through a hierarchical process rising up through the organizational structure, conclude with a certificate issued by the Chairman of the Board of Directors and the Chief Executive Officer.

Internal Transparency Committee:

The mission of the Internal Transparency Committee is to promote and bolster the necessary policies to ensure that the information provided for shareholders, markets and regulatory authorities is true and complete, adequately reflects the Company's financial position and the results of its operations and is presented in a timely manner and in accordance with the other requirements established in the standards and general principles for markets and good governance applied by the Company. This Committee provides support and assistance to the Chairman of the Board of Directors and the Chief Executive Officer.

According to the Regulations on the Internal Transparency Committee, it is assigned the following duties, among others:

- Supervising the establishment and maintenance of procedures for compiling the information to be published by the Company according to the applicable laws and regulations or which it reports generally to the markets, and all controls and procedures established to make sure that (i) the information is promptly and accurately recorded, processed, summarized and reported, and (ii) the information is compiled and reported to the Group's management and administrative bodies, enabling them to decide in advance on the information that should be published, proposing such improvements as they may deem fit.

- Checking and assessing the accuracy, reliability, adequacy and clarity of the information contained in the documents to be presented publicly, especially any disclosures to be made to the regulating authorities and brokers on the securities markets in which the Company's shares are listed.

The Internal Transparency Committee is made up of the heads of the units responsible for the economic, tax, legal, communication, strategy, audit & control, investor relations, corporate governance, reserves control, management control & planning, people & organization and business areas.

Business Units and Corporate Areas identified as "owners of the controls":

Within the Group, the different Business Units and Corporate Areas identified as "owners of the controls" are those responsible for ensuring the adequate design and validity of the processes and the validity, execution and adequate functioning of the controls associated therewith. Of these, the Units with an especially important role in the development, maintenance and functioning of the ICFR system are:

- The Unit that prepares the financial statements and financial reporting and defines the inventory of controls and processes of the ICFR system required to guarantee the reliability of the financial information, coordinating with the Corporate Division of Audit and Control, as a result of its process of defining and assessing the Group ICFR system.

- The Unit that guarantees fulfillment of tax obligations, tax counseling, monitoring, evaluation and implementation of changes in law and regulations, identification, control, monitoring, assessment and management of tax risks, and tax information for the financial statements. Moreover, according to the Code of Good Tax Practice, it reports annually to the Audit and Control Committee on the tax policies applied by the Company.

- The Unit that monitors, analyses, reviews and interprets the accounting standards contained in the different regulatory frameworks applicable to the Group.

- The Unit that guarantees the efficient use of financial resources, optimization of financial earnings and an adequate monitoring and control of financial, market and credit risks and that assures the continuity and development of business plans.

- The Unit that establishes the criteria for defining the organizational structure and sizing of the Group, sets the guidelines and criteria governing development of the internal regulatory framework and defines the Annual Training Plan.

- The Unit that ensures that the estimates of the Group's proven reserves of hydrocarbons conform to the regulations issued by the different securities markets on which the Company's shares are listed, makes the internal audits of reserves, coordinates the certificates of the external auditors of reserves and assesses the quality controls regarding information on reserves, making any appropriate suggestions, within a process of continuous improvement and application of the best practices.

- The Units responsible for legal affairs in the Group, which provide legal counseling, legal defense and handling of its legal affairs in all contentious proceedings and processes, providing legal support for the Group's actions, rights and expectations with a view to giving them legal security and efficacy and minimizing possible legal risks.

Processes, activities and controls

The ICFR system documents basically comprise the following:

- Internal corporate regulations
- Manual of internal control over financial information
- Corporate Internal Regulations
- Financial reporting risk map
- Model of scopes
- Flow charts of processes through ICFR system
- Inventory of controls identified in the different processes
- Outcome of design tests and functioning of controls
- Certificates of validity and effectiveness issued for each financial year

The system of Internal Control over Financial Reporting is articulated through a process that defines and implements a series of control activities designed to prevent and detect errors, including cases of fraud that could arise from such errors, by identifying and evaluating financial reporting risks in order to mitigate its potential effects.

As indicated above, the ICFR system model covers the set of relevant and material processes for preparation, review and subsequent distribution of the both the individual and consolidated financial statements of the Repsol Group and the remaining financial reporting. Each one of these processes is comprised of a series of activities which are assigned a critical factor and a set of control targets to mitigate the risks in these activities associated with potential errors related with the identification, recording, valuation, presentation and breakdown of the transactions during preparation of the financial information. Once that assignment has been made, controls are established to cover the risks involved in the process.

The following types of controls are distinguished in the ICFR system:

- **Manual**: those carried out without computerized tools or applications.

- **Automatic**: those carried out with computerized tools or applications.

- **General computer controls**: those that reasonably guarantee the reliability, integrity, availability and confidentiality of the information contained in applications relevant to the financial reporting.

These three types of controls are characterized as:

- **Preventive**: their goal is to prevent errors or cases of fraud that could result in an error in the Repsol Group's financial reporting.

- **Detective**: their goal is to detect existing errors or cases of fraud that could result in an error in the Repsol Group's financial reporting.

The financial reporting process sometimes requires assumptions and estimates to be made, which may affect the amount of assets and liabilities recognized, the presentation of contingent assets and liabilities and the recognized income and expenses. These estimates may be affected, among other causes, by changes in competitive, economic, political, legal, regulatory, social, industrial, business and financial conditions.

In this regard, the Group's methodology is designed to identify the areas responsible and establish homogenous criteria for estimates and value judgments in the processes considered important for the preparation of financial reporting, namely those concerning reserves of crude and gas, provisions for litigation and other contingencies, calculation of income tax and deferred tax assets and liabilities, impairment tests of the value of assets and the valuation of financial instruments. The results of these estimates are reported to the management and governing bodies of the Group.

In addition, the aforementioned bodies are regularly informed of any business affecting its business development and which could have a material effect on the Group's financial statements.

It also regularly monitors the principal environmental variables which have or may affect, directly or through estimates and value judgments, on the quantification of assets and liabilities, income or expenses of the Group.

F.3.2. Reporting system policies and procedures for internal control (including, among others, access security, control of changes, operation, operating continuity and separation of duties) of the significant processes in the company referring to the preparation and publication of financial information

The Repsol Group has a specific body of regulations in its IT Systems area based on ISO 27001, laying down the general principles for the different processes in that area.

Considering that the Group's transaction flows are mainly made through IT Systems, an Information Systems Control Framework, consisting of a set of controls called "general computer controls", has been established which reasonably guarantee the trustworthiness, integrity, availability and confidentiality of the information contained and processed in the relevant applications for financial reporting.

The systems linked to the process of preparing financial information conform to the security standards established in the regulations and are audited to ensure proper functioning of the Information Systems Control Framework by validating its constituent general computer controls.

These general computer controls grouped into the areas of: access security, life cycle systems development and assurance operations, help to guarantee that several control targets are obtained within the ICFR system assessment, since they have the following features:

- Contribute towards ensuring the precision, accuracy and validity of the transactions executed in the applications, since they are integrated in the logics of those applications in order to prevent and/or detect unauthorized transactions.

- They are applied to the interfaces with other systems, in order to check that information input is complete and precise, and that output is correct.

The scope of the general computer controls covers applications relevant for financial reporting and infrastructure elements that serve these applications (e.g. technical platforms, servers, databases, data processing centers, etc.).

The Repsol Group has developed a segregation of duties model in the systems for preventing and reducing the risk of errors (intentional or otherwise), especially the fraud factor in the financial reporting process. Incompatibility matrices have been installed in the applications used by the relevant processes covered by the ICFR system, with which it is possible to monitor conflicts continuously and detect cases in which the functions are not exercised according to defined profiles.

F.3.3. Internal control policies and procedures for supervising management of the activities subcontracted to third parties and any aspects of assessment, calculation or valuation outsourced to independent experts that may produce a material effect on the financial statements

The Repsol group supervises the internal control system in relation to the activities carried out by sub-contracted third parties in processes reached by the Group's internal control system. To such end, it requires a report (ISAE 3402 or SSAE16 Type 2) guaranteed by a third party with respect to the quality of the service rendered and the existence and effectiveness of a control environments of with characteristics similar to those of the Group.

This supervision is carried out depending on whether the subcontracted third parties own an application reached in the ICFR, in which cases there is a general computer control monitoring these third parties. According to this control, the Group IT Systems divisions monitor the services outsourced to third parties following the guidelines marked out in the general computer controls, in order to reasonably guarantee that the suppliers of the service have a control environment similar to that existing in the Repsol Group or able to comply with the international standards on which those control models are based.

Likewise, the Repsol Group uses substantive testing as supervision of subcontracted third parties participating on any of the processes covered by the ICFR, and requests that they provide the report issue by their auditor (SOC1 format or similar).

With regard to aspects of assessment, calculation or valuation outsourced to independent experts that may produce a material effect on the financial information, the Reserves Control Unit reviews the valuation based on the estimates of reserves made by the Group's operating units, through internal and external audits. The significant aspects identified in those audits are taken as the basis for determining the results, according to the Group's Reserves Manual, which are presented to the Management Committee and the Audit and Control Committee.

F.4 Information and communication

Report, indicating whether the company has at least the following, indicating their main features:

F.4.1. A specific function designed to define and keep the accounting policies up to date (accounting policy department or division) and solve any queries or conflicts deriving from their interpretation, maintaining fluent communication with those responsible for operations in the organization, and an updated accounting policy manual distributed among the units through which the company operates

The Group has a Unit responsible for monitoring, analyzing and reviewing the accounting principles and policies established in the different regulatory frameworks applied in the preparation of financial statements, analyzing and answering consultations on their interpretation and adequate application. The organizational units involved in preparing financial information are periodically informed of any new aspects of accounting techniques and regulations and the outcome of the different analyses made.

There are also accounting principles manuals, which establish the accounting standards, policies and principles applied by the Group. These manuals are revised and updated periodically and whenever there is a material change in the applicable regulations. The manuals are available on the internal communication network.

F.4.2. Mechanisms for collecting and preparing financial information with homogenous formats, application and use by all units of the company or group, covering the principal financial statements and notes and the information given on the ICFR system

The Group has integrated IT systems for both recognizing transactions in the accounts and preparing the individual and consolidated financial statements. It also has processes for centralized coding and parameterization processes which, together with the accounting principles manuals, guarantee the integrity and homogeneity of the information. Finally, there are also tools used for processing the information in order to obtain and prepare the breakdowns provided in the notes to the financial statements. The systems linked to the preparation and reporting of financial information meet the security standards established by the general computer controls defined for IT systems. (See section F.3.2. of this Annual Corporate Governance Report.)

F.5 Supervision of the functioning of the system

State whether the company has at least the following, indicating their main features:

F.5.1. ICFR system supervisory activities performed by the audit committee and whether the company has an internal audit department which, among other duties, assists the committee in its supervision of the internal control system, including the ICFR system. Indicate the scope of assessment of the ICFR system made in the year and the procedure through which the person responsible for making the assessment reports on its outcome, whether the company has an action plan describing possible corrective measures and whether its impact on financial reporting has been considered

According to the Regulations of the Board, the Audit and Control Committee is responsible for supervising the assessment and presentation, as well as the integrity of the regulated financial information on the Company and the Group, checking compliance with legal provisions, adequate definition of the consolidated group and correct application of the accounting principles, and regularly checking the effectiveness of the internal control and risk management systems, ensuring that the principal risks are identified, managed and reported adequately.

The Audit and Control Committee also analyzes and approves, where appropriate, the annual planning of the Internal Audit Department and other occasional or specific additional plans required as a result of changes in legislation or the needs of the Group's business organization.

The annual planning of the Internal Audit Department is structured to assess and supervise the correct functioning and adequacy of the Group's control and risk systems (operational, strategic, financial and compliance).

The Audit and Control Direction reports to the Audit and Control Committee and performs the audit and control duties established in international standards in line with the best market practices, as well as the requirements of the different regulatory frameworks applicable in the countries in which the Repsol Group has businesses and activities. It has a "Quality Assurance and Enhancement Plan", assessed regularly, to assure quality in its duties, the results of which are reported to the Audit and Control Committee.

The Audit and Control Division is responsible for seeing that the design and functioning of the Internal Control and Risk Management Systems in the Group are reasonable and adequate, contributing towards their improvement and covering the following control objectives:

- Any risks that may affect the organization are adequately identified, measured, prioritized and controlled
- Transactions are efficient and effective
- Transactions are made in compliance of applicable laws, regulations and contracts and prevailing policies, rules or procedures
- The assets are adequately protected and reasonably controlled
- The most significant financial, management and operating information is prepared and reported adequately.

The Audit and Control Direction supports the supervisory work of the Board of Directors, Audit and Control Committee and Internal Transparency Committee over the Financial Reporting Internal Control System (ICFR).

The Audit and Control Direction reports to the Audit and Control Committee on the conclusions of all work done, the corrective measures proposed and the degree of fulfillment of each one. This Department provides supporting any significant irregularities, anomalies or non-compliance committed by the audited units, reporting to the Board any cases that may entail a major risk for the Group.

The Audit and Control Direction reports any weakness or incident detected in the updating or assessment of the ICFR system to the owners of the controls.

After year-end, the Audit and Control Direction informs the Internal Transparency Committee, the Audit and Control Committee and the Board of Directors on the outcome of the ICFR system assessment and any defects found during the assessment of ICFR system effectiveness.

The Group Management has assessed the effectiveness of the ICFR system corresponding to 2014, and did not find any qualifications, concluding that it is effective, based on the criteria established by COSO 2013.

F.5.2. If there is a discussion procedure through which the accounts auditor (as established in the technical audit standards), the internal audit department and other experts can inform the senior management and audit committee or company directors of any significant weaknesses in internal control detected during their checking of the annual financial statements or such others commissioned to them. State also whether it has an action plan to correct or mitigate the weaknesses observed.

As mentioned in point F.5.1 of this Annual Corporate Governance Report, the Audit and Control Division reports to the Audit and Control Committee on the conclusions of all work done, the corrective measures proposed and the degree of fulfillment of each one.

One of the duties of the Audit and Control Committee is to establish appropriate relations with the External Auditor to receive regular information on the audit plan and the results of its implementation, and on any other issues concerning the audit process and corresponding rules and regulations. It also verifies that the management team bears in mind the recommendations made by the External Auditor.

The Audit and Control Committee also requires the External Auditor periodically, at least once a year, to assess the quality of the internal control procedures and systems and discuss with it any significant weaknesses detected during audit, and requests the External Auditor's opinion on the effectiveness of the ICFR system.

F.6 Other relevant information

F.7 External Auditor's report

Report on:

F.7.1. Whether the ICFR system information remitted to the markets has been checked by the external auditor, in which case the Company should include the latter's report in an annex hereto. Otherwise, state reasons.

The Group has requested the External Audit to check the effectiveness of the system of internal control over financial reporting (ICFR) in respect of the financial information contained in the consolidated annual financial statements of the Repsol Group as at 31 December 2014.

G EXTENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of compliance by the company with the recommendations of the Unified Good Governance Code.

If any recommendation is not followed or is only partly followed, include a detailed explanation of the reasons so that shareholders, investors and the market in general have sufficient information to assess the company's actions. General explanations are not acceptable.

1. **The Articles of Association of listed companies should not limit the maximum number of votes that may be cast by an individual shareholder or impose other restrictions hampering takeover of the company via the market acquisition of its shares.**

   See sections: A.10, B.1, B.2, C.1.23 and C.1.24

   Complies [X] Explanation [ ]

2. **When both the parent company and a subsidiary are listed, they should both publish a document specifying exactly:**

   a) **The types of activity they are respectively engaged in and any business dealings between them, and between the listed subsidiary and other group companies;**

   b) **The mechanisms in place to solve any conflicts of interest.**

   See sections: D.4 and D.7

Complies [ ] Partial compliance [ ] Explanation [ ] Not applicable [X]

3. **Although not expressly required in company law, any operations involving a structural alteration of the company should be submitted to the General Meeting for approval, especially the following:**

   a) **Conversion of listed companies into holdings, through spin-off or "subsidiarisation", i.e. reallocating to subsidiaries of core activities thereunto performed by the company, even though the latter may retain full ownership of its subsidiaries;**

   b) **Acquisition or disposal of key operating assets, if this involves an effective alteration of its objects;**

   c) **Any operations producing effects equivalent to liquidation of the company.**

   See section: B.6

Complies [X] Partial compliance [ ] Explanation [ ]

4. **Detailed proposals of the resolutions to be adopted at a General Meeting, including the information contemplated in Recommendation 27, should be published simultaneously with the notice of call to the General Meeting.**

Complies [X] Explanation [ ]

5. **Substantially independent items shall be voted separately at General Meetings to enable shareholders to express their preferences separately. This rule is particularly applicable:**

   a) To the appointment or ratification of directors, which should be voted individually;

   b) In the case of alterations to the Articles of Association, to each article or substantially independent group of articles.

Complies [X] Partial compliance [ ] Explanation [ ]

6. **Companies should allow split votes, so that financial intermediaries on record as shareholders but acting on behalf of different clients can vote according to the latters' instructions.**

Complies [X] Explanation [ ]

7. **The Board should perform its duties with unity in proposal and independent criteria, affording all shareholders the same treatment and guided by corporate interests, which shall mean maximising the value of the company over time.**

   It shall also ensure that the company complies with the applicable laws and regulations in its relations with stakeholders; fulfils its contracts and obligations in good faith; respects good customs and practice in the sectors and territories in which it operates; and upholds any other social responsibility principles that it may have subscribed to voluntarily.

Complies [X] Partial compliance [ ] Explanation [ ]

8. **The Board should undertake, as its principal mission, to approve the company's strategy and the organisation required to put it into practice, and to oversee and ensure that Management meets the targets marked out and respects the objects and corporate interest of the company. For this purpose, the full Board shall approve the following:**

   a) General policies and strategies of the Company, particularly:

      i) The strategic or business plan, management objectives and annual budgets;

      ii) Investment and financing policy;

iii) Definition of the structure of the corporate group;

iv) Corporate governance policy;

v) Corporate social responsibility policy;

vi) Policy on the remuneration and performance assessment of senior officers;

vii) Risk management and control policy and the regular monitoring of internal information and control systems;

viii) The dividend policy and treasury stock policy, particularly regarding limits.

See sections: C.1.14, C.1.16 and E.2

b) The following decisions:

i) Upon recommendation by the chief executive, the appointment and possible removal of senior officers, and corresponding severance clauses;

ii) Directors' emoluments and, for executive directors, supplementary remuneration for their executive duties and any other terms and conditions to be included in their contracts;

iii) The financial information that listed companies are obliged to disclose periodically;

iv) Any investments or transactions considered strategic by virtue of their amount or special characteristics, unless approval corresponds to the General Meeting;

v) Creation or acquisition of shares in special purpose vehicles or companies domiciled in countries or territories considered tax havens, and any transactions or operations of a similar nature which could, by virtue of their complex structure, impair the group's transparency.

c) Transactions between the company and its directors, significant shareholders or shareholders with representatives on the Board, or persons related thereto ("related-party transactions").

This authorisation will not be necessary for related-party transactions that meet all of the following three conditions:

1. Made under contracts with standard terms and conditions applied across the board to large numbers of clients;

2. Made at the general prices or rates established by the person supplying the good or service;

3. Made for a sum not exceeding 1% of the company's annual earnings.

The Board is recommended to make approval of related-party transactions dependent on a favourable report by the Audit Committee, or such other committee as may be assigned this duty. Apart from not exercising or delegating their vote, the affected Directors shall leave the room during the corresponding discussion and voting by the Board.

It is recommended that these competences of the Board be non-delegable, except those contemplated in paragraphs b) and c), which may be adopted by the Executive Committee in an emergency, subject to subsequent ratification by the full Board.

See sections: D.1 and D.6

Complies	☐	Partial compliance	X	Explanation	☐

The company complies with this recommendation except the following paragraphs:

- a.iii) Owing to the complexity and large number of companies currently forming the Repsol Group, it has not been considered convenient to expressly include the contents of this recommendation in the internal strategies and policies of the company.

9. **The Board should have an adequate size to secure efficient, participative performance of its duties. The recommended size is between five and fifteen members.**

See section: C.1.2

Complies	X	Explanation	☐

10. **Non-executive proprietary and independent directors should have an ample majority on the board, while the number of executive directors should be kept to a minimum, taking account of their equity ownership and the complexity of the corporate group.**

See sections: A.3 and C.1.3

Complies	X	Partial compliance	☐	Explanation	☐

11. **Among the non-executive directors, the ratio of proprietary to independent directors should reflect the proportion between capital represented and not represented on the Board.**

This strictly proportional distribution may be relaxed so that proprietary directors have a greater weight than that corresponding to the total percentage of capital they represent:

1. **In companies with a high capitalisation with few or no shareholdings considered significant by law, but in which certain shareholders have interests with a high absolute value.**

2. **In companies with a plurality of unrelated shareholders represented on the Board.**

See sections: A.2, A.3 and C.1.3

Complies [X] Explanation [ ]

12. **The total number of Independent Directors should represent at least one-third of the total Directors.**

See section: C.1.3

Complies [X] Explanation [ ]

13. **The Board should explain the nature of each Director at the General Meeting at which an appointment is to be made or ratified. The type of director should be confirmed or altered, as the case may be, in the Annual Corporate Governance Report, following verification by the Nomination Committee. The reasons why Proprietary Directors have been appointed at the request of shareholders with an interest of less than 5% in the capital shall be explained in that Report, as well as the reasons, where appropriate, for not meeting formal requests for presence on the Board from shareholders with an interest equal or greater than others at whose request proprietary directors have been appointed.**

See sections: C.1.3 and C.1.8

Complies [X] Partial compliance [ ] Explanation [ ]

14. **When there are few or no female directors, the Board should explain the reasons for this situation and the steps taken to correct it. In particular, when vacancies arise on the Board, the Nomination Committee should ensure that:**

    a) **There is no hidden bias against women candidates in the selection procedures;**

    b) **A conscious effort is made to include women with the target profile among the candidates.**

See sections: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4

Complies [X] Partial compliance [ ] Explanation [ ] Not applicable [ ]

15. **The Chairman, being responsible for the effective operation of the Board, should make sure that directors receive sufficient information in advance; stimulate debate and active participation by directors at all Board meetings, protecting their free stand and expression of opinion on any issues; and organise and coordinate periodic assessment of the Board, and the Managing Director or CEO, if any, with the chairmen of the principal committees.**

See section: C.1.19 and C.1.41

Complies [X] Partial compliance [ ] Explanation [ ]

16. When the Chairman of the Board is also the chief executive officer of the company, one of the independent directors should be authorised to request the calling of a board meeting or the inclusion of new items on the agenda; coordinate and express the concerns of the non-executive directors; and direct the assessment by the Board of its Chairman.

See section: C.1.22

Complies [X] Partial compliance [ ] Explanation [ ] Not applicable [ ]

17. The Secretary of the Board should especially ensure that the Board's actions:

a) Conform to the text and spirit of the laws and regulations, including those adopted by the market watchdogs;

b) Conform to the company's Articles of Association and the Regulations of the General Meeting, the Board and any other internal regulations of the Company;

c) Take account of the good governance recommendations contained in this Unified Code endorsed by the company.

To guarantee the independence, impartiality and professionalism of the Secretary, his/her appointment and removal should require a report by the Nomination Committee and approval by the full Board; and the procedure for appointment and removal should be set down in the Regulations of the Board.

See section: C.1.34

Complies [X] Partial compliance [ ] Explanation [ ]

18. The Board should meet as often as may be necessary to secure efficient performance of its duties, following the calendar and business established at the beginning of the year, although any director may propose other items not initially contemplated to be included on the agenda.

See section: C.1.29

Complies [X] Partial compliance [ ] Explanation [ ]

19. Non-attendance of Board meetings should be limited to inevitable cases and stated in the Annual Corporate Governance Report. If a director is forced to grant a proxy for any Board meeting, the appropriate instructions should be issued.

See sections: C.1.28, C.1.29 and C.1.30

Complies [X] Partial compliance [ ] Explanation [ ]

20. When the Directors or the Secretary express concern over a proposal, or, in the case of Directors, the company's performance, and those concerns are not settled by the board, they should be put on record, at the request of those expressing them.

Complies ☐ Partial compliance ☐ Explanation ☐ Not applicable ☒

21. The full Board should assess once a year:

a) The quality and effectiveness of the Board's actions;

b) Based on the report issued by the Nomination Committee, the performance by the Chairman of the Board and Chief Executive Officer of their respective duties;

c) The performance of its Committees, based on the reports issued by each one

See section: C.1.19 and C.1.20

Complies ☒ Partial compliance ☐ Explanation ☐

22. All the Directors should be entitled to obtain such supplementary information as they may consider necessary on business within the competence of the Board. Save otherwise stipulated in the Articles of Association or Board Regulations, their requests should be addressed to the Chairman or Secretary of the Board.

See section: C.1.41

Complies ☒ Explanation ☐

23. All Directors should be entitled to call on the company for specific guidance in the performance of their duties, and the company should provide adequate means for exercising this right, which in special circumstances may include external assistance, at the company's expense.

See section: C.1.40

Complies ☒ Explanation ☐

24. Companies should establish an induction programme to give new Directors a rapid, sufficient insight into the company and its rules on corporate governance. Directors should also be offered refresher courses in the appropriate circumstances.

Complies ☒ Partial compliance ☐ Explanation ☐

25. Companies should require Directors to devote the necessary time and efforts to perform their duties efficiently. Accordingly:

a) Directors should inform the Nomination Committee of any other professional obligations they may have, in case they may interfere with the required dedication;

b) Companies should limit the number of directorships that its Directors may hold.

See sections: C.1.12, C.1.13 and C.1.17

Complies [X] Partial compliance [ ] Explanation [ ]

26. **Proposals for the appointment or re-appointment of directors submitted by the Board to the General Meeting and the provisional appointment of directors by cooptation should be approved by the Board:**

    a) **At the proposal of the Nomination Committee, in the case of independent directors;**

    b) **Subject to a report by the Nomination Committee for other directors.**

See section: C.1.3

Complies [X] Partial compliance [ ] Explanation [ ]

27. **Companies should publish on their websites and regularly update the following information on their directors:**

    a) **Professional and biographical profile;**

    b) **Other directorships held, in listed or unlisted companies;**

    c) **Type of director, indicating in the case of proprietary directors the shareholders they represent or are related with.**

    d) **Date of first and subsequent appointments as company director; and**

    e) **Company shares and stock options held.**

Complies [X] Partial compliance [ ] Explanation [ ]

28. **Proprietary directors should resign when the shareholder they represent disposes of its entire shareholding in the company. They should also resign in the corresponding number when the shareholder disposes of part of its shares to an extent requiring a reduction in the number of proprietary directors.**

See sections : A.2, A.3 and C.1.2

Complies [X] Partial compliance [ ] Explanation [ ]

29. **The Board should not propose the removal of any independent director before the end of the period for which he or she was appointed, unless there are just grounds for doing so, as appreciated by the Board subject to a report by the Nomination Committee. Just grounds are deemed to exist when the director has acted in breach of his/her duties or when he or she falls into any of the circumstances by virtue of which he/she would no longer be considered independent, according to the provisions of Order ECC/461/2013.**

    The removal of independent directors may also be proposed as a result of takeover bids, mergers or similar corporate operations producing a change in the capital structure of the company, whenever those changes in the structure of the Board correspond to the principle of proportionality established in Recommendation 11.

See sections: C.1.2, C.1.9, C.1.19 and C.1.27

Complies [X] Explanation [ ]

30. **Companies should establish rules obliging directors to report and, if necessary, resign in any cases that may jeopardise the company's reputation. In particular, directors should be obliged to inform the Board of any criminal proceedings brought against them and the subsequent development of the proceedings.**

    If a director is tried for any of the offences contemplated in section 213 of the Corporate Enterprises Act, the Board should study the case as soon as possible and, in view of the specific circumstances, decide whether or not the director should remain in office. A reasoned account should be included in the Annual Corporate Governance Report.

    See sections: C.1.42 and C.1.43

    Complies [X] Partial compliance [ ] Explanation [ ]

31. **All the directors should clearly express their opposition whenever they consider that any proposed decision submitted to the Board may go against corporate interests. The independent and other directors not affected by the potential conflict of interest should also do so when the decisions may be detrimental to shareholders not represented on the Board.**

    And when the Board adopts significant or reiterated decisions regarding which a director has expressed serious reservations, the latter should reach the appropriate conclusions and, if he or she opts to resign, explain the reasons in the letter contemplated in the following recommendation.

    This recommendation also affects the Secretary of the Board, even if he or she is not a director.

    Complies [ ] Partial compliance [ ] Explanation [ ] Not applicable [X]

32. **If a director resigns or retires from office on whatsoever other grounds before the end of his or her term of office, he or she should explain the reasons in a letter sent to all the Board members. Regardless of whether the retirement is announced as a regulatory disclosure, the reason shall be indicated in the Annual Corporate Governance Report.**

    See section: C.1.9

    Complies [X] Partial compliance [ ] Explanation [ ] Not applicable [ ]

33. **Remunerations in the form of shares in the company or group companies, stock options or instruments linked to the value of the share and any variable remuneration linked to the company's performance or welfare schemes should be limited to executive directors.**

This recommendation shall not be applicable to the delivery of shares when subject to the condition that the directors keep them up to their retirement from the Board.

Complies [X] Explanation [ ]

34. **The remuneration of non-executive directors should be sufficient to remunerate their dedication, qualifications and responsibilities, but not so high as to compromise their independence.**

Complies [X] Explanation [ ]

35. **Earnings-linked remuneration should take account of any qualifications in the external auditor's report that may reduce such earnings.**

Complies [X] Explanation [ ] Not applicable [ ]

36. **In the case of variable remuneration, the pay policies should establish such limits and the precautions as may be necessary to ensure that such remuneration is related to the professional performance of its beneficiaries, not merely deriving from general trends on the markets or in the company's sector of business or other similar circumstances.**

Complies [X] Explanation [ ] Not applicable [ ]

37. **When there is an Executive Committee, the balance between the different types of director should roughly mirror that of the Board and its secretary should be the Secretary of the Board.**

See sections: C.2.1 and C.2.6

Complies [X] Partial compliance [ ] Explanation [ ] Not applicable [ ]

38. **The Board should be informed at all times of the business transacted and decisions made by the Executive Committee and all Board members should receive a copy of the minutes of Executive Committee meetings.**

Complies [X] Explanation [ ] Not applicable [ ]

39. **In addition to the Audit Committee which is mandatory under the Securities Market Act, the Board shall set up a Nomination and Remuneration Committee, or two separate Committees.**

The rules on composition and procedure of the Audit Committee and the Nomination and Remuneration Committee or Committees should be set out in the Regulations of the Board, including the following:

a) **The Board should appoint the members of these Committees, taking account of the directors' knowledge, expertise and experience and the duties corresponding**

to each Committee and discuss their proposals and reports. The Committees should report to the Board on their actions at the first full Board meeting after each Committee meeting, being accountable for the work done.

b) **These Committees should have a minimum of three members, who should be exclusively non-executive directors. This notwithstanding, executive directors or senior officers may attend their meetings when expressly so decided by the Committee members.**

c) **The Committees should be chaired by Independent Directors.**

d) **They may obtain external assistance whenever this is considered necessary for the performance of their duties.**

e) **Minutes should be issued of Committee meetings and a copy sent to all members of the Board.**

See sections: C.2.1 and C.2.4

Complies [X] Partial compliance [ ] Explanation [ ]

40. **The Audit Committee, Nomination Committee or, if separate, the Compliance or Corporate Governance Committee(s) should be responsible for overseeing compliance with internal codes of conduct and corporate governance rules and regulations.**

See sections: C.2.3 and C.2.4

Complies [X] Explanation [ ]

41. **All members of the Audit Committee, particularly its Chairman, should be appointed in view of their knowledge of and experience in accounting, auditing or risk management.**

Complies [X] Explanation [ ]

42. **Listed companies should have an internal audit department, supervised by the Audit Committee, to guarantee the effectiveness and efficiency of the internal reporting and control systems.**

See section: C.2.3

Complies [X] Explanation [ ]

43. **The chief audit officer should submit an annual work programme to the Audit Committee, reporting directly on any irregularities arising during its implementation and submitting an activity report at each year end.**

Complies [X] Partial compliance [ ] Explanation [ ]

44. **The risk management and control policy should define at least:**

a) The different types of risk (operating, technological, financial, legal, reputational…) to which the company is exposed, including under financial or economic risks any contingent liabilities or other off-balance-sheet exposure;

b) The level of risk that the company considers acceptable;

c) The measures envisaged to soften the effects of the risks identified, should they materialise;

d) The internal reporting and control systems to be used to control and manage those risks, including contingent liabilities or off-balance-sheet risks.

See section: E

Complies	X	Partial compliance		Explanation	

45. The Audit Committee should:

1. In connection with the internal reporting and control systems:

a) Ensure that the principal risks identified through supervision of the effective internal control of the company and internal auditing are adequately managed and disclosed.

b) Oversee the independence and effectiveness of the internal audit department; propose the nomination, appointment, reappointment and removal of the chief audit officer; propose the budget for this department; receive periodical information on its activities; and check that the top management heeds the conclusions and recommendations set out in its reports.

c) Establish and supervise a "whistle-blowing" procedure so employees can confidentially and, if considered appropriate, anonymously report any potentially important irregularities they may observe in the company's conduct, especially in financial and accounting aspects.

2. In connection with the external auditor:

a) Receive regular information from the external auditor on the audit plan and findings and make sure the senior management acts on its recommendations.

b) Guarantee the independence of the external auditor, and for this purpose:

i) The company should inform the CNMV as a significant event whenever the auditor is changed, attaching a declaration on any disagreements that may have arisen with the outgoing auditor and their content.

ii) Investigate the circumstances giving rise to resignation of any external auditor.

See sections: C.1.36, C.2.3, C.2.4 and E.2

Complies	X	Partial compliance		Explanation	

46. **The Audit Committee may call any employee or executive of the company into its meetings, even ordering their appearance without the presence of any other senior officer.**

Complies [X] Explanation [ ]

47. **The Audit Committee should report to the Board on the following matters from Recommendation 8 before the latter adopts the corresponding decisions:**

    a) **The financial information that listed companies are obliged to disclose periodically. The Committee shall ensure that interim financial statements are drawn up under the same accounting principles as the annual statements, requesting a limited external audit if necessary.**

    b) **Creation or acquisition of shares in special purpose vehicles or companies domiciled in countries or territories which are considered tax havens, and any transactions or operations of a similar nature which could, by virtue of their complex structure, impair the group's transparency.**

    c) **Related-party transactions, unless this prior reporting duty has been assigned to another supervision and control committee.**

See sections: C.2.3 and C.2.4

Complies [X] Partial compliance [ ] Explanation [ ]

48. **The Board should endeavour to avoid a qualified auditor's report on the accounts laid before the General Meeting, and in exceptional circumstances when such qualifications exist, both the Chairman of the Audit Committee and the auditors shall clearly explain to the shareholders their content and scope.**

See section: C.1.38

Complies [X] Partial compliance [ ] Explanation [ ]

49. **The majority of the members of the Nomination Committee – or Nomination and Remuneration Committee if there is just one – should be independent directors.**

See section: C .2.1

Complies [X] Explanation [ ] Not applicable [ ]

50. **Apart from the duties specified in preceding Recommendations, the Nomination Committee should:**

    a) **Assess the expertise, knowledge and experience of Board members; define the duties and skills required of candidates to fill vacancies; and determine the time and dedication considered necessary for them to adequately perform their duties.**

    b) **Study or organise as appropriate the succession of the Chairman or Chief**

Executive Officer and, if necessary, make recommendations to the Board to secure an orderly, well-planned handover.

c) **Report on any appointments and removals of senior officers proposed by the Chief Executive Officer.**

d) **Report to the Board on the gender issues contemplated in Recommendation 14.**

See section: C.2.4

Complies [X] Partial compliance [ ] Explanation [ ] Not applicable [ ]

51. **The Nomination Committee should consult the Chairman and Chief Executive Officer, especially on matters concerning Executive Directors.**

    Any director may request the Nomination Committee to consider potential candidates they consider suitable to fill vacancies on the Board.

Complies [X] Partial compliance [ ] Explanation [ ] Not applicable [ ]

52. **Apart from the duties indicated in the preceding Recommendations, the Remuneration Committee should:**

    a) **Submit proposals to the Board on:**

       i) **The remuneration policy for directors and senior officers;**

       ii) **The individual remuneration of executive directors and other terms of contract;**

       iii) **The basic conditions of senior executive contracts.**

    b) **Ensure compliance with the remuneration policy established by the company.**

See sections: C.2.4

Complies [X] Partial compliance [ ] Explanation [ ] Not applicable [ ]

53. **The Remuneration Committee should consult the Chairman and Chief Executive Officer, especially on matters concerning executive directors and senior officers.**

Complies [X] Explanation [ ] Not applicable [ ]

H OTHER INFORMATION OF INTEREST

1. **If you consider there to be any important aspect regarding the corporate governance practices applied by your company or other companies in the group that have not been mentioned in this report, but which should be included to obtain more complete,**

reasoned information on the corporate governance practices and structure in the company or group, describe them below and give a brief explanation.

It is noted that the data contained in this report relate to the ended December 31, 2014 financial year, except in those matters in which reference other date specifically stated.

1. Note to A.1.

On 9 January 2015 the Chief Executive Officer of Repsol, exercising the powers delegated to him by the Board of Directors on 28 May 2014 (in turn exercising the powers delegated in the resolution passed to increase the capital under item six on the agenda for the Annual General Meeting held on 28 March 2014), resolved to complete and declare closed the capital increase made by Repsol, bringing the company's capital to 1,374,694,217 euros, divided into 1,374,694,217 shares and 1,374,694,217 voting rights.

2. Note to A.2.

The details set out in this section, as of December 31, 2014, are obtained from the last information supplied by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, Sociedad Anónima Unipersonal (IBERCLEAR), and from the information sent by shareholders to the Company and to the Comisión Nacional del Mercado de Valores (CNMV).

It is noted that La Fundación Bancaria Caixa d'Estalvis I Pensions de Barcelona holds its stake through CaixaBank, S.A. and Vidacaixa, S.A. The information regarding La Fundación Bancaria Caixa d'Estalvis I Pensions de Barcelona is based in the statement made by this Company in the CNMV on October 20, 2014.

Also, it is noted that Blackrock holds its stake through various controlled subsidiaries, all of them with a common policy vote. The information regarding Blackrock is based in the statement made by this Company in the CNMV on July 25, 2014.

According to the latest information available from the Company at the time of preparation of the annual accounts, the shareholders of the Company are as follows:

Name of shareholder	Interest / total voting rights (%)
Fundación Bancaria Caixa d'Estalvis I Pensions de Barcelona	11.71
Sacyr,S.A.	8.89
Temasek Holdings (Private) Limited	6.03

Blackrock, Inc	3.09

(1) Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona holds its stake through Caixabank, S.A. and Vidacaixa, S.A.
(2) Sacyr, S.A. holds its stake through Sacyr Participaciones Mobiliarias, S.L.
(3) Temasek holds its stake through its subsidiary Chembra Investment PTE, Ltd.
(4) Blackrock holds its stake through various controlled subsidiaries, all of them with a common policy vote. The information regarding Blackrock is based in the statement made by this Company in the CNMV on July 25, 2014 on the share capital at that date.

3. Note on section A.8

The 0.546% treasury stock percentage indicated as of December 31, 2014 has been calculated considering the shares issued on the free-of-charge capital increase that, within the framework of the shareholders' pay-out programme "Repsol Flexible Dividend", was recorded on the Madrid Commercial Registry on January 14, 2015 and that for accounting effects has been recorded on the financial statements of the Group as of December 31, 2014. As a result of said capital increase and in relation to the referred calculation, the Group received the proportional amount of new shares corresponding to the shares held as treasury stock before said capital increase.

4. Note on section A.10

With regard to the legal restrictions on the purchase or sale of shares in the capital, under Supplementary Provision 11th to the Hydrocarbons Act 34/1998, as drafted in Royal Decree-Law 4/2006 of February 24, prior administrative authorisation by the Comisión Nacional de Energía must be sought for certain acquisitions or investments in companies that engage in regulated activities or activities subject to significant oversight by administrative bodies that implies special regulation.

On July 28, 2008, the European Court of Justice determined that Spain had, through the imposition of this requirement of administrative authorisation by the Comisión Nacional de Energía, failed to fulfil its obligations under Articles 43 and 56 of the EC Treaty.

5. Note on section C.1.15

The total amount indicated corresponds, in accordance with the instructions for this report, with the amount declared as total compensation accrued in table c) "Summary of remuneration" in point D.1. of the Repsol Group Directors' Remuneration Report.

All these items are broken down for each director in Note 28 to the Group's consolidated financial statements.

The Director and General Counsel, Luis Suárez de Lezo, accrued cumulative pension rights up to 31 December 2014 totalling 2,072 thousand euros, a sum of 202 thousand euros having been added during 2014.

The cumulative pension rights of the CEO, Josu Jon Imaz, at 31 December 2014 totalled 833 thousand euros, a sum of 173 thousand euros having been added between 1 May 2014 and 31 December 2014.

By virtue of a Resolution of the Board of Directors adopted on 27 February 2013 at the request of the Chairman, Antonio Brufau, Repsol stopped making contributions to his pension scheme as of 12 March 2013, terminating the company's commitment in this respect.

There are no pension commitments to any of the other members of the Board.

6. Note on section C.1.16

The item "Total remuneration senior management" includes:

a) Fixed remuneration and remuneration in kind of the senior management during 2014.
b) The annual variable remuneration of the senior management accrued during 2014 and the multiannual remuneration under the Medium-Term Incentive Scheme 2011-2014.
c) Loyalty Incentive Scheme: On May 21, 2014 the consolidation period of the 1st Cycle of the Scheme was completed. As a result of this the General Counsel consolidated rights to delivery of 13,752 gross shares valued at 20.905 euros per share, which entails an amount equivalent to 44 thousand euros. The CEO did not participate in this cycle of the Scheme, and as such did not consolidate additional share delivery rights.

The cumulative rights corresponding to pension commitments contracted with the current members of the senior management total 20,137 thousand euros, of which 1,815 thousand euros were contributed in 2014.

7. Note on section D.2.

On 4 June 2014, Petróleos Mexicanos (PEMEX) notified the Spanish National Securities Market Commission (CNMV) of the completion of an accelerated placement among eligible investors of 104,057,057 shares in Repsol, S.A., representing 7.86% of the capital at that date. As of that date PEMEX ceased to be considered a significant shareholder of Repsol, S.A. On the same date (4 June 2014) Pemex International España S.A.U. (subsidiary in the PEMEX Group) announced its resignation as member of the Board of Directors of Repsol, whereupon PEMEX ceased to be considered a related party of Repsol.

The commitments acquired to Sacyr, S.A. correspond to the volume of purchase commitments in place at 31 December 2014, net of sale commitments.

Leases refer to those in which the Group is lessee, net of those in which it is lessor.

In addition to the afore-mentioned related party transactions, the Group has further transactions for 1,607 million euros at 31 December 2014 with the "La Caixa" Group, which include short-term deposits and investments in a sum of 1 billion euros and interest rate hedging transactions of 74 million euros.

8. Note on section D.4.

For related party transactions with group companies established in tax havens or territories considered tax havens parties are informed of all transactions that Repsol can be made with these companies by amounts corresponding to the individual companies, without considering eliminations for consolidation.

We have considered those transactions with Group companies whose tax domicile is established within any of the territories the list of tax havens dating from 1991 (RD 1080/1991), excluding those who, according to this rule, there is an agreement signed to avoid double taxation or an agreement for the exchange of information.

2. **This section may be used to include any other information, clarification or qualification relating to the previous sections of the report, provided it is relevant and not repetitive. In particular, state whether the company is subject to any laws other than the laws of Spain on corporate governance and, if this is the case, include whatever information the company may be obliged to supply that differs from the information included in this report.**

3. **The company may also state whether it has voluntarily applied any international, sector-based or other codes of ethical principles or good practices. If so, it should name the code in question and the date of its accession.**

Repsol adhesion to the Code of Best Tax Practices (Codigo de Buenas Practicas Tributarias) as of 23 September 2010, this Code was approved by the Forum of Large Enterprises and in the wording proposed by the State Tax Administration Agency (AEAT) and the Company complies with the provisions thereof.

This annual report on corporate governance has been approved by the Company's Board of Directors on 25th February 2015.

Indicate whether any board members have voted against or abstained with respect to the approval of this report.

NO

Repsol, S.A.

Auditors' Report on the System of Internal Control over Financial Reporting

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

Deloitte.

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Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

To the Board of Directors of Repsol, S.A.:

We have examined the information relating to the system of internal control over financial reporting (ICFR) of Repsol Group (the "Group") contained in the accompanying Note F of the Annual Corporate Governance Report for the year ended 31 December 2014. This examination includes an evaluation of the effectiveness of the system of ICFR in relation to the financial information contained in the Repsol Group's consolidated financial statements at 31 December 2014, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Repsol Group. The objective of this system is to contribute to the transactions performed being presented fairly under the aforementioned accounting framework and to provide reasonable assurance in relation to the prevention or detection of any errors that might have a material effect on the consolidated financial statements. The aforementioned system is based on the rules and policies defined by the Board of Directors of Repsol, S.A. in accordance with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its report "Internal Control-Integrated Framework (2013)".

A system of internal control over financial reporting is a process designed to provide reasonable assurance on the reliability of financial information in accordance with the accounting principles and standards applicable to it. A system of internal control over financial reporting includes policies and procedures that: (i) enable the records reflecting the transactions performed to be kept accurately and with a reasonable level of detail; (ii) guarantee that these transactions are only performed in accordance with the authorisations established; (iii) provide reasonable assurance as to the proper recognition of transactions to make it possible to prepare the financial information in accordance with the accounting principles and standards applicable to it; and (iv) provide reasonable assurance in relation to the prevention or timely detection of unauthorised acquisitions, uses or sales of the Group's assets which could have a material effect on the financial information. The limitations inherent to any system of internal control over financial reporting might give rise to errors, irregularities or fraud that might not be detected. Also, the projection to future periods of an evaluation of internal control is subject to risks, including the risk that the internal controls are rendered inadequate as a result of future changes in the applicable conditions or that there is a reduction in the future in the degree of compliance with the policies or procedures established.

The Board of Directors of Repsol, S.A. is responsible for maintaining the system of internal control over the financial information included in the consolidated financial statements and for evaluating its effectiveness. Our responsibility is limited to expressing an opinion on its effectiveness, based on the work performed by us in accordance with the requirements established in Standard ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) for the issuance of reasonable assurance reports.

A reasonable assurance engagement includes understanding the system of internal control over the financial information contained in the consolidated financial statements, evaluating the risk of there being material errors therein, performing tests and evaluations of the design and operating effectiveness of the system, and performing such other procedures as we consider appropriate. We consider that our examination provides a reasonable basis for our opinion.

In our opinion, at 31 December 2014, the Repsol Group maintained, in all material respects, an effective system of internal control over the financial information contained in its consolidated financial statements, and this internal control system is based on the rules and policies defined by the Board of Directors of Repsol, S.A. in accordance with the guidance established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its report "Internal Control-Integrated Framework (2013)". Also, the disclosures contained in the information relating to the system of ICFR which is included in Note F of the Repsol Group's Annual Corporate Governance Report at 31 December 2014 comply, in all material respects, with the requirements established by Securities Market Law 24/1988, of 28 July, as amended by Sustainable Economy Law 2/2011, of 4 March, Spanish National Securities Market Commission Circular 5/2013, of 12 June, and other legislation in force.

This examination does not constitute an audit of financial statements and is not subject to the Consolidated Audit Law approved by Legislative Royal Decree 1/2011, of 1 July, and, therefore, we do not express an audit opinion on the terms provided for in the aforementioned legislation. However, we have audited, in accordance with the audit regulations in force in Spain, the consolidated financial statements of Repsol, S.A. and Subsidiaries prepared by the directors of Repsol, S.A. in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Repsol Group, and our report dated 25 February 2015 expresses an unqualified opinion on the aforementioned consolidated financial statements.

DELOITTE, S.L.

Javier Ares San Miguel

25 February 2015

D) CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED MANAGEMENT REPORT OF REPSOL, S.A. AND INVESTEES COMPRISING THE REPSOL GROUP FOR THE FINANCIAL YEAR 2013

CONSOLIDATED FINANCIAL STATEMENTS

For the financial year 2013

Repsol, S.A. and Investees comprising the Repsol Group

Translation of a report originally issued in Spanish.
In the event of a discrepancy, the Spanish language version prevails.

REPSOL, S.A. AND INVESTEES COMPRISING THE REPSOL GROUP
Consolidated balance sheet at December 31, 2013 and 2012

		Millions of euros	
ASSETS	Note	**12/31/2013**	**12/31/2012**
Intangible Assets:		5,325	5,514
a) Goodwill	5	2,648	2,678
b) Other intangible assets	6	2,677	2,836
Property, plant and equipment	7	26,244	28,227
Investment property	8	24	25
Investment accounted for using the equity method	9	412	737
Non-current assets held for sale subject to expropriation	4	3,625	5,392
Non-current financial assets	11	1,802	1,313
Deferred tax assets	23	4,897	3,310
Other non-current assets	11	253	242
NON-CURRENT ASSETS		**42,582**	**44,760**
Non current assets held for sale	10	1,851	340
Inventories	12	5,256	5,501
Trade and other receivables		7,726	7,781
a) Trade receivables	13	5,621	6,081
b) Other receivables	13	1,634	1,284
c) Income tax assets	13	471	416
Other current assets		144	221
Other current financial assets	11	93	415
Cash and cash equivalents	11	7,434	5,903
CURRENT ASSETS		**22,504**	**20,161**
TOTAL ASSETS		**65,086**	**64,921**

Notes 1 to 38 are an integral part of these consolidated balance sheet.

REPSOL, S.A. AND INVESTEES COMPRISING THE REPSOL GROUP
Consolidated balance sheet at December 31, 2013 and 2012

		Millions of euros	
LIABILITIES AND EQUITY	Note	**12/31/2013**	**12/31/2012**
NET EQUITY			
Issued share capital		1,324	1,282
Share premium		6,428	6,428
Reserves		259	247
Treasury shares and own equity instruments		(26)	(1,245)
Retained earnings and other reserves		19,785	18,465
Profit attributable to the equity holders of the parent		195	2,060
Dividends and remunerations		(232)	(184)
EQUITY	**14**	**27,733**	**27,053**
Financial assets available for sale		488	42
Other financial instruments		-	15
Hedge transactions		(60)	(210)
Translation differences		(954)	(198)
ADJUSTMENTS FOR CHANGES IN VALUE	14	**(526)**	**(351)**
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**14**	**27,207**	**26,702**
MINORITY INTERESTS	**14**	**713**	**770**
TOTAL EQUITY		**27,920**	**27,472**
Grants	15	66	61
Non-current provisions	16	3,625	2,258
Non-current financial liabilities:	18	13,125	15,300
a) Bank borrowings, bonds and other securities		13,053	15,073
b) Other financial liabilities		72	227
Deferred tax liabilities	23	3,352	3,063
Other non-current liabilities	21	2,179	3,457
NON-CURRENT LIABILITIES		**22,347**	**24,139**
Liabilities related to non-current assets held for sale	10	1,533	27
Current provisions	16	303	291
Current financial liabilities:	18	4,519	3,790
a) Bank borrowings, bonds and other securities		4,464	3,721
b) Other financial liabilities		55	69
Trade payables and other payables:		8,464	9,202
a) Trade payables	22	4,115	4,376
b) Other payables	22	4,056	4,507
c) Current income tax liabilities	22	293	319
CURRENT LIABILITIES		**14,819**	**13,310**
TOTAL EQUITY AND LIABILITIES		**65,086**	**64,921**

Notes 1 to 38 are an integral part of these consolidated balance sheet.

REPSOL, S.A. AND INVESTEES COMPRISING THE REPSOL GROUP
Consolidated income statement for the years ended December 31, 2013 and 2012

		Millions of euros	
	Note	12/31/2013	12/31/2012 (1)
Sales		54,683	55,780
Services rendered and other income		1,063	1,442
Changes in inventories of finished goods and work in progress inventories		(228)	(379)
Income from reversals of impairment losses and gains on disposal of non-current assets		23	273
Allocation of grants on non-financial assets and other grants	15	13	13
Other operating income		744	723
OPERATING REVENUE	25	**56,298**	**57,852**
Supplies		(43,170)	(43,744)
Personnel expenses		(2,039)	(1,975)
Other operating expenses		(5,796)	(5,825)
Depreciation and amortization of non-current assets		(2,559)	(2,499)
Impairment losses recognised and losses on disposal of non-current assets		(163)	(143)
OPERATING EXPENSES	25	**(53,727)**	**(54,186)**
OPERATING INCOME		**2,571**	**3,666**
Finance income		162	151
Finance expenses		(963)	(976)
Changes in the fair value of financial instruments		(131)	20
Net exchange gains/ (losses)		98	23
Impairment and gains/ (losses) on disposal of financial instruments		79	(28)
FINANCIAL RESULT	26	**(755)**	**(810)**
Share of results of companies accounted for using the equity method after taxes	9	**48**	**47**
NET INCOME BEFORE TAX		**1,864**	**2,903**
Income tax	23	(947)	(1,406)
Net income for the period from continuing operations		**917**	**1,497**
Net income for the period from continuing operations attributable to minority interests		(38)	(75)
NET INCOME FOR THE PERIOD FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE PARENT		**879**	**1,422**
Net income for the period from discontinued operations after taxes		**(684)**	**747**
Net income for the period from discontinued operations attributable to minority interests		-	(109)
NET INCOME FOR THE PERIOD FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO THE PARENT	27	(684)	638
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT		**195**	**2,060**

EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**Euros/share**	**Euros/share (2)**
Basic	14	0.15	1.64
Diluted	14	0.15	1.64

(1) Includes the necessary modifications with respect to the consolidated financial statements for the year 2012 in conection with the sale of part of the LNG assets and business, in accordance with the contents of Note 31 "*Divestments*" and Note 2.1.2 *"Comparision of information"* .

(2) Includes the necessary modifications with respect to the consolidated financial statements for the year 2012 in conection with the capital increase carried out as part as the compensation scheme known as the "Flexible Repsol Dividend" described in Note 14.1 *"Share capital"* and according with the contents of Note 2.1.2 *" Comparision of information"* .

Notes 1 to 38 are an integral part of these consolidated income statements.

REPSOL, S.A. AND INVESTEES COMPRISING THE REPSOL GROUP
Consolidated statement of recognised income and expenses for the years ended December 31, 2013 and 2012

		Millons of euros	
		12/31/2013	**12/31/2012**
CONSOLIDATED NET INCOME FOR THE YEAR [(1)] **(from the Consolidated Income Statement)**	Note	**233**	**2.244**
INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY:			
From actuarial gains and losses and other adjustments		1	(28)
Tax effect		-	9
Total items not reclassified to the income statement		**1**	**(19)**
From measurement of financial assets available for sale		610	39
From measurement of other financial instruments		(240)	18
From cash flow hedges		34	(65)
Translation differences		(785)	(489)
Entities accounted for using the equity method		13	(5)
Tax effect	14	(126)	(10)
Total items reclassified to the income statement		**(494)**	**(512)**
TOTAL		**(493)**	**(531)**
AMOUNTS TRANSFERRED TO THE CONSOLIDATED INCOME STATEMENT:			
From measurement of financial assets available for sale		(2)	26
From measurement of other financial instruments		221	-
From cash flow hedges		117	40
Translation differences		(2)	542
Entities accounted for using the equity method		13	-
Tax effect	14	(66)	(14)
TOTAL		**281**	**594**
TOTAL RECOGNISED INCOME/ (EXPENSE)		**21**	**2.307**
a) Attributable to the parent company		15	2.222
b) Attributable to minority interests		6	85

[(1)] Corresponds to the addition of the following consolidated income statement headings: "*Net income for the period from continuing operations*" and "*Net income for the period from discontinuing operations after taxes*".

Notes 1 to 38 are an integral part of these consolidated statements of recognized income and expense.

REPSOL, S.A. AND INVESTEES COMPRISING THE REPSOL GROUP

Consolidated statement of changes in equity for the years ended December 31, 2013 and 2012

Millions of euros	Equity attributable to equity holders of the parent: Capital and reserves							
	Issued share capital	Share premiun and reserves	Treasury shares and own equity instruments	Net income for the year attributable to equity holders of the parent	Adjustments for changes in value	Total equity attributable to equity holders of the parent	Minority interests	Total Equity
Closing balance at 12/31/2011	**1,221**	**23,226**	**(2,572)**	**2,193**	**(530)**	**23,538**	**3,505**	**27,043**
Adjustments	-	-	-	-	-	-	-	-
Initial adjusted balance	**1,221**	**23,226**	**(2,572)**	**2,193**	**(530)**	**23,538**	**3,505**	**27,043**
Total recognized income/ (expense)	**-**	**(17)**	**-**	**2,060**	**179**	**2,222**	**85**	**2,307**
Transactions with shareholders or owners								
Increase/ (decrease) of share capital	61	(61)	-	-	-	-	-	-
Dividend payments	-	-	-	-	-	-	(70)	(70)
Transactions with treasury shares or own equity instruments (net)	-	45	1,327	-	-	1,372	-	1,372
Changes in the scope of consolidation	-	-	-	-	-	-	(8)	(8)
Other transactions with partners and owners	-	(426)	-	-	-	(426)	-	(426)
Other changes in equity								
Transfers between equity accounts	-	2,193	-	(2,193)	-	-	-	-
Other changes	-	(4)	-	-	-	(4)	(2,742)	(2,746)
Closing balance at 12/31/2012	**1,282**	**24,956**	**(1,245)**	**2,060**	**(351)**	**26,702**	**770**	**27,472**
Adjustments	-	-	-	-	-	-	-	-
Initial adjusted balance	**1,282**	**24,956**	**(1,245)**	**2,060**	**(351)**	**26,702**	**770**	**27,472**
Total recognised income/ (expense)	**-**	**(1)**	**-**	**195**	**(179)**	**15**	**6**	**21**
Transactions with shareholders or owners								
Increase / (Decrease) of share capital	42	(42)	-	-	-	-	-	-
Dividend payments	-	(51)	-	-	-	(51)	(61)	(112)
Transactions with treasury shares or own equity instruments (net)	-	(206)	1,219	-	-	1,013	-	1,013
Changes in the scope of consolidation	-	-	-	-	-	-	-	-
Other transactions with partners and owners	-	(464)	-	-	-	(464)	-	(464)
Other changes in equity								
Transfers between equity accounts	-	2,060	-	(2,060)	-	-	-	-
Other changes	-	(12)	-	-	4	(8)	(2)	(10)
Closing balance at 12/31/2013	**1,324**	**26,240**	**(26)**	**195**	**(526)**	**27,207**	**713**	**27,920**

Notes 1 to 38 are an integral part of these consolidated statements of changes in equity.

REPSOL, S.A. AND INVESTEES COMPRISING THE REPSOL GROUP
Consolidated cash flow statement for the years ended December 31, 2013 and 2012

	Notes	12/31/2013	12/31/2012 (1)
		Millions of euros	
Net income before tax		**1.864**	**2.903**
Adjustments to net income:		**3.639**	**3.337**
Depreciation and amortization of non-current assets	**6, 7 & 8**	2.559	2.499
Other adjustments to results (net)		1.080	838
Changes in working capital		**(502)**	**624**
Other cash flows from operating activities:		**(1.005)**	**(1.655)**
Dividends received	**9**	33	26
Income tax received / (paid)		(893)	(1.399)
Other proceeds from / (payments for) operating activities		(145)	(282)
Cash flows from operating activities (2)	**28**	**3.996**	**5.209**
Payments for investing activities:	**6-8 & 30**	**(3.971)**	**(3.892)**
Group companies, associates and business units		(183)	(255)
Property, plant and equipment, intangible assets and investment properties		(3.438)	(3.409)
Other financial assets		(350)	(228)
Proceeds from divestments:	**31**	**683**	**1.125**
Group companies, associates and business units		155	635
Property, plant and equipment, intangible assets and investment properties		102	55
Other financial assets		426	435
Other cash flows		-	(122)
Cash flows used in investing activities (2)		**(3.288)**	**(2.889)**
Proceeds from/ (payments for) equity instruments:	**14**	**1.014**	**1.388**
Acquisition		(106)	(61)
Disposal		1.120	1.449
Proceeds from / (payments for) financial liabilities:	**18**	**(1.325)**	**714**
Issues		8.876	7.943
Return and depreciation		(10.201)	(7.229)
Payments for dividends and payments on other equity instruments	**14**	**(528)**	**(947)**
Other cash flows from financing activities:		**(974)**	**(444)**
Interest payments		(827)	(830)
Other proceeds from/ (payments for) financing activities		(147)	386
Cash flows used in financing activities (2)		**(1.813)**	**711**
Effect of changes in exchange rates		(54)	(78)
Net increase / (decrease) in cash and cash equivalents		**(1.159)**	**2.953**
Cash Flows from operating activities from discontinued operations		129	1.569
Cash Flows from investment activities from discontinued operations		2.319	(868)
Cash Flows from financing activities from discontinued operations		246	(421)
Effect of changes in exchange rates from discontinued operations		(4)	(7)
Net increase / (decrease) in cash and discontinued operations		**2.690**	**273**
Cash and cash equivalents at the beginning of the year	**11**	**5.903**	**2.677**
Cash and cash equivalents at the end of the year	**11**	**7.434**	**5.903**

COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**12/31/2013**	**12/31/2012**
Cash and banks	4.650	4.036
Other financial assets	2.784	1.867
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**7.434**	**5.903**

(1) Includes the necessary modifications respect to the consolidated financial statements for the year 2012 in conection with the sale of part of the LNG assets and business, in accordance with the contents of Note 31 "*Divestments*" and Note 2.1.2 "*Comparison of information*".
(2) Includes cash flows from continued operations.

Notes 1 to 38 are an integral part of these consolidate cash flow.

NOTES TO THE 2013 CONSOLIDATED FINANCIAL STATEMENTS REPSOL, S.A. AND INVESTEES COMPRISING THE REPSOL GROUP

INDEX

(1) GENERAL INFORMATION

Repsol S.A. and the investees comprising the Repsol Group (hereinafter "Repsol" the "Repsol Group" or the "Group") constitute an integrated group of oil and gas companies which commenced operations in 1987.

The Repsol Group is engaged in all the activities relating to the oil and gas industry, including exploration, development and production of crude oil and natural gas, transportation of oil products, liquefied petroleum gas (LPG) and natural gas, refining, the production of a wide range of oil products and the retailing of oil products, oil derivatives, petrochemicals, LPG and natural gas, as well as the generation, transportation, distribution and supply of electricity.

The Group operates in more than 40 countries and its Head Office is in Spain.

The corporate name of the parent of the Group of companies that prepares and files these financial statements is Repsol, S.A., which is registered at the Madrid Commercial Registry in sheet no. M-65289. Its Tax Identification Number (C.I.F) is A-78/374725 and its National Classification of Economic Activities Number (C.N.A.E) is 742.

Its registered office is located in Madrid, calle Méndez Álvaro, 44, where Shareholder Service Office is also located. The telephone number is 900-100-100.

Repsol, S.A. is a private-law entity incorporated in accordance with Spanish legislation, which is subject to the Companies Act (Ley de Sociedades de Capital) approved by Legislative Royal Decree 1/2010 of July 2, and all other legislation related to listed companies.

Repsol , S.A.'s shares are represented by book entries and are all admitted to trading on the Spanish Stock Exchanges (Madrid, Barcelona, Bilbao, and Valencia) and the Buenos Aires Stock Exchange (Bolsa de Comercio de Buenos Aires). On March 9, 2011, the ADS program began to trade on the OTCQX market of the United States, inside OTC market (*over-the-counte*r) which distinguishes issuers with improved market information and solid business activities.

These consolidated financial statements for 2013, which have been approved by the Board of Directors of Repsol S.A. at a meeting held on February 25, 2014, and the financial statements of the investees will be submitted for approval by the respective Annual Shareholders´ Meetings, with no modifications expected.

The consolidated financial statements for 2012 were approved at the Annual Shareholders' Meeting of Repsol, S.A. held on May 31, 2013.

(2) BASIS OF PRESENTATION AND ACCOUNTING POLICIES

2.1) Basis of presentation

The accompanying consolidated financial statements are presented in millions of euros and were prepared from the accounting records of Repsol, S.A. and its investees. They are presented in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) as well as the IFRSs adopted by the European Union (EU) as of December 31, 2013. The IFRSs adopted by and in effect in the EU differ in certain respects from the IFRSs issued by the IASB, with the exception to the future application of IFRS 11 *Joint Arrangements* (see Note 2.1.1), these differences do not have a material impact on the Group's consolidated financial statements for the years presented. The financial statements present fairly the Group's consolidated equity and financial position at December 31, 2013, as well as the consolidated results of its operations, the changes in consolidated equity and the consolidated cash flows in the year then ended.

The preparation of the consolidated financial statements in accordance with IFRS, which is the responsibility of the Board of Directors of the Group's parent company, makes it necessary to use accounting estimates and judgments when applying the Standards. The areas, in which most significant judgments, assumptions and estimates have to be made, are detailed in Note 3 *"Accounting Estimates and Judgments."*

2.1.1) New standards issued

A) Below is a list of the rules, interpretations, standards and modifications issued by the IASB and adopted by the European Union, that have been mandatorily applicable from January 1, 2013:

- IFRS -13 *Fair Value Measurement*.
- IFRIC 20 - *Stripping Costs in the Production Phase of a Surface Mine.*
- Amendments to IFRS 7- *Disclosures - Offsetting Financial Assets and Financial Liabilities.*
- Amendments to IAS 1- *Presentation of Items of Other Comprehensive Income.*
- Amendments to IAS 19 - *Employee Benefits.*
- Amendments to IFRS 1 - *Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters* [(1)].
- Amendments to IAS 12 - *Deferred Tax: Recovery of Underlying Assets* [(1)].
- Amendments to IFRS 1 - *Government Loans*.
- Improvements to IFRSs 2009-2011.
- Amendments to IAS 36 - *Recoverable Amount Disclosures for Non-Financial Assets* [(2)].

(1) These standards were issued by the IASB applicable prospectively to in annual periods starting on or after January 1, 2012. These standards were adopted by the European Union applicable prospectively to in annual periods starting on or after January 1, 2013, with the possibility of early adoption.

(2) These amendments were issued by the IASB applicable prospectively to annual periods starting on or after January 1, 2014. These amendments were adopted by the EU applicable prospectively to annual periods starting on or after January 1, 2014 and have been early adopted by the Group, as provided for in the corresponding adopting Regulation.

IFRS 13 *Fair Value Measurement* establishes a framework for all fair value measurements an requires specific additional disclosures of information. As a general rule, the Group applies this standard in measuring certain financial instruments (see Notes 11 and 18) as well as inventories of "commodities" held for "trading." The application of IFRS 13 has not had a material impact on the Group's consolidated financial statements – due to most of its financial instruments are either current or closed out in the clearinghouses of organized exchanges - except for the provision of certain additional disclosures in the corresponding explanatory notes (see Notes 11, 12 and 18).

The Amendments to IAS 36 *Impairment of Assets*, which modify the consequences of application of IFRS 13 in respect of the disclosures required under IAS 36, have not had a material impact on the Group's consolidated financial statements, except for certain additional disclosures in relation to the impairment of non-financial assets included in the corresponding explanatory notes (see Notes 6 and 7).

Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*, represented a change in the presentation of the items in the consolidated statement of recognized income of these consolidated financial statements with respect to the consolidated financial statements at December 31, 2012 and, specifically the distinction between reclassified and non-reclassified headings in the consolidated income statement.

Effectiveness of the other standards, interpretations and amended standards outlined in the current section A) has not have a material impact on the Group's consolidated financial statements.

B) Below is a list of the standards and amendments that have been issued by the IASB and adopted by the European Union and will be mandatorily applicable in 2014:

- IFRS 10 *Consolidated Financial Statements* (1).
- IFRS 11 *Joint Arrangements* (1).
- IFRS 12 *Disclosure of Interests in Other Entities* (1).
- IAS 27 *Separate Financial Statements* (1).
- IAS 28 *Investments in Associates and Joint Ventures* (1).
- Amendments to IFRS 10, IFRS 11 and IFRS 12. *Transition Guidance* (1).
- Amendments to IFRS 10, IFRS 12 and IAS 27. *Investment Entities.*
- Amendments to IAS 32 - *Offsetting Financial Assets and Financial Liabilities*
- Amendments to IAS 39 - *Novation of Derivatives and Continuation of Hedge Accounting.*

(1) These standards were issued by the IASB applicable prospectively to annual periods starting on or after January 1, 2013. These standards were adopted by the European Union with entry into force for annual periods starting on or after January 1, 2014, with the possibility of early adoption, an option the Repsol Group has not availed of.

The Group does not expect application from 2014 of IFRS 11 *Joint Arrangements* to have any significant impact on equity in its consolidated financial statements. However, application of this new standard is expected to result in significant changes in the Group's financial statements; since up until and as of the date of the accompanying consolidated financial statements, the Group has been using the proportionate method to consolidate its interests in joint control entities (not applicable prospectively as of January 1, 2014) using the criteria laid down in IAS 31 *Interests in Joint Ventures* (see Note 2.2.1). The Group has analyzed all of its joint ventures (see companies in Note 24) to classify them either as joint operations or joint arrangements and determine the necessary balance sheet and income statement line item reclassifications. Against this backdrop, below is a table outlining the estimated impact of the upcoming change in consolidation method with respect to the Balance sheet at December 31, 2013 and the 2013 Income statement:

	Millions of euros		
Balance sheet	**2013**	**2013 (IFRS 11**	**Change**
Non-current assets	42,582	37,832	(4,750)
Current assets	22,504	17,716	(4,788)
TOTAL ASSETS	**65,086**	**55,548**	**(9,538)**
Total equity	27,207	27,207	-
Minority Interest (1)	713	244	(469)
Non-current liabilities	22,347	14,720	(7,627)
Current liabilities	14,819	13,377	(1,442)
TOTAL EQUITY AND LIABILITIES	**65,086**	**55,548**	**(9,538)**

(1) Minority interests corresponding to Natural Fenosa group companies (see Note 14.8).

Income statement	Millions of euros		
	2013	**2013 (IFRS 11)**	**Change**
Operating revenue	56.298	47.331	(8.967)
Operating expenses	(53.727)	(46.371)	7.356
Financial result	(755)	(483)	272
Net income for the period from continuing operations	48	805	757
Income tax	(947)	(431)	516
Attributable to minority interests	(38)	28	66
Net income for the period from continuing operations attributable to equity holders of the parent	**879**	**879**	**-**

The Group considers that application of the other new and amended standards outlined in the current section B) will not have a significant impact on its consolidated financial statements, with the exception of certain additional disclosure requirements.

C) At the date of preparation of these financial statements for issue, the standards, interpretations and amendments that have been issued by the IASB but not yet approved by the European Union, are the following:

Mandatory application in 2014:

- IFRIC 21 *Levies*.
- Improvements to IFRSs 2010-2012 [(1)].

Mandatory application in 2015:

- Amendments to IAS 19 *Employee Contributions.*
- Improvements to IFRSs 2010-2012 [(1)].
- Improvements to IFRSs 2011-2013.

Mandatory application in 2016:

- IFRS 14 - Regulatory deferral accounts[(2)]

Application in subsequent years:

- IFRS 9 - *Financial Instruments* [(3)].

(1) The document "*Annual Improvements to IFRSs 2010-2012e*" introduces amendments to several IFRSs. Pending adoption by the European Union, some of these amendments have been issued with a first-time application date of July 1, 2014, while others have been issued for first-time application in annual periods beginning on or after July 1, 2014 which, in the case of the Group, implies a first-time application date of January 1, 2015.

(2) This standard only applies to entities that carry out regulated activities and are applying IFRSs for the first time.

(3) Corresponding to the "*Classification and Measurement*" and "*Hedge Accounting*" phases of IFRS 9, part of the project to replace the current IAS 39 "*Financial Instruments – Recognition and Measurements,*" and including the subsequent amendment issued by the IASB in November 2013 by virtue of which IFRS 9 shall apply from a future date still pending definition but later than January 1, 2015, as had been originally envisaged in IFRS 9 prior to this amendment.

With regard to the other standards, interpretations and amendments identified in the current section C), the Group is currently analyzing the impact their application may have on the consolidated financial statements.

2.1.2) Comparison of information

As a result of the sale of part of the LNG business assets and business as described in Note 29 *"Segment Reporting,"* in Note 31 *"Divestments"* and in Note 10 *"Non-current assets and liabilities held for sale."*, the income statement and the statement of cash flows for the year ended December 31, 2012 have been restated for comparative purposes with information related to the year 2013 with respect to the consolidated financial statements issued corresponding to the year ended 2012.

The profit per share at December 31, 2012 has changed with respect to that recognized in the 2012 consolidated financial statements in accordance with accounting standards, as the average number of outstanding shares considered in the calculation should be based on the new number of shares issued after the capital increase carried out as part of the compensation scheme to shareholders known as the "Flexible Repsol dividend" described in Note 14 *"Equity."*

2.2) Accounting policies

2.2.1) Basis of consolidation

Repsol's consolidated financial statements include investments in all their subsidiaries, associates and joint ventures.

All the subsidiaries over which Repsol exercises direct or indirect control were fully consolidated. Control is the power to govern the financial and operating policies, so as to obtain benefits from its activities. Control is, in general but not exclusively, presumed to exist when the parent owns, directly or indirectly, 50% or more of an entity's voting rights.

The share of the minority interests in the equity and profit of the Repsol Group's consolidated subsidiaries is presented under "*Minority interests*" within "*Equity"* in the consolidated balance sheet and "*Net income from continuing operations attributable to minority interests*" and " *Net income from discontinuing operations attributable to minority interests*" in the consolidated income statement.

Joint ventures are proportionately consolidated and, accordingly, the consolidated financial statements include the assets, liabilities, expenses and income only in proportion to Repsol Group's ownership interest in their capital. Joint ventures are those over which there is shared control and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

The assets, liabilities, income and expenses corresponding to the joint ventures are presented in the consolidated balance sheet and consolidated income statement in accordance with their specific nature.

In the case of either non-monetary contributions to a joint controlled entity in exchange for an equity interest, either in the case of sales of assets to a joint controlled entity, the Group only recognizes that portion of the gain or loss that is attributable to the interests of the other venturers.

Associates are accounted for using the equity method. These are companies over which the investor has significant influence but does not exercise effective or joint control. Significant influence is the power to affect financial and operating decisions of a company and is presumed to exist when the investor holds an interest of 20% or more. The equity method involves recognizing under "*Investments accounted for using the equity method*" in the consolidated balance sheet, the net assets and goodwill, if applicable, of these companies only in proportion to the ownership interest in their capital. The net profit or loss obtained each year through these companies is reflected, only in proportion to the ownership interest in their capital, in the consolidated income statement as "*Share of results of companies accounted for using the equity method, after taxes.*"

If the Group's share of an associate's losses reduces the carrying amount of its investment in that associate to zero, no further losses are recognized unless the Group has a present obligation to cover such losses.

Appendix I contains a list of the main consolidated subsidiaries, associates and most significant joint ventures in which Repsol, S.A. as of December 31, 2013, has direct and indirect ownership interests, which were included in the scope of consolidation, as well as the changes in the consolidation scope in 2013 and 2012.

The balances, transactions and profits generated between the fully consolidated companies were eliminated on consolidation. All balances, transactions and profits derived from transactions between the proportionately consolidated companies and other Group companies were eliminated in the proportion of its effective integration. The profit or loss on transactions between Group companies and associates was eliminated in proportion to the Group's percentage of ownership of these companies.

The accounting policies and procedures used by the Group companies were standardized with those of the parent for the purpose of presenting the consolidated financial statements using uniform measurement basis.

The financial statements of the investees whose functional currency differs from the presentation currency (see Note 2.2.4) are translated as follows:

- The assets and liabilities in each of the balance sheets presented are translated applying the closing exchange rate on the balance sheet date.
- For practical reasons, the Group generally applies the average exchange rate for the period in which the transactions were performed. However, the transaction-date exchange rate is used to measure significant transactions and also when exchange rates have fluctuated significantly during the reporting period.
- Any exchange differences arising as a result of the foregoing are recognized as "*Translation Differences*" under the caption "*Adjustments for changes in value*" of "Equity" heading.

On the disposal of a company whose functional currency is not the euro, or in the event of partial disposals resulting in loss of control of a subsidiary that includes a foreign business, the exchange differences posted as "Translation Differences" of equity relating to that subsidiary, are transfered into the income statement when the gain or loss on disposal is recognized. This accounting treatment also applies to partial disposals resulting in the loss of joint control or significant influence. On the partial disposal of a subsidiary that includes a foreign operation that does not result in loss of control, the proportionate share of the cumulative amount of the exchange differences recognized as "Translation differences" in equity is reclassified to the minority interests in respect of that foreign operation.

The exchange rates against the euro of the main currencies used by the Group companies at December 31, 2013 and 2012 were as follows:

	December 31, 2013		December 31, 2012	
	Year-end rate	Cumulative Average Rate	Year-end rate	Cumulative Average Rate
American Dollar	1.38	1.33	1.32	1.28
Brazilian Real	3.23	2.87	2.69	2.51

2.2.2) Classification of assets and liabilities into current and non-current

In the accompanying consolidated balance sheet, assets and liabilities maturing within twelve months are classified as current items and those maturing within more than twelve months as non-current items.

2.2.3) Offsetting of balances and transactions

As a general rule, in the consolidated financial statements neither assets and liabilities nor income and expenses are offset, except when offsetting is required or permitted by a given standard or interpretation and when offsetting better reflects the substance of the transaction.

In this respect, revenue and expenses arising on transactions in which the Group has an unconditional and legally-enforceable right to set-off and intends to settle on a net basis or to realize the asset and settle the liability simultaneously are presented at their net amount in the income statement.

2.2.4) Functional currency and foreign currency transactions

a) Functional currency

The items included in these consolidated financial statements relating to the Group companies are measured using their functional currency, which is the currency in the main economic environment in which they operate. The consolidated financial statements are presented in euros, which is the functional currency of the Repsol Group's parent company and presentation currency of consolidated financial statements.

b) Foreign currency

Transactions in currencies other than the functional currency of an entity are deemed to be 'foreign currency transactions' and are translated to the functional currency by applying the exchange rates prevailing at the date of the transaction. At each year end, the foreign currency monetary items on the balance sheet are measured applying the exchange rate prevailing at that date and the exchange rate differences arising from such measurement are recorded as "*Net exchange gains/(losses)*" within "*Financial result*" in the consolidated income statement in the year incurred. This does not apply to the accounting treatment of monetary items that qualify as hedging instruments (see Note 2.2.25).

2.2.5) Goodwill

Goodwill represents the excess of the cost of a business combination over the acquirer's interest in the net fair value of the assets acquired and the liabilities assumed at the date of acquisition that meet the pertinent recognition criteria. Goodwill is recognized as a non-current asset in the corresponding intangible asset caption on the consolidated balance sheet on the date of acquisition.

In the event of a shortfall the value of the assets acquired and the liabilities assumed must be re-assessed. If after this re-assessment the shortfall continues to exist, it is recognized in profit or loss under "*Other operating income*" in the consolidated income statement.

Because goodwill has an indefinite useful life, it is not depreciated. Subsequent to initial recognition, it is measured at cost less any accumulated impairment losses (see Note 2.2.10).

2.2.6) Other intangible assets

The Repsol Group initially recognizes intangible assets at acquisition or production cost, except in the case of the emission allowances received for no consideration as described in section b) below. This cost is amortized on a straight-line basis over the assets' useful lives, except for assets with indefinite useful lives described below, which are not amortized but are tested for impairment at least annually, and whenever indicators of impairment are detected. At closing balance sheet date, these assets are measured at cost less accumulated amortization and any accumulated impairment losses.

The main intangible assets of the Repsol Group are as follows:

a) Service/Gas stations association rights and other rights

This heading primarily includes the costs associated with the various forms of agreements for acquiring service station association rights, reflagging rights and image rights of publicity and the associated exclusive supply agreements. These costs are amortized over the related contract terms, which range from 1 to 50 years.

b) Carbon emission allowances

Emission allowances are recognized as an intangible asset and are initially recognized at acquisition cost.

Allowances received for no consideration under the emissions trading system for the period 2013-2020, are initially recognized at the market price prevailing at the beginning of the year in which they are issued, and a balancing item is recognized as a grant for the same amount as deferred income. As the corresponding tons of CO_2 are issued, the deferred income is reclassified to profit or loss.

The allowance rights are not amortized as their carrying amount equals their residual value and, therefore, the depreciable basis is zero. Emission allowances are subject to an impairment test (see Note 2.2.10). The fair value of the emission allowances is measured based on price of the benchmark contract in the futures market provided by the ECX-European Climate Exchange.

The Group records an expense under "Other operating expenses" in the income statement for the CO_2 emissions released during the year, recognizing a provision calculated based on the tons of CO_2 emitted, measured at: (i) their carrying amount in the case of the allowances of which the Group is in possession at year end; and (ii) the closing list price in the case of allowances of which it is not in possession at year end.

When the emissions allowances for the CO_2 tons emitted are delivered to the authorities, the intangible assets as well as their corresponding provision are derecognized from the balance sheet without any effect on the income statement.

When carbon emission allowances are actively managed to take advantage of market trading opportunities (see Note 35), the trading allowances portfolio is classified as trading inventories.

c) Other intangible assets

This heading primarily includes the following items:

i. Concessions and others: these are initially recognized at acquisition cost if they are acquired directly from a government or other public sector body, or at the fair value attributable to the concession if they are acquired as part of a business combination.

They are subsequently measured at acquisition cost less accumulated amortization and impairment loss, if any. These concessions are amortized on a straight-line basis over the term of the concession agreements.

These concessions include contracts for the supply of public services under which the operator has the right to charge tariffs that are established directly to the service's users, although the competent authorities regulate or control either the tariffs or the users to which service must be provided; moreover, the State retains the residual value in the assets at the end of the term of the arrangement. These concessions are initially recognized at fair value.

This heading also includes power distribution concessions in Spain which are not subject to legal or any other limits. Because these intangible assets are considered to have indefinite useful lives they are not amortized but they are tested for impairment at least annually.

ii. Exploration permits acquisition costs: the costs incurring to acquire stakes in exploration permits for a given period of time are capitalized under this heading at their purchase price. During the exploration and evaluation phases, these costs are not amortized, although they are tested for impairment at least once a year and whenever indications of impairment are detected, in accordance with the guidelines set forth in *IFRS 6 Exploration for and Evaluation of Mineral Resources*. Any impairment losses detected are recognized – or reversed - in profit or loss in accordance with the general rules established in *IAS 36 Impairment of Assets*. Once the exploration and evaluation phase is completed, if no reserves are found, the amounts previously capitalized are recognized as an expense in the consolidated income statement. If the exploration work yields positive results, giving rise to commercially exploitable wells, costs are reclassified to "*Investments in areas with reserves*" (see Note 2.2.7 c) at their carrying amount when this determination is made.

iii. Development costs are capitalized only if all the conditions stipulated in the applicable accounting standard are met. Research costs incurred by the Group are expensed in the income statement as costs of the year.

iv. Other costs, including those relating to software and industrial property, are amortized on a straight-line basis over their useful lives (which range between 3 and 20 years).

Trademarks and analogous intangible assets internally developed by the Group are not capitalized; and the related expenses are recognized in the consolidated income statement in the period in which they are incurred.

2.2.7) Property, plant and equipment

The Repsol Group uses the cost model by which items of property, plant and equipment are measured initially at acquisition cost.

a) Cost

The cost of property, plant and equipment includes their acquisition cost, all the costs directly related to the location of assets and all the costs to make them operational.

Additionally, if applicable, the costs "Property Plant and Equipment" elements would include the present value of the expected disbursements necessary for any costs of dismantling and removing the item or restoring the site on which it is located, when such obligations are incurred under certain conditions. Subsequent changes to the measurement of the dismantling obligations and related liabilities resulting from changes in the estimated cash flows and/or in the discount rate are added to or deducted from the asset's carrying amount in the period in which they are incurred, except where the lower corrected value of the liability is greater than the carrying amount of the associated asset, in which case the surplus is recognized in the income statement.

Borrowing costs that are directly attributable to the acquisition or construction of assets that require more than one year to be ready for use are capitalized as part of the cost of these assets, in accordance with the limits established in the applicable accounting rules.

Personnel expenses and other operating expenses directly attributable to the construction of the asset are also capitalized.

The costs of expansion, modernization or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalized, as long as the general capitalization criteria are met.

Repair, upkeep and maintenance expenses are recognized in the income statement as incurred. Furthermore, certain facilities require periodic reviews. In this respect, the assets subject to replacement are recognized specifically and are depreciated over the average term remaining until the next repairs are carried out.

This heading also includes investments relating to oil and gas exploration and production activities (section c below) and the cost of assets held under finance leases (see Note 2.2.22).

b) Depreciation

Property, plant and equipment, other than those items relating to oil and gas exploration and production activities (section c below), are depreciated using the straight-line method on the basis of the acquisition cost of the assets less their estimated residual value, over the years of estimated useful life of the assets. Estimated useful life of the main assets classified as Property, Plant and Equipment are as follows:

	Years of Estimated Useful Life
Buildings and other structures	20-50
Machinery and plant:	
Machinery, fixtures and tools (1)............................	8-40
Furniture	9-15
Specialized complex plants:	
Units	8-25
Storage tanks	20-40
Pipelines and networks.............................	12-25
Gas and electricity infrastructure and distribution facilities...	12-40
Transport equipment	5-30

(1) In addition, the Group holds an indirect interest, via Gas Natural Fenosa, in hydro-powered generation assets whose depreciation period can be as high as 100 years, where not held under concession, depending on their estimated useful lives.

Depreciation of these assets starts when the assets become available for use.

Land is classified separately from the buildings or facilities that might be located on it and is deemed to have an indefinite useful life. Therefore, it is not depreciated.

c) Recognition of oil and gas exploration and production transactions

Repsol recognizes oil and gas exploration and production transactions using accounting polices based on the “successful-efforts” method, whereby the accounting treatment of the various costs incurred is as follows:

i. The costs incurred in the acquisition of new interests in areas with proved and unproved reserves (including bonds, legal costs, etc.) are capitalized as incurred under “*Investments in areas with reserves*” associated with proved reserves or unproved reserves, as appropriate when incurred.

ii. *Exploration costs* (mainly geological and geophysical expenditures and other expenditures relating to exploration work), excluding exploratory drilling expenditures, are registered in the income statement as incurred.

iii. *Exploratory drilling costs*, including those relating to stratigraphic exploration wells, are recognized as assets under the heading “*Other exploration costs*” until it is determined whether proved reserves justifying their commercial development have been found. If no proved reserves are found, the capitalized drilling costs are registered in the income statement. However, if as a result of exploratory drilling, including stratigraphic exploratory wells, reserves are found that cannot be classified as proved, their recognition depends on the following:

- If the area requires additional investments before production can commence, the drilling costs remain capitalized only during the period in which the following conditions are met: (i) the amount of proved reserves found justifies the completion of a productive well if the required investment is made; and (ii) the drilling of additional exploratory or stratigraphic wells is underway or planned for the near future. If either of the aforementioned conditions is not met, the drilling costs or the cost of the stratigraphic wells are recorded in the income statement.

- In all other circumstances, the existence of reserves that can be classified as proved have to be determined within one year from the completion of the prospection work. Otherwise, the related drilling costs are recorded in the income statement.

Costs incurred in exploratory drilling work that has yielded a commercially exploitable reserve finding are reclassified to “*Investments in areas with reserves*.” Wells are classified as “commercially exploitable” only if they are expected to generate a volume of reserves that justifies their commercial development on the basis of the conditions prevailing when recognized (e.g. prices, costs, production techniques, regulatory framework, etc.).

iv. *Development expenditure* incurred in lifting proved reserves and in processing and storing oil and gas (including costs incurred in drilling relating to productive wells and dry wells under development, oil rigs, recovery improvement systems, etc.) are recognized as assets under “*Investments in areas with reserves*.”

v. *Future field abandonment and dismantling costs* (environmental, safety, etc.) are estimated, on a field-by-field basis, and are capitalized at their present value when they are initially recognized under “*Investments in areas with reserves*” in assets in the balance sheet. This capitalization is recorded against the caption dismantling provision (see Note 16).

The investments capitalized as described above are depreciated as follows:

i. Investments in the acquisition of proved reserves and certain associated items of property, plant and equipment are depreciated over the estimated commercial life of the field on the basis of the production for the period as a proportion of the developed proved reserves of the field at the beginning of the depreciation period.

ii. Investments relating to unproved reserves or fields under evaluation are not depreciated. These investments are tested for impairment at least once a year and whenever indications of impairment are detected.

iii. Cost incurred in drilling work and subsequent investments to develop and lift oil and gas reserves are depreciated over the estimated commercial life of the field on the basis of the production for the period as a proportion of the proved reserves of the field at the beginning of the depreciation period.

The changes in estimated reserves are considered on a prospective basis in calculating depreciation.

At closing balance sheet date or whenever there are indications that the assets might have become impaired, their recoverable amount is compared to their carrying amount. Any impairment loss or reversal arising as a result of this comparison is recognized under *"Impairment losses and losses on disposal of non-current assets"* or, if applicable, "*Income from reversal of impairment losses and gains on disposal of non-current assets*" on the consolidated income statement (see Note 2.2.10, Notes 6, 7 and 25).

d) Environmental property, plant and equipment

Property, plant and equipment of an environmental nature, the purpose of which is to minimize environmental impact and to protect and improve the environment, are identified on the basis of the nature of the business activities carried on, based on the Group's technical criteria, which are based on the guidelines relating to these matters issued by the American Petroleum Institute (API).

Environmental property, plant and equipment and the related accumulated depreciation are recognized in the balance sheet together with other property, plant and equipment, classified by their nature for accounting purposes.

Their cost, depreciation methods and the valuation adjustments to be performed are determined in accordance with the rules relating to these asset items, as explained in sections 2.2.7.a) to 2.2.7.b) of this note.

2.2.8) Investment property

Investment property are those assets (buildings, land) held to earn rentals or for capital appreciation. These assets are not used by the Group's in the production or supply of goods or services or for administrative purposes. Repsol recognizes investment property using the cost model, applying the same policies as for items of property, plant and equipment (sections 2.2.7.a) and 2.2.7.b) above).

2.2.9) Non-current assets and liabilities held for sale and discontinued operations

The Group classifies a non-current asset (or group of assets) as held for sale if the carrying amount of the asset(s) and associated liabilities will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. The sale should be expected to be completed within one year from the date of classification although this could take longer depending on regulatory requirements or similar circumstances.

These assets or group of assets are presented at the lower of carrying amount and fair value less costs to sell and, except for the ones mentioned in the paragraph below, are not depreciated as long as they are classified as held for sale or form part of a group of assets classified as held for sale.

In the specific case of financial assets, deferred tax assets, investment properties, and assets related to employee benefits, even when classified as "held for sale" these assets are measured according to their nature, irrespective of the fact that they are presented under this heading.

In addition, the Group classifies as discontinued operations any component (a cash-generating unit or a group of cash-generating units) that represents a separate major line of business or geographical area of operations, or has been sold or disposed of by other means, or that qualifies for classification as held for sale.

Non-current assets held for sale are presented in the consolidated balance sheet separately from other assets under the heading "*Non-current assets held for sale,*" while the liabilities associated with assets qualifying for this classification are presented under "*Liabilities related to non-current assets held for sale*" described in the previous paragraphs. The after-tax profits or losses generated by discontinued operations are presented in a single heading "*Net income for the year from discontinued operations after taxes.*"

The equity investment in shares of YPF S.A and YPF Gas S.A. subject to expropriation by Argentina's government is recognized under "*Non-current assets held for sale subject to expropriation*" (further information on the measurement bases is provided in Note 4).

2.2.10) Impairment of property, plant and equipment, intangible assets and goodwill, and methodology used to estimate recoverable amounts

In order to ascertain whether its assets have become impaired, the Group compares their carrying amount with their recoverable amount at least annually and whenever there are indications that the assets might have become impaired.

For that purpose, assets are grouped into cash-generating units (CGUs), to the extent that such assets, when individually considered, do not generate cash inflows that are independent of the cash inflows from other assets or CGUs. The grouping of assets into the various CGUs implies the use of professional judgments and the determination, among other criteria, of the business and geographic segments in which the Group operates. Against this backdrop, in the *Upstream* segment, each CGU corresponds to one of the various contractual exploration areas widely known as 'blocks'; exceptionally, if the cash flows generated by more than one block are mutually interdependent, these blocks will be grouped into a single CGU. In the *Downstream* segment, the CGUs are defined as a function of business activities (mainly Refining, Chemicals, Service Stations and LPG) and geographic areas. With respect to the LNG business, in the wake of the sale of some of this segment's assets and businesses, in 2013 the Group includes a single CGU in this reportable segment that essentially encompasses the North American assets. Elsewhere, for the purpose of assessing the recoverable amounts of Gas Natural Fenosa's assets, the Group follows the CGU classification used by that group in its financial statements.

To perform this test, goodwill acquired on a business combination is allocated among the CGUs or groups of cash-generating units (CGUs) that benefit from the synergies of the business combination and the recoverable amount, thereof is estimated, generally, by discounting the estimated future cash flows of each unit.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset (or a CGU) is estimated to be less than its net book value, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount, and an impairment loss is recognized as an expense under "*Impairment losses recognized and losses on disposal of non-*

current assets" in the consolidated income statement.

After an impairment loss has been recognized, amortization charges are calculated prospectively on the basis of the reduced carrying amount of the impaired asset.

On the occurrence of new events, or changes in existing circumstances, which prove that an impairment loss recognized on a prior date could have disappeared or decreased, a new estimate of the recoverable value of the corresponding asset is developed, to determine whether it is applicable to reverse the impairment losses recognized in previous periods.

In the event of a reversal of an impairment previously recorded, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable value, so that the increased carrying amount does not exceed the carrying amount that would have been determined in case no impairment loss had been recognized for the asset (or the CGU) in prior years. A reversal of an impairment loss is recognized under "*Income from reversal of impairment losses and gains on disposals of non-current assets*" in the consolidated income statement. An impairment loss recognized for goodwill cannot be reversed in subsequent periods.

The methodology used to estimate the recoverable amount of the assets is, in general, the value in use calculated by discounting to present value the future cash flows expected to derive from the operation of these assets.

The cash flow projections are based on the best available estimates of the CGUs' income and expenses using sector forecasts, prior results and the outlook for the business's performance and market's development. The Group's annual budget and the business plan set macroeconomic forecasts for each of the countries where it has business operations, which include variables such as inflation, GDP growth, exchange rates, etc. that are used to quantify the abovementioned income and expense estimates. The aforementioned macroeconomic forecasts are prepared on the basis of the content of internal reports that use in-house estimates, based on updated external information of relevance (forecasts prepared by consultants and specialized entities).

Valuations of Exploration & Production assets (*Upstream*) use cash flow projections for a period that covers the economically productive useful lives of the oil and gas fields, limited by the contractual expiration of the operating permits, agreements or contracts. The key valuation assumptions used, which are in turn the most sensitive variables in this business, and the general principles followed to generate them are summarized below:

a) Oil and gas sales prices. The international price benchmarks used by the Group include Brent, WTI and HH (Henry Hub). In countries where international list prices do not mirror local market circumstances, the prices modeled factor in local market prices. Year one of the projections is based on the annual budgets approved by Repsol's Executive Committee. After year one, prices are projected on the basis of price trends gleaned from internal reports on the global energy environment that not only factor in in-house forecasts but also consider so-called consensus estimates built from a mixture of consultancy opinions, investment banking estimates and futures prices. The resulting prices are consistent with those used by the Group to make investing decisions. Lastly, if the productive lives of the respective fields are longer than the period covered by the corporate price projections, prices are extrapolated in line with operating expenses and capital expenditure.

b) Reserves and production schedules. Production schedules are estimated on the basis of output levels at existing wells and the development plans in place for each productive field. These schedules are then used to estimate proved and unproved resources. Proved oil and gas reserves are estimated on the basis of the oil and gas reserves reporting and disclosure requirements and framework established by the Securities Exchange

Commission (SEC) and the criteria established by the Society of Petroleum Engineers' Petroleum Resource Management System (PRMS-SPE). Unproved reserves are similarly estimated using PRMS-SPE criteria and guidelines and are weighted for the risk factors associated with each class of exploration and production assets.

c) Operating expenses and capital expenditure. These are calculated in year one on the basis of the Group's annual budget and thereafter in keeping with the asset development programs. These costs were extrapolated at a growth rate of 2.5% until 2016 and of 3% thereafter, for impairment testing purposes in 2013.

In the *Downstream* segment, the various businesses' cash flows are estimated on the basis of the outlook for sales, unit contribution margins, fixed costs and required maintenance capital expenditure, in keeping with the expectations reflected in the annual budget and the individual business-specific business plans. These are the key inputs used to estimate value in use. Cash inflows and outflows corresponding to future restructuring exercises or initiatives to enhance the assets' performance are not considered. The cash flow projection period considered to this end is generally five years; cash flows after year five are extrapolated without factoring in any further growth. Specifically in the Refining CGU, the projections span a period of 25 years because of the impact of the refinery expansion work and upgrades. For the purpose of calculating residual values, the only investment considered is maintenance capital expenditure and any investment needed for renovation purposes in order to maintain the CGUs' productive capacity.

The cash flows of the LNG businesses that were sold (see Note 31) were estimated on the basis of the following key assumptions:

a) Gas and LNG prices: the international benchmark prices used by the Group include Brent, HH (Henry Hub) and NBP (National Balancing Point), adjusted as required for local market considerations in the event that these international benchmarks do not fully reflect local market circumstances. As in the Exploration and Production segment, these prices are taken from the assumptions underpinning the annual budget in year one and, from year two on, using the price trends forecast in internal reports of the global energy environment.

b) Gas and LNG volumes and sales margins: the volumes used for cash flow forecasting purposes are estimated on the basis of the contracts in force at year-end and estimates for the trading activity, all of which in keeping with the business plan. Margins factor in historical data, the price forecasts detailed in a) above and the outlook for margins going forward.

These estimated future net cash flows are discounted to present value using CGU-specific discount rates determined as a function of the currency in which their respective cash flows are denominated and the risks associated with these cash flows, including country risk. Repsol discounts projected cash flows using individual post-tax weighted average costs of capital (WACC) for each country and business. These rates are reviewed at least once a year. The discount rates are intended to reflect current market assessments of the time value of money and the risks specific to the asset. Accordingly, the various discount rates used take into consideration country risk, the currency in which the cash flows are generated and business risk factors. To ensure that the calculations are consistent and avoid double counting, the cash flow projections do not factor in risks that have already been built into the discount rates used. The discount rates used factor in average sector leverage as a reasonable proxy for the optimal capital structure, to which end management monitors leverage rates at comparable oil and gas companies during the last five years.

The discount rates used in 2013 and 2012 by business segment and geographical area are shown below:

	2013	2012
UPSTREAM (*)		
America	8.1% -11.9%	7.7% - 11.8%
Europe, North Africa and Asia	8.1% - 10.4%	7.7% - 10%
DOWNSTREAM	4.6% - 10.2%	4.9% - 12.3%
LNG (*)	4.7% - 4.8%	4.3 % - 7.7%

(*) US dollar-denominated discount rates.

The assumptions and discount rates used to project the cash flows corresponding to Gas Natural Fenosa's CGUs are those defined by that group, as disclosed in its annual financial statements.

For CGUs carrying goodwill and/or other intangible assets with indefinite useful lives, Repsol analyzes whether reasonably possible changes in the key assumptions used to determine their recoverable amounts would have a material impact on the financial statements. For CGUs for which the recoverable amount exceeds the unit's carrying amount by a significant margin, it is assumed that these 'reasonably possible changes' would not have a material impact. For CGUs for which the margin is within the defined threshold, the Group performs sensitivity analysis in order to quantify changes in the recoverable amounts of these CGUs as a result of changes in key assumptions deemed reasonably possible. Specifically, in performing the related sensitivity analysis, the following inputs were varied:

Sensitivity analysis	
Decrease in oil and gas prices (Brent, WTI and HH)	10%
Decrease in sales volumes	5%
Increase in operating expenses and capital investment	5%
Decrease in unit contribution margins	5%
Increase in WACC	50 b.p

Repsol considers, based on its current knowledge, that the 'reasonably possible changes' in the inputs to which estimated fair value is most sensitive, and on which the recoverable amount calculations are based, would not have a material impact on the Group's 2013 or 2012 financial statements.

2.2.11) Current and non-current financial assets

The Group classifies its investments in financial assets when they are initially recognized and reviews their classification at period end date. The assets are classified on the basis of the nature of the financial assets and the purpose for which those assets were acquired.

This category has, in turn, the following sub-categories:

a) Financial assets at fair value with changes through profit or loss

a.1) Financial assets held for trading: this category comprises derivatives not designated as hedging instruments.

a.2) Other financial assets at fair value with changes in profit and loss: this category comprises those financial assets acquired for trading or sale which are not derivatives.

b) Financial assets available for sale

Financial assets available for sale are financial assets that have either been designated as available for sale or have not been classified in any other financial asset category.

c) Loans and receivables

There are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for whose the Group does not intend to sell immediately or in the near term. They arise when the Group delivers goods or provides services or financing directly to a third party.

d) Held to maturity investments

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold from the date of purchase to the date of maturity.

A financial asset is initially recognized at fair value (see Note 2.2.25). Transaction costs that are directly attributable to the acquisition or issuance of a financial asset are capitalized upon initial recognition of the asset, except in relation to assets designated as financial assets at fair value through profit or loss that are recognized in the income statement, as incurred.

Subsequent to initial recognition, all financial assets, except for “Loans and receivables” and “Held to maturity investments” are measured at fair value. Equity investments in unlisted companies whose fair value cannot be measured reliably are measured at cost.

In the case of *“Other financial assets at fair value with changes in profit and loss,”* gains and losses from changes in fair value are recognized in the net profit or loss for the year. In the case of “Financial assets available for sale,” the gains and losses from changes in fair value are recognized directly in equity until the asset is disposed of or it is determined that it has become impaired, at which time the cumulative gains or losses previously recognized in equity are recognized in the profit or loss for the year.

“*Loans and receivables*” and “*Held to maturity investments*” are measured at amortized cost, and the accrued interest income is recognized in profit or loss using the corresponding effective interest rate.

Accounts receivables which do not bear explicit interest are recognized at their face value whenever the effect of not discounting the related cash flows is not significant. In this instance, these assets are subsequently measured at face value also.

An impairment loss on financial assets at amortized cost is recognized when there is objective evidence that the Group will not be capable of collecting all the related amounts under the original terms of the accounts receivable. The amount of the impairment loss is recognized in the consolidated income statement as the difference between the carrying amount of and the present value of the future cash flows discounted at the effective interest rate. The carrying amount of the asset is reduced through an allowance account.

If, in subsequent periods, the value of the financial asset is recovered, the previously recognized impairment loss shall be reversed. The reversal shall not exceed the carrying amount the financial asset prior to the initial recognition of the impairment loss. The amount of the reversal shall be recognized in the income statement for the period.

Finally, an account receivable is considered uncollectible when situations similar to the following occur: dissolution of a company, lack of assets with which to settle the debts or a legal ruling.

The Group derecognizes financial assets when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition.

2.2.12) Inventories

Inventories acquired for our own use are stated at the lower of cost and net realizable value. Cost, basically calculated as the average cost, includes acquisition costs (less trade discounts, rebates and other similar items), transformation and other costs which have been incurred in bringing the inventories to their present location and condition.

In the case of refinery products, the costs are allocated to income in proportion to the selling price of the related products (isomargin method) due to the existing difficulty to recognize the conversion costs of every product.

The Group assesses the net realizable value of inventories at the end of each period and recognizes the appropriate impairment loss in profit or loss to the extent the carrying amount of inventories exceeds their net realizable value. When the circumstances that previously caused the impairment no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed.

Net realizable value is the estimated selling price at year end less the estimated costs of completion and costs to be incurred in marketing, selling and distribution.

In the case of commodities and similar products, it is not necessary to write down their carrying amount below cost as long as management expects to recuperate its value through the sale of the finished goods in which they will be incorporated when it will be sold above cost.

“Commodities” inventories for trading activities are measured at fair value less costs to sell and changes in fair value are recognized in income statement. These transactions do not represent a significant volume of the Group's inventories (see Note 12).

2.2.13) Cash and cash equivalents

Repsol classifies under "*Cash and cash equivalents*" liquid financial assets, deposits or financial assets that can be converted into a known amount of cash within three months and that are subject to an insignificant risk of changes in value.

2.2.14) Earnings per share

Basic earnings per share are calculated by dividing the profit for the period attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the period taking into account, where appropriate, any treasury shares held by the Group (see Notes 2.1.2, 14.1 and 14.4).

2.2.15) Treasury shares

Treasury shares are measured at acquisition cost and are presented as a deduction from equity. Any related gains or losses are recognized directly in equity.

2.2.16) Financial liabilities

Financial liabilities are initially recognized at fair value less the transaction costs incurred. Except for derivatives, subsequent to initial recognition, the Group measures its financial liabilities at amortized cost, as none of its financial liabilities are classified as held-for-trading. Any difference between the financing received (net of transaction costs) and repayment value is recognized in the consolidated income statement over the life of the debt instrument in question, using the effective interest rate method.

Preference shares, which are detailed in Note 18 correspond to this liability category. They are initially recognized at fair value net of issuing costs and are subsequently measured at amortized cost, unless they form part of a hedging transaction in which case the criteria set forth in the Note 2.2.25.

Trade payables and other payables are financial liabilities which do not bear explicit interest and which, are recognized at face value, when the effect of not discounting them is not material.

The Group derecognizes financial liabilities when the obligations are cancelled or expire.

2.2.17) Provisions and contingent liabilities

In accordance with prevailing accounting standards, the Group makes a distinction between:

a) Provisions: present obligations, either legal or assumed by the Group, arising from past events, the settlement of which is probable to give rise to an outflow of resources the amount and timing of which are uncertain; and

b) Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group, or present obligations arising from past events, the amount of which cannot be measured with sufficient reliability or whose cancellation is not likely to give rise to an outflow of resources embodying future economic benefits.

These provisions are recognized when the liability or obligation giving rise to the indemnity or payment arises, to the extent that its amount can be reliably estimated and it is probable that the commitment will have to be settled.

When a contract qualifies as onerous, the related present liabilities are recognized in the consolidated financial statements as provisions.

Contingent liabilities are not recognized as provisions in the consolidated financial statements. Notwithstanding the above, whenever it is deemed as non-remote that settlement of such a liability will give rise to an outflow of resources, the existence of these liabilities is disclosed (see Note 34).

2.2.18) Loyalty programs aimed at beneficiaries of the pluri-annual incentive plan and share acquisition plans

Repsol has recognized defined contribution pension plans for certain groups of employees both directly and through its shareholding in Gas Natural Fenosa (see Note 17).

The estimated cost of the shares to be delivered under those loyalty plans is recognized under the captions "*Personnel expenses*" and "O*ther reserves*" to the extent that the plan beneficiaries' rights to receive the shares vest.

2.2.19) Pensions and other similar obligations

a) Defined contribution plans

Repsol has recognized defined contribution pension plans for certain employee groups; directly or indirectly through its shareholding in Gas Natural Fenosa (see Note 17).

The annual cost of these plans is recognized under “*Personnel expenses*” in the consolidated income statement.

b) Defined benefit plans

Repsol’s defined benefit plans are mostly held through Gas Natural Fenosa. The benefits to which the employees are entitled at the date of their retirement are recognized in the income statement as follows:

i. The current service cost (the increase in the present value of the defined benefit obligation resulting from employee service in the current period), under “Personnel expenses.”

ii. The interest cost (the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement), under “*Financial costs*.”

iii. The return on plan assets and changes in the value thereof, less any costs of administering the plan and less any tax payable by the plan itself, under “*Financial costs*.”

The liability recognized with respect to defined contribution pension plans is the present value of the obligation at the balance sheet date less the fair value of plan assets, net of adjustments for past service costs. The obligation under defined benefit plans is calculated annually by independent actuaries in accordance with the projected credit unit method.

Any actuarial gains or losses arising as a result of changes in the actuarial assumptions used are recognized directly in equity under the heading “*Reserves*.”

2.2.20) Grants

a) Grants related to assets

These are grants related to non-current assets and are measured at either: (i) the amount granted or nominal value; or (ii) the fair value of the assets received, if they have been transferred for no consideration. They are classified on the liability side of the balance sheet as deferred income when it is certain that they will be received.

Among other grants, this heading includes the government grants received by Gas Natural Fenosa pursuant to the agreements in place with Spain’s Regional Governments for building power and gas infrastructure in towns and other gas and power related investments for which all the conditions established have been met; they are measured at the amount granted.

These grants are recognized in profit or loss income statement on straight line basis over the useful life of the assets they are financing. The consolidated financial statements present the assets and the grants received separately.

b) Grants related to income

These are grants not related to non-current assets that become receivable by the entity and are recognized as income for the period in which they become receivable.

2.2.21) Deferred income

Deferred income is presented within "*Other non-current liabilities*" on the consolidated balance sheet and relates mainly to income from the assignment of gas transmission pipeline usage rights, the income relating to the natural gas distribution network relocation to be borne by third parties and the net amounts received each year for new connections to the gas or power grids. This income is credited to the income statement on a straight-line basis over the depreciation period of the related non-current assets, which ranges from 20 to 50 years.

This heading also includes the amounts associated with CO_2 allowances received for no consideration (see Note 2.2.6 b)).

2.2.22) Leases

Determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

In this category, a distinction can be drawn between:

a) Finance leases

Leases are classified as finance leases whenever the lessor transfers substantially all the risks and rewards of ownership to the lessee. The ownership of the asset may or may not be transferred to leaseholder at the end of the lease term.

When the consolidated companies act as the lessee in finance leases, they present the cost of the leased assets in the consolidated balance sheet, based on the nature of the leased asset, and, simultaneously, recognize a financial liability within "Other non-current liabilities" on the balance sheet for the same amount, which will be the lower of the fair value of the leased or the fair value of non-contingent amounts and not related to the provision of services payable to the lessor including, where appropriate, the price of exercising the purchase option, when the exercise thereof is expected with certainty at the beginning of the lease. These assets are depreciated according to criteria applied to the items of property, plant and equipment that are owned or are depreciated over the lease term, whichever is lower, provided there is no reasonable certainty that the lessee shall be granted the ownership at the end of the lease term.

The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The resulting finance expense is charged to the heading "*Financial result*" in the consolidated income statement.

b) Operating leases

Leases in which the ownership of the leased asset and substantially all the risks and rewards incidental to ownership of the leased assets remain with the lessor are classified as operating leases.

Lease costs are recognized under "*Other operating expense*" in the consolidated income statement as incurred.

When the Group acts as lessor, the resulting income is recognized under "*Other operating income*" in the consolidated income statement, as accrued.

2.2.23) Income tax

Repsol recognizes in the income statement for the year the accrued tax on the companies' income, which is calculated taking into account the differences between the timing of recognition for accounting purposes and tax purposes of the transactions and other events in the current year recognized in the financial statements, giving rise to temporary differences and, therefore, to the recognition of certain deferred tax assets and liabilities in the balance sheet. These amounts are recognized by applying to the temporary differences the tax rate that is expected to apply in the period when the asset is realized or the liability is settled.

Deferred tax liabilities are recognized for all taxable temporary differences, unless the temporary difference arises from the initial recognition of goodwill for which amortization is not deductible for tax purposes or unless the exception to the deferred tax liabilities is applicable in cases of taxable temporary differences related to investments in subsidiaries, branches and associates.

Deferred tax assets recognized for temporary differences and other deferred tax assets (tax losses and tax deductions carry forwards) are recognized when it is considered probable that the consolidated companies will have sufficient taxable profits in the future against which the deferred tax asset can be utilized. Additionally, deferred tax assets recognized for temporary differences can only be recorded to the extent that they will reverse in the near future.

The accrued income tax expense includes both the deferred income tax expense and the current income tax expense, which is taken to be the amount payable (or refundable) in relation to the taxable net income for the year (see Note 23).

"*Income tax*" in the accompanying consolidated income statement includes both the accrued income tax expense and the net provisions recognized in the year for income tax contingencies, insofar as latter relate to income tax.

Current and deferred taxes are recognized outside profit or loss account if they are related to items that are recognized outside profit or loss account. Those entries related to items recognized under "*Adjustments for changes in value*" are recognized under that heading and those recognized directly in equity are recognized within the equity heading in which the impact of the transaction was recognized.

2.2.24) Revenues and expenses recognition

Revenues are measured at fair value of the consideration received or receivable and represent the amounts receivable for the goods and services provided in the normal course of business, net of discounts and any amounts received on account of third parties, such as the Valued added tax.

In sales in which the Group acts as an agent, the Group does not recognize all the income and expenses associated with the transaction, recognizing as revenue only the margin received or pending to receive.

In order to minimize transport costs and optimize the Group's logistics chain, the Group arranges swaps of oil products of similar nature with other companies in a number of geographical locations. The related agreements include clauses to adjust through an amount of economic consideration the value of the products swapped on the basis of technical specifications thereof and the delivery and receiving points for the goods. These transactions are not recognized in the income statement as separate purchases and sales (being recognized for the net amount).

Sales of goods are recognized when substantially all the risks and rewards have been transferred. Revenue associated with the rendering of services is also recognized by reference to the stage of completion of the transaction at the balance sheet date, provided the outcome of the transaction can be estimated reliably. Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable. Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

An expense is recognized when there is a decrease of economic benefits associated to a reduction of an asset, or an increase in a liability, which can be measured reliably.

As a result of the legislation on oil and gas retailing in force in the countries in which the Group operates, Repsol reflects as both revenue and expenses the excise and analogous duties levied specifically on consumption related to the production and/or sale of oil and gas products.

Work relating to water management, atmospheric protection, waste management, remediation of soil and subsoil water and the development of environmental management systems are deemed to be environmental expenses and they are recognized for accounting purposes in accordance with the criteria indicated above.

2.2.25) Financial instruments - derivatives

The Group arranges derivatives to hedge its exposure to financial and commercial risks due to interest rate and exchange rate fluctuations and to changes in the prices of certain "commodities." All financial derivative instruments are initially recognized at fair value at the contract date and are subsequently measured at fair value. The derivatives are recognized as an asset when their fair value is positive and as a liability when it is negative. The differences in fair value are recognized in the income statement, except for specific hedge accounting treatment, where applicable.

For the assessment of financial derivative instruments, in case these are available, quotation market prices at the close of the balance sheet are used. This is the case of the commodity futures contracts. In the absence of quotation market prices for financial derivative instruments contracted, their fair value is estimated discounting the associated future cash flows according to the interest, exchange rates, credit differentials, volatility, and forward price trends in force on the close of the balance sheet. This assessment method has been applied to the following instruments:

- Mixed currency and interest swaps
- Interest rate swaps
- Forward exchange rate contracts
- Swaps on crude oil prices and products
- Interest rate options
- Crude oil price options

Although the Group applies common assessment market techniques, some changes in the measurement models or in the hypotheses applied therein could lead to different assessments of said instruments than these recognized in the balance sheet, income statement and/or equity.

The valuation and recognition of derivative financial instruments in keeping with specific hedge accounting criteria are as follows:

a) Fair value hedges

These are hedges of the exposure to changes in the fair value of an asset or a liability recognized for accounting purposes, an unrecognized firm commitment or an identified portion of the aforementioned asset, liability or firm commitment that can be attributed to a particular risk and might affect the profit for the period.

The changes in the fair value of hedging derivatives and the changes in the fair value of the hedged items attributable to the hedged risk, are recognized in the income statement.

b) Cash flow hedges

These are hedges of the exposure to changes in cash flows that: (i) are attributed to a particular risk associated with a recognized asset or liability, a highly probable forecasted transaction or a firm commitment, if the risk hedged is foreign currency related; and (ii) could affect profit or loss for the year.

The portion of the changes in the fair value of the hedging instruments that is determined to be an effective hedge is recognized in equity and the ineffective portion of the gain or loss on the hedging instrument (corresponding to the excess, in absolute terms, between the cumulative change in the fair value of the hedging instrument with respect to the change in the fair value of the hedged item) is recognized in profit or loss. The gains or losses accumulated in equity are transferred to profit or loss in the periods in which the hedged items affect profit or loss or, when the transaction hedge results in the recognition of a non-financial asset or liability, are included in the cost of the related asset or liability.

c) Hedges of net investments

These are hedges of the exposure to foreign exchange rate changes in relation to investments in the net assets of foreign operations.

Hedges of net investments in a foreign operation are accounted for in a similar way to cash flow hedges, although the exchange rate differences resulting from these transactions are recognized in *"Translation differences"* under equity in the accompanying consolidated balance sheet.

The cumulative amount of the exchange differences are transferred to the income statement, when the foreign operation subject to the hedge is sold or disposed of in any other way.

For the three types of hedges described above, the Group documents at the inception of the transaction the hedging relationship between the hedging instrument and the hedged items, and the risk management objective and strategy for undertaking the hedge. The Group also documents their assessment, both at the inception of the hedge and subsequently.

Hedge accounting is discontinued when the hedging instrument expires, is sold or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognized in equity is retained in equity until the forecasted transaction occurs.

Long-term oil and gas sale and purchase commitments are analyzed with the aim to determine whether these are in line with the provisions or marketing needs of the normal activity of the Group or whether, on the contrary, these are derivatives and should be recognized in accordance with the criteria set forth in IAS 39 *Financial Instruments - Recognition and Measurement*.

In those cases in which there are embedded derivatives in other financial instruments or other host contracts of a different nature, they are treated for accounting purposes as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and when the host contracts are not carried at fair value through profit or loss.

(3) ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in accordance with generally accepted accounting principles makes it necessary to make assumptions and estimates that affect the valuation of the amounts of the assets and liabilities recognized, the presentation of contingent assets and liabilities at year end and the income and expenses recognized during the year. The actual results could differ depending on the estimates made.

The accounting policies and areas which require the highest degree of judgment and estimates in the preparation of the consolidated financial statements are: (i) crude oil and natural gas reserves; (ii) provisions for litigation and other contingencies; (iii) the calculation of income tax and deferred tax assets; (iv) impairment testing and the calculation of the recoverable value of the Group's assets (see Notes 2.2.10, 6 and 7), (v) the value of derivative financial instruments (see Notes 2.2.25 and 20) and (vi) the financial instruments recognized as a result of the expropriation of YPF S.A. and YPF Gas S.A. (see Note 4.3).

Crude oil and gas reserves

The estimation of crude oil and gas reserves is an integral part of the Company’s decision making process. The volume of crude oil and gas reserves is used to calculate the depreciation using unit production ratios and to assess the recoverability of the investments in exploration and production assets (see Note 7). Any change in reserve volumes could have a significant impact on the Group’s results.

Repsol prepares its estimates and assumptions in relation to crude oil and gas reserves taking into account the guidelines and the conceptual framework of the definition of proved reserves established for the oil and gas industry by the U.S. *Securities and Exchange Commission* (SEC) and the criteria set by the Petroleum Reserves Management System of the Society of Petroleum Engineers (PRMS.SPE).

Provisions for litigation and other contingencies

The final cost of settling claims, grievances and lawsuits could vary due to estimates based on differing interpretations of the rules, opinions and final assessments of the amount of the damages. Therefore, any change in circumstances relating to contingencies of this nature could have a material effect on the amount of the provision for contingencies recognized.

Repsol makes judgments and estimates in recording costs and establishing provisions for environmental clean-up and remediation costs which are based on current information regarding costs and expected plans for remediation. For environmental provisions, costs can differ from estimates because of changes in laws and regulations, discovery and analysis of site conditions and changes in clean-up technology. Therefore, any change in the factors or circumstances related to provisions of this nature, as well as changes in laws and regulations could, as a consequence, have a significant effect on the provisions recognized for these costs (see Notes 34 and 35).

Calculation of income tax and deferred tax assets

The appropriate assessment of the income tax expense is dependent on several factors, including estimates of the timing and realization of deferred tax assets and the timing of income tax payments. Actual collections and payments may differ materially from these estimates as a result of changes in tax laws as well as unanticipated future transactions impacting the Company's tax balances (see Note 23).

(4) EXPROPIATION OF REPSOL GROUP´S SHARES IN YPF S.A. AND YPF GAS S.A.

During 1999, and as part of its international growth strategy, the Group acquired through several transactions, 98.94% of YPF S.A., a leading Argentinean petroleum company engaged in the hydrocarbon sector and the former state oil and gas monopolist in Argentina. In 2008, Repsol sold 14.9% of YPF S.A. to Petersen Energía, S.A. (thereafter “Petersen Energía”) and granted two purchase options to Petersen Energía for an additional interest in YPF S.A.'s share capital of 10.1% that were exercised in 2008 and 2011 (see Note 4.2). During 2010 and 2011, Repsol transferred an additional interest in YPF S.A. At December 31, 2011, before the loss of control of YPF S.A. as a result of the seizure and expropriation of YPF S.A. and YPF Gas S.A., Repsol's interest in YPF, S.A. amounted to 57.43%.

4.1) YPF S.A. and YPF Gas S.A. Intervention Decree and Expropriation Law

On April 16, 2012, the Argentinean National Executive Branch announced the submission to the Legislative Authority of a draft bill on the sovereignty of the Republic of Argentina over hydrocarbon resources, declaring of public interest and the self-sufficiency in hydrocarbon resources as well as its exploration, exploitation, industrialization, transportation, and marketing, as a priority. Likewise, section 7 of the draft bill declared of public interest and subject to expropriation 51% of YPF S.A., represented by an equal percentage of "Class D" shares of YPF S.A. held by Repsol and its controlling or controlled entities. The stake held by the Repsol Group in YPF S.A. on that date was 57.43%.

On that same day, the Argentinean government enacted a Decree of Necessity and Urgency *("Decreto de Necesidad y Urgencia")* (the Intervention Decree), with immediate effect, which ordered the temporary seizure of YPF S.A. for a 30-day period, appointing a government minister as administrator of YPF S.A. and empowering him with all of the faculties of the board of directors of YPF S.A.

Repsol communicated in a "relevant event" filed with the Spanish Stock Exchange Commission (CNMV) on April 16, 2012 its rejection of the abovementioned expropriation measures.

On April 18, 2012, the Argentinean Government passed a resolution which extended the scope of the Intervention Decree to YPF Gas S.A., at that time named as Repsol YPF Gas S.A., an Argentinean company engaged in the fractioning, bottling, transportation, distribution and marketing of LPG in which Repsol Butano, S.A. had an 84.997% shareholding on that date.

After the rapid parliamentary adoption procedure of the abovementioned bill, on May 7, 2012, Law number 26,741 (YPF Expropriation Law or "La Ley de Expropiación de YPF") was published in Argentina's Official State Journal, taking immediate effect, and establishing the following:

- Fifty-one per cent of the equity of YPF S.A. represented by 51% of this company's "Class D" shares, belonging directly and indirectly to Repsol and its controlling and/or controlled entities, and 51% of the equity of YPF Gas, S.A., represented by 60% of this company's "Class A" shares, belonging to Repsol Butano, S.A. and its controlling and/or controlled entities, were declared of public utility and subject to expropriation.

- The National Executive Branch was empowered to exercise all the rights attaching to the shares to be expropriated, thereby taking "temporary title" to the said shares under the terms of Law number 21,499 (the National Expropriation Act).

- The expropriation processes will be governed by Law number 21,499, with the Argentinean National Executive Branch acting as the expropriating authority and the price of the assets subject to the expropriation will be determined in accordance with Article 10 and related provisions of the aforementioned Law, being the National Appraisal Tribunal responsible for the valuation.

On May 7, 2012, the Argentine Republic National Executive Branch appointed YPF S.A.'s new General Manager.

The intervention of YPF S.A. concluded with the celebration, on June 4, 2012, of the company's General Shareholders' Meeting, as called by the president of the National Securities Commission. At that meeting, the General Manager was appointed to the Board and, later, this governing body appointed him as Chairman. Likewise, the shareholders attending that Meeting proceeded, among other resolutions, to replace all of the regular and alternate directors, regular and alternate trustees and the regular and alternate members of the Audit Committee, and to appoint their substitutes. Of the 17 new regular members of the Board, the shareholders appointed one director at the proposal of Repsol. Repsol's representation on the Board of YPF, S.A. increased in 2013, with two additional directors appointed to the Board at the proposal of Repsol at a shareholder meeting taking place on April 30, 2013 and continued on May 30, 2013.

Repsol, S.A. and Repsol Butano, S.A., YPF S.A. have challenged the shareholder meetings of YPF S.A. of June 4, 2012, July 17, 2012, September 13, 2012 and April 30, 2013, the latter meeting continued on May 30, 2013, and the general meetings of YPF Gas S.A. of July 6, 2012, December 20, 2012 and May 16, 2013, respectively, on the grounds, among other reasons, that they were not validly constituted as they were brought about by an illegitimate and unconstitutional expropriation process.

There have been no significant developments affecting the legal framework used to confiscate the Repsol Group's shares in YPF S.A. and YPF Gas S.A.

Repsol has consistently maintained that the expropriation carried out was manifestly illicit and gravely discriminatory (as it only affected YPF S.A. and YPF Gas S.A. and not other oil and gas companies in Argentina; moreover, the Argentine government only confiscated the shares of one of the shareholders of YPF S.A. and YPF Gas S.A., namely Repsol). It further maintains that there is no justification whatsoever for the public utility argument put forward and that the seizure of its shares constitutes a blatant breach of the obligations assumed by the Argentine state when it privatized YPF that violates the most fundamental principles of legal certainty and confidence of the international investment community, reserving on these grounds the right to take all available corresponding actions at its disposal to preserve its rights, the value of all its assets and its shareholders' interests under prevailing Argentinean law, standard rules of the securities markets in which YPF S.A. is listed, and international law, including the "Agreement between the Argentinean Republic and the Kingdom of Spain on the Reciprocal Promotion and Protection of Investments" signed between Spain and Argentina in 1991.

As outlined in *Procedures initiated as a consequence of the expropriation of the Group's shares in YPF S.A.*in Note 34, Repsol is proceeding with the legal actions previously initiated, specifically: legal action in respect of (i) violation of the "Treaty between the Republic of Argentina and the Kingdom of Spain on the Reciprocal Promotion and Protection of Investments," which has been brought before the ICSID Arbitration Tribunal, which, in accordance with the Washington Convention, once proceedings have begun, shall assume the exclusive jurisdiction to rule on the legality of the expropriation and, to whom it has been requested the restitution of the seized shares or, alternatively, at the request of the plaintiffs, to sentence Argentina to pay an adequate compensation, including payment of any and all damages caused; (ii) unconstitutionality of the intervention in YPF S.A. and YPF Gas S.A. by the Argentine government and the temporary seizure of all rights of the expropriated shares of YPF S.A. and YPF Gas S.A. held by Repsol, S.A. and Repsol Butano, S.A., respectively, brought before the Argentine courts; (iii) breach by the Argentine state of its obligation to launch a tender offer for the shares of YPF, S.A. before taking control of this company, brought before the courts of the State of New York; and (iv) other legal proceedings filed in multiple jurisdictions (courts in Spain and the State of New York) with a view to preserving the assets of the seized companies and preventing competitor oil and gas companies (Chevron and Bridas to date) from taking advantage of the legal infractions incurred to obtain unfair advantage over certain assets owned by YPF S.A. executing agreements the validity of which is under legal dispute as a result of these proceedings.

In November 2013, the Argentine government announced an initial agreement regarding the compensation for the expropriation of the Repsol Group's 51% share capital in YPF S.A. and YPF Gas, S.A. At a meeting held on November 27, 2013, the Board of Directors of Repsol analyzed and welcomed the agreement with respect to the compensation for the expropriation and, with a view to making further progress in this respect, agreed to initiate conversations with the said government with the aim of negotiating a rapid, fair and effective solution to the ongoing controversy, on the basis of certain and monetary compensation in the amount of USD 5,000 million, any such agreement needs to meet the demands implied by the complexity of the underlying issue and its terms must provide sufficient guarantees to ensure its effectiveness. At that same meeting, the Board of Directors agreed to engage an international prestigious Investment Bank to assist the Repsol's team with this process and to facilitate the professional conduct thereof.

4.2) Agreements between Repsol and the Petersen group and other related loan agreements with the Petersen group

In 2007 Repsol decided to work to further integrate the management of YPF S.A. in the Argentine economic and business landscape, bringing local shareholders into the company's management structure.

For these purposes, in 2008 Repsol sold 14.9% of YPF S.A. to Petersen Energía and granted the latter two purchase options over a total 10.1% of YPF S.A.; these options were exercised in 2008 and 2011. The transaction was financed by an international group of banks and by Repsol. In conjunction with this transaction, in accordance with the by-laws of YPF S.A., Petersen Energía launched a tender offer for the acquisition of 100% of the share capital of YPF, S.A., authorized by the Argentine government, as a result of which Petersen Energía acquired an additional 0.462% of YPF S.A.'s share capital. These transactions were financed by a loan granted by Banco Santander in June 2008 (the "1st Option Loan"), which was guaranteed by Repsol. On 31 December 2011 and before the Group had lost the control over YPF S.A. due to the mentioned expropriation, Peterson's Group held 25.46% of the Argentinean petroleum Company.

On April 23, 2012, the Argentine government's intervenor at YPF suspended the shareholders' meeting called by this company's board, which in turn caused the impossibility for the Petersen group to meet its obligations under the loan agreements arranged to finance the acquisition of its equity investment in YPF S.A. This in turn triggered: (a) the breach or default on the loan agreements with the lender banks and with Repsol; (b) the execution by Repsol of the pledge granted to it over the Peterson group's shares in YPF S.A.; and (c) insolvency filings by the Petersen group borrower companies.

Elsewhere, in connection with the 1st Option Loan, on May 18, 2012, Banco Santander claimed partial repayment of the loan by Repsol, in its capacity as guarantor, as a result of which Repsol paid Banco Santander USD4.6 million. Then, in April 2013, Repsol partially executed the pledge it held over 322,830 YPF S.A. ADSs (representing 0.08% of the latter's share capital). On November 15, 2013, Banco Santander notified Repsol, as guarantor, that the final repayment on the loan was due, to which end Repsol paid it USD92 million. It is expected that Repsol will be able to foreclose the remaining shares pledged to it in April 2014.

4.3) Accounting treatment in relation to the expropriation

Intervention, loss of control and facts related to the loss of control.

As a result of the events outlined in Note 4.1, Repsol lost control of YPF S.A. and YPF Gas in

2012. Accordingly, the Group proceeded to deconsolidate its investments in these companies, a process that entailed the derecognition of their respective assets, liabilities, minority interests and the corresponding translation differences.

In keeping with prevailing accounting rules, since the loss of control event in 2012, the activities of YPF S.A. and YPF Gas S.A. have been considered discontinued activities, as a result of which the contributions of these companies to the Group's results have been classified in the related specific income statement headings. At December 31, 2012, the amounts contributed by YPF S.A. and YPF Gas S.A. between January 1, 2012 and the loss of control event amounted to €147 million and €2 million, respectively. These amounts are shown net of tax and minority interests and are presented within "*Net income for the period from discontinued operations attributable to the parent*" (see Note 27 Discontinued Operations).

The following table includes a breakdown of the assets, liabilities, and minority interests of YPF S.A. and YPF Gas S.A. that were derecognized from the consolidated balance sheet in 2012:

	Millions of euros [1]		
ASSETS	**YPF**	**YPF Gas**	**Total**
Intangible assets	2,040	4	2,044
a) Goodwill	1,804	4	1,808
b) Other intangible assets	236	-	236
Property, plant and equipment	8,781	32	8,813
a) Investment in areas with reserves	5,886	-	5,886
b) Other exploration costs	120	-	120
c) Machinery and plant	1,085	7	1,092
d) Transport equipment	51	1	52
e) Other items of PP&E	1,639	24	1,663
Investments accounted for using the equity method	33	1	34
Non-current financial assets	83	-	83
Deferred tax assets	210	3	213
Other non-current assets	97	-	97
NON-CURRENT ASSETS	**11,244**	**40**	**11,284**
Inventories	1,270	3	1,273
Trade and other receivables	1,120	29	1,149
Other current assets	73	-	73
Other current financial assets	12	-	12
Cash and cash equivalents	229	22	251
CURRENT ASSETS	**2,704**	**54**	**2,758**
TOTAL ASSETS	**13,948**	**94**	**14,042**
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT [2]	**(589)**	**(16)**	**(605)**
MINORITY INTERESTS	**2,735**	**7**	**2,742**
Grants	46	-	46
Non-current provisions	1,623	5	1,628
Non-current financial liabilities	741	-	741
Deferred tax liabilities	1,063	-	1,063
Other non-current liabilities	30	-	30
NON-CURRENT LIABILITIES	**3,503**	**5**	**3,508**
Current provisions	172	-	172
Current financial liabilities	1,250	-	1,250
Trade and other payables	2,157	39	2,196
CURRENT LIABILITIES	**3,579**	**39**	**3,618**
TOTAL EQUITY AND LIABILITIES	**9,228**	**35**	**9,263**
CARRYING AMOUNT	**4,720**	**59**	**4,779**

(1) The assets, liabilities and minority interests of each of the companies correspond to those recognized on the consolidated balance sheet at March 31, 2012.

(2) Corresponds to the translation differences accumulated in equity in respect of the Group's investments in YPF S.A. and YPF Gas S.A.

Accumulated translation differences in net equity in the Group's ownership interest in YPF S.A. and YPF Gas, generated until loss of control were transferred to the headings related to the discontinued operations of the Group's income statement of 2012 herein enclosed.

On the other hand, other assets and liabilities related to investments in YPF S.A. have been identified that are affected by the change of control and the expropriation process, such as loans and guarantees granted to the Petersen group's for the financing of the acquisition of its ownership interest in YPF S.A. The accounting effects of the valuation of these transactions were recognized in the income statement headings related to discontinued operations in 2012, since they are closely linked to the expropriation process of the Group's shares in YPF S.A.

The Group had granted the Petersen group two loans which were guaranteed by several pledges over YPF S.A.'s Class D shares in the form of ADSs owned by the Petersen group. On May 30, 2012, Repsol notified the Petersen group of the early termination of such loan agreements. The amount provisioned for such loans net of the market value of the YPF S.A. pledged shares, totaling an amount of €1,402 million.

On the other hand, and regarding the 1st Option Loan, at March 31, 2012, the amount guaranteed by Repsol amounted to $96 million. On May 18, 2012, Repsol, in its capacity as guarantor of the loan, paid Banco Santander USD4.6 million. As a result of the above, the Group provisioned for the associated risks and expenses for a gross amount of €54 million that covers the maximum amount of the liabilities assumed by Repsol, less the amount corresponding to the realizable value of the securities pledged as counter-guarantee, representing 0.56% of YPF S.A.'s share capital.

Repsol Group's ownership interest in YPF S.A. and YPF Gas S.A. from the shares subject to expropriation, which still belong to the Group and the remaining shares, as a result of the loss of control, are recognized by its nature, that is, as financial instruments. Specifically, the shares subject to expropriation were initially recognized at the amount of €5,373 million under "*Non-current assets held for sale subject to expropriation*" (€5,343 million corresponding to YPF S.A. shares subject to expropriation and €30 million corresponding YPF Gas S.A. shares). The remaining shares, which were not included in the expropriation, were recognized as "*Available-for-sale financial assets*" at an initial amount of €300 million (€280 million corresponding to YPF S.A. and €20 million corresponding to YPF Gas S.A.).

Subsequently, the changes in value of shares classified as "*Non- current assets held for sale subject to expropriation*" as well as the shares classified in "*available- for-sale financial assets*" are recognized in equity under "*Adjustments for changes in value*" until ownership of the shares is transferred or they are determined to experience an impairment, at which time the accumulated profits or losses previously recognized in equity will be transferred to the income statement.

Without prejudice to the rights and claims to which Repsol is entitled in the opportune courts and forums in respect of the illegality of the expropriation and any valuation of the assets undertaken as part of these proceedings, these assets and liabilities have been measured for accounting recognition purposes in accordance with the provisions of IAS 39. The references in this accounting standard to fair value or realizable value obliges the Group to distinguish between the shares subject to expropriation and the rest of the shares held by Repsol.

For the former, recognized under "*Non-current assets held for sale subject to expropriation*," fair value calculation must take as reference the expected recoverable value as a consequence of the expropriation process, that is, the price or compensation that the Argentinean government would finally pay to Repsol. When estimating this value, Repsol took into account the valuation criteria it can reasonably expect to be applied by the state bodies and courts responsible for deciding on the price or indemnity relating to the shares subject to expropriation. Since this price or indemnity has yet to be set and may have to be decided through legal proceedings in which circumstances beyond the control of the Group will influence the outcome, it should be borne in mind that the estimated recoverable value is uncertain in terms of both quantity and the date and manner in which it will be effective.

Regarding YPF S.A. shares, recorded under "*Available-for-sale financial assets*" (included in the heading "*Non-current financial assets*" on the balance sheet attached), they were valuated at their market value, which corresponds to their quoted price given that the shares are susceptible to be traded in the relevant exchange market.

Finally, all YPF Gas S.A. shares, since they are not traded on any active market were valued using criteria analogous to those applied to the expropriated YPF S.A. shares.

The income tax effect of all the facts described has originated the recognition of a deferred tax asset amounting to €524 million.

The net effect recognized in the Group's income statement as a result of all the effects described above in connection with the expropriation process, amounts to a loss of €38 million net of tax, which was recognized under "*Net income for the period from discontinued operations after taxes*" in the income statement (see Note 27).

<u>*Subsequent valuation of assets and liabilities after loss of control*</u>

The value of the expropriated shares was written up at year-end 2013 in order to align their carrying amount with their recoverable value as a result of a potential settlement agreement that would put an end to the controversy over the expropriation. Based on the agreement in principle announced in November 2013 and the basis for the negotiation process established by Repsol, this recoverable value has been estimated at USD5,000 million, which is in any case subject to the uncertainty surrounding the final outcome of the negotiation in course (see Note 37 "Subsequent events"). Against this backdrop, the Group has recognized an impairment loss on the value of the shares classified as "*Non-current assets held for sale subject to expropriation*" in the net amount of €1,279 million under "*Net income for the period from discontinued operations attributable to the parent*". This balance includes €161 million in relation to the net cumulative exchange differences that had been deferred in "*Adjustments for changes in value*" within Group equity. Any modifications to the hypotheses considered reasonable in the jurisdictional proceedings and in the valuation of rights subject to expropriation could generate positive and negative changes in the amount recognized for the interest in YPF S.A. and YPF Gas S.A. and hence in its significant impact on the Group's financial statements.

The balance recognized in "*Non-current assets held for sale subject to expropriation*" in respect of the Repsol Group's shares in YPF S.A. and YPF Gas S.A. amounted to €3,625 million at December 31, 2013 (€5,392 million at year-end 2012).

In relation to the loans granted to Petersen, on November 8, 2012, Repsol executed the pledges associated to those loans amounting to 21,174,920 Class D YPF S.A.'s shares in the form of American Depositary Shares representing 5.38% of YPF S.A.'s share capital, recognizing these shares under "*Available-for-sale financial assets*." The amounts corresponding to these loans are totally provisioned at December 31, 2013 and 2012.

In relation to the 1st Option Loan, in April 2013 Repsol partially executed the mentioned pledge over 322,830 YPF S.A. ADSs representing 0.08% of the latter's share capital. These shares were recognized as "*Available-for-sale financial assets*" at their market value at the time of their acquisition in the amount of €4 million.

On November, 2013, the provision for liabilities and charges recognized to cover the Repsol's maximum liability under the 1st Option Loan was cancelled as a result of the payment by Repsol, in its capacity as guarantor, of the last instalment due under the loan together with the relevant interests in the amount of USD92 million. Subsequent to cancellation of this provision, the Group recognized its entitlement to the shares (1,887,362 ADSs) within "*Available-for-sale financial assets*" at their realization value in the market at the time of execution of the pledge in the amount of €35 million (see Note 11.3).

On financial year 2013, the Group has recognized a before-tax gain of €607 million as a result of changes in the value of the shares classified as "*Available for sale financial assets*," including those acquired as a result of execution of the counter-guarantee extended to Repsol, S.A. in connection with the 1st Option Loan. These changes have been recognized directly in equity, specifically in "*Adjustments for changes in value*" and relate mainly to the stock market performance and exchange rate differences. The balance recognized at year-end 2013 in respect of shares not subject to expropriation is €1,177 million. The changes in the value of these shares between initial recognition and December 31, 2012 was €59 million for a year-end 2012 balance of €530 million.

(5) GOODWILL

The breakdown of goodwill, by company, at year end 2013 and 2012 is as follows:

	Millions of euros	
	2013	2012
Gas Natural Fenosa Group Companies	2,061	2,086
Repsol Portuguesa, S.A.	154	154
Repsol Gas Portugal, S.A.	118	118
Repsol Comercial de Productos Petroliferos, S.A.	95	96
Other companies	220	224
TOTAL	**2,648**	**2,678**

The changes in 2013 and 2012 in this line item in the accompanying consolidated balance sheet were as follows:

	Millions of euros	
	2013	2012
Balance at begining of the period……………………………….	**2.678**	**4.645**
Additions	-	5
Changes in the scope of consolidation	(2)	(95)
Disposals	(1)	(1)
Translation differences	(27)	(2)
Write-offs	-	(6)
Reclasifications and other changes	-	(2)
Discontinued operations movements (1)	-	(58)
YPF & YPF Gas expropiation (2)	-	(1,808)
Balance at end of the period	**2,648**	**2,678**

(1) In 2012, includes the movements of Goodwill relating to YPF and YPF Gas from January 1, 2012 upon loss of control from the Group.
(2) This caption discloses the derecognition from the consolidated balance sheet at the moment of the loss of control of YPF and YPF Gas by the Group, according to the facts described in Note 4.

In 2012 "Changes in the scope of consolidation" subheading includes, primarily, the derecognition of the goodwill of Empresas Lipigas, S.A. in the amount of €99 million following the sale of Repsol Butano Chile, S.A., a company that owned 45% of Empresas Lipigas, S.A. (see Note 31 "Divestments").

The breakdown of the gross goodwill and accumulated impairment losses at December 31, 2013 and 2012 is as follows:

	Millions of euros	
	2013	2012
Gross goodwill	2,680	2.710
Accumulated impairment losses	(32)	(32)
NET GOODWILL	**2,648**	**2.678**

The breakdown of goodwill at December 31, 2013 and 2012 by operating segment and geographical area is as follows:

	Millions of euros	
	2013	**2012**
Upstream [(1)]	**95**	**100**
Latin America	79	84
Rest of the World	16	16
Downstream [(2)]	**492**	**492**
Europe	423	420
Rest of the World	69	72
Gas Natural Fenosa[(3)]	**2,061**	**2,086**
TOTAL	**2,648**	**2,678**

(1) Corresponds primarily to the CGU comprising the Group's exploration and production net assets in Venezuela.
(2) Corresponds to a total of 22 CGUs; the most significant individual CGU accounts for 24% of the segment.
(3) At December 31, 2013 and 2012 includes €1,727 million and €1,752 million respectively, corresponding to the goodwill recognized by Gas Natural Fenosa relating to its own participation in its Group companies, the geographical distribution of which in Spain, Latin America, and the rest of the world amounts to €1,466, €199 and €62 million, respectively.

(6) OTHER INTANGIBLE ASSETS

The breakdown of the intangible assets and the related accumulated amortization at December 31, 2013 and 2012, and of the changes therein is as follows:

	Millions of euros					
	Service/Gas stations association rights and other rights	Carbon Emission Allowances	Software	Exploration permits	Other intangible assets	Total
COST						
Balance at January 1, 2012	**994**	**192**	**570**	**766**	**2.812**	**5,334**
Additions (1)	34	6	82	20	54	196
Disposals and derecognitions	(29)	-	(1)	-	(7)	(37)
Translation differences	(6)	-	-	(15)	(64)	(85)
Changes in the scope of the consolidation (2)	-	-	(1)	-	4	3
Reclassifications and other changes (3)	16	(76)	(10)	142	(92)	(20)
Discontinued operations movements (4)	(1)	(1)	-	3	(19)	(18)
YPF & YPF Gas expropriation (5)	(26)	-	(43)	(51)	(621)	(741)
Balance at December 31, 2012	**982**	**121**	**597**	**865**	**2,067**	**4,632**
Additions (1)	16	15	89	54	44	218
Disposals and derecognitions	(54)	(1)	(2)	(45)	(6)	(108)
Translation differences	(14)	-	(4)	(37)	(96)	(151)
Changes in the scope of the consolidation (2)	-	(1)	(1)	-	-	(2)
Reclassifications and other changes (3)	15	(47)	(3)	15	-	(20)
Discontinued operations movements	-	1	-	-	-	1
Balance at December 31, 2013	**945**	**88**	**676**	**852**	**2,009**	**4,570**
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES						
Balance at January 1, 2012	**(583)**	**(76)**	**(394)**	**(160)**	**(983)**	**(2,196)**
Depreciation charge for the year	(56)	-	(62)	(29)	(84)	(231)
Disposals and derecognitions	23	-	1	-	2	26
Impairment losses (recognised) / reversed	1	(8)	-	-	1	(6)
Translation differences	4	-	-	3	21	28
Changes in the scope of the consolidation	-	-	1	-	1	2
Reclassifications and other changes (3)	(1)	76	8	(1)	(15)	67
Discontinued operations movements (4)	-	-	(2)	-	11	9
YPF & YPF Gas expropriation (5)	23	-	25	1	456	505
Balance at December 31, 2012	**(589)**	**(8)**	**(423)**	**(186)**	**(590)**	**(1,796)**
Depreciation charge for the year	(55)	-	(46)	(11)	(90)	(202)
Disposals and derecognitions	53	-	2	-	4	59
Impairment losses (recognised) / reversed	1	(16)	-	-	(22)	(37)
Translation differences	9	-	3	6	34	52
Changes in the scope of the consolidation	-	-	1	-	1	2
Reclassifications and other changes (3)	(3)	7	(3)	39	-	40
Discontinued operations movements(6)	-	-	-	-	(11)	(11)
Balance at December 31, 2013	**(584)**	**(17)**	**(466)**	**(152)**	**(674)**	**(1,893)**
Carrying amount at December 31, 2012	**393**	**113**	**174**	**679**	**1,477**	**2,836**
Carrying amount at December 31, 2013	**361**	**71**	**210**	**700**	**1,335**	**2,677**

Note: The movement in 2012 has been restated with respect to the ones that appears in the consolidated financial statements for the year 2012 in order to disclose in a separate line movements related to the sale process of part of the LNG assets and businesses (see Note 31 *"Divestments"* and Note 10 *"Non-current assets held for sale"*) as well as the movements generated in 2012 by YPF and YPF Gas between January 1 and the loss of control event (see Note 4).

(1) Additions in 2013 and 2012 relate to direct acquisition of assets. Additions to exploration permits correspond mainly to exploration rights acquired in Bulgaria and the Middle East in 2013 and in the Gulf of Mexico and Namibia in 2012.

(2) See Note 30 *"Business Combinations"* and Note 31 *"Divestments."*

(3) In 2013, the column headed *"Carbon Emission Allowances"* includes mainly €60 million corresponding to CO2 allowances allocated for no consideration in 2013 under Spain's National Allocation Plan and the derecognition corresponded to allowances consumed as a result of emissions made during 2012 in the amount of €110 million. In 2012, the same column *"Carbon Emission Allowances"* included mainly €132 million corresponding to CO2 allowances allocated for no consideration for 2012 under Spain's National Allocation Plan and the derecognition of allowances used, associated with the emissions incurred in 2011, in the amount of €95 million.

(4) Includes the movements related to YPF and YPF Gas from January 1, 2012 at the moment of losing control of the Group in these companies, as well as the movements generated by the LNG assets and business related to the period of sale.

(5) This caption discloses the derecognition from the consolidated balance sheet at the moment of the loss of control of YPF and YPF Gas by the Group, according to the facts described in Note 4.

(6) Includes the impairment charge recognized on the North American LNG assets as detailed in *"Impairment of Other intangible assets"* further on in this Note.

Service/gas station association rights and other rights, service concession arrangements and the cost of investments in exploration permits are legal rights title to which is conditional upon the terms of the underlying contracts, as outlined in Note 2.2.6).

"*Other intangible assets*" primarily includes:

a) Intangible assets of Gas Natural Unión Fenosa, in the amount of €469 and €540 million in 2013 and 2012 respectively, which includes basically gas supply contracts and other acquired contractual rights.

b) Assets in the amount of €422 and €465 million at year end 2013 and 2012 respectively, related to service concession arrangements under which the operator has the right to charge an established tariff directly to the services users, although the competent authorities regulate or control either the tariffs or the users to which service must be provided; and, in addition, the state retains the right over the residual value of the assets (see Note 2.2.6).

   Assets comprise primarily the concession arrangements under which Gas Natural Fenosa provides gas transmission and distribution services in Argentina, Brazil and Italy.

   In 2013 and 2012 the income from the construction services or the improvement of infrastructures amounted to €33 and €35 million, respectively; that were recognized under the heading "*Operating revenue*."

c) Power distribution concessions which the Group holds through the Gas Natural Fenosa Group in the amount of €205 million at year end 2013 and 2012.

d) The concession for the Magreb-Europe gas pipeline in the amount of €73 million (€85 million at year-end 2012) held through the Group's shareholding in Gas Natural Fenosa.

Intangible assets include €207 million of assets with indefinite useful lives at December 31, 2013 and €206 million in 2012. These assets are not amortized but they are tested at least annually for impairment and relate primarily to the power distribution concessions held by the Group in Spain through Gas Natural Fenosa, as described above (see Note 2.2.6).

In 2013 and 2012, intangible assets included €117 million and €112 million, respectively, of asset acquired under finance leases corresponding to service station association rights.

Impairment of "*Other intangible assets*"

In 2013, Gas Natural Fenosa recognized an impairment loss of €21 million (stated at the Repsol Group's percentage interest in the former). This loss is recognized within "*Other intangible assets*" and corresponds to the impairment of the value allocated as part of the Unión Fenosa business combination to the gas processing rights held by Gas Natural Fenosa via its investee Unión Fenosa Gas in the Damietta liquefaction plant (Egypt), whose recoverable value amounts to zero according to its value in use, as a result of the temporary stoppage of operation at this facility operations due to the suspension of deliveries by its natural gas supplier. Unión Fenosa Gas initiated legal proceedings in defense of its contractual rights during 2013.

The impairment loss recognized on carbon emission allowances in the amount of €16 million and €8 million in 2013 and 2012 as a result of the decline in their value (see Note 35) was almost entirely offset by the gain recognized as a result of the transfer to profit of deferred income associated with the emission allowances received for no consideration under Spain's National Allocation Plan.

In addition, in 2013 the Group recognized an impairment loss of €11 million on the assets associated with the North American LNG business under "*Discontinued operations movements*" (see Note 31).

(7) PROPERTY, PLANT AND EQUIPMENT

The breakdown of "*Property, plant and equipment*" and of the related accumulated depreciation and accumulated impairment losses at December 31, 2013 and 2012, and of the changes therein is as follows:

	Millions of euros							
	Land, buildings and other structures	Machinery and plant	Investments in areas with reserves	Other exploration costs	Transport equipment	Other items of PP&E	Assets under construction	Total
COST								
Balance at January 1, 2012	**3,029**	**29,380**	**37,913**	**2,162**	**2,045**	**1,994**	**3,285**	**79,808**
Additions	41	207	1,438	514	2	100	845	3,147
Disposals and derecognitions	(8)	(154)	(16)	(134)	(8)	(131)	(24)	(475)
Translation differences	(6)	(22)	(252)	(36)	-	3	(3)	(316)
Change in the scope of the consolidation (1)	(16)	(59)	(196)	(2)	(6)	(97)	(2)	(378)
Reclassifications and other changes (2)	252	1,426	377	104	6	65	(1,766)	464
Discontinued operations movements (6)	(17)	(104)	(596)	20	(36)	(5)	(4)	(742)
YPF & YPF Gas expropiation (3)	(618)	(4,156)	(25,715)	(295)	(171)	(406)	(1,146)	(32,507)
Balance at December 31, 2012	**2,657**	**26,518**	**12,953**	**2,333**	**1,832**	**1,523**	**1,185**	**49,001**
Additions	9	205	1.488	558	1	100	834	3,195
Disposals and derecognitions	(23)	(341)	(15)	(18)	(3)	(40)	(20)	(460)
Translation differences	(25)	(218)	(617)	(108)	(2)	(24)	(18)	(1,012)
Change in the scope of the consolidation (1)	(22)	(378)	-	(19)	(1)	(22)	(11)	(453)
Reclassifications and other changes (2)	41	499	286	34	(1,485)	24	(670)	(1,271)
Discontinued operations movements (5)	1	-	-	-	(67)	(1)	-	(67)
Balance at December 31, 2013	**2.638**	**26,285**	**14,095**	**2.780**	**275**	**1,560**	**1,300**	**48,933**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES								
Balance at January 1, 2012	**(889)**	**(13,971)**	**(25,215)**	**(1,152)**	**(488)**	**(1,334)**	**-**	**(43,049)**
Depreciation charge for the year	(62)	(992)	(831)	(295)	(13)	(76)	-	(2,269)
Disposals and derecognitions	4	136	14	134	8	125	-	421
Impairment losses (recognised) / reversed	-	(21)	1	(19)	-	(42)	-	(81)
Translation differences	1	4	112	17	-	(4)	-	130
Change in the scope of the consolidation (1)	5	27	311	2	4	58	-	407
Reclassifications and other changes (2)	4	(20)	(204)	(122)	1	2	-	(339)
Discontinued operations movements (5)	4	38	322	5	(60)	4		313
YPF & YPF Gas expropiation (3)	251	3,064	19,828	175	119	256		23,693
Balance at December 31, 2012	**(682)**	**(11,735)**	**(5,662)**	**(1,255)**	**(429)**	**(1,011)**	**-**	**(20,774)**
Depreciation charge for the year	(64)	(998)	(862)	(346)	(14)	(74)	-	(2,358)
Disposals and derecognitions	20	346	-	3	3	36	-	408
Impairment losses (recognised) / reversed	(1)	(19)	(7)	-	-	(71)	-	(98)
Translation differences	6	58	258	53	1	10	-	386
Change in the scope of the consolidation (1)	6	145	-	19	-	4	-	174
Reclassifications and other changes (2)	(3)	4	(4)	(31)	379	(2)	-	343
Discontinued operations movements(5)	(251)	(437)	-	-	(52)	(30)		(770)
Balance at December 31, 2013	**(969)**	**(12,636)**	**(6,277)**	**(1,557)**	**(112)**	**(1,138)**	**-**	**(22,689)**
Carrying amount at December 31, 2012	**1,975**	**14,783**	**7,291**	**1,078**	**1,403**	**512**	**1,185**	**28,227**
Carrying amount at December 31, 2013 (4)	**1,669**	**13,649**	**7,818**	**1,223**	**163**	**422**	**1.300**	**26,244**

Note: The movement in 2012 has been restated with respect to the ones that appears in the consolidated financial statements for the year 2012 in order to disclose in a separate line movement related to the sale process of part of the LNG assets and businesses (see Note 31 *"Divestments"* and Note 10 *"Non-current assets held for sale"*) as well as movements generated in 2012 by YPF and YPF Gas between January 1, 2012 and the loss of control (see Note 4).

(1) See Note 30 "*Business Combinations*" and Note 31 "*Divestments.*" In 2013 this heading includes the derecognition of the LNG businesses in the amount of €221 million.

(2) In 2013 this heading includes transfers from "*Assets under construction*", primarily to "*Machinery and plant*" in the amount of €159 million due to several projects carried out during the year. It also reflects transfers in the amount of €1,111 millon to "*Non-current assets held for sale*" related the portion of LNG assets in the process of being sold (see Note 31) that at year-end was pending sale. In 2012 this caption discloses transfers from "*Assets under construction*" mainly to "*Machinery and plant*," in the amount of €891 million, due to the start-up of the enlargement and upgrade work at the Petronor refinery; it also includes €253 million in connection with the new corporate headquarters, known as Campus.

(3) This caption discloses the derecognition from the consolidated balance sheet at the moment of the loss of control of YPF and YPF Gas by the Group, according to the facts described in Note 4.

(4) At December 31, 2013 accumulated impairment charges totaled €1,010 million (€224 million at year-end 2012).

(5) In 2013 this item includes €837 million corresponding to movements in respect of the LNG business operations being sold, mainly the recognition of an impairment loss on the LNG assets in North America (see "*Impairment of Property, plant and equipment*" below).

(6) Includes the changes corresponding to YPF and YPF Gas between January 1, 2012 and the Group's loss of control over these companies and the movements generated by the LNG assets and businesses in connection with the sale process.

Investments in 2013 were earmarked to Spain €875 million, the US €708 million, Brazil €395 million, the rest of Central and South America €833million, Rusia €65 million and Portugal €40 million. In 2012 the main additions were made in Spain €1,092 million, United States €792 million, Brazil €254 million, the rest of Central and South America €863 million, Russia €64 million and Portugal €58 million. Meanwhile, the investments made by YPF and YPF Gas and their investees in 2012 before the loss of control amounted to €328 million.

At year-end 2013, "*Property, plant and equipment*" includes €1,471 million of assets acquired under finance leases and €2,844 million at year-end 2012. Among the assets acquired under finance leases, the gas pipelines and other assets for the transportation of gas in the US and Canada, in the amount of €1,269 million at year-end 2013 (€1,329 million at year-end 2012), stand out (see Note 21). At December 31, 2013, the methane tankers acquired to transport LNG, in the amount of €1,111 million, were transferred to *"Non-current assets held for sale"* (see Note 10) as a result of the LNG disposal process (see Note 31).

This heading also includes investments made by the Group in service concession arrangements in the amount of €976 million at year-end 2013 (€767 million at year-end 2012). These concessions revert to the state over a period of time ranging from 2014 to 2054.

As detailed in Note 2.2.7, the Repsol Group capitalizes qualifying borrowing costs. In 2013 it capitalized €113 million of borrowing costs at an average capitalization rate of 3.83% (€103 million and 4.19% average capitalized rate in 2012). Capitalized borrowing costs are part of "*Finance expense*" in the accompanying income statement.

The hydroelectric generation assets operated under concession in Spain and held by the Group through its investment in Gas Natural Fenosa do not fall under the scope of IFRIC 12 either because the price of the electricity they generate is set in the market. The other international concessions similarly held through Gan Natural Fenosa, fall outside the scope of IFRIC 12 because the grantor does not control any significant residual interest in the infrastructure at the end of the service arrangement and simultaneously regulates the price of the service, among other considerations. These assets are measured at €1,014 million at year-end 2013 (€1,138 million at year-end 2012).

The figures corresponding to non-depreciable assets, that is, land and assets under construction, amount, respectively to €635 million and €1,300 million at December 31, 2013 and €638 million and €1,185 million at December 31, 2012, respectively.

"*Property, plant and equipment*" includes fully depreciated items with an original carrying amount of €8,649 million and €8,609 million at December 31, 2013 and 2012, respectively.

In accordance with industry practices, Repsol insures its assets and operations worldwide. Among the risks insured are damages to property, plant and equipment, together with the subsequent interruptions in its business that such damages may cause. The Group believes that the current coverage level is, in general, appropriate for the risks inherent to its business.

Impairment of "*Property, plant and equipment*"

As a result of the transfer of some of the LNG assets and businesses (see Note 31) has had the effect of breaking up the Cash-Generating Unit that included the North American assets as well as several assets that form part of the transaction scope (mainly the Trinidad and Tobago assets and the associated LNG contracts). Against this backdrop, Repsol proceeded to adjust the value of the assets corresponding to the North American LNG businesses within the LNG segment (principally the Canaport regasification plant and the gas pipelines) to reflect their new value in use, recognizing an impairment provision to this end of €708 million between "*Land, buildings and other structures*," "*Machinery and plant*" and "*Other items of PP&E*". The Group has also recognized a €691 million impairment provision on the onerous "*process-or-pay*" contract associated with the Canaport facility (see Note 16). The recoverable amount of the North American assets amounts to €900 million, which corresponds to their value in use calculated using the new cash flow projections for this CGU, discounted at an average rate of 4.75% (4.3% in 2012). These accounting impacts have been recognized in "*Net income from discontinued operations*" on the understanding that they form part of the cost of selling the LNG assets to Shell.

In addition, in 2013 the Group recognized impairment losses on certain assets in the chemicals business, mainly certain production lines, as a result of the new 'Competitiveness plan' designed to rationalize the Group's productive capacity in Spain and Portugal. Specifically, the Group recognized €17 million under "*Machinery and plant*" and €64 million under "*Assets under construction*", respectively (€18 and €36 million in 2012). These assets are part of the Downstream segment and its recoverable value has been estimated at €0.

In 2012 the Group recognized a €14 million impairment loss on exploration assets in Sierra Leona due to uncertainty regarding the conditions for exploring the associated assets.

(8) INVESTMENT PROPERTY

The changes in "*Investment property*" in 2013 and 2012 were as follows:

	Millions of euros		
	Cost	Accumulated Depreciation and Impairment Losses	Total
Balance at January 1, 2012	**44**	**(20)**	**24**
Reclassifications and other changes	2	-	2
Depreciation charge for the year and other changes	-	(1)	(1)
Balance at December 31, 2012	**46**	**(21)**	**25**
Reclassifications and other changes	2	-	2
Depreciation charge for the year and other changes	-	(3)	(3)
Balance at December 31, 2013	**48**	**(24)**	**24**

The fair value of the assets included in this heading at year-end, valued using amounts to €76 million (year-end 2012: €88 million). This fair value, calculated on the basis of independent expert reports, uses primarily the valuation techniques proposed in Ministerial Order ECO/805/2003, of March 27, regarding property valuation rules, notable among the dynamic residual method which consists of discounting actual or forecast future cash flows based on the principles of greater and better use.

The income recognized in 2013 from investment properties amounted to €2.3 million, being less than €1 million in 2012.

(9) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The most significant investments in associates companies, which were accounted for using the equity method, at December 31, 2013 and 2012, is as follows:

	Millions of euros	
	2013	2012
Petrocarabobo	115	102
Guará, B.V.	86	61
Oleoducto de Crudos Pesados (OCP), Ltd.	54	44
Sociedades de Grupo Gas Natural Fenosa	29	30
Transierra, S.A.	28	29
Compañía Logística de Hidrocarburos CLH, S.A.	20	18
Dynasol Gestión	19	6
Other entities accounted for using the equity method	17	17
Perú LNG Company Llc (1)	-	238
Transportadora de Gas del Perú, S.A. (TGP) (2)	-	65
Atlantic 4 Company of Trinidad & Tobago(1)	-	44
Atlantic LNG Company of Trinidad & Tobago(1)	-	40
Dynasol Elastómeros, S.A. de C.V.	44	43
	412	**737**

(1) Companies that formed part of the scope of the sale of the LNG businesses to Shell (see Note 31 *"Divestments"*).
(2) Companies classified within "*Non-current assets held for sale*" at December 31, 2013 (see Note 10).

Appendix I lists the most significant Group companies consolidated using the equity method of consolidation.

The changes in 2013 and 2012 in this heading in the accompanying consolidated balance sheet were as follows:

	Millions of euros	
	2013	2012
Balance at beginning of year	737	699
Additions	71	86
Disposals	(16)	(41)
Changes in the scope of consolidation (1)	(330)	-
Result of companies accounted for using the equity method	48	47
Dividends distributed	(33)	(26)
Translation differences	(21)	(6)
Reclassifications and other changes (4)	(53)	(3)
Discontinued operations movements (3)	9	15
YPF&YPF Gas expropiation (2)	-	(34)
Balance at end of year	**412**	**737**

Note: The movement in 2012 has been restated with respect to the ones that appears in the consolidated financial statements for the year 2012 in order to disclose in a separate line movement related to the sale process of part of the LNG assets and businesses (see Note 31 *"Divestments"* and Note 10 *"Non-current assets held for sale"*) as well as movements generated in 2012 by YPF and YPF Gas between January 1, 2012 and the loss of control (see Note 4).

(1) In 2013 this heading includes the derecognition of the LNG businesses in the amount of €330 million.
(2) This caption discloses the derecognition from the consolidated balance sheet of YPF and YPF Gas by the Group upon loss of control, according to the facts described in Note 4.
(3) The most significant (net) movements in respect of the LNG businesses sold are: i) Results in 2013 for Atlantic LNG Company of Trinidad & Tobago, Atlantic 4 Company of Trinidad & Tobago and Perú LNG Company in the amounts of €36, €22 and €16 million, respectively, and in 2012, of €25, €19 and €25 million, respectively; and ii) "Dividends" in 2013 from Atlantic LNG Company of Trinidad & Tobago and Atlantic 4 Company of Trinidad & Tobago in the amounts of €36 and €20 million, respectively, and in 2012, of €27 and €22 million, respectively.
(4) In 2013 includes, primarily, the reclassification to heading *"Non-current assets held for sale"* of the investment on Transportadora de Gas del Perú, S.A., (see Note 10).

The main additions in 2013 relate to Guará B.V., Petrocarabobo and Dynasol Gestión in the amounts of €37, €18 and €14 million, respectively. In 2012, €60 million was invested in Guará, B.V.

The disposals in both 2013 and 2012 relate to the return of capital to the shareholders of Guara B.V. following the sale of an offshore exploration platform.

The breakdown in 2013 and 2012 of the Group's share in the profits or losses of the most significant companies accounted for using the equity method is as follows:

	Millions of euros	
	2013	2012 (1)
Compañía Logística de Hidrocarburos CLH, S.A.	17	15
Oleoducto de crudos pesados (OCP), Ltd.	14	10
Transportadora de Gas de Perú, S.A. (TGP)	3	8
Guara, B.V.	5	4
Other entities accounted for using the equity method	9	10
	48	**47**

(1) Includes the necessary modifications with respect to the consolidated financial statements at December 31, 2012 (see Note 2.1.2 "*"Comparison of information")* related to the sale process of part of the LNG assets and business (see Note 31"*Divestments*").

The following companies over which the Group has significant influence, understood as the power of affecting financial and operating decisions of the investee, but does not exercise control or joint control, despite holding an interest of less than 20%, were accounted for using the equity method:

Company	% of ownership
Sistemas Energéticos Mas Garullo, S.A. (1)	18.00%
Oleoducto Transandino de Chile, S.A.	18.00%
Regasificadora del Noroeste, S.A. (1)	11.60%
Compañía Logística de Hidrocarburos CLH, S.A.	10.00%
Transportadora de Gas del Perú, S.A.	10.00%
Qalhat LNG S.A.O.C. (1)	3.68%
Tocardo International B.V.	18.00%

(1) Investees held through the Gas Natural Fenosa Group.

The following table provides the key balances of the Repsol Group associates, calculated in accordance with the group's respective shareholding percentage at December 31, 2013 and 2012 (see Appendix I):

	Millions of euros	
	2013	2012 [(1)]
Balance Sheet		
Total Assets	581	1.765
Total Equity	412	737

	Millions of euros	
	2013	2012 [(2)]
Income Statement		
Revenues	388	450
Net income for the period from continuing operations	48	47

(1) At December 31, 2012, this heading included the following balances with companies that were part of the scope of the LNG sale transaction (see Note 31): (i) "*Total assets*" in the amount of €858 million; and (ii) "*Total equity*" in the amount of €323 million.

(2) Includes the necessary modifications with respect to the consolidated financial statements at December 31,2012 (see Note 2.1.2 *"Comparison of information"*) related to the sale process of part of the LNG assets and businesses (see Note 31 *"Divestments"*).

(10) NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE

The main balance sheet line items classified as assets held for sale and related liabilities at December 31, 2013 and 2012 were as follows:

	Millions of euros	
	2013	2012
Property, plant and equipment and other intangible assets	1,269	310
Other non-current assets	82	22
Current assets	500	8
	1,851	**340**
Non-current liabilities	1,174	7
Current liabilities	359	20
	1,533	**27**
	318	**313**

Non-current assets and liabilities classified as held for sale at December 31, 2013

In December 2013, under the framework of the agreement to sell Shell some of the LNG assets and businesses (see Note 31), the Group reclassified €1,558 million of assets to *"Non-current assets held for sale"* and €1,456 million of liabilities to *"Liabilities related to non-current assets held for sale"*; these assets and liabilities were associated with the LNG assets and businesses that were part of the sale agreement with Shell but had not yet been sold at December 31, 2013. Having obtained all the pertinent permits and met all the closing conditions, the sale closed on January 1, 2014 (see Note 37). These assets and businesses mainly comprised the methane tankers acquired under finance lease arrangements (see Notes 7 and 21.1) to support the LNG marketing, transport and trading activities.

In 2013 the Group has also reclassified to "Non-current assets held for sale" €53 million corresponding to its 10% interest in Transportadora de Gas del Perú, S.A. (see Notes 9 and 37).

It also includes the 17.5% percentage interest held by Group company Repsol Venezuela Gas, S.A. in the area known as Cardón IV in the Gulf of Venezuela, following official notification that Corporación Venezolana de Petróleos (CVP) would acquire the investment. At year end 2013 the assets and liabilities associated with this shareholding amounted to €220 and €76 million respectively.

Non-current assets and liabilities classified as held for sale at December 31, 2012

At December 31, 2012, and ever since it was acquired on December 29, 2011, the investment in Eurotek classified as a non-current asset held for sale. Repsol Exploración Karabashky B.V. acquired 100% of Eurotek, a company that operates oil and gas exploration and production licenses in the Khanty-Mansiysk and Yamal-Nenets regions of the Russian Federation. This acquisition formed part of an agreement signed in December 2011 by Repsol and Alliance Oil concerning the governance of AR Oil and Gaz, B.V ("AROG"), a joint venture 49%-owned by Repsol (see Note 30, "*Business combinations*"), created to serve as both companies' growth platform in the Russian Federation. Having achieved the milestones laid down in that agreement, Eurotek was sold to AROG, B.V. on January 24, 2013 for 315 million US dollars (see Note 31). Eurotek had, since its acquisition, been classified under non-current assets held for sale in the balance sheet. This sale is the last milestone under the agreement signed in December 2011 by Repsol and Alliance Oil to govern the incorporation of AROG, by virtue of which the Group acquired 49% of AROG in 2012 (see Note 30).

For information on the assets and liabilities classified as held for sale that were sold during 2013 and 2012, see Note 31.

(11) CURRENT AND NON-CURRENT FINANCIAL ASSETS

The breakdown of the different concepts that are included on the balance sheet is as follows:

	Millions of euros	
	2013	**2012**
Non-current financial assets	1,802	1,313
Other current financial assets	93	415
Currents derivatives on trading transactions (1)	25	45
Cash and cash equivalents (2)	7,434	5,903
	9,354	**7,676**

Note: In December 2013, as consequence of the sale process of part of the LNG assets and businesses (see Note 31 *"Divesments"*), amounts of €414 and €275 million were derecognized or reclassified to "*Non-current assets held for sale*" from "*Non-current financial assets,"* and "*Cash and cash equivalents*"; these balances amounted at €427 and €44 million, respectively at December 31, 2012. In 2012, as a consequence of the loss of control and the expropriation process of YPF and YPF Gas (see Note 4) *"Non-current financial assets," "Other current financial assets," and "Cash and cash equivalents"* corresponding to YPF and YPF Gas and its group companies have been derecognized.

(1) Recognized under the heading "*Other receivables*."

(2) Includes €1,350 million corresponding to Spanish government bonds repos due January 2, 2014.

The detail, by type of assets, of the Group's financial assets at December 31, 2013 and 2012, is as follows:

	December 31, 2013						
	Carrying amount						
NATURE/CATEGORY	Financial assets held for trading	Other financial assets at fair value through profit or loss	Financial assets available for sale	Loans and receivables	Held to maturity investments	Hedging derivatives	Total
Equity instruments	-	-	1,268	-	-	-	1,268
Derivatives	-	-	-	-	-	1	1
Other financial assets	-	87	-	424	22	-	533
Long term/Non-current	**-**	**87**	**1,268**	**424**	**22**	**1**	**1,802**
Derivatives	42	-	-	-	-	4	46
Other financial assets	-	11	-	72	7,423	-	7,506
Short term/Current	**42**	**11**	**-**	**72**	**7,423**	**4**	**7,552**
TOTAL [(1)]	**42**	**98**	**1,268**	**496**	**7,445**	**5**	**9,354**

	December 31, 2012						
	Carrying amount						
NATURE/CATEGORY	Financial assets held for trading	Other financial assets at fair value through profit or loss	Financial assets available for sale	Loans and receivables	Held to maturity investments	Hedging derivatives	Total
Equity instruments	-	-	641	-	-	-	641
Derivatives	-	-	-	-	-	-	-
Other financial assets	-	84	-	578	10	-	672
Long term/Non-current	**-**	**84**	**641**	**578**	**10**	**-**	**1,313**
Derivatives	51	-	-	-	-	7	58
Other financial assets	-	11	-	401	5,893	-	6,305
Short term/Current	**51**	**11**	**-**	**401**	**5,893**	**7**	**6,363**
TOTAL [(1)]	**51**	**95**	**641**	**979**	**5,903**	**7**	**7,676**

(1) In the headings "*Other non-current assets*," and in the headings "*Trade receivables*" and "*Other receivables*" of the balance sheet include an amount , in 2013, of €253 million classified under long term and €7,220 million classified under short-term and in 2012 an amount of €242 million classified under long term and €7,320 million classified under short term, arising out of commercial receivables not included in the breakdown of the financial assets in the previous table. Additionally, nor are the assets presented under "*Non-current assets held for sale subject to expropriation*" in the consolidated balance sheet, as detailed in Note 4.3; neither are included in the financial asset disclosures provided in the table above.

The classification of the financial assets recognized in the financial statements at fair value, by fair value calculation method level hierarchy, is as follows:

	Level 1		Level 2		Level 3		Total	
Financial assets at fair value [(1)]	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Financial assets held for trading	11	8	31	43	-	-	42	51
Other financial assets at fair value through profit and loss	98	95	-	-	-	-	98	95
Financial assets available for sale [(2)]	1,177	567	-	-	-	-	1,177	567
Hedging derivatives	-	-	5	7	-	-	5	7
Total	**1,286**	**670**	**36**	**50**	**-**	**-**	**1,322**	**720**

Level 1: Valuations based on a quoted price in an active market for an identical instrument which basically refer to YPF shares not subject to expropriation and to investment funds hold by the Group.
Level 2: Valuations based on a quoted price in an active market for similar financial assets or based on other valuation techniques that rely on observable market inputs.
Level 3: Valuations based on inputs that are not directly observable in the market.

(1) Regarding the shares of YPF and YPF Gas subject to expropriation, which are presented within "*Non-current assets held for sale subject to expropriation*" at their fair value in accordance with IFRS 5, see Note 4, "*Accounting treatment of the expropriation*".
(2) Does not include €91 million and €74 million in 2013 and 2012, respectively, corresponding to equity investments in companies that are measured at acquisition cost under IAS 39 or the shares of YPF Gas S.A. that were not expropriated (see "*Accounting treatment of the expropriation*" in Note 4).

The valuation techniques used for the instruments classified under level 2, which mainly correspond to derivative financial instruments, are based on the income approach, in accordance with accounting regulations, which entail the discounting to present value of future cash flows associated with said instruments, estimated using forward curves offered in the market, including adjustments for credit risk based on the duration of the instruments. In the case of options, price-setting models based on the Black & Scholes formula are used.

The most significant variables for valuing financial instruments vary depending on the type of instrument, but fundamentally include: exchange rates (spot and forward), interest rate curves, counterparty risk curves, prices of equity securities, and the volatilities of all the aforementioned factors. In all cases, market data is obtained from reputed information agencies or correspond to quotes issued by official bodies.

The composition of current and non-current financial assets by category is as follows:

11.1) Financial assets held for trading

Derivatives not designated as hedging instruments are included within this category (see Note 20).

11.2) Other financial assets at fair value through profit or loss

Financial assets measure at fair value through profit or loss in the years 2013 and 2012 mainly correspond to collective mutual funds.

11.3) Financial assets available for sale

At year-end 2013 and 2012 this heading primarily comprises Repsol's 6.43% ownership interest in YPF S.A. and its 33.997% interest in YPF Gas S.A., these shares have not been expropriated by the Argentine government. It also includes the 5.95% ownership interest in YPF S.A. acquired by means of foreclosure when the Group called in the pledge on the loans granted by the Group and other financial institutions to the Petersen group (including the partial execution of the counter-guarantee in April 2013 and its right to exercise the remaining counter-guarantee in the wake of cancellation in full of its obligation to Banco Santander in November 2013) in the amount of €1,177 million at year-end 2013 (€530 million at year-end 2012).

Additionally, this heading includes minority equity interests in companies over which the Group does not have management influence.

The main addition in 2013 corresponds to the acquisition by Gas Natural Fenosa of an equity interest in Medgaz, S.A. In July 2013 a 10% interest in Medgaz, S.A. was acquired from Sonatrach for €16 million and in July 2013 an additional 4.9% interest was acquired from Gaz de France International, S.A.S for €11 million (amounts stated at Repsol's percentage interest in Gas Natural Fenosa).

The movement in financial assets available for sale during the years ended December 31, 2013 and 2012 is the following:

	Millions of euros	
	2013	**2012**
Balance at beginning of year	**641**	**128**
Additions	28	6
Disposals [(1)]	(42)	-
Adjustments to fair value [(2)]	610	38
Changes in the scope of consolidation	(5)	-
Reclassifications and other changes [(3)]	36	-
YPF & YPF Gas expropriation [(4)]	-	469
Balance at end of year	**1,268**	**641**

(1) Includes the derecognition of the Group's 3.47% interest in Alliance Oil Company in the amount of €39 million

(2) In 2013, this heading corresponds to the change in the market value of the shares not subject to expropriation in YPF (including those foreclosed following execution of the pledge securing the loans granted by the Group to the Petersen group) and YPF Gas, which gave rise to recognition of a gain of €607 million (gain of €59 million in 2012), and the change in the fair value of the investment in Alliance Oil Company, which gave rise to recognition of a loss of €3 million in 2013 (loss of €21 million in 2012).

(3) In 2013 this heading mainly includes the execution of the BSAN counter-guarantee in April and the right deriving from the cancellation in November of obligation to Banco Santander, as detailed in Note 4.3.

(4) In 2012 this heading primarily comprises the initial recognition of Repsol's unexpropriated 6.43% ownership interest in YPF S.A. and 33.997% interest in YPF Gas S.A. in the amount of €300 million, as well as the initial recognition of its 5.38% ownership interest in YPF S.A. foreclosed from the Petersen group in the amount of €172 million.

11.4) Loans and receivables

The fair value of the loans and receivables of the Group is detailed in the following table:

	Millions of euros			
	Carrying amount		Fair value	
	2013	2012	2013	2012
Non-current	424	578	424	793
Current	72	401	72	401
Total loans and receivables	**496**	**979**	**496**	**1,194**

Note: In December 2013, as consequence of the sale process of part of the LNG assets and businesses (see Note 31 "*Divestments*") an amount of €414 million were derecognized or reclassified to *Non-current assets held for sale*" from *"Loans and receivables"*; this balance amounted to €427 million at December 31, 2013.

The current and non-current loans include the vendor loans extended by the Group to the Petersen group in connection with the acquisition by the latter of a stake in YPF S.A. At year-end these loans were fully provisioned (see Note 4.3). In addition, current and non-current loans include the loans granted to consolidated companies in the amount not eliminated in the consolidation process of €94 million and €223 million in 2013 and 2012, respectively; these amounts reflect impairment charges of €19 and €21 million, respectively.

This heading includes the funding for the tariff deficit in the regulated electricity segment via the Group's interest in the Gas Natural Fenosa group. At December 31, 2013, Gas Natural Fenosa has recognized the right to collect €146 million of the tariff deficit funded by it, all of which funded in 2013. As a result of the regulatory changes introduced in 2013 with respect to the process for addressing the structural tariff deficit, the current portion of "Loans and receivables" includes the amount that is expected to be collected within 12 months of the reporting date, and the remainder, which is due collection within 15 years at the latest, is included in the non-current portion of this same heading. The figures stated correspond to the Repsol Group's proportionate interest in Gas Natural Fenosa

This heading also includes financing extended by Gas Natural Fenosa to Contour Global La Rioja, S.L. in the amount of €71 million at December 31, 2013 (€76 million at December 31, 2012) in connection with the sale of the Arrúbal CCGT (La Rioja) which was closed on July 28, 2011. This loan is secured by the shares in this company and other assets and accrues interest at market rates; it falls due in 2021. The figures stated correspond to the Repsol Group's proportionate interest in Gas Natural Fenosa.

The return accrued on the financial assets disclosed in the table above (without considering financing of the shortfall in regulated electricity tariff settlements) was equivalent to an average interest rate of 6.92%% in 2013 and of 6.78% in 2012, respectively.

The maturity of non-current loans and receivables is the following:

	Millions of euros	
Due date	2013	2012
2014	-	19
2015	24	5
2016	16	6
2017	16	20
2018	16	6
Subsequent years	352	522
	424	**578**

11.5) Held to maturity investments

The breakdown of the face value of the held to maturity investments at December 31, 2013 and 2012 is as follows:

	Millions of euros	
	2013	2012
Non-current financial assets	22	10
Current financial assets	-	-
Cash equivalents	2,773	1,857
Cash on hand and at banks	4,650	4,036
	7,445	**5,903**

The fair value of the financial held to maturity investments is the same as their face value, except for the non-current financial assets, whose fair value does not differ significantly from face value.

Financial investments are mainly from placements in banks and collateral deposits. These financial investments have accrued an average interest of 1.17% and 1.52% in 2013 and 2012, respectively.

The non-current financial assets held-to-maturity mature as follows:

Due date	Millions of euros 2013	2012
2014	-	-
2015	-	-
2016	-	-
2017	-	-
2018	-	-
Subsequent years	**22**	10
	22	**10**

(12) INVENTORIES

The "Inventories" composition at December 31, 2013 and 2012 is as follows:

	Millions of euros	
	2013	**2012**
Crude oil and natural gas	2,281	2,139
Finished and semi-finished goods	2,595	2,932
Supplies and other inventories	380	430
Total	**5,256**	**5,501**

Note: In 2013, as consequence of the sale process of part of the LNG businesses (see Note 31 "*Divestments*"), amounts of €53 and €19 million were derecognized or reclassified to *"Non-current assets held for sale"* from *"Crude oil and natural gas"* and *"Supplies and other inventories,"* respectively; these balances amounted to €120 and €17 million, respectively, at December 31, 2012. In 2012, as a consequence of the loss of control and the expropriation process of YPF and YPF Gas (see Note 4), the "*Inventories*" corresponding to YPF and YPF Gas and its group companies have been derecognized.

At December 31, 2013 and 2012, the balance of "commodity" inventories, related to trading activity, at fair value less costs to sell amounted to €1,212 million and €888 million (see Note 2.2.1.12), respectively, and the effect of their measurement at market value represented an income of €3 million in 2013 and €9 million in 2012. Recoverable value is calculated using market information and price. To estimate the related cash flows, the Group uses forward price/benchmark price curves provided by the market as well as a benchmark time horizon for pricing purposes. The main inputs used to value these transactions are mainly prices taken from official publications (Platt's, Argus, OPIS, the brokerage community) and historic premiums.

The Repsol Group complies, both at December 31, 2013 and December 31, 2012, with the legal requirements regarding minimum safety stocks established under prevailing legislation (see Appendix III) through its Spanish Group companies.

(13) TRADE AND OTHER RECEIVABLES

The breakdown of this heading at December 31, 2013 and 2012 was the following:

	Millions of euros	
	2013	2012
Trade receivables for sales and services (gross amount)	6,035	6,479
Doubtful accounts provision	(414)	(398)
Trade receivables	**5,621**	**6,081**
Other trade creditors and other receivables	1,255	879
Debtors from personnel transactions	49	39
Receivables from public bodies	305	321
Derivatives held for traiding [1]	25	45
Other receivables	**1,634**	**1,284**
Income tax assets	**471**	**416**
Trade and other receivables	**7,726**	**7,781**

Note: In 2013, as consequence of the sale process of part of the LNG assets and businesses (see Note 31 "*Divestments*"), an amount of €181 million was derecognized or reclassified to "*Non-current assets held for sale*" from "*Trade and other receivables*"; this balance amounted to €192 million at December 31, 2012. In 2012, as a consequence of the loss of control and the expropiation process of YPF and YPF Gas (see Note 4), the "*Trade and other receivables*" corresponding to YPF and YPF Gas and its group companies have been derecognized.

[1] This heading includes the items outlined in Note 11.

The changes in the provision for doubtful accounts in 2013 and 2012 were as follows:

	Millions of euros	
	2013	2012
Balance at beginning of the year	398	404
Impairment losses recognized/ (reversed)	86	92
Change in the scope of consolidation	(18)	(2)
Translation differences	(17)	2
Reclassifications and other movements	(36)	(2)
Discontinued operations movements	1	(2)
YPF & YPF Gas expropiation[1]	-	(94)
Balance at end of the year	**414**	**398**

[1] This heading discloses the derecognition of provisions upon loss of the Group's control of YPF and YPF Gas according to the facts described in Note 4.

(14) EQUITY

14.1) Share capital

The share capital at December 31, 2013 and 2012, registered within the Companies Register, consisted of 1,302,471,907 and 1,256,178,727 fully subscribed and paid up shares of €1 par value each, in book entry form, and all listed on the Spanish stock exchanges and Buenos Aires Stock Exchange. The Company still has an ADS program. Since March 9, 2011 its ADSs are traded on the OTCQX market.

Following the most recent bonus share issue, closed in January 2014, outlined below, the share capital of Repsol, S.A. is currently represented by 1,324,516,020 shares, each with a par value of €1. Under accounting regulations, because the abovementioned capital increase had been registered within the Companies Register before the Board of Directors authorized the consolidated financial statements for issue, this bonus share issue has been recognized in the Group's financial statements as of December 31, 2013.

In 2012 Repsol starts for the first time the program named "*Repsol Dividendo Flexible*", approved at the Annual Shareholders' Meeting on May 31, 2013. This program materializes in capital increases charged to the voluntary reserves derived from retained earnings with the irrevocable commitment on the part of Repsol to purchase the bonus share rights allocated free of charge at a guaranteed fixed price. Under this program, Repsol offers its shareholders the choice of receiving their remuneration in the form of newly issued paid-up shares of the Company or cash, or a mix thereof. The cash option is availed of by selling bonus share rights either in the market at their list price or to the Company at the guaranteed sale price.

The Company's shareholders agreed to renew the scheme at the Annual Shareholders' Meeting of May 31, 2013, replacing what would have been the traditional final dividend against 2012 profits and the interim dividend drawn from 2013 profits with two approved capital increases in the form of bonus share issues.

On May 31, 2013, in the wake of the Annual Shareholders' Meeting, the Company's Board of Directors resolved to delegate in the Executive Committee the powers that the shareholders had vested in the Board of Directors in relation to the two capital increases and, specifically, the related execution powers.

Exercising this power, Repsol's Executive Committee authorized the execution of the first of these capital increases on June 17, 2013, the main terms of which were:

- The bonus share rights traded on the Spanish stock exchanges between June 20 and July 4, 2013. Shareholders had until June 28 to sell their rights to Repsol at the agreed fixed price.

- Holders of 59.33% of the bonus share rights (a total of 760,892,202 rights) elected to receive new-issue shares of Repsol in the proportion of 1 new share for every 38 rights held, giving rise to the issuance of 20,023,479 new shares with a unit par value of €1, increasing share capital by 1.56% with respect to capital prior to the bonus share issue.

- Within the term stipulated to this end, the holders of 40.67% of the bonus share rights (521,556,172 rights) accepted the irrevocable commitment assumed by Repsol to purchase the rights at a guaranteed pre-tax price of €0.445 per right. As a result, Repsol acquired the above-mentioned rights for a pre-tax sum of €232 million, renouncing the shares corresponding to the rights acquired by virtue of its purchase commitment. In the end, the amount of the acquisition of bonus share rights under the purchase commitment was higher than the amount earmarked to these acquisitions (€208 million) as part of the appropriation of 2012 profit motion ratified at the Annual Shareholders' Meeting of May 31, 2013 under Agenda item five. Accordingly, as envisaged under the terms of the said appropriation of profit motion, the difference (a €24 million shortfall) ultimately reduced the amount allocated to increasing the parent company's reserves.

- This capital increase was registered with the Madrid Companies Registry on July 8, and the new shares were listed on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges through the Spanish Automated Quotation System (*Mercado continuo* in Spanish) on July 12, 2013. The new shares are also listed on the Buenos Aires Stock Exchange.

On December 18, 2013, Repsol' Executive Committee authorized execution of the second capital increase approved at the Annual Shareholders' Meeting, the main characteristics of which were:

- The bonus share rights traded on the Spanish stock exchanges between December 21, 2013 and January 9, 2014. Shareholders had until December 31 to sell their rights to Repsol at the agreed fixed price.

- The holders of 62.62% of the bonus share rights (a total of 815,632,181 rights) elected to receive their remuneration in the form of new-issue shares of the Company in the proportion of one new share for every 37 rights giving rise to the issuance of 22,044,113 new shares with a unit par value of €1, increasing share capital by 1.69% with respect to capital prior to the bonus share issue.

- The holders of the remaining 37,38% of the bonus share rights (486,839,688 rights) accepted the irrevocable commitment assumed by Repsol to purchase the rights at a guaranteed pre-tax price of €0.477 per right, and the respective payment was made to Repsol shareholders on January 14, 2014, giving rise to a pre-tax outlay of €232 million. Repsol renounced the shares corresponding to the bonus share rights acquired by virtue of this purchase commitment. As a result of the foregoing, the Group has recognized a reduction in equity under "*Retained earnings and other reserves*" along with the obligation to pay the shareholders that had accepted the above irrevocable commitment at the said amount.

- The capital increase was registered with the Madrid Companies Register on January 10, 2014 and the new shares began to trade on the continuous market of the Madrid, Barcelona, Bilbao and Valencia stock exchanges on January 17, 2014 through the Spanish Automated Quotation System (by its name in Spanish). Application has also been made to list the new shares on the Buenos Aires stock exchange.

According to the latest information available, the major shareholders of the Company, deemed related parties of Repsol, are:

Major Shareholders	% total over share capital Lastest available information
CaixaBank, S.A	11.82%
Sacyr, S.A. (1)	9.23%
Petróleos Mexicanos (2)	9.30%
Temasek Holdings (Private) Limited (3)	6.26%

(1) Sacyr, S.A. holds its stake through Sacyr Participaciones Mobiliarias, S.L.
(2) Petróleos Mexicanos (Pemex) holds its stake through Pemex Internacional España, S.A., PMI Holdings, B.V. and through several swap instruments (equity swaps) with certain financial entities that enable Pemex to exercise the economic and political rigths.
(3) Temasek holds its investment through its subsidiary, Chembra Investment PTE, Ltd.

At December 31, 2013, the following Group companies' shares were publicly listed:

Company	Number of listed shares	% of share capital listed	Stock exchanges [1]	Year-end market price	Average last quarter	Currency
Repsol, S.A.	1,302,471,907	100%	Spanish stock exchanges (Madrid, Barcelona, Bilbao, Valencia)	18.32	18.74	euros
			Buenos Aires	211.00	226.01	pesos
			OTCQX [2]	25.29	25.44	dollars
Gas Natural SDG, S.A.	1,000,689,341	100%	Spanish stock exchanges (Madrid, Barcelona, Bilbao, Valencia)	18.70	17.58	euros
Refinería La Pampilla, S.A.	1,244,679,999	100%	Lima Stock Exchange	0.30	0.34	soles
Compañía Logística de Hidrocarburos, CLH	1,779,049	2.54%				
Serie A	90,000	100.00%	Spanish stock exchanges			
Serie D	1,689,049	100.00%	(Madrid, Barcelona, Bilbao, Valencia)	27.85	26.23	euros

(1) Exchanges or markets for which the Group has specifically applied for admission to trading. Other exchanges, markets or multilateral trading platforms on which the shares may be traded without having been specifically requested by the Group are not included.

(2) Repsol’s American Depositary Shares (ADSs) are traded on the OTCQX, an OTC (over the counter) US trading platform.

14.2) Share premium

The share premium at December 31, 2013 and 2012 amounted to €6,428 million. The Spanish Companies Act expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use.

14.3) Reserves

Legal reserve

Under the Spanish Companies Act, 10% of net income for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

Revaluation reserve

The balance of “*Revaluation Reserve*” under the Royal Decree-Law 7/1996 of June 7 can be used, free of tax, to offset losses (both prior years' accumulated losses, current year losses or losses which might arise in the future), and to increase capital. From January 1, 2007, the balance of this account can be taken to unrestricted reserves, provided that the monetary surplus has been realized. The surplus will be deemed to have been realized in respect of the portion on which depreciation has been taken for accounting purposes or when the revalued assets have been transferred or derecognized. The distribution of these reserves would give rise to entitlement to a dividend double taxation tax credit. If this balance were used in a manner other than as exposed it would be subject to taxation.

Other reserves

Includes mainly the transition to IFRS reserve, which comprises the adjustments related to the differences between the previous accounting principles and the IFRS, from events and transactions before the transition date to IFRS (January 1, 2004) and all the results created and not distributed as dividends, which had not been recognized in any of the different reserves previously mentioned.

14.4) Treasury shares and own equity instruments

The Annual Shareholders' Meeting held on April 30, 2010, authorized the Board of Directors for the derivative acquisition of shares of Repsol, by sale, purchase, exchange or any other onerous legal business modality, directly or through controlled companies, up to a maximum number of shares, that added to those already own directly or through controlled companies, not exceeding 10% of the share capital and for a price or equivalent value that may not be lower than the nominal value of the shares nor exceed the quoted price on the stock exchange.

The authorization is valid for 5 years from the date of the Shareholders' Meeting and left without effect, in the non-used part, the equivalent resolution approved by the Annual Shareholders' Meeting held on May 14, 2009.

On December 20, 2011, Repsol acquired 122,086,346 treasury shares of 1 euro par value each, representing 10% of its share capital, in furtherance of the resolution unanimously adopted by the Board of Directors on 18 December.

In January 2012, Repsol made a placement among professional and qualified investors of 61,043,173 of its own shares (treasury shares), representing 5% of Repsol share capital at a price of €22.35 per share for a total amount of €1,364 million.

On March 4, 2013, investment group Singapur Temasek acquired 64,700,00 million Repsol shares held as treasury stock representing 5.045% of its share capital at the time of the transaction for €16.01 per share, implying a payment of €1,036 million to Repsol and a negative impact on equity in the first half of 2013 of €208 million.

Under the framework of the Share Acquisition Plan 2013-2015, approved at the Annual Shareholders' Meeting on May 31, 2012, the Group acquired a total of 406,430 shares, representing 0.03% of share capital (hereinafter, share capital as of December 31, 2013 after the bonus share issues described in Note 14.1 above) at a cost of €7.1 million in 2013. These shares have been delivered to the employees of the Repsol Group signed up to the scheme. In 2012, under the umbrella of the Share Acquisition Plan 2011-2012, the Company acquired a total of 585,441 shares, representing 0.046% of share capital, at a cost of €9.1 million, which were delivered to the Repsol Group employees signed up to the scheme.

In addition, the Group acquired 5,619,592 own shares, representing 0.42% of share capital, at a cost of €98.4 million in 2013. During the year, the Group sold 3,423,536 shares representing 0.26% of share capital for a pre-tax sum of €60 million. In 2012, the Group acquired a total of 3,619,332 own shares representing 0.28% of share capital, for €52 million. In 2012, 4,736,702 shares, representing 0.37% of share capital, were sold for a pre-tax sum of €76 million.

Lastly, in 2013 the Group sold 982,500 own shares, representing 0.07% of share capital, and bought 100,000 own shares, representing 0.01% of share capital, in the course of trading in options over its owns shares, in the amounts of €18 and €1.9 million, respectively.

As a result of the capital increases of July 2013 and January 2014, outlined in Note 14.1 *"Share capital,"* the Group received 19,358 and 35,762 new shares, respectively, corresponding to the shares it held at the time as treasury stock. In 2012, as a result of the July 2012 and January 2013 capital increases, the Group received 2,936,789 and 1,904,926 new shares, respectively, corresponding to the shares held at the time as treasury stock.

At December 31, 2013 and 2012, the treasury shares held by Repsol and/or other companies within the Group, represented 0.108% and 5.05% of its share capital respectively.

14.5) Adjustments for changes in value

The heading includes:

Financial assets available for sale

It comprises the profits and losses, net of the related tax effect, corresponding to changes in the fair value of non-monetary assets classified within the category of financial assets available for sale.

Other financial instruments

This heading recognizes the fair value changes, net of the related tax effect, which are recognized directly in equity, on the shares subject to expropriation (see Note 4.3).

Hedging transactions

It comprises the effective part, net of the related tax effect, of changes in the fair value of derivative instruments defined as cash flow hedges (see Note 2.4.25 and Note 20).

Translation differences

This item corresponds to exchange differences recognized in equity as a result of the consolidation process described in Note 2.2.1, and the measurement at fair value of the financial instruments assigned as net investment hedges in foreign transactions (see Note 20) in accordance to the method described under Note 2.2.25.

The movement in adjustments for changes in value is presented in the consolidated statement of recognized income and expenses by item and before the corresponding tax effect. The tax effects of the changes set out in the 2013 and 2012 statements of recognized income and expense are broken out in the following table:

	Millions of euros					
	Recognised in equity		Transfer to the income statement		Total	
	2013	2012	2013	2012	2013	2012
Measurement of financial assets available for sale	(162)	(11)	1	(8)	(161)	(19)
Other financial instruments	65	(4)	(61)	-	4	(4)
Cash flow hedges	(21)	6	(7)	(6)	(28)	-
Translation differences	(8)	(1)	1	-	(7)	(1)
Actuarial gains and losses and othe adjustments	-	9	-	-	-	9
	(126)	(1)	(66)	(14)	(192)	(15)

14.6) Shareholder remuneration

The following table details the dividends and other forms of remuneration paid by Repsol, S.A. to its shareholders in 2013 and 2012:

	12/31/2013			12/31/2012		
	% Nominal	**Euros per Share**	**Amount**	**% Nominal**	**Euros per Share**	**Amount**
Ordinary Shares	4.00%	0.04	51	57.75%	0.5775	635
Remaining Shares (without vote, recovery, etc.)	-	-	-	-	-	-
Total Dividends paid	**4.00%**	**0.04**	**51**	**57.75%**	**0.5775**	**635**
a) Dividends charged to profits	4.00%	0.04	51	57.75%	0.5775	635
b) Dividends charged to reserves or share Premium issues	-	-	-	-	-	-
c) Dividends in kind	-	-	-	-	-	-

The remuneration received by shareholders in 2013 includes a cash dividend drawn from 2013 profit in the amount of €51 million (€0.04 per share before tax) paid on June 20, 2013 in respect of each of the parent company's outstanding shares carrying dividend rights.

The remuneration received in 2012 includes the interim dividend from 2011 profits, which totaled €635 million (€0.5775 per share before tax) and was paid on January 10, 2012 in respect of each of the Company's outstanding shares carrying dividend rights.

In addition, during 2013 and 2012 shareholders were remunerated under a scrip dividend scheme called the "*Repsol Flexible Dividend*" as detailed in section 14.1 above, "*Share capital*," the amounts of which are shown in the table below:

	No. of bonus share rights sold to Repsol	Committed purchase price (€/right)	Cash outlay (millions of euros)	New shares issued	Remuneration in shares (millions of euros)
June/July 2012	443,927,625	0.545	242	35,315,264	339
December 2012/ January 2013	389,278,581	0.473	184	26,269,701	410
June/July 2013	521,556,172	0.445	232	20,023,479	423
December 2013/ January 2014	486,839,688	0.477	232	22,044,113	389

"Lastly, at the date these financial statements were prepared, within the framework of the "*Repsol Flexible Dividend*" program and in place of the traditional yearly complementary dividend, the Board of Directors will propose to the Ordinary General Shareholders Meeting that a capital increase be carried out with a charge to voluntary reserves from non-distributable profit, equivalent to shareholder remuneration of 0.50 euros per share."

14.7) Earnings per share

Earning per Share at December 31, 2013 and 2012 are detailed below:

	2013	2012
Net income attributable to the parent company (millions of euros)	195	2,060
Net income attributable to the parent company for discontinued operations (millions of euros)	(684)	638
Weighted average number of shares outstanding (millions of shares)	1,313	1,255

EARNINGS PER SHARE (EPS) ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT (EUROS)	**2013**	**2012**
Basic		
EPS basic atributed to parent	0.15	1.64
EPS basic atributed to parent for discontinued operations	-	0.51
Diluted		
EPS basic atributed to parent	0.15	1.64
EPS basic atributed to parent for discontinued operations	-	0.51

The number of shares outstanding at December 31, 2012 was 1,256,178,727; however, the weighted average number of shares outstanding at year end 2012 has been modified with respect to the number used to calculate earnings per share in the 2012 financial statements in order to reflect the impact of these bonus share issues carried out under the scope of the scrip dividend scheme known as “2013 Repsol Flexible Dividend”, in keeping with applicable accounting regulations (see Note 2.1.2 “*Comparison of information*”).

14.8) Minority interests

The equity attributable to minority interests at year end 2013 and 2012 relates basically to the following companies:

	Millions of Euros	
	2013	2012
Gas Natural Fenosa group companies [(1)]	469	485
Refinería La Pampilla, S.A.	110	134
Petronor, S.A.	91	103
Other companies	43	48
Total	**713**	**770**

Note: In 2012, as a result of the loss of control and the expropriation process (see Note 4), “*Minority interests*” corresponding to YPF and YPF Gas and its Group companies were derecognized.

(1) This heading includes preference shares issued by Unión Fenosa Preferentes, S.A., part of the Gas Natural Fenosa Group, with a face value of €225 at December 31, 2013 and 2012 respectively (proportionate to Repsol Group’s interest in Gas Natural Fenosa).

(15) GRANTS

The grants recognized in the consolidated balance sheet in the amounts of €66 million at year end 2013 and €61 million at year end 2012 correspond mainly to subsidies for the construction of gas or electrical infrastructure (€56 million at year end 2013 and €51 million at year end 2012).

Revenues at December 31, 2013 and 2012 in relation to non-financial assets grants are transferred to the income statement under the heading “*Allocations of grants on non-financial assets and other grants*” amounting to €13 million and €13 million respectively. Meanwhile, grants related to income are recognized in the income statement under the heading “*Other operating income*” and amounted to €28 million in 2013 and €21 million in 2012.

(16) CURRENT AND NON CURRENT PROVISIONS

The Breakdown of provisions at year end and the changes in this heading in 2013 and 2012 are as follows:

	Millions of euros						
	Current and non-current provisions for contingencies and expenses						
	Provisions for pensions [8]	Provision for field dismantling costs	Provisions for contracts	Environment[9]	CO_2 Emissions [10]	Other provisions	Total
Balance at January 1,2012	**255**	**1,844**	**302**	**255**	**95**	**1,527**	**4,278**
Allowances of provisions charged to results [2]	14	30	60	13	110	229	456
Reversals of provisions with a credited to results [3]	-	(13)	-	(2)	-	(80)	(95)
Provisions released due to payment[1]	(22)	(1)	(50)	(8)	-	(201)	(282)
Changes in the scope of consolidation	-	(4)	-	-	-	(17)	(21)
Translation differences	5	(12)	(4)	-	-	(4)	(15)
Reclassifications and other changes [4]	26	156	-	-	(93)	(4)	85
Discontinued operations movements [5]	(1)	(32)	1	(16)	-	(9)	(57)
YPF & YPF Gas expropiation [6]	(29)	(1,150)	(99)	(191)	-	(331)	(1,800)
Balance at December 31, 2012	**248**	**818**	**210**	**51**	**112**	**1,110**	**2,549**
Allowances of provisions charged to results [2]	13	28	55	9	70	1,019	1,194
Reversals of provisions with a credited to results [3]	-	(5)	(27)	(2)	-	(100)	(134)
Provisions released due to payment	(25)	(3)	(50)	(5)	-	(83)	(166)
Changes in the scope of consolidation [1]	-	(16)	-	-	(1)	(10)	(27)
Translation differences	(16)	(26)	(8)	-	-	(14)	(64)
Reclassifications and other changes [4]	21	(24)	-	(49)	(111)	(3)	(166)
Discontinued operations movements[7]	-	-	691	50	1	-	742
YPF & YPF Gas expropiation [6]	-	-	-	-	-	-	-
Balance at December 31, 2013	**241**	**772**	**871**	**54**	**71**	**1,919**	**3,928**

Note: The movement in 2012 has been restated with respect to the one that appears in the consolidated financial statements for the year 2012 in order to disclose in a separate line movements related to the sales process of part of LNG assets and businesses (see Note 31 *"Divestmentss"* and Note 10 *"Non-current assets held for sale"*) as well as movements generated in 2012 by YPF and YPF Gas between January 1 and the loss of control event (see Note 4).

(1) See Note 30 *"Business Combinations"* and Note 31 *"Divestments."* In 2013 this heading discloses the derecognition of the LNG businesses in the amount of €21 million.
(2) Includes €134 and €131 million in relation with discounting provisions to present value in 2013 and 2012 respectively. In 2013 "*Other provisions*" mainly comprises provisions for legal and tax obligations (see Notes 23 and 34.1).
(3) Includes the cancellation of provisions for certain items recognized by Group companies in several countries, due to changes in the circumstances that had given rise to their initial recognition.
(4) In 2012 includes €159 million corresponding to additions to property, plant and equipment and the provision made for field dismantling charges.
(5) Includes movements related to YPF and YPF Gas from January 1, 2012 to the loss of control of the Group in these companies.
(6) This heading discloses the derecognition of YPF and YPF Gas by the Group upon loss of control, according to the facts described in Note 4 *"Expropriation of the Repsol Group's shares in YPF S.A. and YPF Gas S.A."*
(7) In 2013, the "*Provisions for contracts*" column includes an allowance charged against "*Net profit from discontinued operations*" for "*Process or pay*" contract related to the Canaport regasification plant in North America (see Note 31 "*Divestments*") amounting to €691 million.
(8) See Note 17
(9) See Note 35.2
(10) See Note 6 and 35.5

"*Other provisions*" includes the provisions recognized to cover liabilities deriving principally from tax claims and legal and arbitration proceedings, personnel incentives, insurances, provisions corresponding to the Group's proportionate interest in Gas Natural Fenosa and others. Additional information is disclosed in Note 23 "*Tax Situation*" and Note 34 "*Contingent liabilities and obligations*."

The next table provides an estimate of when the Group is likely to have the settlement timetable of provisioned contingencies and expenses recognized at the end of the year. Nevertheless, due to the nature of the risks provisioned, these timing assessments are subject to uncertainty and changes that are beyond the Group's control. As a result, this schedule could change in the future according to the circumstances underpinning the estimates.

	Millions of euros			
	Less than one year	From 1 to 5 years	More than 5 years and/or undetermined	Total
Provisions for pensions	1	32	208	241
Provisions for field dismantling costs	7	57	708	772
Provision for contracts	51	181	639	871
Environment	-	54	-	54
CO_2 Emissions	71	-	-	71
Other provisions	173	430	1,316	1,919
TOTAL	**303**	**754**	**2,871**	**3,928**

(17) PENSION PLANS AND OTHER PERSONNEL OBLIGATIONS

a) Defined contribution pension plans

Repsol has defined contribution plans for certain employees in Spain, which conform to current legislation. The main features of these plans are as follows:

i. They are mixed plans to cover retirement, disability and death of the participants.

ii. The sponsor (Repsol) undertakes to make monthly contributions of certain percentages of serving employees' salaries to external pension funds.

Outside Spain, through its subsidiaries, the Group also has a defined contribution pension plan for their employees and directors of its main companies, in which the company contributes basically the same amount as the participant up to a stipulated ceiling.

Also, the Gas Natural Fenosa Group has defined contribution pension plans for certain employees.

The annual cost charged to "*Personnel expenses*" in the consolidated income statement in relation to the defined contribution plans detailed above amounted to €57 million in 2013 and €51 million in 2012.

Executives of the Repsol Group in Spain are beneficiaries of an executive pension plan that complements the standard pension plan denominated "Plan de previsión de Directivos" (Management remuneration plan) which covers the participant retirement, disability and death. Repsol makes defined contributions based on a percentage of participants' salaries. The plan guarantees a fixed return equivalent to 125% the prior year National Consumer Price Index. The plan is instrumented through collective insurances that cover pension obligations, subscribed with an insurance entity. Premiums paid under these policies finance and externalize the Group's commitments in respect of ordinary contributions, as well as the fixed return mentioned above. The officer (or his/her beneficiaries) becomes entitled to receive the plan benefits in the event of retirement, death or total permanent disability, and under certain other circumstances defined in the plan rules. The cost of this plan recognized under "*Personnel expenses*" in the 2013 and 2012 consolidated income statement was €14 million and €13 million, respectively.

b) Defined benefit pension plans

Repsol, primarily through Gas Natural Fenosa, has arranged defined benefit pension plans for certain employee groups in Spain, Brazil, Colombia and the United States, among other countries. The breakdown of the provisions recognized in connection with these plans is as follows:

	Millions of euros	
	2013	2012
Spain (see b.1)	109	114
Colombia (see b.2)	86	105
Brazil (see b.3)	13	20
United States (b.4)	9	8
Other	24	1
Total	**241**	**248**

Note: In 2012, as a consequence of the loss of control and the expropriation process of YPF and YPF Gas (see Note 4), intercompany balances with YPF and YPF Gas and its Group companies were derecognized.

b.1) At December 31, 2013 and 2012, the Group maintained, through Gas Natural Fenosa, the following commitments for certain employee groups in Spain:

- Pensions for retirees, disabled employees, widows and orphans in certain employee groups.
- Commitments to top up defined benefit pensions for inactive personnel of the former Unión Fenosa Group retiring before November 2002 and a residual portion of serving employees.
- Retirement and life insurance cover for certain employee groups.
- Gas bill discounts for serving and retired personnel.
- Electricity for serving and retired personnel.
- Commitments through official retirement age to employees opting for early retirement schemes.
- Salary supplements and social security contributions for a group of early retirees until ordinary retirement age.
- Healthcare coverage and other benefits.

b.2) At December 31, 2013 and 2012 the Group had the following commitments to certain groups of employees in Colombia:

- Pension commitments to retired employees.
- Electriciy for active and retired personnel
- Healthcare insurance and other post-retirement benefits

b.3) At December 31, 2013 and 2012, Repsol maintained, through its interest in Gas Natural Fenosa, the following commitments for certain employee groups in Brazil:

- A post-employment defined benefit plan providing cover for retirement, workplace death, disability pensions, and general amounts.
- Post- employment healthcare insurance.
- Other post-employment defined benefit plans guaranteeing temporary pensions, life insurance and general amounts depending on years of service.

b.4) At both year-ends, there are commitments to certain employees in the US under defined benefit plans covering the provision of post-employment pensions and health assistance.

The breakdown of the main provisions for pension and other similar commitments recognized in the accompanying consolidated balance sheet by country, and the changes in the present value of the related commitments and the fair value of the plan assets, is as follows:

Present value of plan commitments	2013 Spain	2013 Colombia	2013 Brazil	2013 U.S.	2012 Spain	2012 Colombia	2012 Brazil	2012 U.S.
	Millions of euros							
At January 1	**366**	**105**	**61**	**8**	**340**	**85**	**56**	**33**
Annual service cost	1	-	-	(2)	1	-	-	1
Interest expense	13	4	5	-	15	7	5	-
Actuarial gains and losses	1	(1)	(10)	-	41	11	8	1
Benefits paid	(27)	(10)	(3)	3	(26)	(11)	(3)	-
Transfers and cancellations	(2)	-	-	-	(5)	6	1	-
Currency translation differences	-	(12)	(11)	-	-	7	(6)	-
YPF &YPF Gas expropriation	-	-	-	-	-	-	-	(27)
At December 31	**352**	**86**	**42**	**9**	**366**	**105**	**61**	**8**
Fair value of plan assets								
At January 1	**252**	**-**	**41**	**-**	**233**	**-**	**37**	**-**
Expected return	8	-	3	-	10	-	5	-
Contributions	7	-	2	-	2	-	2	-
Actuarial gains and losses	(2)	-	(6)	-	30	-	4	-
Benefits paid	(21)	-	(3)	-	(20)	-	(3)	-
Transfers	-	-	-	-	(3)	-	-	-
Currency translation differences	-	-	(7)	-	-	-	(4)	-
At December 31	**243**	**-**	**29**	**-**	**252**	**-**	**41**	**-**
Provision for pensions and similar commitments	**109**	**86**	**13**	**9**	**114**	**105**	**20**	**8**

The amounts recognized in the consolidated income statement for all the above-listed pension plans are the following:

	2013 Spain	2013 Colombia	2013 Brazil	2013 U.S.	2012 Spain	2012 Colombia	2012 Brazil	2012 U.S.
	Millions of euros							
Annual service cost	1	-	-	2	1	-	-	1
Interest expense	13	4	5	-	15	7	5	-
Expected return on plan assets	(8)	-	(3)	-	(10)	-	(5)	-
Income statement charge	**6**	**4**	**2**	**2**	**6**	**7**	**-**	**1**

The accumulated balance of actuarial gains and losses, net of tax, recognized directly in equity amounted to a net gain of €1 million in 2013 and a net loss of €19 million in 2013 and 2012 respectively.

The actuarial assumptions used were the following:

	2013				2012			
	Spain	Colombia	Brasil	U.S.	Spain	Colombia	Brasil	U.S.
Discount rate [(1)(2)]	0.7% - 3.6%	4.8% a 8.0%	11.40%	4.92%	1.0% - 4.7%	4.8 -6.5%	9.80%	4.09%
Expected return on plan assets [(1)]	0.7% - 3.6%	N/A	11.40%	N/A	1.0% - 4.7%	N/A	9.80%	N/A
Assumed salary growth [(1)]	2.50%	2.50%	7.70%	N/A	3.00%	2.5% - 3.3%	7.70%	N/A
Assumed pension growth [(1)]	2.50%	2.50%	5.50%	N/A	2.50%	2.5% - 3.3%	5.50%	N/A
Inflation rate [(1)]	2.50%	2.50%	5.50%	N/A	2.50%	2.50%	5.50%	N/A
Mortality table	PERMF 2000	RV08	AT-83	RP 2000	PERMF 2000	RV08	AT-83	N/A

(1) Annual
(2) As a general rule, the interest rates used to discount post-employment obligations reflect the timing of each commitment and the benchmark rate curve is calculated as the average of the rate curve for corporate bonds with high ratings (AA) issued in the eurozone.

The following table details the potential impact in 2013 of a 1% variation in the inflation rate, a 1% variation in the discount rate and a 1% variation on the cost of health assistance on provisions and actuarial costs:

	Spain, Colombia y Brasil (1)			United States		
	Inflation +1%	Discount rate +1%	Health assistance +1%	Inflation+1%	Discount rate +1%	Health assistance +1%
Present value of obligations	33	(42)	5	-	(7)	11
Fair value of plan assets	-	(21)	-	-	-	-
Provision for pensions	33	(22)	5	-	-	-
Service cost of the period	-	-	-	-	1	2
Interest expense	2	2	-	-	-	-
Expected return on plan assets	-	2	-	-	-	-

(1) Corresponds to the Group’s current commitments through Gas Natural in Spain, Colombia and Brazil.

The pension plans outlined above are primarily invested in bonds, and to a lesser extent, other securities and real estate assets.

	(%)							
	2013				2012			
	Spain	Colombia	Brazil	US	Spain	Colombia	Brazil	US
Securities	-	-	15%	-	-	-	16%	-
Bonds	100%	-	75%	-	100%	-	79%	-
Real estate and other assets	-	-	10%	-	-	-	5%	-

The actual return on plan assets held through the Gas Natural Fenosa group, corresponding principally to Spanish and Brazilian plans, was €12 million in 2013 (2012: €15 million).

c) Medium and long-term incentive plan.

The company has implemented a loyalty building program aimed at senior executives and other persons occupying positions of responsibility in the Group, consisting of medium/long-term incentives as part of their benefit package. The purpose of this program is to strengthen the identification of executives and managers with shareholders' interests, based on the company’s medium and long-term earnings sustainability as well as the compliance with the strategic business plan targets, while at the same time facilitating the retention by the Group of key personnel.

The President of the Company is not a recipient of any plan of the incentives available to date, although in his current compensation package, the level of success of each program at expiration serves as reference to determine the multi-annual compensation corresponding to each period, which is credited in the following period.

At year end, the 2010-2013, 2011-2014, 2012-2015 and 2013-2016 incentive programs were in force, although it is important to point out that the plan (2010-2013) was closed, as originally stipulated, on December 31, 2013 and its beneficiaries will perceive their bonuses, if any, during the first semester of 2014.

The three plans of this type in force (2011-2014, 2012-2015, and 2013-2016 incentive plans) are independent of each other but their main characteristics are the same. All four are specific pluri-annual remuneration plans covering the stated years. Each plan is tied to the Group attaining a series of strategic objectives. Fulfillment of the respective objectives entitles the beneficiaries of each plan to receive an amount of variable remuneration at medium term in the first quarter of the year following the last year of the plan. However, in each case, receipt of this incentive payment is tied to the beneficiary remaining in the Group's employ until December 31 of the last year of the plan, except in the special cases envisaged in the terms and conditions of the related plan.

In all cases, the pluri-annual incentive payment, if received, will consist of an amount determined at the time the incentive is granted, to which a first variable coefficient will be applied on the basis of the extent to which the objectives set are achieved, which will be then multiplied by a second variable coefficient tied to the beneficiary's average individual performance under the Target Management scheme during the years used for benchmarking under each incentive program.

None of these plans involves the delivery of shares or options and the incentive payments are not tied to the value of Repsol shares, even though the beneficiaries of these plans may also be entitled to simultaneously participate in the payment plans disclosed in Note 17.d) point i).

To reflect the commitments assumed under these incentive plans, the Group recognized a charge of €17 and €11 million in the 2013 and 2012 consolidated income statement, respectively. In 2013 and 2012 the Group had recognized provisions totaling €44 and €45 million to meet its obligations under all the aforementioned plans respectively.

d) Share-based payment plans

i.) “Loyalty share program”

This Plan, approved at the General Shareholders’ Meeting of April 15, 2011 and divided into five cycles (2011-2014, 2012-2015, 2013-2016, 2014-2017 and 2015-2018) is designed to align the long-term interests of the Company and its shareholders. It takes the form of a multi-cycle share purchase plan under which beneficiaries are entitled to invest up to a maximum amount in shares of Repsol, S.A., receiving at the end of a three-year period, assuming they still hold their shares, remain in the employment of the Group and the rest of the Plan terms and conditions are met, one additional share for every three initially acquired.

In order to simplify execution of the Loyalty Program in terms of determining its beneficiaries and the maximum amounts they can invest, it has been benchmarked to the Group’s other pluri-annual incentive schemes; accordingly, only beneficiaries of the pluri-annual inventive schemes can be beneficiaries of the loyalty programs and the maximum amount they can invest upfront under the Loyalty Program has been set at 50% of the pre-tax bonus received by each beneficiary under the corresponding pluri-annual incentive scheme. Beneficiaries must purchase their shares by May 31 of each calendar year at the latest, following receipt of the corresponding pluri-annual bonus payment.

At the date of authorizing the accompanying financial statements for issue, the first three Plan cycles have been initiated (2011-2014, 2012-2015 y 2013-2016); key data for these cycles are provided below:

	No. of participants	Total upfront investment (no. of shares)	Average price (€/share)	Maximum share delivery commitment
First cycle (2011-2014)	350	227,498	23.54	75,710
Second cycle (2012-2015)	187	294,689	12.26	98,161
Third cycle (2013-2016)[1]	200	172,302	18.22	57,366

(1) Thirteen beneficiaries, whose applications were submitted correctly and promptly, were admitted to the Program after the subscription period closed, as their applications had not been processed initially. Those beneficiaries acquired a total of 3,514 shares on the same terms and conditions as if their applications had been properly processed.

In the Third Cycle of the Plan, the current members of the Executive Committee acquired a total of 77,155 shares. Adding in the number of shares acquired under the First Cycle (a total of 79,611), and under Second Cycle (a total of 131,395) Repsol has committed to deliver 26,534, 43,795 and 25,716 shares, respectively, at the end of the vesting period.of each cycle in all instances subject to delivery of the vesting terms.

As a result of this Plan, at December 31, 2013 and 2012, the Group had recognized an expense of €1.21 and €0.66 million, respectively, under "Personnel expenses" with a counterbalancing entry under "Other reserves" in equity, respectively.

ii.) "Share Acquisition Plan."

The Share Acquisition Plans (SAP) were approved at the General Shareholders' Meeting of April 15, 2011 for 2011-2012 and at the General Shareholders' Meeting of May 31, 2012 for 2013-2015.

This plan is targeted at Repsol Group executives and staff in Spain and is designed to enable interested beneficiaries to receive part of their remuneration in Repsol, S.A. shares up to an annual limit equivalent to the maximum monetary equivalent that, under prevailing tax legislation in each year and jurisdiction, is not considered income subject to personal income tax. The shares will be valued at the closing price of Repsol, S.A. 's shares on the continuous market on the Spanish stock exchanges on the date of delivery to the beneficiaries (established monthly).

In 2013 the Group purchased 406,430 shares of Repsol, S.A. for €7.1 million for delivery to participants in the 2013 SAP. Under the scope of the 2012 SAP, the Group acquired 585,441 shares from Repsol, S.A. for a total of €9.1 million (see Note 14.4).

The shares to be delivered under both schemes i) and ii) may be sourced from Repsol's directly or indirectly held treasury shares, new-issue shares or from third party entities with whom the Group has entered into agreements to guarantee coverage of the commitments assumed.

(18) FINANCIAL LIABILITIES

This note discloses the categories of financial liabilities included in the balance sheet line-items outlined below:

	Millions of euros	
	2013	2012
Non-current financial liabilities	13,125	15,300
Current financial liabilities	4,519	3,790
Current derivatives on trading transactions [(1)]	89	41
TOTAL	**17,733**	**19,131**

Note: In 2012, as a consequence of the loss of control and the expropriation process of YPF and YPF Gas (see Note 4) "*Non-current financial liabilities*" and "*Current financial liabilities*" corresponding to YPF, YPF Gas and its group companies have been derecognized.

(1) Recognized under the headings "*Other non-current liabilities*" and "*Other Payables*" on the balance sheet.

Following is a breakdown of the financial liabilities acquired, most of which are secured with a personal guarantee, at December 31, 2013 and 2012:

	December 31, 2013				
Millions of euros	**Financial liabilities held for trading**	**Financial liabilities at amortized cost**	**Hedging derivatives**	**Total**	**Fair value**
Bank borrowings	-	2,815	-	2,815	2,825
Bonds and other securities [(1)]	-	10,238	-	10,238	10,885
Derivatives	-	-	72	72	72
Long-term debts/ non-current fianancial liabilities	-	**13,053**	**72**	**13,125**	**13,782**
Bank borrowings	-	879	-	879	879
Bonds and other securities	-	3,585	-	3,585	3,625
Derivatives	136	-	8	144	136
Short-term debts/current financial liabilities	**136**	**4,464**	**8**	**4,608**	**4,640**
TOTAL [(2)]	**136**	**17,517**	**80**	**17,733**	**18,422**

	December 31, 2012				
Millions of euros	**Financial liabilities held for trading**	**Financial liabilities at amortized cost**	**Hedging drivatives**	**Total**	**Fair Value**
Bank borrowings	-	3,457	-	3,457	3,467
Bonds and other securities [(1)]	-	11,616	-	11,616	12,228
Derivatives	28	-	199	227	227
Long-term debts/non-current financial liabilities	**28**	**15,073**	**199**	**15,300**	**15,922**
Bank borrowings	-	2,164	-	2,164	2,164
Bonds and other securities [(1)]	-	1,556	-	1,556	1,578
Derivatives	105	-	6	111	111
Short-term debts/current financial liabilities	**105**	**3,720**	**6**	**3,831**	**3,853**
TOTAL [(2)]	**133**	**18,793**	**205**	**19,131**	**19,775**

(1) Includes preference shares amounting to 104 and €3,182 million at December 31, 2013 and 2012, respectively. See section 18.2 of this Note on *Preference shares*.

(2) At year end 2013 and 2012, the balance sheet includes €1,427 and €2,745 million, respectively recognized under "*Other non-current liabilities*" and €170 and €224 million, respectively recognized under "*Other payables*" corresponding to finance leases measured using the amortized cost method not included in the table above.

The classification of the financial liabilities recognized in the financial statements at fair value, by fair value calculation method level hierarchy, is as follows:

Millions of euros	Level 1		Level 2		Level 3		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Financial liabilities held for trading	89	15	47	118	-	-	136	133
Hedging derivatives	-	-	80	205	-	-	80	205
Total	**89**	**15**	**127**	**323**	**-**	**-**	**216**	**338**

Level 1: Valuations based on a quoted price in an active market for an identical instrument.
Level 2: Valuations based on a quoted price in an active market for similar financial assets or based on other valuation techniques that rely on observable market inputs.
Level 3: Valuations based on inputs that are not directly observable in the market.

The techniques used to value the financial liabilities classified as level 2 for fair value hierarchy purposes are based, in keeping with prevailing accounting rules, on an income approach and consist of discounting known or estimated future cash flows (estimated using implied forward curves provided by the market in the case of derivatives) to present value using discount curves built from benchmark market interest rates adjusted for credit risk as a function of the terms of the various instruments. Options are valued using pricing models based on the Black & Scholes formula.

The main inputs used to value financial liabilities vary by instrument but are mainly exchange rates (spot and forward), interest rate curves, counterparty risk curves, equity prices and volatility metrics for all of the listed inputs. In all instances the market data are obtained from reputed information providers or correspond to the prices published by official bodies.

In relation with liquidity risk, disclosure of maturities relevant to Repsol funding at December 31, 2013 and 2012 is provided in Note 19.1.2.

The breakdown of average balances outstanding and cost by instrument is as follows:

	2013		2012	
	Average volume	Average cost	Average volume	Average Cost
Bank borrowings	4,967	2.79%	5,535	2.85%
Preference shares	1,620	4.47%	3,182	4.78%
Obligations	11,729	4.55%	9,550	4.69%
	18,046	**4.08%**	**18,267**	**4.15%**

18.1) Bank borrowings

In May 2013, the Group signed a 200 million euro financing agreement with the European Investment Bank (EIB) for Repsol's 2013-2016 research and development program (R&D). The duration of said loan is fixed at ten years, the first three of which constitute a grace period. The loan bears an interest at 3-month Euribor plus a 1.402% spread.

Elsewhere, the European Investment Bank (EIB) has extended Gas Natural Fenosa €411 million in financing, of which €68 million has not yet been drawn down. Also through Gas Natural a total of €92 million is owed to Instituto de Crédito Oficial (ICO) under loans falling due in 2018 at the latest (year-end 2012: €114 million). The amounts in millions of euros are stated at the Group’s proportionate interest in Gas Natural Fenosa.

In 2013 the Gas Natural Fenosa group carried out a debt restructuring exercise that entailed the early repayment of its *Club Deal* loan, initially due in 2015, in the amount of €900 million and the arrangement of a new €225 million loan along with a new €450 million credit line, which had not been drawn down at December 31, 2013, both of which five-year paper and also arranged as a *Club Deal*. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

In June 2012 the Group closed two separate 12-month financing transactions by writing certain derivative instruments for a total of €750 million. In addition, it arranged a further 12-month €250 million financing transaction using derivatives in July 2012. These transactions were recognized in "*Bank borrowings bonds and other securities*" on the Group's balance sheet. At December 31, 2013, these transactions and the related guarantees extended had all been fully cancelled.

18.2) Bonds and other securities

The chart below discloses issues, buybacks and repayments of debt securities (recognized under current and non-current "*Bonds and other securities*") in 2013 and 2012:

Millions of euros	Balance at 12/31/2012	(+) Issuances	(-) Repurchases or reimbursement	(+/-) Exchange rate and other adjustments	(-) Buyback of preference shares	Balance at 12/31/2013
Bonds and other debt securities issued in the European Union with prospectus (1)	12,856	6,503	(2,780)	(60)	(2,916)	13,603
Bonds and other debt securities issued outside European Union	316	100	(186)	(10)	-	220
TOTAL	**13,172**	**6,603**	**(2,966)**	**(70)**	**(2,916)**	**13,823**

(1) The carrying amount of the Preference Shares issued by the Group through Repsol International Capital Ltd., whose holders accepted the Offers for Repurchase and Subscription, was written down (under the column "*Exchange rate and other adjustments*" in the table above) in keeping with the terms of the Offers. The Preference Shares bought back were derecognized on July 1, 2013 (under the column "*Repurchases or reimbursement*") and the Series I/2013 straight bonds issued by Repsol, S.A. were recognized simultaneously (under the column "*Issuances*" in the table above) (see the detailed section on Preference Shares below).

Millions of euros	Balance at 12/31/2011	(+) Issuances	(-) Repurchases or reimbursement	(+/-) Exchange rate and other adjustment	(-) YPF y R. YPF Gas derecognition	Balance at 12/31/2012
Bonds and other debt securities issued in the European Union with prospectus	11,836	5,168	(4,271)	123	-	12,856
Bonds and other debt securities issued outside European Union	501	43	(54)	6	(180)	316
TOTAL	**12,337**	**5,211**	**(4,325)**	**129**	**(180)**	**13,172**

Preference shares

On December 31, 2012, non-current "*Bonds and other securities*" included preference shares amounting to €3,182 million corresponding to those issued by Repsol International Capital Ltd. and by Gas Natural Fenosa through Union Fenosa Financial Services USA, LLC.

On May 31, 2013, the respective boards of Repsol International Capital Ltd. and Repsol, S.A agreed to launch the following offer consisting of: (i) a voluntary Repurchase Offer in cash of the Series B and C preference shares issued by Repsol International Capital Ltd., in May and December 2001, respectively, and simultaneously, and linked to the Repurchase Offer (ii) a public Subscription Offer of Repsol, S.A. Series I/2013 Bonds addressed to the holders accepting the Repurchase Offer.

The holders of the Series B and C preference shares, the nominal value of which is €1,000, would receive a cash payment of €975 per each preference share, with their commitment to apply €500 to the subscription of Repsol bonds with €500 nominal value a 3.5% yearly nominal interest rate to be paid on a quarterly basis, and maturing in 10 years.

The acceptance period for the Repurchase Offer began on June 5 and ended June 25, 2013. The transactions concluded with the repurchase of the preference shares and the disbursement of the bonds on July 1, 2013.

The acceptance of the Repurchase Offer of the preference shares, for both series reached 97.21% of their nominal amount (Series B 97.02% and Series C 97.31%) and remaining outstanding the remainder preference shares. The total amount paid by Repsol International Capital Ltd. to the holders accepting the Repurchase Offer was €2,843 million in cash; €1,458 million was applied to subscribe for Repsol bonds, which were admitted to trading on the AIAF fixed-income market, for trading on the Electronic System for Debt Trading (SEND for its acronym in Spanish) on July 2, 2013.

On July 1, 2013, with the cash disbursement of the repurchase price made by the acceptants, the repurchased preference shares were derecognized from the balance sheet. Simultaneously, the bonds subscribed by the acceptants of the repurchase offer were recognized under non current "*Bonds and other securities*." This transaction resulted in the recognition of an after-tax gain of €53 million in the consolidated income statement (which gain includes the impact of the related hedging transactions).

Elsewhere, on April 16, 2013, the Gas Natural Board of Directors approved a Purchase Offer of preference shares issued by Unión Fenosa Financial Services USA, LLC on May 20, 2003 for a nominal amount of €609 million (€183 million considering Repsol's stake in the group). A cash purchase was offered for said shares at 93% of their nominal value and on May 16, 2013, once the acceptance deadline had expired; the aggregate nominal amount of the corresponding acceptances was €539 million (€162 million stated at the Group's proportionate interest in Gas Natural Fenosa), representing 88.56% of the total nominal amount of the issue, with the remainder still outstanding.

On December 31, 2013, non-current *"Bonds and other securities"* includes €104 million in respect of preference shares issued by Repsol International Capital Ltd and by the Gas Natural Fenosa group through Unión Fenosa Financial Services, USA, LLC.

Main issuances in 2013

As explained in the section above, regarding the Offer for the Subscription of Series I/2013 bonds issued by Repsol, S.A. at those accepting the preference share Repurchase Offer. Repsol, S.A. issued €1,458 million of 10-year Series I/2013 straight bonds carrying a nominal annual interest rate of 3.5%, payable quarterly, as referred to in *"Preference shares"* above.

The Group, through Repsol International Finance B.V., holds a medium term bond program "*Euro 10,000,000,000 Guaranteed Euro Medium Term Note Programme" (*EMTNs), renewed on October 17, 2013 for up to a maximum amount of €10 billion and registered with the Luxembourg *Commission de Surveillance du Secteur Financier*. On May 28, 2013 Repsol International Finance, B.V., issued €1,200 million under this program at a coupon of 2.625% and an issue price of 99.414%; the bonds mature seven years after the issue date. This issue was increased on October 7, 2013 with the placement of a further €1,000 million of 8-year bonds at 99.734% of par carrying a coupon of 3.625%. Both issues, secured by Repsol, S.A.

In addition, the Group, through its subsidiary Repsol International Finance, B.V. (RIF), holds a Euro Commercial Paper (ECP) Program, arranged on March 26, 2010, up to a maximum amount of €1,500 million which is guaranteed by Repsol S.A. The ECP Program was increased to €2,000 million on October 25, 2010. During 2013, RIF issued nominal amounts of €1,382 million , $430 million and CHF20 under this Program. The nominal balance outstanding of the issuances under this program stood at €588 million at December 31, 2013.

Gas Natural Fenosa also has a *European Medium Term Notes* (EMTN) program with a limit at year end of €4,200 million. Under this program, Gas Natural Fenosa issued €180 million of 10-year eurobonds on January 9, 2013. The bonds carry an annual coupon of 3.875%. On January 14, 2013, it carried out a second CFH75 million issue of 2.125% bonds due February 2019. In April 2013, it placed a further two issues under this program, raising €225 million and €90 million due April 2022 and April 2017, respectively, and carrying annual coupons of 3.875% and 2.310%, respectively. Gas Natural Fenosa issued NOK240 million of 3.974% bonds due 2023 on July, 2013. Then on October, 2013, Gas Natural Fenosa issued another €150 million of bonds due April 2021; these bonds carry an annual coupon of 3.5%.

Additionally, Gas Natural Fenosa holds a €300 million Euro Commercial Paper (ECP) program, arranged on March 23, 2010. The issuer is one of its group companies, Gas Natural Fenosa Finance B.V. (before known as Unión Fenosa Finance B.V). In 2013, a total amount of €481 million of commercial paper under this program was issued. The balance outstanding under this program stood at €44 million at December 31, 2013, leaving an undrawn balance of €256 million. Gas Natural Fenosa has not renewed its €300 million corporate promissory note program (last renewed in July 2011). No sum was outstanding under this program at December 31, 2013. The amounts in millions of euros are stated at the Group’s proportionate interest in Gas Natural Fenosa.

In May 2010, Empresa de Distribución Electrica Metro-Oeste, S.A., a Gas Natural group company located in Panama, arranged a marketable securities issuance program for up to $15 million (€12 million). At year-end 2013, €9 million of this facility had been used (issued in 2013); this balance falls due in 2014. The amounts in millions of euros are stated at the Group’s proportionate interest in Gas Natural Fenosa.

Main issuances in 2012

On January 19, 2012 Repsol International Finance B.V., issued €750 million of 4.875% bonds in the eurobond market under the EMTN program registered on October 27, 2011; the bonds mature seven years and one month after the issue date. This issue was increased on February 14, 2012 with the placement of a further €250 million at the same rate and with the same maturity. Both issues, secured by Repsol, S.A., are part of the same series of bonds. Their aggregate face value is €1,000 million and they are listed on the Luxembourg stock exchange. In addition, on September 20, 2012, the Group issued €750 million of 4.375% eurobonds; these bonds mature five years and five months after the issue date and are traded on the Luxembourg Stock Exchange.

In addition, Repsol International Finance, B.V., the Group completed two issues under the Euro Commercial Paper (ECP) program arranged on March 26, 2010, one for €2,192 million and the other for $57 nominal million. The balance outstanding under this program at year end 2012 was €189 million.

In February, September and October 2012, Gas Natural Fenosa issued €225 million, €240 million and €150 million, respectively, of bonds in the euromarket under its EMTN program witch mature date are 2018, 2020 and 2017. At December 31, 2012, the amount issued under this program totaled €2,881 million. The amounts in millions of euros are stated at the Group’s proportionate interest in Gas Natural Fenosa.

In addition, in 2012 Gas Natural Fenosa issued a total of €588 million of commercial paper under the ECP program arranged on March 23, 2010. The drawn balance under this program stood at €47 million on December 31, 2012, leaving an undrawn balance of €253 million. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

In 2012 Gas Natural Fenosa, through its subsidiary Gas Natural, S.A. ESP, domiciled in Colombia, arranged an Ordinary Bond Program for the issuance of up to COP150,050 million (€65 million) in the local capital markets. In October, it placed two issues under this program, one raising COP30,010 million (€13 million), maturing in five years, and the other raising COP60,020 million (€26 million), maturing in seven years. The balance pending drawdown under this program stood at COP60,020 million (€26 million) at December 31, 2012. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

Secured debt securities issued

The table below discloses the amounts guaranteed by the Group in 2013 and 2012 for issues, buybacks and redemptions undertaken by associates, joint ventures (at the percentage not consolidated) and non-Group companies:

Millions of euros	Balance at 12/31/2012	(+) Granted	(-) Cancelled [1]	(+/-) Exchange rate and other adjustments	Balance at 12/31/2013
Issues of securities representing debt guaranteed by the group (guaranteed amount)	29	-	(29)	-	-

Millions of euros	Balance at 12/31/2011	(+) Granted	(-) Cancelled	(+/-) Exchange rate and other adjustments	Balance at 12/31/2012
Issues of securities representing debt guaranteed by the group (guaranteed amount)	31	-	(1)	(1)	29

[1] Corresponds to the amounts issued by Peru LNG Company, Llc, a company sold to Shell on December 31, 2013 (see Note 31).

In general, the financial debt agreements include the early maturity clauses customary in agreements of this nature.

Bond issues, representing ordinary debt, of Repsol International Finance, B.V. and guaranteed by Repsol, S.A., face value of €7,686 millions, contain clauses whereby Repsol undertakes to pay interest when due and liabilities before maturity (cross-default provisions) and to not constitute charges or guarantees on Repsol, S.A. assets for this issue or in future issues of debt securities. In the event of default, the trustee, at its sole discretion or at the request of the holders of at least one-fifth of the debentures, or by means of an extraordinary resolution, can declare all the aforementioned debentures issues due and payable. In addition, the holders of the bonds issued in 2009, 2011,2012 and 2013 may choose to have their bonds redeemed upon a change of control at Repsol provided such change in control results in, if and only if Repsol's credit ratings fall below investment grade status as a result of the change of control.

Moreover, in 2013 and 2012, Gas Natural Fenosa group keeps €335 and €384 million, respectively, of bank debt that is subject to compliance with certain covenants. On the other hand, certain investment projects had been specifically finance through loans which include the pledge of such projects shares. The outstanding balance on this project financing at year end 2013 and 2012 amounted to 168 and €212 million. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

At the date of preparation the accompanying financial statements for issue, the Repsol Group was not in breach of any of its financial obligations or of any other obligation that could trigger the early repayment of any of its financial commitments.

(19) FINANCIAL RISK AND CAPITAL MANAGEMENT

19.1) Financial risk management

The Group's businesses expose it to a series of financial risks: market risk, liquidity risk and credit risk. Repsol has a risk management structure and systems that enable it to identify, measure and control the risks to which the Group is exposed.

19.1.1) Market risk

Market risk is the potential loss faced due to adverse movements in market variables. The Group is exposed to several types of market risks: exchange rate risk, interest rate risk and commodity risk.

The Company monitors exposure to market risk through ongoing sensitivity analysis. These strategies are complemented with other risk management measures when required by the nature of the risk exposure.

For each of the market risk factors detailed below, there is a table depicting the sensitivity of Group profit and equity (within the headings comprising "*Adjustments for changes in value*") to the main risks to which its financial instruments are exposed, in accordance with the requirements stipulated in IFRS 7 *Financial instruments: disclosures*.

This sensitivity analysis varies the inputs for the significant risk factors based on historical performance. The estimates made depict the impact of favorable and adverse changes. The impact on profit and/or equity is estimated as a function of the financial instruments held by the Group at each year end.

a) Exchange rate risk:

The Group's profit and equity are exposed to fluctuations in the rates of exchange of the currencies in which it transacts. The Group's most significant foreign currency exposure is to the US dollar.

Repsol obtains part of its financing in dollars, either directly or indirectly through the use of foreign exchange derivatives (see Note 20).

The sensitivity of net profit and equity to exchange rate risk, via appreciation or depreciation and based on the financial instruments held by the Group at year end, is illustrated below:

Effect of fluctuations in the euro against the dollar:

		Millions of euros	
	Currency apreciation(+)/ depreciation (-)	2013	2012
Impact on profit after tax	5%	(46)	3
	(5%)	51	(4)
Impact on equity	5%	(122)	(287)
	(5%)	136	318

In addition, a 5% appreciation of the euro against the Brazilian real, considering instruments held at December 31, 2013 and 2012 have resulted in an approximate variation in profit after tax, for a decrease of €6million in 2013.

Meanwhile, a 5% appreciation of the euro against the Brazilian real would have resulted in a decrease in equity of €0.2 million in 2013 and also a decrease of €0.1 million in 2012.

Elsewhere, euro appreciation of 5% against the Russian rupee in 2013 would have decreased equity by €2 million but would not have any impact on profit after tax. In 2012 this same appreciation would have eroded equity by €1 million but would not have had any impact on profit after tax.

In 2013 and 2012, euro appreciation of 5% against the Argentine peso would not have had any impact on profit after tax, considering the instruments held at December 31, and would have decreased equity by €2 million.

b) Interest rate risk:

Fluctuations in interest rates can affect interest income and expense through financial assets and liabilities with variable interest rates; which can also impact the fair value of financial assets and liabilities with a fixed interest rate.

Repsol occasionally enters into interest rate derivative transactions to mitigate the risk of changes in its finance costs or in the market value of its debt. Generally, these derivatives are designated as hedging instruments for accounting purposes (see Note 20).

At year end 2013, the net debt balance including preference shares, at fixed rates was €14,052 million (2012: €11,943million), equivalent to 144% and 97% respectively of total net debt including preference shares and also including interest rate derivatives. The increase in this percentage in 2013 is due to the increase in fixed-rate debt issued during the year (see Note 18), whereas the increase in financial assets, mainly as a result of the cash proceeds received on the sale of the LNG assets, is accounted for by variable-rate assets.

The sensitivity of net profit and equity to fluctuations in interest rates, based on the financial instruments held by the Group at year end, is illustrated in the following table:

	Increase (+)/ decrease (-) in interest rate (basis points)	Millions of euros	
		2013	2012
Impact on profit after tax	+50	11	(7)
	-50	(11)	7
Impact on equity	+50	21	48
	-50	(22)	(48)

c) Commodity price risk:

As a result of its trade operations and activities, the Group's results are exposed to volatility in the prices of oil, natural gas and their derivative products.

Repsol enters into derivative transactions to mitigate its exposure to price risk. These derivatives provide an economic hedge of the Group's results, although not always designated as hedging instruments for accounting purposes (see Note 20).

The impact of a 10% increase or decrease in crude and oil product prices on net profit, based on the financial instruments held by the Group at year end 2013 and 2012, is illustrated in the following table:

	Crude & oil products prices increase(+)/ decrease (-)	Millions of euros	
		2013	2012
Impact on profit after tax	+10%	(4)	(23)
	-10%	4	23

19.1.2) Liquidity risk

Liquidity risk is associated to the ability of the Group to finance its obligations at reasonable market prices, as well as to carry out its business plans with stable financing sources.

In accordance with its conservative financial policy, Repsol held sufficient cash, other liquid cash equivalents and undrawn credit lines which cover 73% of total gross debt and 72% if preference shares are included. The Group had €5,234 and €5,899 million in undrawn credit lines at year end 2013 and 2012, respectively.

The tables below present an analysis on the maturities of the financial liabilities existing at December 31, 2013 and 2012:

	Maturity dates (Millions of euros)						
December 31, 2013	2014	2015	2016	2017	2018	Subsequent years	Total
Trade payables	4,115	-	-	-	-	-	4,115
Other payables	4,056	-	-	-	-	-	4,056
Loan and other financial debts (1)	4,866	1,241	2,145	2,041	2,073	7,979	20,345
Preference shares (1) (2)	4	4	4	4	4	105	125
Derivatives (3)	66	13	10	7	4	9	109

	Maturity date (Millions of euros)						
December 31, 2012	2013	2014	2015	2016	2017	Subsequent years	Total
Trade payables	4,376	-	-	-	-	-	4,376
Other payables	4,507	-	-	-	-	-	4,507
Loan and other financial debts (1)	3,944	3,531	1,840	1,798	1,792	4,811	17,716
Preference shares (1) (2)	140	140	316	122	112	3,000	3,830
Derivatives (3)	105	64	32	20	10	52	283

Note: The amounts shown are the contractual undiscounted cash flows; therefore, they differ from the amounts included on the consolidated balance sheet.

(1) Corresponding to future maturities of the amounts recognized under the headings "*Non-Current financial liabilities*" and "*Current financial liabilities*" including future interest or dividends associated with these financial liabilities.

(2) The preference shares issued are perpetual, redeemable only at the choice of the issuer. The table showing the maturity schedule as of December 31, 2013 includes the preference shares issued by the Group according to the redemption terms described in the section of Note 18 dealing with Preference Shares; these preference shares are

expected to be cancelled beyond 2017. The column "Subsequent years" includes only the face value of the instruments.

(3) The contractual maturities of the derivatives included under this heading are outlined in Note 20.

19.1.3) Credit risk

Credit risk is defined as the possibility of a third party not complying with his contractual obligations, thus creating losses for the Group.

Credit risk in the Group is measured and controlled in relation to the customer or individual third party. The Group has its own systems for the permanent credit evaluation of all its debtors and the determination of risk limits with respect to third parties, in line with best practices.

The exposure of the Group to credit risk is mainly attributable to commercial debts from trading transactions, whose amounts are shown on the consolidated balance sheet net of allowances for impairment provisions (see Note 13) for an amount of €7,128 and €7,202 million, respectively at December 31, 2013 and 2012.

The allowances for doubtful accounts are measured by the following criteria:

- The seniority of the debt
- The existence of bankruptcy proceedings
- The analysis of the capacity of the customer to return the credit granted.

Note 13 "*Trade and other receivables*" includes the registered impairment losses on December 31, 2013 and 2012. These allowances represent the best estimates of the Group for the losses incurred in relation to its accounts receivable.

The Group's exposure to credit risk also derives from debts with a financial nature which are carried in the consolidated balance sheet net of the corresponding impairment provisions. The breakdown of impaired financial assets and the impact on the consolidated income statement are provided in Note 11 "*Current and non-current financial assets*."

The maximum exposure to credit risk of the Group, according to the type of financial instruments and without excluding the amounts covered by guarantees and other arrangements mentioned below, is detailed below at December 31, 2013 and 2012:

		Millions of euros	
Maximum exposure (1)	Note	**2013**	**2012**
- Comercial Debts	13	7,542	7,602
- Derivatives	11	47	58
- Cash and cash equivalents	11	7,434	5,903
- Other non-current financial assets (2)	11	1,946	2,147
- Other current financial assets (3)	11	62	82

(1) In relation to the exposure associated with the shares subject to the expropriation of YPF and YPF Gas, registered under "*Non-current assets held for sale and subject to expropriation*" at fair value, see what is described in Notes 4 and 34.

(2) At December 31, 2013 and 2012 the heading "*Non-current loans and receivables*" included loans granted to the Petersen Group to acquire its stake in YPF SA, being fully impaired for as described in Note 4, and in Note 11. In 2013, this heading excludes €136 million of funding for the tariff deficit in the regulated electricity segment, to which the Group is exposed via its shareholding in Gas Natural Fenosa.

(3) This balance excludes €10 million and €320 million at December 31, 2013 and 2012 respectively corresponding to the funding of the electricity tariff deficit, to which the Group is exposed through its shareholding in Gas Natural Fenosa.

The credit risk affecting liquid funds, derivatives and other financial instruments is generally more limited than the accounts receivables because the counterparties are bank or insurance entities that meet the standards of solvency in accordance with the market conventions regulating these kinds of financial transactions. Likewise, the vast majority of the accounts receivable neither due nor provisioned have a credit quality according to the valuations of the Group, based on the solvency analysis and the payment habits of each customer.

The Group's credit risk on trade receivables is not significantly concentrated as it is spread out among a large number of customers and other counterparties. The maximum net exposure to a third party, including official bodies and public sector entities, does not exceed 7%, and no single private client accumulates risk exposure of more than 1%.

As a general rule, the Group establishes a bank guarantee issued by the financial entities as the most suitable instrument of protection from credit risk. In some cases, the Group has contracted insurance credit policies whereby this transfers partially to third parties the credit risk related to the business activity of some of their businesses.

Effective third party guarantees extended to the Group commercial activity amounted to €3,467 million at December 31, 2013 and €3,899 million at December 31, 2012. Of this amount, commercial debts at December 31, 2013 and 2012 covered by guarantees amounted to €856 million and €925 million, respectively.

During 2013, the Group executed guarantees received for an amount of €22 million. During 2012 this figure was €26 million.

The following table discloses the aging of the non-provisioned due debt:

	Millions of euros	
Due date	**2013**	**2012**
- Not due debt	5,740	5,890
- Due debt 0-30 days	323	304
- Due debt 31-180 days	383	341
- Due debt for more than 180 days (1)	682	667
Total	**7,128**	**7,202**

(1) Mainly corresponds to guaranteed debt or debt with official bodies and public entities.

19.2) Capital management

Repsol, as an essential part of its strategy, has committed to a policy of financial prudence. The financial structure targeted is defined by this commitment of solvency and the aim to maximize shareholder returns, by optimizing the cost of capital.

Determination of the Group's target capital structure takes into consideration the ratio of net debt (including preference shares, as appropriate) and the capital employed, that includes the net debt, including preference shares, plus the equity:

$$\textit{Leverage ratio} = \frac{\textbf{\textit{Net debt including preference shares}}}{\textbf{\textit{Net Capital Employed}}}$$

Calculation of this leverage ratio takes into account the following considerations:

- The leverage ratios use the net debt concept instead of gross debt in order to factor in the mitigating impact of financial investments. In keeping with its conservative financial policy, Repsol held sufficient cash, other liquid cash equivalents and undrawn credit lines which cover 73% of total gross debt and 72% if preference shares are included. As a result, these ratios provide a better picture of Group solvency when factoring in net debt rather than gross debt.

- Preference shares are included in overall financing although the fact that they are perpetual equates them to equity instruments in terms of solvency analysis and creditor claims. As detailed in Note 18, the Group bought back the majority of its preference shares in 2013.

The breakdown of the calculations of these ratios, based on the following consolidated balance sheet headings at year end 2013 and 2012, is as follows:

	Millions of euros	
	2013	2012
Non-current financial liabilities	13,125	15,300
Preference shares	104	3,182
Other non-current financial liabilities	13,021	12,118
Current financial liabilities	4,519	3,790
Preference shares	-	-
Other current financial liabilities	4,519	3,790
Non-current financial assets	(1,665)	(1,313)
Less Financial assets available for sale (Note 11)	1,268	641
Other current financial assets [(1)]	(83)	(95)
Cash and cash equivalent	(7,434)	(5,903)
Interest rate hedges (Note 20)	(75)	(300)
Net debt incluying preference shares [(2)]	9,655	12,120
Equity	27,920	27,472
Capital employed [(3)]	37,575	39,592
Net debt incluying preference shares / Capital employed	**25.7%**	**30.6%**

(1) In 2013, this heading does not include €136 million of funding for the tariff deficit in the regulated electricity segment, to which the Group is exposed via its shareholding in Gas Natural Fenosa.

(2) This heading does not include €10 million and €320 million at year-end 2013 and 2012, respectively, of funding of the tariff deficit in the regulated electricity segment, to which the Group is exposed via its shareholding in Gas Natural Fenosa.

(3) Excludes €1,597 and €2,969 million of current and non-current finance leases (see Note 21.1).

(4) Net Capital employed includes that corresponding to discontinued operations.

The trend and analysis in this ratio is monitored systematically. Similarly, leverage projections are a key, and restrictive, input into Group investment decision-making and dividend policy.

At December 31, 2013 and 2012, this ratio, excluding discontinued operations from capital, was 29.7% and 35.9% respectively.

(20) <u>DERIVATIVE TRANSACTIONS</u>

During 2013 the Repsol Group carried out the following types of hedging transactions:

1. Fair value hedges of assets or liabilities
2. Cash flow hedges

3. Hedges of net investments

In addition, the Repsol Group performed other transactions with derivative instruments in 2013 and 2012 that do not qualify as accounting hedges.

The table below reflects the impact on the balance sheet of derivative instruments at December 31, 2013 and 2012 as a result of changes in their fair value since their origination:

Millions of euros

Clasification December 31, 2013	Non-current Assets	Current Assets	Non-current Liabilities	Current Liabilities	Fair Value
Hedge derivative instruments:	**1**	**3**	**(72)**	**(8)**	**(76)**
Fair value	**-**	**3**	**-**	**-**	**3**
- Exchange rate	-	3	-	-	3
Cash Flow:	**1**	**-**	**(72)**	**(8)**	**(79)**
- Interest rate	1	-	(72)	(4)	(75)
- Exchange rate	-	-	-	(2)	(2)
- Commodities prices	-	-	-	(2)	(2)
Other derivatives instruments	**-**	**43**	**-**	**(136)**	**(93)**
TOTAL [(1)]	**1**	**46**	**(72)**	**(144)**	**(169)**

Millions of euros

Clasification December 31, 2012	Non-current Assets	Current Assets	Non-current Liabilities	Current Liabilities	Fair Value
Hedge derivative instruments	**-**	**7**	**(199)**	**(6)**	**(198)**
Fair value	**-**	**4**	**-**	**-**	**4**
- Exchange rate	-	4	-	-	4
Cash Flow:	**-**	**3**	**(199)**	**(6)**	**(202)**
- Interest rate	-	-	(199)	(2)	(201)
- Exchange rate	-	-	-	(3)	(3)
- Commodities prices	-	3	-	(1)	2
Other derivatives instruments	**-**	**51**	**(28)**	**(105)**	**(82)**
TOTAL [(1)]	**-**	**58**	**(227)**	**(111)**	**(280)**

[(1)] In 2013 and 2012, this heading includes derivatives with a negative measurement in respect of interest rates of €75 and €200 million, respectively.

The breakdown of the impact of the fair value restatement of derivatives on consolidated profit before tax and on consolidated equity is as follows:

Millions of euros	2013 Operating income	2013 Financial result	2013 Adjustment for changes in value	2012 [(2)] Operating income	2012 [(2)] Financial result	2012 [(2)] Adjustment for changes in value
Fair value hedges	1	(3)	-	3	(2)	-
Cash Flow hedges	(4)	(112)	151	9	(49)	(25)
Hedge of a net investment	-	-	13	-	-	-
Other transactions	(12)	(131)	-	(43)	27	-
Total [(1)]	**(15)**	**(246)**	**164**	**(31)**	**(24)**	**(25)**

(1) The financial impacts recognized in the income statement presented in the schedule above do not include any impact due to ineffectiveness of financial instruments designated as accounting hedges

(2) The derivative instruments hired to manage the risk exposure of those assets and liabilities related to YPF investments, which were involved in the loss of control and the expropriation process of YPF and YPF Gas (see Note 4), have generated in 2013 a negative result of €3 million (€32 million in 2012), recorded under "*Net Income attributable to discontinued operations after taxes*."

In addition to the effects disclosed in the table above, in 2012, the aggregated translation differences that had been generated on hedges of the Group's net investment in YPF until the loss of control, were transferred to the subheadings related to the discontinued operations in the income statement, in accordance to what is described in Note 4.

There follows a detailed disclosure of the Group's derivatives at year end 2013 and 2012, including their fair values, maturity schedules and the related notional amounts.

20.1) Fair value hedges of assets or liabilities

These are hedges of the exposure to changes in the fair value of an asset or a liability recognized for accounting purposes, an unrecognized firm commitment or an identified portion of the aforementioned asset, liability or firm commitment that can be attributed to a particular risk and might affect the net income for the period.

The outstanding transactions at December 31, 2013 and 2012 are as follows:

Millions of euros

December 31, 2013	Maturity 2014	2015	2016	2017	2018	Subsequent years	Total	Fair Value
Exchange rate:								
USD	34	-	-	-	-	-	34	3
BRL	32	2	2	-	-	-	36	-
DHN	3	-	-	-	-	-	3	-
MAD	-	-	-	-	-	-	-	-
								3

Millions of euros

December 31, 2012	Maturity 2013	2014	2015	2016	2017	Subsequent years	Total	Fair Value
Exchange rate:								
USD	171	-	-	-	-	-	171	4
BRL	5	-	-	-	-	-	5	-
DHN	2	-	-	-	-	-	2	-
MAD	2	-	-	-	-	-	2	-
								4

The other outstanding instruments, whose net fair value at December 31, 2013 and 2012 stood at €3 million and €4 million respectively, correspond mainly to hedges arranged by the Group through its investment in Gas Natural Fenosa.

20.2) Cash flow hedge

These are hedges of the exposure to variability in cash flows that: (i) is attributed to a particular risk associated with a recognized asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecasted transaction; and (ii) could affect period's profit or loss account.

The breakdown of the most significant transactions is as follows:

Millions of euros

	Maturity							**Fair**
December 31, 2013	**2014**	**2015**	**2016**	**2017**	**2018**	**Subsequent years**	**Total**	**Value**
Interest rate:								
Swaps (EUR)	32	37	29	104	-	-	202	(4)
Swaps (USD)	222	75	-	75	-	294	666	(66)
Swaps (MXN)	114	13	5	17	-	4	153	-
Collar (EUR)	-	75	60	-	-	-	135	-
Exchange rate:								
USD	18	-	-	-	-	-	18	(2)
NOK	-	-	-	-	-	-	-	(3)
CHF	-	7	-	-	-	-	7	(2)
Commodity Price: [1]								
EUR	135	-	-	-	-	-	135	(1)
USD	10	-	-	-	-	-	10	(1)
ZAR	49	-	-	-	-	-	49	-
								(79)

[1] These correspond to natural gas and electricity price swaps arranged by Gas Natural Fenosa.

Millions of euros

	Maturity							**Fair**
December 31, 2012	**2013**	**2014**	**2015**	**2016**	**2017**	**Subsequent years**	**Total**	**Value**
Exchange rate:								
Swaps (EUR)	17	196	77	1,061	41	7	1,399	(77)
Swaps (USD)	8	9	8	9	23	333	390	(123)
Swaps (MXN)	5	21	23	-	-	-	49	-
Collar (EUR)	1	1	1	-	-	-	3	-
Exchage rate:								
USD	147	1	1	-	-	-	149	(3)
Commodity price: [1]								
EUR	100	-	-	-	-	-	100	1
USD	11	-	-	-	-	-	11	1
								(201)

[1] These correspond to natural gas and electricity price swaps arranged by Gas Natural Fenosa.

At both year ends, the Group also held interest rate swaps taken out to hedge the financing arranged to fund the investment in the LNG project in Canaport, Canada. Under this swap, the Group pays a weighted average fixed rate of 5.28% and receives 3-month LIBOR. At year end 2013 the notional amount hedged was €294 million while the fair value of the instrument implied a loss of €58 million. At year end 2012 the notional amount hedged was a negative €315 million while the fair value was negative €109 million.

The other outstanding instruments at both balance sheet dates correspond primarily to hedges arranged by the Group through its shareholding in Gas Natural Fenosa.

With respect to the preference shares issued in 2001 by Group subsidiary Repsol International Capital, Ltd, which were the object of a buyback offer in 2013 (see Note 18), the Group had arranged a series of associated interest rate swaps with a notional amount of €1,000 million. Under these instruments, the Group paid a weighted average interest rate of 2.26% and received 3-month EURIBOR; the fair value of these instruments at December 2012 was equivalent to a loss of €66 million. At June 30, 2013, as a consequence of the buyback of the underlying preference shares, the swaps were discontinued and the cumulative loss recognized in "*Adjustments for changes in value*" was recycled to profit or loss, along with the losses accumulated and deferred on another two interest-rate swaps discontinued in 2007 and associated with these same preference shares, for a total loss of €74 million (see Note 26).

20.3) Hedges of a net investment

These instruments hedge the foreign currency risk arising from net investments in foreign operations.

Ocasionally, Repsol arranges forward currency purchase and sale contract as part of its global strategy of management exposure to foreign currency exposure via its foreign investments.

In 2012, as a consequence of the loss of control and the YPF expropriation process (see Note 4), the hedge instruments of the Group share holdings in this company were discontinued, see note 20.4.a).

20.4) Other derivative transactions

Additionally, Repsol has arranged a series of derivatives to manage its exposure to interest rate, foreign exchange and price risk that do not qualified as accounting hedges under IAS 39.

(a) Exchange rate and interest rate contracts

Millions of euros

	Maturity							Fair
December 31, 2013	**2014**	**2015**	**2016**	**2017**	**2018**	**Subsequent years**	**Total**	**Value**
Cross currency IRS								
Fixed to fixed contract/notional amount (EUR)	158	-	-	-	-	-	158	(21)
								(21)

Millions of euros

	Maturity							Fair
December 31, 2012	**2013**	**2014**	**2015**	**2016**	**2017**	**Subsequent years**	**Total**	**Value**
Fix to fixed IRSs Contract/notional amount (EUR)	-	158	-	-	-		158	(28)
Fix to fixed IRSs Contract/notional amount (JPY)	-	-	-	-	-	67	67	(1)

(b) Exchange rate

Repsol has arranged other forward contracts as part of its global strategy of managing exposure to foreign currency risk.

	Maturity							Fair
						Subsequent		
December 31, 2013	**2014**	**2015**	**2016**	**2017**	**2018**	**years**	**Total**	**Value**
USD/Euro	3,598	-	-	-	-	-	3,598	(21)
Euro/USD	1,637	-	-	-	-	-	1,637	7
USD/NOK	41	-	-	-	-	-	41	(1)
USD/RUB	30	-	-	-	-	-	30	-
USD/CAD	20	-	-	-	-	-	20	-
Euro/RUB	15	-	-	-	-	-	15	-
CLP/USD	12	-	-	-	-	-	12	-
USD/PEN	6	-	-	-	-	-	6	-
GBP/EUR	4	-	-	-	-	-	4	-
CHF/EUR	4	-	-	-	-	-	4	-
MYR/USD	3	-	-	-	-	-	3	-
EUR/NOK	1	-	-	-	-		1	-

	Maturity							Fair
						Subsequent		
December 31, 2012	**2013**	**2014**	**2015**	**2016**	**2017**	**years**	**Total**	**Value**
USD/Euro	2,898	-	-	-	-	-	2,898	(49)
Euro/USD	1,018	-	-	-	-	-	1,018	(2)
Euro/RUB	223	-	-	-	-	-	223	(5)
CAD/USD	14	-	-	-	-	-	14	-
CLP/USD	14	-	-	-	-	-	14	-
Euro/GBP	8	-	-	-	-	-	8	-
NOK/USD	5	-	-	-	-	-	5	-
PEN/USD	4	-	-	-	-	-	4	-
USD/RUB	4	-	-	-	-	-	4	-
EUR/NOK	1	-	-	-	-	-	1	-

(c) Future contracts on commodities

The risk associated with future physical crude oil and other oil product purchase or sale transactions is hedged through the arrangement of derivative instruments, primarily futures and swaps. The commodity hedges outstanding at December 31, 2013 and 2012 are as follows:

December 31, 2013	Maturity 2014	2015	2016	2017	2018	Subsequent years	Total	Fair Value
								Millions of euros
Purchase contracts								
BRENT (000 barrels)	5,694	-	-	-	-	-	5,694	12
WTI (000 barrels)	5,483	-	-	-	-	-	5,483	-
NYMEX HHO (000 gallons)	82,362	-	-	-	-	-	82,362	4
IPE GO (000 tons)	331	-	-	-	-	-	331	6
RBOB (000 gallons)	99,330	-	-	-	-	-	99,330	4
PALM OIL (000 tons)	8	-	-	-	-	-	8	-
SOY (000 Pounds)	34,920	-	-	-	-	-	34,920	-
NYMEX (000 gallons)	219,514	-	-	-	-	-	219,514	-
Sale contracts								
BRENT (000 barrels)	9,107	-	-	-	-	-	9,107	(17)
WTI (000 barrels)	6,663	-	-	-	-	-	6,663	(1)
NYMEX HHO (000 gallons)	109,158	-	-	-	-	-	109,158	(5)
IPE GO (000 tons)	416	-	-	-	-	-	416	(8)
RBOB (000 gallons)	125,790	-	-	-	-	-	125,790	(2)
PALM OIL (000 tons)	3	-	-	-	-	-	3	-
SOY (000 pounds)	22,140	-	-	-	-	-	22,140	-
NAT GAS FUTS (000 gallons)	141,000	-	-	-	-	-	141,000	(4)
Algonquin CityGate (000 gallons)	28,641	-	-	-	-	-	28,641	2
NYMEX (000 gallons)	58,502	-	-	-	-	-	58,502	(11)
Options								
Call (000 barrels)	1,058	-	-	-	-	-	1,058	(43)
Swaps								
Crude (000 tons)	839	-	-	-	-	-	839	(3)
Propane (000 tons)	1,152	-	-	-	-	-	1,152	(1)
Nafta (000 tons)	324	-	-	-	-	-	324	2
JET (000 tons)	371	-	-	-	-	-	371	1
Gas Oil (000 tons)	1,270	-	-	-	-	-	1,270	-
Gasoline (000 tons)	9	-	-	-	-	-	9	-
Ethanol (000 tons)	17	-	-	-	-	-	17	-
Fuel Oil (000 tons)	2,333	-	-	-	-	-	2,333	(2)
Freight (000 tons)	249	-	-	-	-	-	249	-
ColGulf Mainline Basis-ICE (000 gallons)	18,259	-	-	-	-	-	18,259	-
Dom NG Basis-ICE (000 gallons)	5,275	-	-	-	-	-	5,275	-
AGC NG Basis-ICE (000 gallons)	52,393	-	-	-	-	-	52,393	(11)
Mich Con Basis ICE (000 gallons)	9,130	-	-	-	-	-	9,130	-

December 31, 2012	Maturity 2013	2014	2015	2016	2017	Subsequent years	Total	Fair Value
								Millions of euros
Purchase contracts								
BRENT (000 barrels)	9,443	-	-	-	-	-	9,443	16
WTI (000 barrels)	1,741	10	-	-	-	-	1,751	2
NYMEX HHO (000 gallons)	54,012	5,615	-	-	-	-	59,627	4
IPE GO (000 tons)	445	1	-	-	-	-	446	(3)
RBOB (000 gallons)	145,110	-	-	-	-	-	145,110	9
PALM OIL (000 tons)	2	-	-	-	-	-	2	-
SOY (000 Pounds)	76,860	-	-	-	-	-	76,860	-
Sale contracts								
BRENT (000 barrels)	9,381	-	-	-	-	-	9,381	(20)
WTI (000 barrels)	2,553	10	-	-	-	-	2,563	(5)
NYMEX HHO (000 gallons)	71,064	-	-	-	-	-	71,064	(2)
IPE GO (000 tons)	586	1	-	-	-	-	587	-
RBOB (000 gallons)	156,660	-	-	-	-	-	156,660	(10)
SOY (000 pounds)	49,140	-	-	-	-		49,140	-
Options								
Call (000 barrels)	3,290	-	-	-	-	-	3,290	(9)
Swaps								
Brent (tons)	495	-	-	-	-	-	495	2
Freight (tons)	524	-	-	-	-	-	524	-
JET (tons)	163	-	-	-	-	-	163	-
GO (tons)	723	-	-	-	-	-	723	(2)
Fuel Oil (tons)	3,421	20	-	-	-	-	3,441	-
Propane (tons)	426	-	-	-	-	-	426	-
Gasoline (tons)	3	-	-	-	-	-	3	-
Nafta (tons)	90	-	-	-	-	-	90	-
Ethanol (tons)	1	-	-	-	-	-	1	-
AGC NG Index	1,085	1,100	-	-	-	-	2,185	(3)
AGC NG Basis	-	4,545	-	-	-	-	4,545	(1)
NBP DA Index	-	33,100	-	-	-	-	33,100	1

At year end 2013 and 2012, "*Other receivables*" includes €20 million respectively corresponding to the fair value of commodity purchase agreements measured in accordance with IAS 39, as detailed in Note 2.2.25.

(21) OTHER NON-CURRENT LIABILITIES

"*Other non-current liabilities*" includes the following items:

	Millions of euros 2013	2012
Obligations under finance leases	1,427	2,745
Deferred income	241	235
Guarantees and deposits	201	199
Derivatives from comercials operations (Note 20)	-	-
Others	310	278
Total	**2,179**	**3,457**

Note: In December 2013, as consequence of the sale process of part of the LNG assets and businesses (see Note 31 "*Divestments*"), an amount of €1,226 million was derecognized or reclassified to "*Liabilities related to non-current asset held for sale*" from "*Obligations under finance leases*"; this balance amounted to €1,289 million at December 31, 2012. In 2012, as a consequence of the loss of control and expropriation of the YPF and YPF Gas shares (see Note 4), these investees' "*Other non-current liabilities*" were derecognized.

21.1) Obligations under finance leases

The breakdown of the amounts payable under finance leases at December 31, 2013 and 2012 is as follows:

	Millions of euros		Millions of euros	
	Lease payments		Present value of minimum lease payments	
	2013	2012	2013	2012
Within one year	179	301	170	224
Between two and five years, both included	714	1,195	450	704
After six years	2,533	4,102	977	2,041
	3,426	5,598	1,597	2,969
Less:				
Future finance expenses	(1.829)	(2.629)		
	1.597	2,969		
Recognised as:				
Non-current obligations under finance leases			1,427	2,745
Current obligations under finance leases			170	224
			1.597	2,969

The effective average interest rate on obligations under finance leases at December 31, 2013 was 8.67% (2012: 7.22 %).

The main liabilities related to finance leases shown in this heading are as follows:

- On May 15, 2006 the Group signed an agreement with Emera Brunswick Pipeline Company, Ltd. for the transportation of natural gas through a pipeline that connects the Canaport plant with the US. The agreement has an initial term of 25 years (renewable for up to an additional 30 years). It came into effect in July 2009. At December 31, 2013 and 2012, the amount recognized in this heading was $518 million (€376 million) and $499 million (€378 million), respectively.

- In addition, on April 21, 2006 the Group signed an agreement with Maritimes & North East Pipeline for the transportation of Canadian natural gas from the Canadian border to Dracut for an initial term of 25 years (renewable for up to an additional 30 years). The agreement became effective in March 2009. The corresponding liability recognized in this heading at year end 2013 and 2012 amounted to $1,233 million (€894 million) and $1,252 million (€949 million), respectively.

- It also includes the finance leases corresponding to four methane tankers acquired from Gas Natural Fenosa prior to 2006 for the transportation of LNG, which mature between 2022 and 2029.

As a result of the agreement to sell part of the LNG assets and businesses (see Note 31), €1,226 million corresponding to the fleet of tankers used to transport LNG that was managed by the Repsol Group was reclassified to "*Liabilities related to non-current assets held for sale* "; this fleet was sold on January 1, 2014 (see Note 37) once the agreed-upon closing conditions had all been met.

21.2) Deferred income

"Deferred income" includes, among other items, the income generated by the sale of gas pipeline transport rights, callout charges for natural gas infrastructure operated by third parties and the amounts received each year as consideration for the provision of access points for the construction of gas and power network connections. It also includes the amounts associated with carbon emission allowances received free of charge (see Note 6).

21.3) Guarantees and deposits

This heading includes, among others, deposits received by Repsol Butano, S.A. from the users of gas bottles in accordance with applicable legal regulations. These amounts are refundable when the corresponding contracts are canceled.

(22) TRADE PAYABLES AND OTHER PAYABLES

In 2013 and 2012 Repsol had the following accounts payable classified under "*Trade payables and other payables":*

	Millions of euros	
	2013	2012
Trade payables	**4,115**	**4,376**
Obligations under finance leases (Note 21.1)	170	224
Tax Payables	873	935
Derivative financial instruments (Note 20)	89	41
Others	2,924	3,307
Other payables	**4,056**	**4,507**
Income tax liabilities	**293**	**319**
Total	**8,464**	**9,202**

Note**:** In December 2013, as consequence of the sale process of part of the LNG businesses (see Note 31 "*Divestments*"), an amount of €226 million was derecognized or reclassified to "*Liabilities related to non-current assets held for sale*" from "*Trade payables" and "Other payables"*; this balance amounted to €765 million at December 31, 2012. In 2012, as a consequence of the loss of control and expropriation of YPF and YPF Gas (see Note 4), the "*Trade payables*," "*Other payables*," and "*Income tax liabilities*" balances corresponding to YPF and YPF Gas and its group companies have been derecognized.

The fair value of these current items does not differ significantly from their carrying amount.

Information regarding deferrals of payments settled with suppliers. Additional Provision Three "Disclosure requirements" of Law 15/2010, of July 5.

As required under additional provision three of Law 15/2010, of July 5, 2010, and in accordance with consultation No. 7/2011 of the ICAC (acronym for the Audit and Accounting Institute) Newsletter No. 88, the required disclosures on the deferrals of payments to trade suppliers are presented.

The information regarding deferrals of payments settled with suppliers in 2013 and 2012 in accordance with additional provision three, "Disclosure requirements," of the aforementioned legislation is as follows:

	Millions of euros			
	2013		2012	
	Amount	%	Amount	%
Within the maximum legal term	14,010	99%	13,442	99%
Other	115	1%	79	1%
Total payments during the year	14,125		13,521	
Weighted average term by which payments were deferred over the legal period estipulated (days)	53		37	
Payments which at the year-end were outstanding by more than maximum legal term	7		17	

According to the transitional provision of the law 15/2010 the maximum legal payment deadline is 60 days in 2013 (75 days in 2012).

(23) TAX SITUATION

Corporate income tax

Due to the broad geographic mix and the markedly international nature of the business activities carried on by the companies comprising the Repsol Group, the latter is subject to several tax jurisdictions as far as its tax regulations and rates are concerned. As a result, the Repsol Group's effective tax rate is shaped by the breakdown of taxable profit obtained among the various countries in which it operates.

a) In Spain

Most of the entities resident in Spain for tax purposes pay income tax under Spain's special consolidated tax regime. Under this regime, the companies comprising the tax group jointly determine the Group's taxable profit and tax liability, which is then allocated to these companies following the criteria established by the ICAC (acronym in Spanish for the Audit and Accounting Institute) in relation to the recognition and determination of individual corporate tax liabilities.

Repsol, S.A. is the parent of Consolidated Tax Group 6/80, which comprises all of the companies resident in Spain that are at least 75%-owned, directly or indirectly, by the parent and that meet certain prerequisites. In 2013 the Tax Group was made up of 50 companies, the most significant of which are: Repsol, S.A. itself, Repsol Petróleo, S.A., Repsol Trading, S.A., Repsol Química, S.A., Repsol Butano, S.A., Repsol Exploración, S.A. and Repsol Comercial de Productos Petrolíferos, S.A.

Elsewhere, Petróleos del Norte, S.A. (Petronor) is the parent of Consolidated Tax Group 02/01/B, which includes Asfalnor, S.A. and applies the special regional tax regulations of Vizcaya for corporate income tax purposes.

In addition, the consolidated financial statements consolidate under the proportionate method all of the income tax related charges and income of the companies comprising the Gas Natural Fenosa group. Most of the Spanish companies comprising the latter group likewise apply the special consolidated tax regime, Gas Natural SDG, S.A. being the parent of Tax Group 59/93. The most significant companies in the latter Tax Group are: Gas Natural SDG, S.A. itself, Gas Natural Distribución SDG, S.A., Gas Natural Comercializadora, S.A., Gas Natural Servicios SDG, S.A, Gas Natural Aprovisionamientos SDG, S.A, Unión Fenosa Distribución, S.A. and Gas Natural S.U.R. SDG, S.A.

The rest of the companies resident in Spain for tax purposes that are not included in either of the above tax groups determine their income tax individually.

The Spanish companies are taxed at the generale rate of 30%, regardless of whether they pay tax as part of a tax group or individually. Exceptionally, Repsol Investigaciones Petrolíferas, S.A., which files its taxes on an individual basis under the Special Hydrocarbon Regime, is taxed at 35%, and the Petronor group, which applies the special regional regime of Vizcaya, is taxed at 28%.

b) Other countries

The rest of the Group companies pay tax in each of the countries in which they do business, applying the prevailing income tax rate under applicable local tax regulations. Group companies in some countries are also subject to a levy on minimum presumptive income in addition to income tax.

In turn, the Group companies resident in Spain that conduct some of their business in other countries are also subject to prevailing income tax in those countries in respect of the profits generated outside Spain. This is the case, for example, of the permanent establishments of the Spanish companies that carry on oil and gas exploration and production activities in other countries (including Libya, Algeria, Peru and Ecuador).

Below is a list of the statutory income tax rates applicable in the Group's main tax jurisdictions:

- Algeria: 30-38% plus tax on exceptional profits (TPE) by its acronym in Spanish
- Bolivia: 25%
- Brazil: 34%
- Ecuador: 22%
- US: 35% (Federal rate)
- Libya: 65%
- Netherlands: 25%
- Peru: 30%
- Portugal: 25 – 31.5%
- Trinidad and Tobago: 35% (gas); 55% and 57.25% (oil)
- Venezuela: 34% (gas) and 50% (oil)

Accrued income tax expense

The table below shows how the income tax expense accrued for accounting purposes in 2013 and 2012 was calculated, in keeping with the criteria outlined in paragraph 2.2.23 of *Accounting Policies of Note 2*:

(millions of euros)	**2013**	**2012**
Current income tax		
Current income tax charge	1,077	1,004
Other adjustments in respect of income tax	(205)	369
Current income tax	**872**	**1,373**
Deferred income tax		
Relating to movements during the year	(244)	26
Other adjustments in respect of deferred tax expense	319	7
Deferred income tax	**75**	**33**
Accrued Income tax expense	**947**	**1,406**

The following table provides a reconcilation of the Spain statutary corporation tax rate to the effective tax rate of the Grup on profit or loss before taxation:

(millions of euros)	**2013**	**2012**
Accounting profit before tax and before the Group's share of results of companies accounted for using the equity method	**1,816**	**2,856**
Spain's statutory income tax rate	30%	30%
Income tax expense at the statutory rate	**545**	**857**
Tax calculated at rates other than the statutory Spanish rate	364	582
Restatement of Balance Sheet in Spain	(129)	-
Tax effect of devaluation of functional currency / tax inflation	26	(59)
Tax credits	(38)	(47)
Tax losses for which no deferred tax asset was recognized	90	14
Expenses not deductible for tax purposes	79	67
Other items	10	(8)
Income tax expense	**947**	**1,406**

The tax expense related to the accounting profit of discontinued operations included in "*Net income for the period from discontinued operations after taxes*" (see Note 27) amounted to tax income of €339 million in 2013 (tax income of €271 million in 2012).

Law 16/2012 was passed in Spain on December 27, 2012, enacting several fiscal measures designed to further the consolidation of the public finances and to shore up economic activity. One of the measures passed provides the Group's Spanish companies with the choice of restating their balance sheets. The ICAC, in a ruling issued on January 31, 2013, ruled that any restatements made must be recognized in the Group's Spanish companies' 2013 financial statements. The tax impact would also be recognized in 2013. Repsol accordingly revalued the amounts of items of property, plant and equipment recognized by the Group's Spanish companies that were not fully depreciated for accounting or tax purposes. In order to accredit the right to deduct the future depreciation charges on the higher asset values in the wake of the revaluation exercise, the Group settled the one-off 5% tax charge amounting to €27 million in conjunction with its 2012 income tax return.

This revaluation was eliminated in preparing the consolidated financial statements under IFRS, giving rise to the recognition of a deferred tax asset of €156 million. The deferred tax asset generated by the increase in the tax base of the affected assets and the one-off 5% tax have been accounted for with a balancing entry of €129 million under "*Income tax*."

The breakdown by nature of the deferred tax assets and deferred tax liabilities recognized in the accompanying balance sheet is shown below:

	Millions of euros		
	2013[(1)]	2012	Change
Deferred tax assets:			
Provisions for doubtful accounts	59	65	(6)
Provisions for employees	132	122	10
Provisions for contingencies	49	67	(18)
Other provisions	393	361	32
Depreciation schedule differences	525	382	143
Tax credits	3,085	2,110	975
Other deferred tax assets	654	203	451
	4,897	**3,310**	**1,587**
Deferred tax liabilities			
Tax incentives	(17)	(13)	(4)
Deferred gains	(114)	(127)	13
Depreciation schedule differences	(1,589)	(1,581)	(8)
Functional currency	(62)	(32)	(30)
Fair value gains arising on business combinations allocated to the value of the assets acquired	(737)	(817)	80
Other deferred tax liabilities	(833)	(493)	(340)
	(3,352)	**(3,063)**	**(289)**

Note: In December 2013, as consequence of the sale process of part of the LNG assets and businesses (see Note 31 "*Divestments*"), amounts of €4 million and €35 million, were derecognized or reclassified to "*Non-current asets held for sale*" and "*Liabilities related to non-current assets held for sale*" from "*Deferred tax assets*" and "*Deferred tax liabilities*"; these balances amounted to €0 and €37 million, respectively at December 31, 2012. In 2012, as a consequence of the loss of control and the expropiation process of YPF and YPF Gas (see Note 4), "*Deferred tax assets*" and "*Deferred tax liabilities*" corresponding to YPF and YPF Gas and its group companies have been derecognized.

(1) €975 million was added to "*Deferred tax assets*" at December 31, 2013 in respect of unused tax credits deriving from the capitalisation of unused deductions and tax losses and €156 million in connection with the asset revaluation exercise.

A total of €127 million was charged directly to equity in 2013 in respect of deferred taxes (€3 million in 2012).

The Group did not recognize deferred tax assets in the amount of €309 million in 2013 (€306 million in 2012) as they do not meet IFRS recognition criteria. These unrecognized tax assets correspond mainly to unused tax losses and unused tax credits. More specifically, in 2013 these unrecognized amounts correspond mostly to tax losses which the Group does not expect to be able to offset against tax profits within the timeframes allowed under prevailing tax law in the various jurisdictions in which they were generated, which for the most part range between 3 and 20 years.

The Group did not recognize deferred tax liabilities of €122 million in 2013 as they relate to taxable temporary differences associated with investments in subsidiaries, associates and permanent establishments that qualify for the exemption provided for under IFRS (€126 million in 2012).

Administrative and legal proceedings with tax implications

Repsol does business in more than 40 countries, operating as a vertically-integrated oil and gas company, which is translating into growing complexity with respect to tax management in the current international context.

In accordance with prevailing tax legislation, tax returns cannot be considered final until they have been inspected by the tax authorities or until the inspection period in each tax jurisdiction has prescribed.

Generally speaking, the Group companies have their tax returns open to inspection in respect of all major applicable taxes for 2010-2013.

Whenever discrepancies arise between Repsol and the tax authorities with respect to the tax treatment applicable to certain operations, the Group takes proactive steps to resolve the resulting controversy, using the legal avenues at its disposition with a view to reaching a solution.

However, in 2013, as in prior years, there are government and legal proceedings with tax implications that go against the Group's aims and could result in contingent tax liabilities that cannot be reliably quantified at present. However, the directors believe that any tax liabilities that could materialize in this respect would not have a material impact on the accompanying financial statements. Repsol believes that it has acted lawfully in handling the foregoing matters and that its defense arguments are underpinned by reasonable interpretations of prevailing legislation, to which end it has lodged appeals as necessary to defend the interests of the Group and its shareholders.

It is hard to predict when these lawsuits will be resolved due to the extensive appeals process. Based on the counsel received from in-house and external tax experts, the Company believes that the tax liabilities that may ultimately derive from these proceedings will not have a significant impact on the accompanying financial statements. In the Group's experience, the result of lawsuits claiming sizeable amounts have either tended to result in immaterial settlements or the courts have found in favour of the Group.

The Group's criterion is to recognize provisions for tax-related lawsuits that it deems it will probably lose. It does not recognize provisions when the risk of losing the case is considered possible or remote. The amounts to be provisioned are calculated on the basis of the best estimate of the amount needed to settle the lawsuit in question, underpinned by case-by-case analysis of the facts, the legal opinions of its in-house and external advisors and prior experience in these matters.

The main tax-related lawsuits at December 31, 2013 are as follows:

<u>Brazil</u>

Petrobras, as operator of block BMS-9, in which Repsol has a 25% ownership interest, has been notified by the Sao Paolo tax authorities of an assessment that it breached certain formal requirements (the issuance of supporting tax documentation) related to the onshore-offshore movement of materials and equipment to the offshore drilling platform (including the movement of the platform itself to the drilling site). The criterion adopted by Petrobras is aligned with that of the Brazilian National Oil Agency (ANP for its acronym in Portuguese). This case is being heard at a court of second instance.

Elsewhere, Petrobras, as operator of the Albacora Leste, BM-S-7 and BMS-9 consortia (and other consortia in which Repsol Sinopec Brasil has no interests) has received notices of infraction with respect to personal income tax (*Imposto de Renda Retido na Fonte or IFFF)* and economic activities tax *(Contribuição de Intervenção no Domínio Econômico or CIDE)* withholdings made in 2008 and 2009 in relation to payments to foreign companies for the chartering of exploration platforms and related services used at the above-listed blocks. The Company is evaluating its liability in the matter from both a tax and contractual perspective.

In addition, Repsol Sinopec Brasil received notices of infraction with respect to personal income tax and economic activities tax withholdings made in 2009 in relation to payments to foreign companies for the chartering of exploration platforms and related services used at blocks BM S-48 and BM-C33, which Repsol Sinopec Brasil operates. The Company, in keeping with the reports provided by its internal and external tax consultants, believes that its approach is both legal and in line with widespread sector practice. It will accordingly lodge the corresponding appeals, as necessary, in order to uphold and defend the Group's legitimate interests.

Bolivia

Repsol E&P Bolivia, S.A. and YPFB Andina, S.A., in which the Repsol Group owns 48.92%, have been handed down rulings by Bolivia's Supreme Court denying the possibility of deducting royalties and hydrocarbon interests for corporate income tax calculation purposes. This issue dates to before the oil sector was nationalized. The Company believes that there is jurisprudence in constitutional law, specifically and expressly Law 4115, of September 26 2009, in support of its position.

Canada

The Canadian tax authorities have questioned the criteria used by Repsol Energy Canada Ltd. and Repsol Canada, Ltd. in classifying certain industrial assets as *Class 43 Assets* liable for accelerated tax depreciation between 2005 and 2008. The lawsuit is pending sentence by the Tax Court of Canada and there is still scope for an out-of-court settlement that would address this dispute.

Ecuador

The Ecuador internal revenue service has questioned the deduction from income tax of payments for the transportation of crude oil to Ecuador company (SRI) Oleoducto de Crudos Pesados, S.A. under a ship-or-pay arrangement by several consortia in which Repsol Ecuador, S.A. has ownership interests. The matter has been appealed before Ecuador's National Court of Justice.

The internal revenue service has also queried the criteria used to set the benchmark price applicable to sales of its crude to the Bloque 16 consortium in which Repsol Ecuador, S.A. holds a 35% interest. This matter is pending sentencing by the Tax Court.

Oleoducto de Crudos Pesados, S.A., a 29.66% investee of Repsol Ecuador, S.A., is disputing the tax treatment of subordinated debt issued to finance its operations with the government of Ecuador. The National Court handed down a favorable ruling for this company, which the government appealed before the Constitutional Court. The Constitutional Court has rendered the National Court ruling null and ordered a new ruling.

Spain

The main litigations deriving from the inspections of income tax returns from 1998 to 2001 and from 2002 to 2005 concluded in 2013. The corresponding sentences and rulings had the effect of cancelling 90% of the tax liability initially assessed by the tax authorities and that had been appealed by the Company. With regard to the penalties linked to those inspections, the justice Courts have cancelled all the penalties that at this date, have already pronounced.

In addition, in 2013 the tax authorities concluded their inspection in respect of 2006- 2009 period that affected income tax, VAT, hydrocarbon and other special duties and withholdings. The corresponding assessments are still open to further appeal. The matters under dispute are very varied and, for the most part, relate to income tax and imply a change in the tax authority's criteria with respect to earlier inspections. Repsol, in keeping with the reports provided by its internal and external tax advisors, believes that it has acted lawfully in these matters and, accordingly, does not expect them to result in liabilities that could have a significant impact on the Group's results. The Group will appeal the assessments handed down by the tax authorities

as necessary in order to uphold and defend the Group's legitimate interests.
Trinidad and Tobago

BP Trinidad&Tobago LLC, in which Repsol has a 30% interest along with the BP Group, is regularly inspected by the *Board of Inland Revenue*. At present, inspections are ongoing in respect of multiple taxes, including the *petroleum profit tax*, the *supplemental petroleum tax*, VAT and withholdings, and tax years. These matters are for the most part at the pre-litigation stage.

In view of the uncertainty concerning the materialization of the existing tax contingencies associated with lawsuits and other tax matters, at year-end the Group had recognized provisions under "*Other provisions*" (see Note 16) that are deemed adequate to cover those tax contingencies. The amount recognized in the balance sheet in this respect at December 31, 2013 is €1,471 million The tax-related lawsuits in progress and other tax contingencies that have been provisioned correspond to a large number of cases.

(24) JOINT VENTURES

The most significant jointly controlled entities in which the Group participates at December 31, 2013 are:

Companies	% of ownership
Quiriquire Gas, S.A. (1)	60.00%
Repsol Sinopec Brasil, S.A. (1)	60.00%
AR Oil & Gas BV	49.00%
Saneco	49.00%
TNO (Tafnefteotdacha)	49.00%
YPFB Andina, S.A. (former Empresa Petrolera Andina)	48.92%
Petroquiriquire, S.A.	40.00%
Grupo Gas Natural SDG, S.A.	30.01%
BPRY Caribbean Ventures LLC	30.00%
Occidental de Colombia LLC (former R. Occidental Corporation)	25.00%

(1) The Group considers that its investments in Quiriquire Gas, S.A. and Repsol Sinopec Brasil, S.A. constitute joint control arrangements on the basis of existing contracts that stipulate that certain strategic decisions of both a financial and operating nature require the unanimous consent of all the venturers sharing control.

The breakdown of the consolidated balance sheet amounts included under the main headings of Repsol consolidated financial statements as a result of the proportionate consolidation of the joint ventures at December 31, 2013 and 2012, is as follows:

	Millions of euros	
Balance Sheet	2013	2012
Current assets	7,738	8,241
Non-current assest	15,352	14,402
Current liabilities	(4,149)	(3,767)
Non-current liabilities	(8,372)	(8,504)

Note: In 2013, as consequence of the sale process of part of the LNG businesses (see Note 31 "*Divestments*"), amounts of €265 and 168 million were derecognized or reclassified to "*Non-current assets held for sale*" and "*Liabilities related to non-current assets held for sale*" from assets and liabilities amounting to; these balances amounted to €281 and €184 million, respectively, at December 31, 2012.

The breakdown of the consolidated income statement amounts included under the main headings of Repsol consolidated financial statements as a result of the proportionate consolidation of the joint ventures at December 31, 2013 and 2012, is as follows:

	Millions of euros	
Income statements	2013	2012[1]
Operating income	9,783	10,125
Operating expenses	(8,166)	(8,432)
Other incomes	343	154
Other expenses	(1,152)	(968)
Net income for the period from continuing operations attributable to the parent	**808**	**878**

(1) Includes the necessary modifications with respect to the consolidated financial statements at December 31, 2012 (see Note 2.1.2 *"Comparison of information"*) related to the sale process of part of the LNG assets and businesses (see Note 31 "*Divestments*").

Additionally, at December 31, 2013, the Group had interests in the jointly controlled assets and operations listed in Appendix II, as a result of which, it obtains income and incurs in expenses on the basis of its respective percentage ownership interests.

From January 1, 2014, under IFRS 11 *Joint Agreements*, the Group will cease to use the proportionate method of consolidation to account for its interests in jointly controlled entities that qualify as joint ventures under the new standard. The impact in this change in accounting treatment is detailed under *New standards issued* in Note 2.

(25) OPERATING REVENUES AND EXPENSES

Sales and services rendered and other income

The distribution by geographic area corresponding the caption "*Sales*" and "*Services rendered and other income*" headings on the accompanying consolidated income statement, depending on the markets to which they correspond, is as follows:

	Millions of euros	
Geographic Area	2013	2012 [1]
Spain	29,370	29,652
European Union	5,676	8,990
O.E.C.D. Countries	8,782	6,152
Other countries	11,918	12,428
Total	**55,746**	**57,222**

(1) Includes the necessary modifications with respect to the consolidated financial statements at December 31, 2012 (see Note 2.1.2 *"Comparison of information"*) related to the sale process of part of the LNG assets and businesses (see Note 31 "*Divestments*").

This heading "*Sales*" includes excise tax and similar taxes levied on the production and/or sale of oil and gas products amounting to €6,099 million in 2013 and €5,244 million in 2012.

Income and expenses from impairment losses and gains and losses on disposal of non-current assets

Income includes the following items:

	Millions of euros	
	2013	2012
Income from release of impairment provisions	5	10
Gains on disposal of non-current assets (Note 31)	18	263
Total	**23**	**273**

The gains on the disposal of non-current assets in 2012 relate mainly to the sale of the liquid petroleum gas distribution subsidiary Repsol Butano Chile, S.A. (€195 million) and the sale of Amodaimi Oil Company (€48 million) (see Note 31).

"*Impairment losses recognized and losses on disposal of non-current assets*" include the following items:

	Millions of euros	
	2013	2012 (1)
Impairment losses recognized (Notes 6 and 7)	143	104
Losses on disposal of non-current assets	20	39
Total	**163**	**143**

(1) Includes the necessary modifications with respect to the consolidated financial statements at December 31, 2012 (see Note 2.1.2 "*Comparison of information*") related to the sale process of part of the LNG assets and businesses (see Note 31 "*Divestments*").

Supplies

This heading includes the following items:

	Millions of euros	
	2013	2012 (1)
Purchases	43,358	43,676
Changes of inventory	(188)	68
Total	**43,170**	**43,744**

(1) Includes the necessary modifications with respect to the consolidated financial statements at December 31, 2012 (see Note 2.1.2 "*Comparison of information*") related to the sale process of part of the LNG assets and businesses (see Note 31 "*Divestments*").

The heading "*Purchases*" includes excise tax and similar taxes levied on the production and/or sale of oil and gas products disclosed in "*Sales*" section of this note.

Personnel expenses and headcount

This heading includes the following items:

	Millions of euros	
	2013	2012 [(1)]
Salaries and others	1,518	1,500
Social security expenses	521	475
Total personnel expenses	**2,039**	**1,975**

(1) Includes the necessary modifications with respect to the consolidated financial statements at December 31, 2012 (see Note 2.1.2 *"Comparison of information"*) related to the sale process of part of the LNG assets and businesses (see Note 31 "*Divestments*").

Repsol Group employed a total of 30,296 people at December 31, 2013, geographically distributed as follows: Spain (20,131 employees), Latin America (6,291 employees) and rest of the world (3,874 employees). Average headcount in 2013 was 30,330 employees and in 2012 was 29,997 employees.

At December 31, 2013, Upstream and Downstream business Repsol and its corporate areas has a total of 705 handicapped employees in Spain, 532 of which were hired directly, while the remaining 173 persons were employed through alternative hiring arrangements (3.67% of headcount using legal computation methods).

In compliance with Organic Law 3/2007, dated March 22, which promotes true equality between men and women, published in the BOE (Official State Gazette) issued on March 23, 2007, the following tables reflect the Group's total headcount distributed by professional categories and gender at year end 2013 and 2012:

	Number of employees			
	2013		2012	
	Men	Women	Men	Women
Managers	574	151	545	134
Seniors line personnel	2,295	659	2,138	639
Other line personnel	8,811	4,577	8,833	4,448
Operating staff (manual workers, administrative)	9,008	4,221	8,992	4,256
Total	**20,688**	**9,608**	**20,508**	**9,477**

Other operating expenses

"*Other operating expenses*" includes the following items:

	Millions of euros	
	2013	2012 [(1)]
Taxes other than income tax	812	724
External services	3,788	3,855
Transport and freight costs	815	861
Other expenses	381	385
Total	**5,796**	**5,825**

(1) Includes the necessary modifications with respect to the consolidated financial statements at December 31, 2012 (see Note 2.1.2. "Comparison of Information")related to the sale process of part of the LNG assets and businesses, (see Note 31 "*Divestments*").

Exploration costs amounted to €668 and €551 million in 2013 and 2012, of which €356 and €315 million, respectively, are recognized in the heading "Amortization."

Research and development expenses

The expense recognized in the income statement in connection with research and development activities amounted to €89 million in 2013 (€83 million in 2012).

(26) FINANCE INCOME AND EXPENSES

The breakdown of finance income and expenses in 2013 and 2012 is as follows:

	Millions of euros	
	2013	2012[1]
Interest Income	91	91
Borrowing Costs	(765)	(795)
Net interest expense (including preference shares)	**(674)**	**(704)**
Due to interest rate	(5)	5
Change in fair value of financial instruments	(5)	5
Due to exchange rate	(28)	40
Change in fair value of financial instruments	(126)	17
Exchange differences	98	23
Other positions	-	(2)
Change in fair value of financial instruments	-	(2)
Net gains / (losses) from financial instruments exposure [3]	**(33)**	**43**
Impact of discounting provisions to present value	**(114)**	**(83)**
Capitalised interest [4]	**142**	**135**
Leases	(140)	(145)
Impairment and gains (losses) on disposal of financial instruments	79	(28)
Other income [2]	71	6
Other expenses	(86)	(34)
Other financial income and expenses	**(76)**	**(201)**
FINANCIAL RESULT	**(755)**	**(810)**

(1) Includes the necessary modifications with respect to the consolidated financial statements at December 31, 2012 (see Note 2.1.2. "*Comparison of Information*")related to the sale process of part of the LNG assets and businesses, (see Note 31 "*Divestments*").

(2) This heading includes the surplus value generated as a result of the redemption of preference shares, as described in Note 18.

(3) This heading includes exchange gains and losses generated by the measurement and settlement of foreign-currency monetary items (see Note 2.2.4.) as well as the gains and losses recognized as a result of the measurement and settlement of derivatives

(4) Capitalized interest is recognized in the consolidated income statement under "Finance expenses."

(27) NET INCOME FROM DISCONTINUED OPERATIONS

In 2013, "*Net income for the period from discontinued operations after taxes*" mainly includes the results generated by the LNG assets and businesses sold and/or classified as non-current assets held for sale at December 31, 2013 (see Notes 10 and 31) as well as the gain generated by the sale and the impairment charges recognized on the retained LNG assets and onerous contract in North America (see Notes 6, 7 and 16).

Results obtained in 2012 have been restated to include the results generated that year by these assets and operations. Additionaly, includes the results generated until the loss of control event from the consolidation of the operations of YPF, YPF Gas and their group companies, on the other. It also included the income statement impact of the loss of control as a result of the expropriation (see Note 4.3).

The table below provides a breakdown by nature of the income and expenses corresponding to the discontinued operations:

	Millions of euros	
	2013	**2012**
Operating revenues	1,888	4,559
Operating expenses	(1,320)	(3,522)
Operating profit	**568**	**1,037**
Financial result	(47)	(72)
Results of companies accounted for using the equity method-net of tax	74	73
Net income from discontinued operations before tax	**595**	**1,038**
Tax expense in respect of net income from discontinued operations	(159)	(253)
Net income from discontinued operations	**436**	**785**
After-tax gain on the sale of the LNG assets	**159**	**-**
After-tax [gain/loss] on the change in value of the non-current assets held for sale subject to expropriation	**(1,279)**	**(38)**
NET INCOME FOR THE PERIOD FROM DISCONTINUED OPERATIONS - NET OF TAXES	**(684)**	**747**
Net income from discontinued operations attributable to minority interests	-	(109)
NET INCOME FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO THE PARENT	**(684)**	**638**

(28) CASH FLOW FROM OPERATING ACTIVITIES

The composition of the caption "*Cash flows from operating activities*" regarding to the ongoing activities of the consolidated cash flow statement in the years 2013 and 2012 is as follows:

		Millions of euros	
	Notes	2013	2012 [(1)]
Net income before tax		**1,864**	**2,903**
Adjustments to net income		**3,639**	**3,337**
Depreciation and amortization of assets	6 & 7	2,559	2,499
Net changes in operating provisions	16	447	411
Gains (losses) on sale of non-commercial assets	31	2	(225)
Financial results	26	755	811
After-tax share of results of companies accounted for using the equity method	9	(48)	(47)
Other adjustments (net)		(76)	(112)
Change in working capital		**(502)**	**624**
Other cash flows from/(used in) operating activities:		**(1,005)**	**(1,655)**
Dividend received		33	26
Income tax recieved / (paid)		(893)	(1,399)
Other procceeds from/ (payment for) from operating activities		(145)	(282)
Cash Flow from operating activities		**3,996**	**5,209**
Cash Flow from discontinued operating activities		**129**	**1,569**

[1] Includes the necessary modifications with respect to the consolidated financial statements at December 31, 2012 (see Note 2.1.2. "*Comparison of Information*")related to the sale process of part of the LNG assets and businesses, (see Note 31 "*Divestments*").

(29) SEGMENT REPORTING

The segment reporting disclosed by the Group in this section is presented in accordance with the disclosure requirements of IFRS 8 *Operating segments*.

The organizational structure of the Group and its various operating segments is based on the activities from which the Group may earn revenue or incur in expenses. On the basis of this Board-approved structure, the Group's management team (Repsol Executive Committee) analyzes the main operating and financial indicators in order to make decisions about segment resource allocation and to assess how the Company is performing. The Group has not aggregated any operating segments for presentation purposes.

The organizational structure is oriented to support the company's growth projects, as well as to establish the basis for future developments. At December 31, 2013, the operating segments of the Group are:

- *Upstream*, corresponding to oil and gas exploration and production operations.
- *Downstream*, corresponding to refining, sales activities for oil products, chemicals and LPG.
- *LNG*, corresponding to midstream (liquefaction, transport and regasification) natural gas operations and the sale and marketing of natural gas and liquid natural gas, except for the LNG operations of Gas Natural Fenosa.
- *Gas Natural Fenosa*, (through its shareholding in Gas Natural SDG, S.A.) corresponding to the sales activities for natural gas and power generation, distribution and sale of electricity.

Some of the assets and business comprising the LNG segment were sold on December 31, 2013 (see Notes 31, 10 and 37). As a result, the profits generated by these assets and businesses during the year, the gain generated by the sale and the impairment charges recognized on the retained LNG assets and onerous contract in North America (see Notes 6, 7 and 16) were classified as discontinued operations (see Note 27). The cash flows generated by the assets and businesses forming part of the sale transaction were also reclassified to cash flows from discontinued operations in the consolidated cash flow statement.

The "*adjusted*" information presented in this note on the Group's reportable segments, which coincides with that presented to the Group's chief decision maker in respect of segment resources and performance in 2013. This "*adjusted*" information, has been prepared assuming that the amounts related to the LNG assets and businesses sold are part of results from continuing operations, unless expressly stated to the contrary. The corresponding references are provided for each of the "*adjusted*" income statement and cash flow statement figures to facilitate reconciliation with the corresponding consolidated income statement and cash flow statement headings and amounts.

The table below details the Repsol Group's main income statement headings broken down into the operating segments defined above:

	Millions of euros					
Adjusted operating revenue for the reportable segments	Operating revenue from clients		Operating revenue inter-segment		Total operating revenue	
Segments	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Upstream	3,153	3,843	1,865	1,859	5,018	5,702
GNL [(1)]	4,508	2,611	330	379	4,838	2,990
Downstream	44,863	45,888	64	98	44,927	45,986
Gas Natural Fenosa	7,193	7,223	379	364	7,572	7,587
Corporation	11	28	480	1,455	491	1,483
(-) Inter-segment adjustments and eliminations of operating income[(2)]	-	-	(3,118)	(4,155)	(3,118)	(4,155)
TOTAL	**59,728**	**59,593**	**-**	**-**	**59,728**	**59,593**

(1) The LNG segment's "*Operating revenue*" in 2013 and 2012 includes the revenue generated during the year by the assets and businesses sold (see above) and in 2013 the gain generated on the sale in the amounts of €3,430 and €1,741 million, respectively. These amounts need to be taken into consideration in order to reconcile "*Operating revenue*" with that shown in the consolidated income statement.

(2) These correspond primarily to the elimination of commercial transactions between segments.

	Millions of euros	
Segments	12/31/2013	12/31/2012
Upstream	1,757	2,208
GNL	959	535
Downstream	42	1,013
Gas Natural Fenosa	889	920
Corporation	(304)	(390)
Total adjusted operating income retaining of reportable segments [(1)]	**3,343**	**4,286**
Net income of operations classified as discontinued under LNG sale agreement	(772)	(620)
Operating income	**2,571**	**3,666**

(1) In 2013 "*Total adjusted operating income of reportable segments*" includes the operating income generated during the year by the assets and businesses sold (see above) in the amount of €642 million, the resulting gain of €1,540 million and the impairment charges recognized on the LNG assets in North America and the related onerous contract, in the amount of €1,410 million. In 2012 this heading includes the operating income generated by these assets and businesses.

Other segment metrics for the years ended December 31, 2013 and 2012:

	Millions of euros					
	Upstream	GNL	Downstream	Gas Natural Fenosa	Corporation and other adjustments	Total
2013						
Investments accounted for using the equity method participation	289	-	94	29	-	412
Share of results of companies accounted for using the equity method [(5)]	26	74	20	2	-	122
Depreciation and amortization [(4)]	(1,231)	(171)	(638)	(551)	(52)	(2,643)
Profit (loss) from impairment of assets [(3)]	(14)	(1,410)	(102)	(21)	-	(1,547)
Operating investments [(1) (2)]	2,317	30	656	444	53	3,500

	Millions of euros					
	Upstream	LNG	Downstream	Gas Natural Fenosa	Corporation and other adjustments	Total
2012						
Investments accounted for using the equity method participation	307	322	78	30	-	737
Share of results of companies accounted for using the equity method [5]	27	70	17	3	-	117
Depreciation and amortization [4]	(1,169)	(177)	(638)	(540)	(63)	(2,587)
Profit (loss) from impairment of assets [3]	(24)	(1)	(72)	-	-	(97)
Operating investments [1] [2]	2,423	35	666	432	165	3,721

(1) Includes the capital expenditure accrued during the period. Does not include investments in *"Other financial assets."*
(2) In 2013 and 2012 this heading includes €14 and €15 million, respectively, of operating investments made in the LNG assets and businesses that are recognized under *"Cash flows from operating activities from discontinued operations"* in the consolidated cash flow statement.
(3) In 2013 this heading includes the charges related to the provisions for impairment of assets and onerous contract in respect of the North American LNG business that are recognized within *"Net income from discontinued operations"* in the consolidated income statement.
(4) In 2013 and 2012 this heading includes depreciation and amortization charges of €84 and €88 million, respectively, in respect of the LNG assets and businesses sold that are recognized within *"Net income from discontinued operations"* in the consolidated income statement.
(5) In 2013 and 2012 this heading includes income of €74 and €70 million, respectively, generated by LNG asset and business forming part of the sale transaction described above and are classified within *"Net income from discontinued operations"* in the consolidated income statement.

The breakdown of the main key figures by geographical area is as follows:

	Millions of euros							
	Operating revenue [1]		Operating income [1]		Operating investments [1]		Total assets [1][2]	
	2013	2012	2013	2012	2013	2012	2013	2012
Upstream	**5,018**	**5,702**	**1,757**	**2,208**	**2,317**	**2,423**	**13,280**	**12,638**
North American and Brazil	1,095	1,423	205	380	1,191	1,144	5,092	4,346
North Africa	970	1,581	752	1,298	78	44	843	918
Rest of the world	3,065	2,801	800	530	1,048	1,235	7,345	7,374
Adjustments	(112)	(103)	-	-	-	-	-	-
GNL	**4,838**	**2,990**	**959**	**535**	**30**	**35**	**2,902**	**4,176**
Downstream	**44,927**	**45,986**	**42**	**1,013**	**656**	**666**	**18,289**	**18,993**
Europe	43,318	44,651	65	723	585	612	17,142	17,706
Rest of the world	4,526	4,641	(23)	290	71	54	1,147	1,287
Adjustments	(2,917)	(3,306)	-	-	-	-	-	-
Gas Natural Fenosa	**7,572**	**7,587**	**889**	**920**	**444**	**432**	**12,086**	**12,658**
Corporation and other adjustments	**(2,627)**	**(2,672)**	**(304)**	**(390)**	**53**	**165**	**13,438**	**10,534**
Assets of discontinued operations							5,091	5,922
TOTAL	**59,728**	**59,593**	**3,343**	**4,286**	**3,500**	**3,721**	**65,086**	**64,921**

(1) Adjusted operating revenue, Operating income and Total assets"*Adjusted*" operating investments as detailed earlier in this note.
(2) The total asset figures per segment include in each segment the capital expenditure recognized under the equity method corresponding to that segment. In respect of the following assets:

- *LNG*. In 2013 this heading mainly includes the LNG assets in North America.
- *Corporation and other adjustments*. This heading includes financial assets in the amount of €7,915 million and €6,670 million, respectively, in 2013 and 2012.
- *Assets of discontinued operations*. In 2013 this heading does not includes assets that formed part of the scope of the LNG transaction and that were classified as non-current assets held for sale (see Note 10) at year-end as the sale did not close until January 1, 2014 (see Note 37). In addition, in both years it includes the assets affected by the expropriation of YPF and YPF Gas (see Note 4.3).

(30) BUSINESS COMBINATIONS AND INCREASES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE IN CONTROL

Repsol prepares its consolidated financial statements including the investments in all its subsidiaries, affiliated companies and joint ventures. Appendix I of the consolidated financial statements details the most significant subsidiaries, affiliated companies and joint ventures, held directly or indirectly by Repsol, S.A., which were included in the scope of consolidation during 2013 and 2012.

2013 Acquisitions

There were no material business combinations in 2013.

2012 Acquisitions

In August 2012, in keeping with the milestones laid down in an agreement signed on December 22, 2011 by Repsol and Alliance Oil, Repsol Exploración, S.A. acquired a 49% interest in AR Oil and Gaz, B.V ("AROG") from Alliance to serve as a growth platform in the Russian Federation for both companies. Prior to this acquisition, and under the scope of the abovementioned agreement, Alliance had contributed 100% of its subsidiary Saneco, which encompasses its exploration and production activities in the Samara region (in the Volga-Urals basin), to AROG. In December 2012, Alliance Oil contributed 99.54% of its subsidiary TNO (Tafnefteotdacha), with assets in the Russian region of Tatarstan (in the Volga-Urals basin) to AROG in consideration for which Repsol Exploración S.A. acquired additional shares of AROG from Alliance Oil so as not to dilute its 49% stake.

The above-mentioned two transactions entailed a total outlay of $301 million (€233 million), of which $143 million (€109 million) was deferred until January 2013 following the sale of Eurotek to AROG, which was the last milestone in the December 22 agreement covering the sale by Repsol of the former to the latter (see Note 31). The breakdown of the net assets acquired in this business combination, stated on the basis of the Group's 49% interest in AROG and AROG's interests in Saneco and TNO (Tafnefteotdacha) is shown below:

	Millions of euros	
	Fair value	Carrying amount at the acquiree
Current assets	55	55
Non-current assets	203	130
TOTAL ASSETS	**258**	**185**
Current liabilities	16	16
Non-current liabilities	9	9
TOTAL LIABILITIES	**25**	**25**
NET ASSET	**233**	**160**

The impact of the transaction on net income for the year ended December, 31 2012 was not significant. Had the acquisition taken place on January 1, 2012, the additional contribution to consolidated revenue and net income for the year would not have been significant either. The purchase price allocation resulted in a revaluation to fair value of the property, plant and equipment corresponding to the exploration and production assets acquired.

(31) DIVESTMENTS AND DISPOSALS OF OWNERSHIP INTERESTS

Divestments

The following table provides the proceeds from the sale of equity ownerships recorded in 2013 and 2012:

	Millions of euros	
Divestments	**2013**	**2012**
Group companies, associated companies and business units	155	635
Property, plant and equipment, intangible assets and investment properties	102	55
Other financial assets	426	435
Proceeds from the sale of discontinued operations [1]	2.610	21
Total proceeds from divestments	**3.293**	**1.146**

[1] This heading mainly includes the proceeds from the sale of the LNG assets and businesses to Shell (€2,446 million) and the sale of 25% of Bahia Bizkaia Electricidad (BBE) to BP (€135 million).

Group companies, associates and business units

The main divestments of ownership interests in Group companies and associates in 2013 and 2012 are listed in Appendix Ib – "*Main changes in the consolidation scope*." The most significant transactions are detailed below.

Sale of part of the LNG businesses and assets

The main disposal closed in 2013 was the sale of some of the liquefied natural gas (LNG) businesses, a process initiated on February 26, 2013 and concluded with three different transactions closed in October and December 2013 and January 2014.

Prior to this sale-purchase agreement, Repsol's LNG business comprised: (i) minority shareholdings in the liquefaction plants in Trinidad and Tobago and Peru; (ii) a minority investment in a combined cycle plant in Spain; (iii) the marketing, transport and trading activities; (iv) the regasification, marketing and trading activities in the US; and (v) the integrated LNG project in Angola.

The scope of the transaction with Shell included the businesses enumerated under items (i), (ii) and (iii) above, corresponding to the following Group companies: Repsol LNG Port of Spain B.V, Atlantic LNG Company of Trinidad & Tobago, Atlantic LNG 2/3 Company of Trinidad & Tobago, Atlantic 4 LNG Company of Trinidad & Tobago and Repsol LNG Trinidad y Tobago, Ltd. (hereinafter jointly referred to as "*Atlantic LNG*"), Peru LNG Company, Llc. ("*Peru LNG*") and Bahía Bizkaia Electricidad, S.L ("*BBE*"). Repsol Comercializadora de Gas, S.A. ("Repsol Comercializadora") also falls under the scope of the sale and at December 31, 2013 was classified under "*Non-current assets held for sale*" and "*Liabilities related to non-current assets held for sale*."

On October 11, 2013, Repsol sold its 25% interest in the BBE combined cycle power plant to BP for €135 million. This asset, initially included in the scope of the sale of LNG assets to Shell, was sold in the end to BP, upon exercise by the latter of its right of first refusal. This transaction generated a pre-tax gain of €89 million, which is recognized within "*Net income from discontinued* *operations"* (see Note 27).

The carrying amounts of the assets and liabilities derecognized as a result of this disposal are broken down below:

	Millions of euros
Cash and cash equivalents	15
Other current assets	4
Non-current assets	48
TOTAL ASSETS	**67**
Current liabilities	12
Non-current liabilities	9
TOTAL LIABILITIES	**21**
NET ASSETS	**46**

The sale to Shell of the main long-term LNG supply agreements and the LNG assets and businesses in Trinidad and Tobago and Peru, corresponding to the Group's interests in Atlantic LNG and Peru LNG, closed on December 31, 2013 for €2,446 million, generating a pre-tax gain of €1,451 million, which is recognized in "*Net income from discontinued operations"* (see Note 27).

The carrying amounts of the assets and liabilities derecognized as a result of this disposal are broken down below:

	Millions of euros
Cash and cash equivalents	24
Other current assets	211
Non-current assets	919
TOTAL ASSETS	**1,154**
Current liabilities	103
Non-current liabilities	56
TOTAL LIABILITIES	**159**
NET ASSETS	**995**

The sale transaction had the effect of disarticulating the integrated management of the LNG business. As a result, the Group recognized an impairment provision on its LNG assets in North America, which make up a single CGU (mainly the Canaport regasification plant and the gas transportation pipelines owned by Repsol Energy Canada, Group subsidiaries) (see Notes 6 and 7) and a provision for the onerous process-or-pay contract associated with the Canaport plant (see Note 16) for a total of €1,410 million pre-tax, a sum that is recognized within "*Net income from discontinued operations*."

Under the framework of the agreement entered into, Repsol continues to act as guarantor vis-à-vis third parties in contracts entered into by the companies sold and companies that, as a result of the sale, lost their status as Group companies. Pending execution of new guarantees in which Shell will replace Repsol as guarantor, Shell has provided Repsol with the opportune counter-guarantees equivalent to the Group's exposure under the contracts so guaranteed.

At December 31, 2013, the marketing, transport and trading activities carried out by Repsol Comercializadora and the assets associated with these activities were classified as non-current assets held for sale (see Note 10). This sale closed on January 1, 2014 once all the pertinent permits had been obtained and the agreed-upon closing conditions met (see Note 37).

Other disposals in 2013

On January 24, 2013, upon delivery of the last milestone established in the agreement signed on December 22, 2011 by Repsol and Alliance Oil (see note 30), Repsol Exploración Karabashky B.V. contributed 100% of Eurotek to AR Oil&Gas B.V. ("AROG", a company in which the Group has a 49% interest), by means of the acquisition of Eurotek by AROG from Repsol Exploración Karabashky B.V. for $315 million

Eurotek was classified for accounting purposes since its acquisition in December 2011 as a non-current asset held for sale, as it was purchased in order to feed it to AROG. The sale of 100% of Eutotek marked down the balance sheet of the 51% of assets and liabilities classified as held for sale (see Note 10), and the reclassification of the remaining 49% from these headings to the corresponding balance sheet according to their nature in accordance with the following:

	Millions of euros	
	Derecognition of 51%	Reclassification of 49%
Non-current held for sale	(134)	(130)
Current assets	-	8
Non-current assets	-	122
TOTAL ASSETS	**(134)**	**-**
Liabilities related to non-current assets held for sale	(13)	(12)
Current liabilities	-	8
Non-current liabilities	-	4
TOTAL LIABILITIES	**(13)**	**-**
NET ASSETS	**(121)**	**-**

This contribution and its subsequent reclassification did not have any impact on the consolidated income statement as the derecognition of 51% of the assets in the amount of €121 million is fully offset by the cash received by Repsol in this transaction, namely the sale proceeds less cash at hand at AROG B.V (at the Group's % shareholding in this company) and the shares bought by Repsol Exploración in order to retain a 49% shareholding in AROG.

2012

In June 2012 Repsol agreed the sale of 100% of Repsol Butano Chile, S.A., the subsidiary holding the 45% interest in Empresas Lipigas, S.A. (a company active in the Chilean LPG supply market) and other financial assets to a consortium of Chilean investors. These assets were classified as non-current assets held for sale from the sale agreement date. Once all the customary closing conditions were met, the sale closed in July 2012 for US$540 million. This disposal generated a gain of €195 million (an amount which included the exchange differences deferred under "*Adjustments for changes in value*" in equity in the amount of €62 million) and was recognized in "*Income from reversals of impairment losses and gains on disposal of non-current assets*".

The carrying amounts of the assets and liabilities derecognized as a result of this disposal are broken down below:

	Millions of euros
Cash and cash equivalents	164
Other current assets	29
Non-current assets	203
TOTAL ASSETS	**396**
Minority interests	4
Current liabilities	37
Non-current liabilties	48
TOTAL LIABILITIES AND MINORITY INTERETS	**89**
NET ASSETS	**307**

In August 2012 Repsol was authorized by the government of Ecuador to sell 100% of its local subsidiary Amodaimi Oil Company to Tiptop Energy Ltd, a subsidiary of China’s Sinopec. This disposal generated a gain of €48 million (an amount which includes the historical exchange differences registered under “*Adjustments for changes in value*” in equity in the amount of €2 million) that have been recognized in “*Income from reversal of impairment losses and gains on disposal of non-current assets.*” The net book value of the written off net assets are as follows:

	Millions of euros
Cash and cash equivalents	-
Other current assets	89
Non-current assets	90
TOTAL ASSETS	**179**
Current liabilities	56
Non-current liabilities	30
TOTAL LIABILITIES	**86**
NET ASSETS	**93**

In December 2012, as a result of the sale of an off-shore exploration platform by Guara B.V., a 15% owned Repsol investee, this investee returned capital to its shareholders in the amount of the proceeds from the sale, with Repsol collecting €41 million.

On June 30, 2011, Gas Natural Fenosa agreed to sell approximately 245,000 gas supply customers and associated contracts in the Madrid region for €11 million. Since the date of agreement, these assets have been classified as non-current assets held for sale. Having secured all the required permits, the sale to Endesa was closed on February 29, 2012. The transaction generated a €6 million pre-tax gain. The amounts in millions of euros are stated at the Group’s proportionate interest in Gas Natural Fenosa.

<u>Other financial assets</u>

In 2013 and 2012, the Group collected €324 and €208 million respectively (stated at the Group’s proportionate interest in Gas Natural Fenosa) in connection with Gas Natural Fenosa’s share of the financing of the electricity tariff deficit. This was mainly as a result of the nineteen and eleven issuances completed by the FADE (the acronym in Spanish for the electricity system deficit securitization fund) in the course of the years by virtue of which outstanding collection rights are irrevocably transferred to the Securitization Fund (FADE).

Disposals of ownership interests in subsidiaries

In 2012, as a result of the expropriation process of the Repsol shares in YPF SA and YPF Gas SA's (described in Note 4), the Group loss the control over YPF and YPF Gas with accounting effects and impacts described on the previously mentioned Note.

(32) INFORMATION ON RELATED PARTY TRANSACTIONS

Repsol undertakes transactions with related parties under general market conditions.For the purposes of presenting this information, the following are considered to be related parties:

a. Major Shareholders: according to the latest information available, the major shareholders of the company, deemed related parties of Repsol are:

Major shareholders	% total over share capital December 31, 2013
CaixaBank, S.A.	12.02%
Sacyr, S.A. (1)	9.38%
Petróleos Mexicanos (2)	9.34%
Temasek Holdings (Private) Limited (3)	6.37%

(1) Sacyr, S.A. which holds its stake through Sacyr Participaciones Mobiliarias, S.L

(2) Petróleos Mexicanos (Pemex) holds its stake through Pemex Internacional España, S.A., PMI Holdings, B.V. and through several swap instruments (equity swaps) with certain financial entities that enable Pemex to exercise the economic and political rights.

(3) Temasek holds its stake through its subsidiary, Chembra Investment PTE, Ltd.

The figures provided above reflect the latest information avalaible to of Repsol, S.A. at December 31, 2013 on the basis of the latest reports provided by Spain's central counterparty clearing house, Iberclear (Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.) and the information submitted by the Company's shareholders at General Shareholders' Meetings and to Spainish securities market regulator (the CNMV for its acronym in Spanish).

b. Executives and directors: includes members of the Board of Directors and of the Executive Committee.

c. People or Group Companies: includes transactions with Group companies or entities for the part not eliminated in the consolidation process (corresponding to the non-owned portion in the proportionately consolidated companies and transactions undertaken with companies accounted for using the equity method). When control of YPF S.A. and YPF Gas S.A. was lost (see Note 4) they ceased to be considered Group companies.

Income, expenses and other transactions recorded in 2013 with related parties were as follows:

	Millions of euros			
EXPENSE AND INCOME:	**Major shareholders**	**Executive and Directors**	**People, Group companies or entities** (1)	**Total**
Financial expenses	30	-	-	30
Management or cooperation agreements	-	-	-	-
Operating leases	2	-	35	37
Receipts from services	6	-	430	436
Purchase of goods (finished or in progress) (3)	3,802	-	6,885	10,687
Other expenses	27	-	15	42
TOTAL EXPENSES	3,867	-	7,365	11,232
Financial income	13	-	11	24
Management or cooperation agreements	-	-	1	1
Leases	1	-	-	1
Transfer of R&D and license agreements	-	-	-	-
Dividends received	-	-	1	1
Provision of services	27	-	32	59
Sale of goods (finished or in progress)	46	-	1,062	1,108
Gains from derecognition or disposal of assets	-	-	-	-
Other income	5	-	93	98
TOTAL INCOME	92	-	1,200	1,292

	Millions of euros			
OTHER TRANSACTIONS	**Major shareholders**	**Executive and Directors** (2)	**People, Group companies or entities** (1)	**Total**
Purchase of property, plant and equipment, intangible and other assets	3	-	-	3
Finance agreements: credits and capital contributions (lender)	1	-	96	97
Finance lease agreements (lessor)	-	-	6	6
Amortisation or cancellation of loans and leases (lessor)	-	-	-	-
Disposal of property, plant and equipment, intangible or other assets	212	-	-	212
Finance agreements: credits and capital contributions (lessor) (4)	519	-	4	523
Guarantees given (5)	128	-	1,477	1,605
Guarantees received	54	-	-	54
Commitments acquired (6)	1,020	-	1,925	2,945
Cancelled commitments/guarantees	10	-	2,357	2,367
Dividends and other profit distributed (7)	431	-	1	432
Other transactions (8)	2,123	-	-	2,123

(1) The table above showing the income and expenses generated by transactions between related parties includes the transactions concluded between the Group companies until the date of the sale of the LNG businesses to Shell described in Note 31.

The most significant amounts corresponding to transactions performed by Group companies with the companies forming part of the scope of the sale of the LNG assets and businesses (see Note 31) included under "People, group companies or entities" are: (i) Expenses for services received of €104 million; (ii) Goods purchased for €1,352 million; (iii) Income from services rendered of €28 million; (iv) Income from the sale of goods of €251 million; (v) Other income of €29 million.

(2) See Note 33 *"Information on the Members of the Board of Directors and Executive"* for disclosure on operations made with members of Executive and Directors. The balance of the loans granted to Executives and the dividends distributed is less than €1 million.
(3) These purchases include those made under the provisions of a crude oil purchase contract signed for an indeterminate period with the Pemex Group, which in 2013 were fixed at 139,000 barrels per day.
(4) Includes credit lines of €439 million contracted with La Caixa.
(5) Includes €1,394 million corresponding to 3 guarantees provided by Repsol S.A. in relation to the lease agreements on three floating platforms entered into by its subsidiary Guará B.V. (see Note 34).
(6) Corresponds to purchase commitments outstanding at the reporting date, net of sales commitments (see Note 34.2).
In 2013 this heading does not include the commitments corresponding to companies forming part of the scope of the sale of the LNG assets and businesses or the commitments that the Group companies may have with the such companies once they lose their status of related party in an aggregate amount of €13,767 million (see Note 34.2).
(7) The amounts recorded under Dividends and other profit distributions include the amounts corresponding to the sale to Repsol, at the guaranteed fixed price, of bonus share rights as part of the bonus share issue undertaken in January and July 2013 under the framework of the "Repsol Flexible Dividend" scrip dividend scheme. In contrast, it does not include the amounts corresponding to the sale to Repsol, at the guaranteed fixed price, of bonus share rights as part of the bonus share issue undertaken in January 2014, which in the case of the major shareholders amounted to €191 million. Nor does it include the Repsol shares acquired as a result of the aforementioned bonus share issues.
(8) Includes remunerated accounts and deposits in the amount of €500 million, exchange rate hedges in the amount of €685 million and interest rate hedges in the amount of €133 million arranged with La Caixa group.

Income, expenses and other transactions recorded in 2012 with related parties were as follows:

	Millions of euros			
EXPENSE AND INCOME:	**Major shareholders**	**Executive and Directors**	**People, Group companies or entities (1)**	**Total**
Financial expenses	16	-	3	19
Management or cooperation agreements	-	-	1	1
Operating leases	2	-	22	24
Receipts from services	6	-	318	324
Purchase of goods (finished or in progress) (3)	4,002	-	5,848	9,850
Other expenses	29	-	13	42
TOTAL EXPENSES	4,055	-	6,205	10,260
Financial income	25	-	14	39
Management or cooperation agreements	-	-	4	4
Leases	1	-	-	1
Transfer of R&D and license agreements	-	-	-	-
Provision of services	44	-	40	84
Sale of goods (finished or in progress)	269	-	1,299	1,568
Gains from derecognition or disposal of assets	-	-	4	4
Other income	5	-	66	71
TOTAL INCOME	344	-	1,427	1,771

OTHER TRANSACTIONS	Millions of euros Major shareholders	Executive and Directors [2]	People, Group companies or entities [1]	Total
Purchase of property, plant and equipment, intangible and other assets	96	-	-	96
Finance agreements: credits and capital contributions (lender)	1	-	223	224
Amortisation or cancellation of loans and leases (lessor)	-	-	-	-
Disposal of property, plant and equipment, intangible or other assets	245	-	-	245
Finance agreements: credits and capital contributions (lessor) [4]	773	-	4	777
Guarantees given [5]	219	-	1,121	1,340
Guarantees received	57	-	-	57
Commitments acquired [6]	696	-	12,796	13,492
Cancelled commitments/guarantees	71	-	-	71
Dividends and other profit distributed [7]	467	-	-	467
Other transactions [8]	1,639	-	-	1,639

(1) The most significant amounts corresponding to transactions carried out by Group companies with companies forming part of the scope of the sale of the LNG assets and businesses (see Note 31) and shown in the column headed *Group companies or entities* are: (i) Expense for services rendered to the Group amounting to €65 million; (ii) Purchase of goods amounting to €1,275 million; (iii) Revenue from the provision of services amounting to €34 million; (iv) Revenue from sales of goods amounting to €598 million.
(2) See Note 33 "*Information on the Members of the Board of Directors and Executives*" for disclosure on operations made with members of Executive and Directors. The balance of the loans granted to Executives and the dividends distributed is less than €1 million.
(3) These purchases included those made under the provisions of a crude oil purchase contract signed for an indeterminate period with the Pemex Group, which in 2012 were fixed at 100,000 barrels per day.
(4) Included credit lines amounting to €558 million arranged with La Caixa.
(5) Includes €1,035 million corresponding to two guarantees provided by Repsol S.A. in relation to the lease agreements on two floating platforms entered into by its subsidiary Guará B.V. in Brazil (see Note 34). It does not include the counter guarantee associated with these guarantees as it does not correspond to related parties.
(6) Corresponds to purchase commitments outstanding at the reporting date, net of sales commitments (see Note 34.2).
(7) Amounts recognized as dividends and other profits distributed include the corresponding amounts from the sale to Repsol, at the guaranteed fixed price, the free allotment rights arising from scrip closed in July 2012, under the compensation program "Repsol Flexible Dividend." Conversely, do not include amounts for sale to Repsol, at the guaranteed fixed price, the free allotment rights arising from scrip closed in January 2013, which in the case of major shareholders amounted to €132 million. Repsol shares subscribed in such capital increases are not either included.
(8) Included remunerated accounts and deposits in the amount of €667 million, exchange rate hedges in the amount of €158 million and interest rate hedges in the amount of €115 million arranged with Caixa Group.

On february 28, 2012 Repsol, S.A. and Pemex Internacional España, S.A. reached an strategic agreement for an initial term of 10 years, that comprises Upstream, LNG Northamerica and Downstream in America, Spain and Portugal business areas, as well as the colaboration in join training programs.

The transactions performed by Repsol, S.A. with its Group companies and those performed by the Group companies among themselves form part of the Company's ordinary business activities in terms of their purpose and terms and conditions.

(33) INFORMATION ON THE MEMBERS OF THE BOARD OF DIRECTORS AND EXECUTIVES

33.1) Remuneration of the members of the Board of Directors (Directors)

The remuneration earned by Executive Board Members, as detailed under paragraphs a), b) and c) of this Note, amounted to €7.55 million, representing 3.9% of the net income attributed to the parent company. In 2012 this amount was €8.059 million [1]

a) Due to membership of the Board

In accordance with Article 45 of the Articles of Association, the Directors, in their capacity as members of the Board and in exchange for discharging the supervisory and decision-making duties intrinsic to Board membership, are entitled to receive a fixed annual payment that may not exceed the ceiling established to this end at the General Meeting; it is up to the Board of Directors to determine the precise amount payable within that limit and its distribution among the various Directors, factoring in the positions and duties performed by each within the Board and its committees

At the General Shareholders' Meeting of 31 May 2013, specifically under Agenda item thirteen, Repsol's shareholders agreed to set the above limit at an amount equivalent to €6 million.

Under the system established and approved by the Nomination and Compensation Committee, the amounts of the annual remuneration earned in 2013 and 2012 by virtue of membership of each of the Group's managing bodies are as follows:

	Euros	
Governing Body	2013	2012 (1)
Board of Directors	176,594	176,594
Delegate Commitee	176,594	176,594
Audit and Control Committee	88,297	88,297
Strategy, Investment and Corporate Social Responsability Commitee	44,149	44,149
Nomination and Compensation Commitee	44,149	44,149

(1) Paragraph one of Article 45 of the Articles of Association was amended at the General Shareholders' Meeting of 31 May 2013. Prior to the amendment, the said paragraph provided for a director remuneration regime based on profit-sharing (article 218 of the Corporate Enterprises Act) under which the Company was entitled to earmark a sum equivalent to 1.5% of net profit each year for remunerating the members of the Board of Directors for discharging the supervisory and decision-making duties intrinsic to membership of this body; such net profit was calculated after making all appropriations to the legal and other mandatory reserves and once a shareholder dividend of at least 4% had been declared.

The amount of remuneration earned in 2013 by the members of the Board of Directors in their capacity as Board members against the aforesaid assignment in the Articles of Association amounted to €5.040 million, the detail being as follows:

[1] The 2012 figure has been restated for comparison with the 2013 figure.

Board of Directors	Remuneration of Membership to Governing Bodies (Euros)					
	Board	Delegate C	Audit C	Nomination C	Strategy C	TOTAL
Antonio Brufau	176,594	176,594	-	-	-	**353,188**
Luis Suárez de Lezo	176,594	176,594	-	-	-	**353,188**
Pemex Internacional España, S.A.	176,594	176,594	-	-	44,149	**397,337**
Henri Philippe Reichstul	176,594	176,594	-	-	-	**353,188**
Paulina Beato	176,594	-	88,297	-	-	**264,891**
Javier Echenique Landiribar	176,594	176,594	88,297	-	-	**441,486**
Artur Carulla Font	176,594	176,594	-	44,149	-	**397,337**
Juan Abelló Gallo (1)	29,432	29,432	-	-	7,358	**66,223**
José Manuel Loureda Mantiñán	176,594	-	-	44,149	44,149	**264,891**
Luis Carlos Croissier Batista	176,594	-	58,865	-	44,149	**279,608**
Isidro Fainé	176,594	176,594	-	-	-	**353,188**
Juan María Nin	176,594	-	-	44,149	44,149	**264,891**
Ángel Durández Adeva	176,594	-	88,297	-	-	**264,891**
Mª Isabel Gabarró Miquel	176,594	-	-	44,149	44,149	**264,891**
Mario Fernández Pelaz	176,594	-	-	44,149	-	**220,743**
Manuel Manrique Cecilia (2)	132,446	132,446	-	-	-	**264,891**
Rene Dahan (3)	117,729	117,729	-	-	-	**235,459**

(1) Mr.Juan Abelló Gallo notified the Company of his decision to step down as Director on March 6, 2013

(2) Mr.Manuel Manrique Cecilia was appointed Director on April 25, 2013

(3) Mr.René Dahan was appointed Director on May 31, 2013

Additionally, it should also be noted that:

- The members of the Board of Directors of Repsol, S.A. have not been granted any loans or advances by any Group company, jointly controlled entity or associate.

- Non Group company, jointly controlled entity or associate has pension or life insurance obligations to any former or current member of the Board of Directors of Repsol, S.A., except in the case of the Executive Chairman, and the General Counsel, whose remunerations, as Executive Directors, are subject to the commitments set forth in their respective contracts for services, which envisage a defined contribution system.

b) Due to the holding of executive positions and performing executive duties.

The annual monetary fixed remuneration earned in 2013 by the members of the Board of Directors who, during that period had performed executive tasks at the Group, amounted to €3.351 million, of which €2.368 million was earned by Mr. Antonio Brufau and €0.983 million by Mr. Luis Suárez de Lezo.

Additionally, the remuneration in-kind (life and disability insurance, health insurance, withholdings, and other benefits as well as advanced payments/withholdings linked to remuneration in-kind) annual variable, and pluri-annual variable compensation, the latter calculated on the basis of the level of success with respect to the objectives of the Medium-term Incentives Program for senior management personnel corresponding to the 2010-2013 period, accrued by Mr. Antonio Brufau amounted to €1.918 million. The amounts received by Mr. Luis Suárez de Lezo for in-kind, annual variable, and multi-annual variable compensation under the aforementioned program totaled €1.172 million.

These figures mentioned above do not include the amounts reflected in paragraph e) below.

c) Due to membership to the Boards of Directors of subsidiaries affiliates.

The remuneration earned in 2013 by the members of the parent's Board of Directors in their capacity as directors of other Group companies, jointly controlled entities and associates amounted to €0.405 million, according to following detail:

	Euros
	Gas Natural
Antonio Brufau Niubo	265,650
Luis Suárez de Lezo Mantilla	139,150

d) Due to civil liability insurance premiums

The members of the Board of Directors are covered by the same civil liability insurance policy that insures all the directors and officers of the Repsol Group.

e) Due to life and retirement insurance policies, contributions to pension plans and long-service bonuses

The cost of insurance policies covering retirement and the contributions made to pension plans and long-service bonuses, including, the corresponding withholdings, as necessary, incurred by the parent company in respect of the members of the Board of Directors discharging executive duties, amounted to €0.697 million in 2013. Of this figure, €0.494 million corresponds to Mr. Antonio Brufau and €0.203 million to Luis Suárez de Lezo.

By virtue of a Board resolution taken on February 27, 2013 at the request of its Chairman, Mr. Antonio Brufau, Repsol discontinued contributions to the latter's pension scheme on March 12, 2013, thereby extinguishing Repsol S.A.'s commitment to making further contributions to a pension plan.

f) Incentives

Directors not holding executive positions at the Company have not been paid multi-annual variable compensation.

33.2) Indemnity payments to executives

No executive received any indemnity payment from Repsol in 2013.

33.3) Transactions with directors

Aside from the remuneration received as a result of the dividends paid on the shares of the parent company that they own and other remuneration received in their capacity as shareholders and, in the case of the external proprietary directors, as a result of the transactions detailed in Note 32 (Information on related party transactions – b) Directors and executives), the Directors of the parent company did not conclude any material transactions with the parent or any of the Group companies outside the ordinary course of business or on terms other than on an arm's length basis.

Notwithstanding the foregoing, the Executive Directors have signed up for the 2011-2014, 2012-2015 and 2013-2016 cycles of the Plan for Delivery of Shares to Beneficiaries of the Pluri-annual Remuneration Programs, as detailed in Note 17.d) i).

Except as detailed in Appendix IV, none of the directors nor people or entities to which they are related have ownership interests or hold positions in companies engaging in an activity that is identical, similar or complementary to the activity constituting the corporate purpose of Repsol.

In addition, except as detailed in Appendix IV, none of the directors have performed, as independent professionals or as employees, activities that are identical, similar or complementary to the activity that constitutes the corporate purpose of Repsol.

In 2013 the motions adopted by the Board of Directors and the Nomination and Compensation Committee in relation to: (i) the re-election of Directors; (ii) the appointment or re-election of members of the Board committees; and (iii) the awarding of specific positions on the Board of Directors were all voted on in the absence of the Director affected by the corresponding resolutions.

In addition, the Executive Directors did not participate in the approval of Board of Directors resolutions regarding their compensation for the performance of executive duties at the Company.

33.4) Remuneration of executives

a) Scope

For reporting purposes, in this section Repsol considers "executives" to be the members of the Repsol Group’s Executive Committee. This consideration, made purely for reporting purposes herein, neither substitutes nor implies an interpretation of other senior management or similar concepts applicable to the Company under prevailing legislation (such as Royal Decree 1382/1985), nor does it have the effect of creating, recognizing, amending or extinguishing any existing legal or contractual rights or obligations.

The information included in this Note relates to the seven people who have been members of the Executive Committee of the Group in 2013, excluding, unless stated otherwise, those who are also members of the Parent Company Board of Directors, since the information relating to them is disclosed in the paragraph 1) of this note.

b) Wages and salaries

Executives receive fixed and variable remuneration. The latter consists of an annual bonus calculated as a given percentage of the fixed remuneration earned on the basis of the degree to which certain targets are met and, where appropriate, the payment relating to the multi-annual incentive plan.

The total remuneration earned in 2013 by executives who form or formed part of the Executive Committee, is as follows:

	Millions of euros
Salary	5.702
Attendance fees	0.268
Variable remuneration	4.404
Remuneration in kind	0.690

In accordance with the foregoing, total compensation amounted to €11.064 million.

c) Executive welfare plan

In 2013, the contributions made by the Group to its executives amounted to €1,644 million.

d) Pension fund and insurance premiums

The contributions made by the Group in 2013 to the hybrid defined contribution pension plans for executives adapted to the Pension Plans and Funds Law (see Note 2.2.19 and Note 17) plus the life and accident insurance premiums paid totaled €0.580 million (this amount is included in the disclosures reported in section b) above).

Executives are covered by the same civil liability insurance policy as that covering all the directors and senior management personnel of the Repsol Group.

e) Advances and loans granted

At December 31, 2013, the Company had granted loans to its executives amounting to €0.033 million, which earned average interest of 2.8%. All these loans were granted before 2003.

33.5) Indemnity payments to executives

The executives to which this note is referred (see Note 33.4.a)) have, in their respective contracts, the right to receive a compensation in the event of termination of relationship with the company, provided that the termination was not due to a breach of obligations of the such management member, due to retirement, handicap or the employee's voluntary withdrawal not founded in some of the compensable assumptions gathered in the mentioned contracts.

Those compensations shall be recognized as a provision and a personnel expense only when the termination of the relationship between the executive and the Group is due to a reason that entitled him or her to such perception. The Group has a collective insurance policy contracted which aims to guarantee the payment of such compensations to the executives to which this Note is referred (see Note 33.4.a)), including the General Counsel Director.

No executive received any indemnity payment from Repsol in 2013.

33.6) Transactions with executives

Except for the information disclosed in sections 4 and 5 of this Note and the dividends received from the shares of the Company held by them, the executives of Repsol did not perform any material related-party transactions with the Company or Repsol Group companies outside of ordinary business or under conditions other than market condition.

Notwithstanding the foregoing, the executives (including Executive Directors) have signed up for the 2011-2014, 2012-2015 and 2013-2016 cycles of the Loyalty Program, as detailed in Note 17.d.i), subscribing for 288,161 shares in total.

(34) CONTINGENCIES, COMMITMENTS, AND GUARANTEES

34.1) Legal and arbitration proceedings

34.1.1) Procedures initiated as a consequence of the expropriation of the Group's YPF S.A. and YPF Gas S.A. shares. (see Note 4)

On April 16, 2012, Argentina's President announced to the country the expropriation of 51% Class D shares of YPF S.A. the main Argentinean oil company, which were held by the Repsol Group. Days later, the expropriation was extended to 60% of Repsol Group's stake in the Argentinean company YPF Gas S.A., a butane and propane gas distributor. This participation represents 51% of the share capital of YPF Gas S.A.'s share capital. In addition, on 16 April 2012, the Argentinean government ordered the intervention of the company, forcedly expelling the officers and members of the management committee and the company management was seized (Decrees 530 and 557). Meanwhile, within 21 days, an exceptional law (Law N° 26,741) was passed regarding the expropriation of YPF and YPF Gas shares held by the Repsol Group. Law 26,741, apart from declaring public interest of such shares and, therefore making them, subject to expropriation, it also set forth the temporary seizure by the National Executive Power of all the intrinsic rights associated with the portion of Repsol's shares subject to expropriation. Neither a court decision was previously rendered, nor was a prior compensation or consignation for the value of the affected shares offered.

Despite declaring that "the self-supply, exploration, exploitation, industrialization, transportation, and commercialization of hydrocarbon are of national public interest," the aforementioned "temporary" seizure and subsequent expropriation only affects YPF S.A. and YPF Gas S.A. No other Argentine oil companies are affected. Also, the Repsol Group is the only negatively-affected shareholder of YPF S.A. and YPF Gas S.A.

Under the Agreement for the Reciprocal Promotion and Protection of Investments signed in 1991 between the Kingdom of Spain and the Republic of Argentina, the Argentinian government committed to protect investments made by investors from Spain (article III- Section 1) not to disrupt the management, maintenance or use of such investments through unjustified or discriminatory measures, and to grant fair and equitable treatment of investments made by Spanish investors (article IV.- Section 1). Additionally, Argentina committed to not to act in a discriminatory manner when nationalizing or expropriating Spanish investments and compensate expropriated investors with an adequate consideration in convertible currency without any unjustified delay (article V). Argentina also undertook the obligation to grant Spanish investors the most favorable treatment it granted to any other foreign investors (article IV. Sections 1 and 2).

On the other hand, article 17 of the Argentine Constitution establishes that *"property is inviolable, and no inhabitant of the State can be deprived of it except by virtue of a sentence based in law. Expropriation for purposes of public interest must be qualified by law and compensated prior to the expropriation. [...]. No armed body may make requisitions, or demand assistance of any kind."* Furthermore, article 20 states that: *"Foreigners enjoy in the territory of the Nation all the civil rights of a citizen and they may engage in their industry, trade or profession, own, purchase or transfer real estate property [..]."*

Moreover, at the time of YPF S.A's privatization in 1993, and for the purpose of attracting foreign investors, the Argentine government amended YPF S.A.'s by-laws. The aim of this amendment was to grant investors with a 100% tender offer if the government or any other interested party should intend to gain control of YPF S.A. or acquire 15% or more of YPF's share capital. The share price under the tender offer should be calculated in accordance with a determined formula established in Articles 7 and 28 of YPF's by-laws and published in the YPF prospectus filed with the U.S. Securities and Exchange Commission (SEC). Until this happens, according to YPF S.A.'s by-laws the Argentinean government's interest in YPF cannot be taken into account for purposes of reaching a quorum in YPF S.A.'s shareholder meetings, Thus, no voting or economic rights will accrue to the Argentinean government.

The Repsol Group considers that the above-mentioned expropriation processes are illegal and has therefore initiated and will continue to initiate all pertinent legal actions to defend its rights and interests as well as to obtain full compensation for the severe damages suffered.

The most relevant legal steps taken are as follows:

1. Dispute under the jurisdiction of the Agreement for the Reciprocal Promotion and Protection of Investments.

On May 10, 2012, Repsol, S.A. and Repsol Butano, S.A. formally notified the Argentinian president of a dispute and the start of a negotiation period for reaching an out-of-court settlement regarding ARPI. Since then, Repsol, S.A. and Repsol Butano, S.A. insisted in their petition for having amicable conversations. However, the Argentine government declined to meet with Repsol Group representatives on several occasions, alleging different formal excuses.

On December 3, 2012, once the six-month period had elapsed since the controversy regarding the expropriation of the shares of YPF S.A. and YPF Gas S.A.'s shares was notified to the Argentine government, Repsol, S.A. and Repsol Butano, S.A. filed with the International Centre for Settlement of Investment Disputes (ICSID) an arbitration request against the Argentinean Republic based on the violation of the ARPI.

The above request for arbitration summarizes the facts and legal issues to be taken into consideration. On December 18, 2012, the ICSID registered the request for arbitration. On July 11, 2013 the Arbitration Tribunal was constituted. Argentina applied to have two of the three members of the Arbitration Tribunal disqualified on July 17, 2013, prompting the suspension of proceedings on July 18, 2013 until such time as the recusal challenges were ruled on. On December 13, 2013, the President of the ICSID overturned both challenges, ordering the renewal of proceedings. Once the schedule for the proceedings is established, the parties will have to submit their detailed pleadings in writing, outlining the merits of their cases. These pleadings must specify the compensation and damages that Repsol, S.A. and Repsol Butano, S.A. are claiming from the Argentine government. Notwithstanding the above, the parties may cease this proceeding at any time if they reach a settlement. In addition, the Arbitration Tribunal will have to decide on the provisional measures submitted by Repsol S.A. and Repsol Butano on July 24, 2013 related to the agreement signed with YPF and Chevron on July 16, 2013 to exploit oil and gas assets in the Vaca Muerta shale oil formation.

Repsol considers that it has solid legal arguments to claim restitution of the expropriated shares, as well as a right to receive adequate compensation for the damages caused by the Argentine government as a result of the expropriation of the shares in YPF S.A. and YPF Gas S.A.

2. Lawsuit claiming unconstitutionality of the intervention in YPF by the Argentinean government and the "temporary occupation" of rights over 51% of Class D YPF S.A. shares held by Repsol.

On June 1, 2012, Repsol filed two lawsuits before the Argentinian courts, one involving YPF S.A. and the other involving YPF Gas S.A., requesting the declaration of unconstitutionality: (i) of articles 13 and 14 of Law No. 26,741 and any other regulation, resolution, act, investigation and/or action issued and/or performed under these regulations as being in clear violation of articles 14, 16, 17, 18 and 28 of the Argentinian constitution; (ii) of NEP Decree No. 530/2012, NEP Decree No. 532/2012, and NEP Decree No. 732/2012 (taken together, the Decrees), and any other regulation, resolution, act, investigation and/or action issued and/or performed under the Decrees as being in violation of articles 1, 14, 16, 17, 18, 28, 75, 99 and 109 of the Argentinian constitution. Certain precautionary measures that were also requested were dismissed. This matter has to be ruled on by the Federal Contentious Administrative jurisdiction.

The Argentine government responded to the lawsuit regarding YPF S.A. on April 4, 2013 and that concerning YPF Gas S.A. on August 21, 2013 and it was agreed on September 20, 2013 to bring both cases before the court investigating the Repsol, S.A. case. This process is still at the evidence-gathering phase.

Repsol considers it has solid arguments for the Buenos Aires courts to rule the intervention and temporary occupation of YPF S.A. and YPF Gas S.A. unconstitutional.

3. "Class Action Complaint" filed before the New York Southern District Court regarding the

Argentinian state's failure to comply with its obligation to launch a tender offer for YPF shares before taking control of YPF S.A.

On May 15, 2012, Repsol and Texas Yale Capital Corp. filed a class action complaint in the New York Southern District Court (in defense of interests of holders of Class D YPF S.A. shares, excluding those shares subject to expropriation by the Argentinian state). The purpose of the lawsuit is: (i) to establish the obligation of the Argentinian state to launch a tender offer for Class D shares on the terms defined in YPF S.A.'s by-laws, (ii) to declare that the shares subject to expropriation without a tender offer are void of voting and economic rights; (iii) to order the Argentinian state to refrain from exercising voting or economic rights over the shares subject to expropriation until it launches a tender offer; and (iv) that the Argentinian state indemnify for the damages caused by its failure to comply with its obligation to launch a tender offer (the damages claimed have not been quantified yet in the proceedings).

This lawsuit was served on the Argentine Government. Currently, it is being discussed whether the case has enough legal grounds and if U.S. courts have jurisdiction to rule over it ("Motion to Dismiss").

Repsol considers that it has solid arguments for the recognition of its corresponding rights to the YPF S.A. shares that have not been expropriated.

4. Lawsuit filed with the New York Southern District Court for the failure of YPF S.A. to present form 13D as obliged by the Securities and Exchange Commission (SEC) due to intervention by the Argentinian State.

On May 12, 2012, Repsol filed a lawsuit with the New York Southern District Court requesting that the Argentinian state be ordered to comply with its reporting requirements in conformity with section 13(d) of the U.S. Securities Exchange Act. This section requires that whoever acquires direct or indirect control over more than 5% of a share class in a company listed in the USA, report certain information (through a 13D form) including the number of shares controlled; the source and amount of funds to be used for the acquisition of these shares; information on any contracts, agreements, or understandings with any third party regarding the shares of the company in question; and the business and governance plans the controlling entity has with respect to this company.

This lawsuit was served on the Argentine Government. On September 6, 2013 the Court denied the Motion to Dismiss filed by the Republic of Argentina. The Republic of Argentina has appealed the Court's decision to the Second Circuit of Appeals.

Repsol considers that it has solid legal arguments for its claim to be recognized by the courts.

34.1.2) Other legal and arbitration proceedings

At December 31, 2013, Repsol's consolidated balance sheet included litigation provisions for a total amount of €88 million (excluding tax risk provisions described in Note 23 "*Tax Situation*" under "*Other tax related disclosures*"). This amount is recognized in section "*Other provisions*" in Note 16 list.

Companies in Repsol Group may be a party in certain legal or arbitration proceedings in the ordinary course of its business. The following is an overview of the most relevant proceedings updated to the closing date of these consolidated financial statements.

As a result of the YPF group expropriation, the proceedings described below in the United States of America and Argentina no longer include the legal proceedings in which only YPF S.A. or YPF subsidiaries were named as defendants.

Argentina

Claims brought by former YPF S.A. employees (Share Ownership Plan) -"Karcz, Miguel Ángel and another against Repsol S.A., YPF S.A.- Argentinean State/Declaratory judgement action"

A former employee of YPF S.A. before its privatization (1992) who was excluded from the national YPF S.A. employee share ownership plan (PPP) set up by the Argentinian government has filed a claim in Bell Ville (Province of Cordoba, Argentina) against YPF S.A., Repsol and the Argentinean State to seek recognition of his status as a shareholder of YPF S.A.. In addition, the "Federation of Former Employees of YPF" has joined the proceedings acting on behalf of other former employees excluded from the PPP. Repsol acquired its ownership interest in the capital of YPF S.A. in 1999.

Going on the basis of Argentine Supreme Court jurisprudence (confirming numerous rulings by the appeal courts), neither of the defendant companies can be held liable for suits of this nature relating to the PPP. By virtue of Law No. 25,471, the Argentine government assumed exclusive liability for the matter, bearing the cost of any damages paid to former employees of YPF S.A. excluded from the PPP in accordance with the procedure stipulated therein.

Pursuant to the plaintiff's request, the Bell Ville Federal Court of First Instance initially granted a preliminary injunction (the Preliminary Injunction), ordering that any sale of shares of YPF S.A. or any other transaction involving the sale, assignment or transfer of shares of YPF S.A. carried out either by Repsol or by YPF S.A., be suspended, unless the plaintiff and other beneficiaries of the PPP (organized in the Federation of Former Employees of YPF) are involved or participate in such transactions. YPF S.A. and Repsol filed an appeal against this decision in the Cordoba Federal Court, requesting that the Preliminary Injunction be revoked. The Federal Court of First Instance allowed the appeal and suspended the effects of the Preliminary Injunction. In addition, in March 2011, the Federal Judge responsible for the Buenos Aires Administrative Disputes Court reduced the Preliminary Injunction to only 10% of the ownership interest held by Repsol in the capital of YPF S.A. Accordingly, Repsol may freely dispose of its shares in YPF S.A. provided that Repsol continues directly or indirectly to own at least 10% of the share capital of YPF S.A. On July 21, 2011, the judge of the First Instance upheld the claim of lack of jurisdiction made by YPF S.A. and Repsol, S.A. and ordered to transfer the case to the Federal Courts in the autonomous city of Buenos Aires. This decision was confirmed by the Appeals Chamber on December 15, 2011. The aforementioned Chamber overruled the decision handed down by the judge in the Court of First Instance of Bell Ville, limiting it to only 10% of the shares controlled by Repsol, S.A. claimed by the plaintiffs. The ruling is final.

In the wake of several procedural incidents affecting the establishment of jurisdiction, Federal Civil and Commercial Court No. 9 ruled in this respect, ordering that the case be sent to the Court so determined in July 2013. The case was submitted to the Federal Civil and Commercial Chamber on October 8, 2013, where it has been under study since then. On the other hand, on August 23, 2012, a writ was filed in this dossier requesting the inhibition of the Judge presiding over the Labor Court of First Instance of Rio Grande in the suit filed by Lopez, Osvaldo Federico et al. against Repsol, S.A. in respect of the terms of the preliminary injunction defined below (Dossier No. 4444). The National Court for Federal Contentious Administrative matters decided not to resolve these matters until the jurisdiction matters were finalized.

Preliminary injunction filed by López, Osvaldo Federico and others against Repsol, S.A. (Dossier # 4444)

Through a relevant event notification published by YPF S.A. on April 26, 2012, Repsol became aware of the existence of a preliminary injunction of "no innovation" ("medida cautelar de no innovar" in Argentinian legal terminology) issued on April 20, 2012 and notified to YPF S.A., as filed before the Employment Court of First Instance of Rio Grande, Tierra de Fuego Province; such injunction ordering a suspension of the exercise of the voting and economic rights envisaged in YPF S.A.'s by-laws with respect to the 45,215,888 ADSs (each representing one common Class D share of YPF S.A.) sold by Repsol in March 2011, this until such time as the nullity being sought in the relevant legal proceedings is decided upon. On May 30, 2012, Repsol appeared before the court to file a motion to reverse the injunction with supplementary appeal included.

Subsequently, through a relevant event notification published by YPF S.A. on June 1, 2012, Repsol became aware of a ruling handed down on May 14, 2012, which modified such injunction and replaced it with another, according to which Repsol may not dispose of any funds it may receive as payment for the expropriation of its shares in YPF S.A., which payment will be determined for these purposes by the National Appraisal Tribunal. The ruling indicates that the previous injunction has ceased to be effective, which means that the holders of those shares can freely exercise their intrinsic rights.

Repsol has appealed the amendment of the injunction and, although the appeal to have the ruling overturned was initially ruled out, on November 6, 2013 the Río Grande Chamber of Appeals ruled to admit the extraordinary unconstitutionality appeal filed. Now the Provincial Supreme Court, insofar as it does not rule against the admission of the appeal, must address the matters presented in the appeal lodged by Repsol on June 14, 2013 outlining the grounds for overturning the injunction granted on May 20, 2012 with the effect of restricting access to any proceeds that Repsol may receive as compensation for the expropriation of its shares in YPF.

Also, Repsol received notification of the lawsuit filed in relation to Lopez, Osvaldo Federico et al. against Repsol, S.A. (Dossier 4440) on June 25, 2012, and replied to it on August 28, 2012. On September 20, 2012, the judge overruled, among others, Repsol's arguments of lack of jurisdiction and incapacity to act, a ruling that was since upheld by the Chamber of Appeals on October 30, 2013.

Claim filed against Repsol and YPF by the Union of Consumers and Users

The plaintiff claims the reimbursement of all the amounts the consumers of bottled LPG were allegedly charged in excess from 1993-2001, corresponding to a surcharge for such product. With respect to the period from 1993 to 1997, the claim is based on the fine imposed on YPF S.A. by the Secretariat of Industry and Commerce through its resolution of March 19, 1999. It should be noted that Repsol has never participated in the LPG market in Argentina and that the fine for abusing a dominant position was imposed on YPF S.A. In addition, YPF S.A. has alleged that charges are barred by the applicable statute of limitations. Hearings have commenced and are in process. The claim amounts to Argentinian Ps.91 million (€17 million) for the 1993-1997 period, amount which updated at August 18, 2012 by an expert appraiser, this amount would total Argentinean Ps.387 million (€43 million) plus interest and expenses.

United States of America

The Passaic River and Newark Bay clean-up lawsuit

This lawsuit addresses certain environmental contingencies as well as the sale by a predecessor of Maxus Energy Corporation (Maxus) of its former chemicals subsidiary, Diamond Shamrock Chemical Company (Chemicals) to a subsidiary of Occidental Petroleum Corporation (Occidental). The predecessor of Maxus agreed to indemnify Chemicals and Occidental for certain liabilities relating to the business and activities of Chemicals prior to 4 September 1986 (the Closing Date), including certain environmental liabilities relating to certain chemical plants and waste disposal sites used by Chemicals prior to the Closing Date. In 1995, YPF S.A. ("YPF") acquired Maxus and in 1999, Repsol S.A. acquired YPF.

In December 2005, the Department of Environmental Protection ("DEP") and the New Jersey Spill Compensation Fund (together, the "State of New Jersey") sued Repsol YPF S.A. (now denominated Repsol, S.A. hereinafter, "Repsol"), YPF, YPF Holdings Inc.("YPFH"), CLH Holdings ("CLHH"), Tierra Solutions Inc. ("Tierra"), Maxus, as well as Occidental Chemical Corporation. In August 2010, the lawsuit was extended to YPF International S.A. ("YPFI"), and Maxus International Energy Company ("MIEC") (all of which together, "Original Defendants"). This is a claim for damages in connection with the contamination allegedly emanating from the former chemicals facility located on Lister Avenue, which allegedly contaminated the Passaic River, Newark Bay, and other nearby water bodies and properties (the Passaic River/Newark Bay litigation).

In February 2009, Maxus and Tierra included another 300 companies in the suit (including certain municipalities) as third parties since they are potentially liable.

In May 2011, the court issued "*Case Management Order XVII*" (CMO XVII), which set forth the trial plan (the Trial Plan), dividing them in different trial tracks.

In accordance with the expected Trial Plan, the State of New Jersey and Occidental filed the corresponding motions. The Court ruled as follows on these motions: (i) Occidental is the legal successor of the liabilities incurred by the corporation formerly previously known as Diamond Alkali Corporation, Diamond Shamrock Corporation, and Chemicals; (ii) the Court denied the State's motion, without prejudice insofar as the State of New Jersey sought a declaration that the facts in the "Aetna" litigation should apply to the Occidental and Maxus case based on the doctrine of "*collateral estoppel*"; (iii) the Court ruled that Tierra is responsible to the State of New Jersey pursuant to the New Jersey "*Spill Act*" simply based on its ownership of the land where the Lister Avenue plant was located; (iv) the Court ruled that Maxus has an obligation under the "*1986 Stock Purchase Agreement*" to indemnify Occidental harmless for any liability of the "*Spill Act*" arising from pollutants discharged from Lister Avenue plant.

Subsequently, and in accordance with the Trial Plan, the State of New Jersey and Occidental presented new motions against Maxus. On May 23, 2012, the Court ruled on those motions that: (i) Maxus was not, as a matter of law, a successor to "Diamond Shamrock." However, the court left open the possibility of finding Maxus a "successor" for purposes of punitive damages, if punitive damages were available; (ii) the State of New Jersey was not an intended third-party beneficiary of the "*Stock Purchase Agreement*" of 1986; and (iii) Tierra is the alter ego of Maxus as a matter of law and, therefore, Maxus is "in any way responsible under the *Spill Act*" for discharges at the Lister Avenue plant. The court determined Maxus as "strictly, jointly and severally liable under" the Spill Act.

On June 6, 2013, the Original Defendants (with the exception of Occidental Chemical Corporation) signed, without admitting responsibility, a Settlement Agreement with the State of New Jersey to obtain a dismissal of the State of New Jersey's claims against Repsol, YPF, YPFI, YPFH, CLHH, MIEC, Maxus, and Tierra in exchange for the payment of $130 million ($65 million payable by Repsol and the other $65 million payable by YPF/Maxus). Based on the terms of this Settlement Agreement, the State of New Jersey reserves the right to continue its actions against Occidental Chemical Corporation, which is not a party to the Settlement Agreement. Additionally, Occidental Chemical Corporation, not being part of the agreement, maintains its right to continue its claims against Repsol and the rest of the Original Defendants ("Cross Claims"), who maintain their defenses against Occidental Chemical Corporation. The Settlement Agreement provides that the claims will not go to trial until December 2015. Also, by virtue of the Settlement Agreement, the Original Defendants (except Occidental) obtained certain additional protections against future potential litigation. The Settlement Agreement has been approved by the New Jersey Courts. Occidental lodged an appeal against the court ruling approving the Settlement Agreement in January 2014.

Based on the available information at the date of these financial statements, and considering the estimated time remaining for conclusion of the lawsuit and the results of investigations and/or proof obtained, it is not possible to reasonably estimate the amount of the eventual liabilities arising from the lawsuit.

Ecuador

Lawsuit regarding payments in respect of LPG surpluses to the State of Ecuador by Duragas, S.A.

Ecuador's hydrocarbon regulator (La Agencia de Regulación y Control Hidrocarburífero) (ARCH) is authorized to audit the revenue, costs, and expenses of LPG operators. The regulator's audit of Duragas, S.A. from 2002 to 2012 revealed a difference between the amount of LPG acquired from EP PETROECUADOR, formerly Petrocomercial, (a public company and Ecuador's sole authorized supplier of LPG) for domestic consumption and the amount actually sold to said sector by Duragas, S.A. The ARCH determined that the difference between the LPG tariffs established for domestic and industrial consumption must be recalculated to benefit EP PETROECUADOR. According to EP PETROECUADOR, the results of this reassessment for the aforementioned years would total $60 million, plus the interest and costs pending its appraisal.

Duragas, S.A. has appealed in due time and form all of the ARCH's reports and subsequent settlement, demands and payment notices and requests received from EP PETROECUADOR, submitting both formal and material arguments (the absence of the ARCH's express legal authority for identifying surplus charges in its annual report) and material arguments (the existence of technically unavoidable shortages in containers, failure to make the distinction between the remaining LPG in containers and the amounts sold to the industrial market, etc). To date, the courts have not rendered any judgment on the merits of the case.

However, while those appeals are being substantiated, EP PETROECUADOR has taken coercive action to collect the amounts it is claiming for the years 2004-2011, totaling $50 million. Although these coercive procedures were unorthodox and have overlooked the established legal channels, which could be recognized in one of the appeals filed by Duragas, S.A., all of them tend to adopt what is known as the "solve et repete" rule, i.e. the requirement to pay or set aside the amount dispute if a party wants to challenge the claim arising from coercive action. This means that, while the validity of the ARCH's report is being determined for each year, Duragas, S.A. is anticipating and bearing the economic damages derived from these coercive measures, becoming more the actual claimant (in terms of returning the amount claimed) rather than respondent (for the amount assessed in the ARCH's reports).

34.2) Contractual commitments

At December 31, 2013, the Repsol Group has contractually committed to the following purchases and capital and other expenditures:

Millions of euros

Purchase, investment and expenditure commitments	2014	2015	2016	2017	2018	Subs. years	Total
Purchase commitments	**8,823**	**4,992**	**4,761**	**4,935**	**4,631**	**26,446**	**54,588**
Crude oils and others [(1)]	3,820	330	281	283	288	140	5,142
Natural Gas [(2)(3)]	5,003	4,662	4,480	4,652	4,343	26,306	49,446
Investment commitments [(4)]	**1,849**	**1,343**	**935**	**445**	**220**	**1,218**	**6,010**
Service commitments	**292**	**119**	**87**	**69**	**50**	**180**	**797**
Transport commitments [(8)]	**134**	**136**	**133**	**136**	**129**	**846**	**1,514**
Operating leases [(5)]	**254**	**192**	**174**	**172**	**149**	**1,228**	**2,169**
Transport - Time Charter [(6)]	88	87	88	93	85	873	1,314
Operating leases [(7)]	166	105	86	79	64	355	855
TOTAL [(9)]	**11,352**	**6,782**	**6,090**	**5,757**	**5,179**	**29,918**	**65,078**

Note: The commitments detailed in the foregoing table are commercial agreements in which fixed total amounts are not stipulated. These commitments were quantified using Repsol's best estimates. In the wake of the sale in October and December of the LNG businesses described in Note 31, the contractual commitments corresponding to said companies and those classified as non-current assets held for sale at year-end, ceased to be considered Group commitments. They do include the commitments in respect of assets and businesses that at December 31, 2013 were classified as held-for-sale (see Note 10) and were sold on January 1, 2014 (see Note 37).

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(1) These commitments include those corresponding to the crude oil purchase commitments signed with the Pemex Group; these agreements have no fixed duration and at December 31, 2013 amounted to 100,000 barrels per day (bpd). They also include the agreement with Saudi Arabian Oil Company which is rolled over annually and encompassed a volume commitment at year-end 2013 of 75,000 bpd. Lastly, they include a new agreement entered into with Repsol Sinopec Brasil (a Group company 60%-owned by Repsol) that at year-end amounted to 17,000 bpd (the share of the commitment corresponding to the Repsol Group).

(2) This heading mainly includes the portion corresponding to the Repsol Group of the natural gas purchase commitments held by the Gas Natural Group in the amount of €30,835 million, gas purchases committed to by the Repsol Group in Spain in the amount of 2,824 million euros and in Canada in the amount of €5,479 million. The Spanish portion includes the commitment contractually assumed in 2013 with Gas Natural Fenosa for the supply of 2 billion cubic meters (bcm) of natural gas to Repsol's refineries per annum. The Canadian portion includes the commitment assumed with Shell as part of the LNG asset and business sale agreement (see Note 31) under which Shell will supply LNG to Repsol's regasification plant in Canaport (Canada) for the next 10 years, encompassing a total volume of approximately 1 million tonnes.

(3) Includes 10,241 million euros of natural gas purchases committed to in Peru and Trinidad and Tobago by Repsol Comercializadora de Gas, S.A., a company classified as held-for-sale at year-end 2013 and sold on January 1, 2014.

(4) Includes primarily capital commitments in Venezuela and Brazil amounting to €1,761 and €767 million, respectively.

(5) Operating lease expenses recognized at December 31, 2013 amount to €467 million (€523 million at year-end 2012).

(6) At year-end 2013, Repsol operates 33 tankers under time charter arrangements, five of which through Gas Natural Fenosa, for the transportation of crude, oil products and natural gas; these fleet arrangements terminate on a staggered basis between 2014 and 2019. The amount payable under these arrangements in 2014 is €88 million (see Note 21).

(7) Corresponds mainly to commitments under service stations leases amounting to €54 million in 2014. This heading also includes lease commitments assumed by Guará, B.V. that are guaranteed by Repsol, S.A. (see Note 34.3).

(8) This heading mainly includes the portion corresponding to the Repsol Group of the natural gas purchase commitments held by the Gas Natural Group in the amount of €951 million and crude and natural gas transportation commitments assumed by the Repsol Group in Peru, Brazil and Ecuador in the amount of €561 million.

(9) Includes commitments of companies consolidated using the proportionate consolidation method amounting to €3,257 million.

The Repsol Group is contractually committed to the following sales and to the provision of the following revenue-generating activities at December 31, 2013:

Millions of euros

Committed sales and other income contracted for	2014	2015	2016	2017	2018	Subsequent years	Total
Commited sales	**10,337**	**3,242**	**2,249**	**2,195**	**2,234**	**21,335**	**41,592**
Crude oil and others	7,688	949	449	276	207	523	10,092
Natural Gas(1) (2)	2,649	2,293	1,800	1,919	2,027	20,812	31,500
Transport commitments	**2**	**2**	**2**	**1**	**-**	**2**	**9**
Service commitments	**624**	**577**	**537**	**493**	**468**	**2,035**	**4,734**
Leases	**166**	**120**	**140**	**134**	**130**	**977**	**1,667**
TOTAL (3)	**11,129**	**3,941**	**2,928**	**2,823**	**2,832**	**24,349**	**48,002**

Note: The commitments detailed in the foregoing table are commercial agreements in which fixed total amounts are not stipulated. These commitments were quantified using Repsol's best estimates. In the wake of the sale of the LNG businesses in October and December 2013 (see Note 31), the commitments corresponding to the assets and businesses forming part of the transaction scope are not presented as Group commitments in the table above. The amounts shown in the table do, however, include the commitments in respect of assets and businesses that at December 31, 2013 were classified as held-for-sale (see Note 10) and were sold on January 1, 2014 (see Note 37).

(1) Primarily includes the commitments to sell natural gas in accordance with the contract signed with PDVSA, which establishes the reciprocal obligation to deliver and acquire approximately 2,509,454 Mscf, maturing in 2036 and for an amount of €9,288 million and the portion corresponding to the Repsol Group of the natural gas sales committed to by the Gas Natural Fenosa group in the amount of €6,365 million.

(2) Includes €9,895 million of natural gas sales committed to in Mexico and Spain by Repsol Comercializadora de Gas, S.A., a company classified as held-for-sale at year-end 2013 and sold on January 1, 2014. It also includes sale commitments of companies accounted for using the proportionate method of consolidation in an amount of €1,394 million.

34.3) Guarantees

At December 31, 2013, the Repsol Group's companies has extended guarantees to third parties or Group companies whose assets, liabilities and earnings are not presented in the consolidated financial statements (companies consolidated using the proportionate consolidation method at the percentage not held by the Group and equity-accounted investees). This section details the material guarantees outstanding at year-end:

- As a result of the development of Field BMS-9 by Repsol Sinopec Brasil (RSB), a company 60%-owned by Repsol, S.A., RSB assumed its share of the contractual obligations arising from its interest in the lease of three floating production platforms through Guara B.V, a company 25%-owned by RSB. These obligations were secured by Repsol S.A. by means of the three guarantees described below.

  A first guarantee, provided by Repsol S.A., in the amount of $790 million, covering one of the platforms, specifically covering up to 25% of the commitments assumed by Guara B.V., which in turn corresponds to RSB's ownership interest in this company. In turn, China Petrochemical, the Sinopec group company that has co-invested in RBS alongside Repsol, S.A., owning a 40% interest, granted Repsol S.A. a counter-guarantee amounting to $316 million that covers 40% of these commitments, so that both group's exposures match their respective ownership interests in RSB. Two additional guarantees, one granted by Repsol S.A. and the other by Repsol Sinopec Brasil, in the amounts of $576 and $545 million, respectively. These guarantees are contingent upon delivery by the supplier of its contractual obligations and the attendant accrual of payment obligations by Guara B.V. in relation to the lease of the two floating platforms, slated to begin in July 2014 and the fourth quarter of 2016, respectively. These amounts cover 60% and 25% of the commitments assumed by Guara B.V., the latter percentage corresponding to the Repsol Group's ownership interest in Guara, B.V.

  The amounts corresponding to the three platforms lease payment obligations, are already included in the table showing lease commitments in Note 34.2 above. The guarantees extended by Repsol cover maximum sums that diminish annually over the platform lease terms (20 years).

- The Group has extended guarantees in respect of its ownership interest in Oleoducto de Crudos Pesados de Ecuador, S.A. (OCP) covering the pipeline's construction, non-construction and related environmental risks in an amount of approximately $15 million (€11 million) and the corresponding operating risks, also in the amount of approximately $15 million (€11 million). The Group has pledged all of its shares in OCP.

In addition, the Repsol Group, mainly through its parent company, Repsol, S.A., extends other classes of guarantees and indemnities related to the sale of assets and guarantees in respect of potential liabilities that may arise in any of the Group's activities and operations, including potential environmental liabilities, all of which in the ordinary course of the Repsol Group's business operations and in keeping with widespread industry practice.

For further information on the guarantees provided in connection with the assets and businesses falling under the scope of the sale agreement with Shell (see Note 31).

(35) ENVIRONMENTAL INFORMATION

The criteria used to measure environmental costs are established in the "Repsol Environmental Costs Guide," which adapts the American Petroleum Institute guidelines to the Group's operations and technical approach.

It is important to note in this regard that the traditional "bottom-line" solutions for reducing environmental impact are gradually giving way to preventive measures built into processes right from the time the facilities are designed. This sometimes requires the identification of environmental assets through a system of coefficients applied to investment projects and the related property, plant and equipment, per the guidelines expressed in the aforementioned Guide.

35.1) Environmental Assets

The breakdown of the cost of the environmental assets identified and the related accumulated depreciation at December 31, 2013 and 2012 is as follows:

	Millons of euros					
	2013			2012 [(1)]		
	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
Atmosphere protection	420	242	178	403	231	172
Water managment	480	312	168	476	304	172
Product quality	1,488	777	711	1,452	724	728
Soil	154	76	78	96	37	59
Energy saving and efficiency	636	229	407	589	204	385
Waste managment	31	14	17	30	14	16
Contingencies and spills	31	2	29	19	1	18
Other	195	109	86	179	101	78
	3,435	**1,761**	**1,674**	**3,244**	**1,616**	**1,628**

(1) NOTE: In 2012, as a consequence of the loss of control and the expropriation process of YPF and YPF Gas (see Note 4) "Net cost of environmental assets" corresponding to YPF and YPF Gas, and its group companies have been derecognized.

The cost includes €246 million of assets under construction at December 31, 2013 and €202 million at December 31, 2012.

Among the most significant environmental investments made in 2013, it is worth highlighting the ones dedicated to upgrading waste spill prevention systems, improving environmental quality of petroleum products, minimizing emissions, increasing energy efficiency, optimizing water consumption and reducing landfill waste pollution.

It is also worth highlighting the continued progress on two important projects: the comprehensive coastal protection plan in Tarragona (environmental investment in 2013: €11 million) and the fuel quality upgrade project at the La Pampilla refinery in Peru (investment of nearly €36 million).

The efforts to increase energy efficiency at the refineries in Tarragona and La Coruña, entailing investment of over €16 and €3 million, respectively, also stand out

In 2013 and 2012, environmental expenses include €11 million of environmental investments made through Gas Natural Fenosa (€14 million in 2012) (stated at the Repsol Group's percentage interest in the latter).

35.2) Environmental provisions

Repsol recognizes the provisions required to cover the measures aimed at preventing and repairing environmental impact. These provisions are estimated on the basis of technical and economic criteria and are classified under "*Provisions for risks and current and non-current environmental expenses*" (see Note 16).

The changes in the environmental provisions in 2013 and 2012 were as follows:

	Millons of euros	
	2013	2012
Opening balance	**51**	**255**
Period provisions charged to income	9	13
Provisions released with a credit to income	(2)	(2)
Payment	(5)	(8)
Reclassifications and other movements [(1)]	(49)	-
Discontinued operations movements [(1)(2)]	50	(16)
YPF and YPF Gas expropiation [(3)]	-	(191)
Closing balance	**54**	**51**

(1) The agreement signed in June 2013 with the state of New Jersey regarding the environmental contingencies of a subsidiary of YPF S.A., a company in the process of being expropriated from the Group and whose operations were classified as discontinued operations in 2012 (see Note 4), in the Passaic River and Newark Bay (see Note 34.1) gave rise to the recognition of a €50 million provision that in December 2013 was reclassified to *Other payables*, prior to its effective payment on February 7, 2014

(2) Includes movements which correspond to YPF, YPF GAS and his affiliates from January 1, 2012 upon the loss of control of the group.

(3) This heading discloses the provisions derecognized upon loss of control of YPF and YPF Gas by the Group, according to the facts described in Note 4*"Expropriation of the Repsol Group's shares in YPF S.A. and YPF Gas S.A.*

Additionally, *Repsol's Environmental Cost Guide* classifies as environmental provisions 75% of the amounts recognized under the caption "*Provision for Field Dismantling Costs*," totaling €579 million and €614 million at December 31, 2013 and 2012, respectively (see Note 16).

Subject to the relevant terms and conditions, corporate insurance policies cover civil responsibilities for pollution on land and at sea, and for certain countries and activities, administrative responsibilities for pollution on land, all provoked by accidental and sudden events, in line with habitual industry practices and applicable legislation

35.3) Environmental Expenses

In 2013 and 2012 environmental expenses amounted to €164 million and €202 million respectively, classified as "*Supplies*" and "*Other operating expenses*." These expenses include €71 million and €112 million of expenses for the rights necessary to cover CO_2 emissions during 2013 and 2012, respectivel. Environmental expenses in 2013 and 2012 also include: other measures for atmospheric protection amounting to €25 and €26 million, respectively; waste management amounting to €17 million and €14 million, respectively; and water management amounting to €17 million and €15 million, respectively; soil remediation and field dismantling costs amounting to 8 million and €6 million, respectively.

35.4) Applicable Framework

The environmental legislation applicable to the Group includes:

- Directive 2013/30/EU on safety of offshore oil and gas operations
- Directive 2010/75/EU on industrial emissions
- Directive 2009/29/EC on the greenhouse gas emission allowance trading scheme
- Directive 2009/30/EC as regards the specification of petrol, diesel and gas-oil.

35.5) CO_2 emissions

During 2013 and 2012 the companies comprising the consolidation scope recognized emission allowances allocated free of charge under the Spanish national allocation plan equivalent to 9 and 19 million tons of CO_2 respectively, measured at €60 and €132 million. In 2014, the second year of Phase III, the estimate of free of charge emission allowances allocated, not including that corresponding to Gas Natural Fenosa, amounts to 9 million tonnes of CO_2.

In 2013, the value of the Group's emission allowances were depreciated, giving rise to an impairment charge of €16 million which was offset almost in full by the recognition of deferred income corresponding to the emission allowances received free of charge. The emission allowances depreciated its value in 2012 in an amount of €8 million.

The gain on the management of CO_2 allowances amounted to €56 million in 2013. In 2012 incomes were registered amounting to €6 million. In 2013 and 2012, the Group actively managed the position generated by the difference between the allowances allocated in recent years under the National Allocation Plan and the emissions actually made by the Group each year.

From 2013 on, Repsol's installations will be allocated new emissions allowances under the start of Phase III (2013-2020), following completion in 2012 of Phase II (2008-2012); these are expected to be lower than the annual allocations awarded during Phase II and to diminish over time. Repsol has been preparing for the lower free allocation levels under Phase III for many years now, taking measures to mitigate the related costs.

On the other hand, in prior years as in 2013 the Company has acquired Clean Development Mechanism (CDM) and Joint Implementation (JI) credits. Additionally, the installations included in the Allowance Trading Systems have developed, and are in the process of executing, energy savings and carbon emission reduction plans with a view to substantially reducing the cost of compliance in Phase III. The Group did not acquire any new long-term commitments in 2013.

(36) FEES PAID TO THE AUDITORS

In 2013, the fees earned by Deloitte for the audit services provided to Repsol, S.A. and its companies controlled have amounted to €4.9 million. Additionally, the fees earned by the auditors and their organization for audit-related services and for other services have amounted to €1.3 and €1.0 million, respectively.

The sum of these amounts does not represent more than 10% of the total volume of business of the auditors and their organization.

(37) SUBSEQUENT EVENTS

- The last of the three transactions comprising the sale of the LNG assets and businesses closed on January 1, 2014 (see Note 31) with the sale of Repsol Comercializadora de Gas, S.A. the Group company devoted to the marketing, transport and trading of LNG and amounted to $730 million. At year-end 2013, the assets and liabilities related to this Company, were classified as "*Non-current assets held for sale*" and "*Liabilities related to non-current assets held for sale*" at December 31, 2013 (see Note 10). This transaction has generated a pre-tax gain of €432 million (this amount includes historic translation difference recognized under the caption "*Adjustments for changes in value*" of "Equity" heading which amounts to €3 million) that will be recognized in the 2014 consolidated financial statements

The carrying amounts of the assets and liabilities derecognized as a result of this disposal are broken down below:

	Millions of euros
Cash and cash equivalents	236
Other current assets	210
Non-current assets	1,111
TOTAL ASSETS	**1,557**
Minority interests	
Current liabilities	1,172
Non-current liabilities	284
TOTAL LIABILITIES AND MINORITY INTERESTS	**1,456**
NET ASSETS	**101**

Repsol has agreed with Enagás the sale of its 10% interest in the Transportadora de Gas del Perú (TGP) gas pipeline that at year-end 2013 was recognized as held-for-sale (see Note 10) for approximately $219 million. The transaction will generated an estimated after-tax gain of approximately USD75 million.

Agreement with Argentina

On February 25, 2014, the Board of Directors of Repsol, S.A. approved execution of an agreement with the Republic of Argentina, which has been called Agreement for the Amicable Settlement and Compromise of Expropriation (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. This document will be executed by Repsol S.A. Repsol Capital S.L. and Repsol Butano S.A. on the one hand, and by the Republic of Argentina, on the other.

Under the terms of the Agreement, the Republic of Argentina commits irrevocably to pay Repsol the sum of FIVE BILLION US DOLLARS (USD5,000,000,000.00) as compensation for the expropriation of 200,589,525 Class D YPF S.A. shares and 89,755,383 Class A YPF Gas S.A. shares (the “Expropriated Shares”) and any and all other items contemplated under the Agreement (the “Compensation”), which implies the withdrawal of all the legal and arbitration proceedings initiated and a reciprocal undertaking not to file new claims and includes the pertinent indemnity clauses and other legal guarantees to ensure the effective settlement of the Compensation. To settle the Compensation, the Republic of Argentina will give Repsol US dollar-denominated sovereign bonds issued by it (the “Government Bonds”). The Government Bonds will be given to Repsol “*pro solvendo*”, which means that the Republic of Argentina’s payment obligation will not be extinguished by the mere delivery of the Government Bonds to Repsol but rather when the latter collects the amount of Compensation in full, either by disposing of the Government Bonds or via repayment of the bond principal at the respective maturity dates. Repsol is entitled to receive the interest accruing on the Government Bonds for as long as it holds them.

The Agreement also includes and regulates the withdrawal by both parties of the legal and arbitration proceedings initiated by them and their subsidiaries in connection with the expropriation and preservation of the seized assets. Both parties similarly renounce their right to file new claims or seek damages in the future in respect of the expropriation or Repsol’s management of YPF S.A. and YPF Gas S.A.

Effectiveness of the Agreement is subject to the following conditions precedent: (i) ratification of the Agreement by the General Shareholders’ Meeting of Repsol, S.A.; (ii) full and unconditional approval of the Agreement by means of a special-purpose law sanctioned by the Argentine Congress; (iii) the lifting of certain injunctions over the Compensation and Repsol’s remaining shares in YPF and YPF Gas (the shareholding it will retain once the Agreement closes); (iv) the non-occurrence of any disruptive events (embargos or other measures that prevent or limit Repsol’s ability to collect the Compensation and/or Government Bonds, as defined in the Agreement) before the close; (v) the non-occurrence of any material adverse change (unilateral decision by the Republic of Argentina implying an amendment or default of Argentine sovereign debt issued after 12/13/2001), and (vi) no legal impediment on the Republic of Argentina's ability to close and/or perform the Agreement.

The Government Bonds to be given to Repsol by the Republic of Argentina are:

1) A fixed portfolio with a face value of USD5 billion, made up of:

- BONAR X: USD500 million
- Discount 33: USD1,250 million (this bond also includes USD500 million of accrued capitalized interest)
- BONAR 2024: USD3,250 million

2) A complementary portfolio of a maximum face value of USD1 billion, made up of:

- BODEN 2015: USD400 million
- BONAR X: USD300 million
- BONAR 2024: USD300 million

This complementary bond portfolio will be delivered using an adjustment formula such that the market value of all the Argentine sovereign bonds given to Repsol amounts to at least USD4,670 million and up USD6,000 million in face value. Market value will be calculated on the basis of quoted prices provided by the international financial institutions listed in the Agreement. Repsol would receive the complementary bonds in the order in which they are listed above so that it would receive shorter-dated bonds first, up to the limit set for each category.

In addition, the Republic of Argentina will grant Repsol an additional specific guarantee collateralizing payment of the first three six-monthly interest payments on the BONAR 2024 bonds. This guarantee will be extended by the Argentine Central Bank (BNA); it will cover a sum of USD150,000,000.00 and will have a term of 18 months.

The Agreement will close when the Government Bonds being awarded to Repsol are deposited with an international securities clearinghouse. Repsol will be free to dispose of the bonds. Repsol may not under any circumstances receive, either through repayment of the Government Bonds and/or disposal of the bonds (net of expenses and interest), more than USD5,000,000,000. The interest that Repsol may earn from holding the Government Bonds is excluded from this cap.

Among other matters, the Agreement regulates in detail the legal protection afforded to Repsol in the event of breach by the Republic of Argentina of its commitments to pay the Compensation and/or the Government Bonds on the terms stipulated ("Restructuring") or in the event of other forms of non-performance and/or disruptions in the payment(s) scheduled.

The legal protection afforded to Repsol in the event of breach by the Republic of Argentina of its payment obligations include: (i) accelerated payment (early maturity of the payment, enforceable in cash) of the outstanding Compensation due to Repsol; (ii) the accrual of late payment interest (after a 30 days cure period and until effective payment, the sum in arrears will accrue interest at an annual rate of 8.75%, plus default interest of 1.75%); and (iii) Repsol's right to retain the Government Bonds and to avail of them until the debt is settled.

The Republic of Argentina declares and warrants to Repsol that: (i) the Compensation, insofar as intended as compensation for an expropriation, and the Government Bonds, may not be restructured or amended in any way that implies the discontinuation of payments, the consolidation, translation or payment in a currency other than the US dollar or the modification of the payment terms; otherwise the Republic of Argentina undertakes to hold Repsol harmless in the event of any such changes; and (ii) Repsol's rights under the Agreement will be protected under the bilateral investment treaty between Spain and Argentine (the "APPRI"), specifically representing that the rights accruing to Repsol as a result of the Compensation and/or Public Bonds constitute an "investment" for APPRI purposes.

Any discrepancies that could arise in relation to the Agreement shall be subject, exclusively, to international arbitration, in accordance with the United Nations Commission on International Trade Law ("UNCITRAL") Arbitration Rules, one of the options contemplated in the APPRI for the settlement of disputes between the contracting parties.

Concurrent with the execution of the agreement, it is expected that an agreement will be signed by Repsol, on the one hand, and YPF and YPF Gas, on the other, whereby, primarily, the parties agree to withdraw lawsuits filed, as well as to a series of waivers and mutual indemnities between Repsol and YPF.

(38) EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These consolidated financial statements are prepared on the basis of IFRS, as issued by the IASB and as endorsed by European Union (see Note 2). Consequently, certain accounting practices applied by the Group may not conform with other generally accepted accounting principles in other countries.

APPENDIX I: Main companies comprising the Repsol Group at December 31, 2013

Name	Country	Activity	Consolitation method (1)	December 2013 % of Total Ownership % equity interest	December 2013 % of Total Ownership % of control investment (2)	December 2012 Millions of Euros Equity (3)	December 2012 Millions of Euros Share capital (3)
Abastecimentos e Serviços de Aviaçao, Lda.	Portugal	Marketing of oil products	EM	50,00	50,00	-	-
AESA - Construcciones y Servicios Bolivia , S.A.	Bolivia	Transportation of hydrocarbons	FC	99,00	99,00	-	-
Agri Development, B.V.	Netherlands	Portfolio company	PC	6,00	10,00	322	-
Air Miles España, S.A. (4)	Spain	Establishment, introduction and operation in Spain and Andorra of the Travel Club program. Loyalty services	EM	25,78	26,67	7	-
Akakus Oil Operations, B.V.	Netherlands	Exploration and production of hydrocarbons	EM	49,00	49,00	-	-
Albatros, S.à.r.L. (5)	Luxembourg	Portfolio company	FC	100,00	100,00	-	-
Algaenergy, S.A.	Spain	Experimental research and development in biotechnology	PC	20,02	20,02	2	-
AR Oil & Gaz, B.V.	Netherlands	Portfolio company	PC	49,01	49,01	453	-
Arteche y García, S.L.	Spain	Installation and operation of fuel service stations	FC	96,67	100,00	-	-
Asfalnor, S.A.	Spain	Distribution and marketing of asphalt products	FC	85,98	100,00	-	-
Asfaltos Españoles, S.A.	Spain	Asphalts	PC	49,99	50,00	24	9
Beatrice Offshore Windfarm, Ltd. (6)	UK	Development of offshore wind energy	EM	25,00	25,00	-	-
Benzirep-Vall, S.L.	Spain	Installation and operation of fuel service stations	FC	96,67	100,00	-	-
BP Trinidad & Tobago, Llc.	USA	Exploration and production of hydrocarbons	PC	30,00	100,00	780	128
BPRY Caribbean Ventures, Llc.	USA	Portfolio company	PC	30,00	30,00	128	928
C.L.H. Aviación, S.A.	Spain	Transportation and storage of oil products	EM	10,00	100,00	70	21
Caiageste - Gestao de Areas de Serviço, Lda.	Portugal	Operation and management of service stations	EM	50,00	50,00	-	-
Calio Holdings, Llc.	USA	Exploration and production of hydrocarbons	FC	100,00	100,00	22	16
Campsa Estaciones de Servicio, S.A.	Spain	Operation and management of service stations	FC	96,67	100,00	41	8
Canaport LNG Limited Partnership (4)	Canada	Regasification of LNG	PC	75,00	75,00	77	134
Carabobo Ingeniería y Construcciones, S.A.	Venezuela	Other activities	EM	27,50	27,50	-	-
Carbón Black Española, S.A.	Spain	Dormant	FC	100,00	100,00	20	-
Carburants i Derivats, S.A.	Andorra	Distribution of oil derivative products	EM	32,14	33,25	1	-
Cardón IV, S.A.	Venezuela	Exploration and production of hydrocarbons	PC	50,00	50,00	238	1
Caveant, S.A.	Argentine	Investment company	FC	100,00	100,00	56	-
Cogeneración Gequisa, S.A.	Spain	Production of electric energy and vapor	EM	39,00	39,00	7	2
Compañía Anónima de Revisiones y Servicios, S.A.	Spain	Installation and operation of fuel service stations	FC	91,84	95,00	3	1
Compañía Auxiliar de Remolcadores y Buques Especiales, S.A.	Spain	Tugboats	FC	99,19	100,00	6	-
Compañía Logística de Hidrocarburos CLH, S.A.	Spain	Transportation and storage of oil products	EM	10,00	10,00	166	84
CSJC Eurotek - Yugra	Russia	Other activities	FC	100,00	100,00	(1)	-
Distribuidora Andalucía Oriental, S.A.	Spain	Marketing of fuels	PC	48,34	50,00	2	1
Distribuidora de Petróleos, S.A.	Spain	Marketing of fuels	FC	82,17	85,00	-	-
Dubai Marine Areas, Ltd.	UK	Exploration and production of hydrocarbons	PC	50,00	50,00	1	-
Duragas, S.A.	Ecuador	Marketing of LPG	FC	100,00	100,00	20	11
Dynasol Elastómeros, S.A.	Spain	Production and marketing of chemical products	PC	50,01	50,01	31	17
Dynasol Elastómeros, S.A. de C.V.	Mexico	Production and marketing of chemical products	EM	49,99	49,99	90	38
Dynasol Gestión, S.A.	Spain	Manufacture of chemical products	EM	50,00	50,00	12	4
Dynasol, Llc.	USA	Marketing of petrochemical products	EM	50,00	50,00	9	-
Empresa Petrolera Maxus Bolivia, S.A. (6)	Bolivia	Exploration and production of hydrocarbons	FC	100,00	100,00	447	60
Enirepsa Gas Limited	Saudi Arabia	Gas supply and/or logistics	EM	30,00	30,00	(3)	2
Estación de Servicio Barajas, S.A.	Spain	Operation of fuel sale and vehicle repair service stations	FC	92,80	96,00	3	1
Estaciones de Servicio El Robledo, S.L.	Spain	Sale to the public of fuels, lubricants and any oil-related products	FC	96,67	100,00	-	-
Euro 24, S.L.	Spain	Automotive-related services	FC	96,67	100,00	1	-
Gas Natural SDG, S.A. (7)	Spain	Holding, wind energy and electricity generation, gas purchases and sales	PC	30,00	30,00	12.112	1.001
Gas Natural West África S.L.	Spain	Exploration and production of hydrocarbons	PC	72,00	100,00	(3)	7
Gastream México, S.A. de C.V.	Mexico	Other activities	FC	100,00	100,00	(1)	22
Gaviota RE, S.A.	Luxembourg	Reinsurance	FC	100,00	100,00	23	14
General Química, S.A.	Spain	Manufacture and sale of petrochemical products	FC	100,00	100,00	8	3
Gestão e Administraçao de Postos de Abastemento, Unipessoal, Lda.	Portugal	Marketing of oil products	FC	100,00	100,00	1	-
Gestión de Puntos de Venta GESPEVESA, S.A.	Spain	Management of service stations	PC	48,34	50,00	49	39
Greenstone Assurance, Ltd.	Bermuda Islands	Reinsurance	FC	100,00	100,00	18	-
Grupo Repsol del Perú, S.A.C.	Peru	Portfolio company	FC	100,00	100,00	1	-
Guará, B.V.	Netherlands	Construction for offshore crude oil and natural gas production	EM	15,00	25,00	401	-
Ibil, Gestor de Carga de Vehículo Eléctrico, S.A.	Spain	Construction and operation of electric vehicle charging points	PC	50,00	50,00	10	12
Ibilek Car-Sharing Vehículo Eléctrico, S.A.	Spain	Implementation and operation of an electric car-sharing system, diffusion activities	PC	50,00	100,00	-	-
Inch Cape Offshore, Ltd.	UK	Development of offshore wind energy	PC	51,00	51,00	1	2
Kuosol Agrícola S.A.P.I. de C.V.	Mexico	Portfolio company	PC	50,00	100,00	(5)	6
Kuosol S.A.P.I. de C.V.	Mexico	Portfolio company	PC	50,00	50,00	2	11
MC Alrep, Llc. (5)	Russia	Provision of joint venture management services	PC	49,01	100,00	-	-
Moray Offshore Renewables, Ltd.	UK	Development of offshore wind energy	PC	33,36	33,36	10	11
Neol Biosolutions, S.A.	Spain	Research and development of new bioactive compounds	PC	50,00	50,00	7	4
Noroil, S.A.	Spain	Distribution and marketing of oil products	FC	96,67	100,00	2	2
Occidental de Colombia LLC (4)	USA	Ownership of exploratory and productive assets in Colombia	PC	25,00	25,00	134	80
OJSC Eurotek	Russia	Other activities	PC	49,01	100,00	14	6
Oleoducto de Crudos Pesados Ecuador, S.A. (4)	Ecuador	Other activities	EM	29,66	100,00	95	42
Oleoducto de Crudos Pesados, Ltd.	Cayman Islands	Other activities	EM	29,66	29,66	149	76
Oleoducto Transandino Chile, S.A.	Chile	Construction and operation of an oil pipeline	EM	17,79	17,79	8	7
Orisol Corporación Energética, S.A.	Spain	Development, construction, and operation of renewable energy plants	PC	46,81	46,81	3	2
Perú Hunt Pipeline Development Company LLc (4) (10)	USA	Portfolio company	EM	44,70	44,70	110	55
Petrocarabobo, S.A.	Venezuela	Exploration and production of hydrocarbons	EM	11,00	11,00	171	-
Petróleos del Norte, S.A.	Spain	Refining	FC	85,98	85,98	753	121
Petroquiriquire, S.A. Emp. Mixta (8)	Venezuela	Exploration and production of hydrocarbons	PC	40,00	40,00	1.552	4
Polidux, S.A.	Spain	Manufacture and sale of petrochemical products	FC	100,00	100,00	1	17
Principle Power (Europe), Ltd. (5)	UK	Production of electricity	PC	33,61	100,00	-	-
Principle Power Portugal Unipessoal, Lda. (5)	Portugal	Production of electricity	PC	33,61	100,00	-	-
Principle Power, Inc. (5)	USA	Holding company. Development of offshore (medium and deep water) wind energy technology	PC	33,61	33,61	5	-
Quiriquire Gas, S.A.	Venezuela	Exploration and production of hydrocarbons	PC	60,00	60,00	248	-
Refinería La Pampilla, S.A.A.	Peru	Refining	FC	51,03	51,03	366	227
Repsol - Produçao de Electricidade e Calor, ACE	Portugal	Production of electricity	FC	100,00	100,00	-	-
Repsol Angola 22, B.V.	Netherlands	Exploration and production of hydrocarbons	FC	100,00	100,00	4	19
Repsol Angola 35, B.V.	Netherlands	Exploration and production of hydrocarbons	FC	100,00	100,00	31	43
Repsol Angola 37, B.V.	Netherlands	Exploration and production of hydrocarbons	FC	100,00	100,00	50	54
Repsol Aruba, B.V.	Netherlands	Exploration and production of hydrocarbons	FC	100,00	100,00	-	-
Repsol Beatrice, Ltd.	UK	Development of offshore wind energy	FC	100,00	100,00	(1)	-
Repsol Bolivia, S.A.	Bolivia	Portfolio company	FC	100,00	100,00	1.168	206
Repsol Bulgaria, B.V.	Netherlands	Exploration and production of hydrocarbons	FC	100,00	100,00	-	-
Repsol Butano, S.A.	Spain	Marketing of LPG	FC	100,00	100,00	202	59
Repsol Canada, Ltd. General Partner	Canadá	Regasification of LNG	FC	100,00	100,00	3	4
Repsol Capital, S.L.	Spain	Portfolio company	FC	100,00	100,00	735	464
Repsol Chemie Deutschland, GmbH	Germany	Marketing of petrochemical products	FC	100,00	100,00	2	-
Repsol Chile, S.A.	Chile	Dormant	FC	99,99	99,99	15	11
Repsol Comercial de Productos Petrolíferos, S.A.	Spain	Marketing of oil products	FC	96,67	99,78	958	335
Repsol Comercial, S.A.C.	Peru	Marketing of fuels	FC	51,03	100,00	80	59
Repsol Comercializadora de Gas, S.A.	Spain	Marketing of natural gas	FC	100,00	100,00	41	-
Repsol Cuba, S.A.	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	(20)	2
Repsol Directo, Lda.	Portugal	Distribution and marketing of oil products	FC	100,00	100,00	-	-
Repsol Directo, S.A.	Spain	Distribution and marketing of oil products	FC	96,67	100,00	(10)	-
Repsol E & P Bolivia, S.A. (6)	Bolivia	Exploration and production of hydrocarbons	FC	100,00	100,00	443	132
Repsol E & P Canada ,Ltd.	Canada	Exploration and production of hydrocarbons	FC	100,00	100,00	10	49
Repsol E & P Eurasia, LLc.	Russia	Exploration and production of hydrocarbons	FC	99,99	99,99	(1)	-
Repsol E & P T & T Limited	Trinidad & Tobago	Exploration and production of hydrocarbons	FC	100,00	100,00	127	26
Repsol E & P USA, Inc.	USA	Exploration and production of hydrocarbons	FC	100,00	100,00	3.024	2.491
Repsol Ecuador, S.A.	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	130	5
Repsol Eléctrica de Distribución, S.L.	Spain	Distribution and supply of electric energy	FC	100,00	100,00	4	-
Repsol Energy Canada, Ltd.	Canada	Marketing of LPG	FC	100,00	100,00	(413)	579
Repsol Energy North America Corporation	USA	Marketing of LPG	FC	100,00	100,00	60	217
Repsol Exploración Argelia, S.A.	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	13	4
Repsol Exploración Atlas, S.A.	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	(2)	2
Repsol Exploración Cendrawasih I, B.V. (5)	Netherlands	Exploration and production of hydrocarbons	FC	100,00	100,00	-	-
Repsol Exploración Cendrawasih II, B.V.	Netherlands	Exploration and production of hydrocarbons	FC	100,00	100,00	1	7
Repsol Exploración Cendrawasih III, B.V.	Netherlands	Exploration and production of hydrocarbons	FC	100,00	100,00	(1)	1
Repsol Exploración Cendrawasih IV, B.V.	Netherlands	Exploration and production of hydrocarbons	FC	100,00	100,00	(1)	1
Repsol Exploración Colombia, S.A.	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	(9)	2
Repsol Exploración East Bula, B.V.	Netherlands	Exploration and production of hydrocarbons	FC	100,00	100,00	-	2
Repsol Exploración Gharb, S.A. (5)	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	-	-
Repsol Exploración Gorontalo, B.V. (5)	Netherlands	Exploration and production of hydrocarbons	FC	100,00	100,00	-	-
Repsol Exploración Guinea, S.A.	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	(4)	-
Repsol Exploración Guyana, S.A. (5)	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	-	-
Repsol Exploración Irlanda, S.A.	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	(1)	-
Repsol Exploración Karabashsky, B.V.	Netherlands	Exploration and production of hydrocarbons	FC	100,00	100,00	252	258
Repsol Exploración Kazakhstan, S.A.	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	(2)	-
Repsol Exploración Liberia, B.V. (8)	Netherlands	Exploration and production of hydrocarbons	FC	100,00	100,00	(43)	1
Repsol Exploración México, S.A. de C.V.	Mexico	Exploration and production of hydrocarbons	FC	100,00	100,00	33	17
Repsol Exploración Murzuq, S.A.	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	400	8
Repsol Exploración Numfor, B.V. (5)	Netherlands	Exploration and production of hydrocarbons	FC	100,00	100,00	-	-
Repsol Exploración Perú, S.A.	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	243	16
Repsol Exploración Seram, B.V.	Netherlands	Exploration and production of hydrocarbons	FC	100,00	100,00	(1)	2
Repsol Exploración Sierra Leona, S.L.	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	(24)	3
Repsol Exploración Suriname, S.L.	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	(2)	-
Repsol Exploración Tobago, S.A.	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	-	-
Repsol Exploración Venezuela, B.V.	Netherlands	Portfolio company	FC	100,00	100,00	152	334
Repsol Exploración, S.A. (9)	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	2.117	25
Repsol Exploration Advanced Services, AG	Switzerland	Other activities	FC	100,00	100,00	1	-
Repsol Exploration Australia, Pty, Ltd.	Australia	Exploration and production of hydrocarbons	FC	100,00	100,00	-	-
Repsol Exploration Namibia Pty, Ltd.	Namibia	Exploration and production of hydrocarbons	FC	100,00	100,00	50	-
Repsol Exploration Norge, AS	Norway	Exploration and production of hydrocarbons	FC	100,00	100,00	41	-
Repsol Gas de la Amazonia, S.A.C.	Peru	Distribution of LPG	FC	99,85	100,00	-	-
Repsol Gas del Perú, S.A.	Peru	Marketing of LPG	FC	99,86	99,86	60	36
Repsol Gas Portugal, S.A.	Portugal	Marketing of LPG	FC	100,00	100,00	25	1
Repsol GLP de Bolivia, S.A.	Bolivia	Marketing of LPG	FC	100,00	100,00	-	1
Repsol International Capital, Ltd	Cayman Islands	Finance	FC	100,00	100,00	(48)	347
Repsol International Finance, B.V.	Netherlands	Finance and securities holding	FC	100,00	100,00	1.879	301
Repsol Investeringen, BV	Netherlands	Finance	FC	100,00	100,00	-	-
Repsol Investigaciones Petrolíferas, S.A.	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	500	226
Repsol Italia, SpA	Italy	Marketing of oil products	FC	100,00	100,00	63	2
Repsol LNG Holdings, S.A.	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	(7)	2
Repsol LNG Offshore, B.V.	Netherlands	Other activities	FC	100,00	100,00	15	14
Repsol LNG, S.L.	Spain	Marketing of gas	FC	100,00	100,00	(1)	-
Repsol Louisiana Corporation	USA	Exploration and production of hydrocarbons	FC	100,00	100,00	39	75
Repsol Lubricantes y Especialidades, S.A.	Spain	Production and marketing of oil derivatives	FC	99,97	100,00	14	5
Repsol Lusitania, S.L.	Spain	Portfolio company	FC	100,00	100,00	(28)	-
Repsol Marketing, S.A.C.	Peru	Marketing of fuels and fuel specialty products	FC	100,00	100,00	12	3
Repsol Maroc, S.A.	Morrocco	Marketing of natural gas	EM	99,96	99,96	-	1
Repsol Mediación, Agente de Seguros Vinculado, S.L.U.	Spain	Insurance brokerage	FC	96,67	100,00	2	-
Repsol Moray Firth, Ltd.	UK	Development of offshore wind energy	FC	100,00	100,00	7	8
Repsol Netherlands Finance, BV	Netherlands	Finance	FC	100,00	100,00	(32)	-
Repsol New Energy Ventures, S.A.	Spain	Development of new energy projects in-company or with third parties	FC	100,00	100,00	2	2
Repsol Nuevas Energías U.K., Ltd.	UK	Development and construction of offshore wind farms	FC	100,00	100,00	17	13
Repsol Nuevas Energías, S.A.	Spain	Manufacture, distribution, and sale of all types of biofuels and other related activities	FC	100,00	100,00	(16)	1
Repsol OCP de Ecuador, S.A.	Spain	Portfolio company	FC	100,00	100,00	32	-
Repsol Offshore E & P USA, Inc.	USA	Exploration and production of hydrocarbons	FC	100,00	100,00	10	25
Repsol Oriente Medio, S.A.	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	(22)	-
Repsol Overzee Financien, B.V.	Netherlands	Portfolio company	FC	100,00	100,00	645	129
Repsol Perú, B.V.	Netherlands	Portfolio company	FC	100,00	100,00	172	152
Repsol Petróleo, S.A.	Spain	Refining	FC	99,97	99,97	1.768	218
Repsol Polímeros, S.A.	Portugal	Manufacture and sale of petrochemical products	FC	100,00	100,00	65	222
Repsol Portuguesa, S.A.	Portugal	Distribution and marketing of oil products	FC	100,00	100,00	491	59
Repsol Química, S.A.	Spain	Manufacture and sale of petrochemical products	FC	100,00	100,00	29	60
Repsol Services Company	USA	Exploration and production of hydrocarbons	FC	100,00	100,00	27	33
Repsol Sinopec Brasil, B.V.	Netherlands	Portfolio company	PC	60,01	100,00	4.397	4.066
Repsol Sinopec Brasil, S.A.	Brazil	Exploitation and marketing of hydrocarbons	PC	60,01	60,01	6.391	5.764
Repsol Tesorería y Gestión Financiera, S.A.	Spain	Treasury services to group companies	FC	100,00	100,00	303	-
Repsol Trading USA Corporation	USA	Trading y transporte	FC	100,00	100,00	(1)	-
Repsol Trading, S.A.	Spain	Marketing of oil products	FC	100,00	100,00	123	-
Repsol U.K. Round 3, Ltd.	UK	Development of offshore wind energy	FC	100,00	100,00	8	8
Repsol USA Holdings Corporation (4)	USA	Exploration and production of hydrocarbons	FC	100,00	100,00	2.967	2.652
Repsol Venezuela Gas, S.A. (4)	Venezuela	Exploration and production of hydrocarbons	FC	100,00	100,00	172	-
Repsol Venezuela, S.A.	Venezuela	Exploration and production of hydrocarbons	FC	100,00	100,00	(67)	2
Repsol YPF Trading y Transportes Singapur, Ltd.	Cayman Islands	Dormant	FC	100,00	100,00	-	-
San Andrés Park, S.L. (5)	Spain	Service stations for the supply and sale of fuels and lubricants.	FC	96,67	100,00	-	-
Saneco	Russia	Exploration and production of crude oil	PC	49,01	100,00	141	-
SC Repsol Baicoi, S.R.L. (5)	Romania	Exploration and production of hydrocarbons	FC	100,00	100,00	-	-
SC Repsol Pitesti, S.R.L. (5)	Romania	Exploration and production of hydrocarbons	FC	100,00	100,00	-	-
SC Repsol Targoviste, S.R.L. (5)	Romania	Exploration and production of hydrocarbons	FC	100,00	100,00	-	-
SC Repsol Targu Jiu, S.R.L. (5)	Romania	Exploration and production of hydrocarbons	FC	100,00	100,00	-	-

Servicios Administrativos Cuenca de Burgos S.A. de C.V.	Mexico	Exploration and production of hydrocarbons	FC	100,00	100,00	-	-
Servicios de Mantenimiento y Personal, S.A.	Ecuador	Maintenance and Human Resource services	FC	100,00	100,00	-	-
Servicios de Seguridad Mancomunados, S.A.	Spain	Security	FC	99,98	100,00	1	-
Servicios Logisticos Combustibles de Aviacion, S.L.	Spain	Transportation and commercial airline into-plane services of oil products	PC	49,29	50,00	12	4
Servicios y Operaciones de Perú S.A.C	Peru	Other activities	FC	100,00	100,00	1	-
SKSOL Lube Base Oils, S.A.	Spain	Development and production of base lubricants	PC	29,99	30,00	31	31
Sociedade Abastecedora de Aeronaves, Lda.	Portugal	Marketing of oil products	EM	25,00	25,00	-	-
Sociedade Açoreana de Armazenagen de Gas, S.A.	Portugal	Marketing of LPG	EM	25,07	25,07	5	1
Societat Catalana de Petrolis, S.A.	Spain	Distribution and marketing of oil products	EM	43,69	45,00	6	15
Solgas Distribuidora de Gas, S.L.	Spain	Marketing of LPG	FC	100,00	100,00	(1)	1
Solred, S.A.	Spain	Management of payment systems in service stations	FC	96,67	100,00	38	7
Spelta Produtos Petrolíferos Unipessoal, Lda.	Portugal	Marketing of LPG	FC	100,00	100,00	1	-
Tecnicontrol y Gestión Integral, S.L.	Spain	Real State development	FC	100,00	100,00	32	4
Terminales Canarios, S.L.	Spain	Gas supply and transportation	PC	48,34	50,00	25	20
The Repsol Company of Portugal, Ltd.	UK	Marketing of oil products	FC	100,00	100,00	1	1
TNO (Tafnefteotdacha)	Russia	Exploration and production of hydrocarbons	PC	34,30	99,54	110	-
Tocardo International, B.V. (5)	Netherlands	Other activities	EM	20,34	20,34	1	-
Transierra, S.A.	Bolivia	Transportation of oil and gas including the construction and operation of gas and oil pipelines.	EM	21,77	44,50	292	67
Transportadora de Gas de Perú, S.A.	Peru	Gas supply and/or logistics	EM	10,00	22,38	178	80
Transportadora Sulbrasileira de Gas, S.A.	Brazil	Construction and operation of gas pipeline	PC	25,00	25,00	10	10
Tucunaré Empreendimentos e Participaçoes, Ltda.	Brazil	Support services and administrative infrastructure	FC	100,00	100,00	6	6
Vía Red Hostelería y Distribución, S.L.	Spain	Gas supply and transportation	FC	100,00	100,00	1	1
Windplus, S.A.	Portugal	Development of windfloat technology for generation of floating offshore wind energy	PC	23,73	70,62	11	-
YPFB Andina, S.A. (6)	Bolivia	Exploration and production of hydrocarbons	PC	48,92	48,92	1.023	146
Zhambai Limited Liability Partnership	Kazakhstan	Exploration and production of hydrocarbons	EM	25,00	25,00	(12)	-

(1) Consolidation method:
FC: Full consolidation method
PC: Proportionate consolidated method
EM: Equity method
(2) Percentage related to the ownership interest of parent companies in the subsidiary.
(3) Relates to data of the individual companies, except in the cases specifically identified below, from the latest financial statements approved by the Shareholders in General Meeting (in general, data at December 31, 2012), prepared in accordance with generally accounting principles prevailing in their corresponding jurisdictions. The equity of companies whose functional currency is not the euro have been converted using the year-end exchange rate. The amounts have been rounded off (figures under half a million are shown as zero).
(4) Data relating to the consolidated financial statements.
(5) Companies incorporated in the Repsol Group in the year 2013.
(6) Data corresponding to the financial statements closed at March 31, 2013.
(7) Parent of a group comprised of more than 300 companies; relevant information can be consulted in the consolidated financial statements of this company (www.portal.gasnatural.com).
(8) This company has a branch office domiciled in Liberia.
(9) This company owns 100% of Repsol Exploration Services, LTD, a company under liquidation domiciled in the Cayman Islands.
(10) This company is the parent of Hunt Pipeline Development Perú, LP, which in turn owns 100% of Hunt Pipeline Company of Peru, LTD., a company domiciled in the Cayman Islands

APPENDIX Ib: MAIN CHANGES IN THE CONSOLIDATION SCOPE FOR THE YEAR ENDED DECEMBER 31, 2013

					31.12.13			**31.12.12**		
						% of Total Ownership			**% of Total Ownership**	
Name	**Country**	**Parent Company**	**Concept**	**Date**	**Consolidation method** [3]	**% of Direct Ownership**	**% of control** [4]	**Consolidation method** [3]	**% equity interest**	**% of control** [4]
Eurotek	Russia	AR Oil & Gas BV	Change in consolidation method	ene-13	PC	49,01%	100%	FC	100%	100%
Pacific LNG Bolivia, S.A.	Bolivia	Repsol Bolivia, S.A.	Deconsolidated due to settlement	ene-13	-	-	-	EM	37,50%	37,50%
Tocardo International B.V.	Netherlands	Repsol New Energy Ventures, S.A.	Consolidated due to acquisition	ene-13	EM	20,34%	20,34%	-	-	-
Kuosol Servicios, S.A. de C.V.	Mexico	Kuosol S.A.P.I. de C.V.	Deconsolidated due to absorption	feb-13	-	-	-	PC	49,99%	99,98%
MC ALREP, Llc.	Russia	AR Oil & Gas BV	Consolidated due to acquisition	feb-13	PC	49,01%	100%	-	-	-
Principle Power (Europe), Ltd.	United Kingdom	Principle Power Inc.	Consolidated due to acquisition	mar-13	PC	100%	33,61%	-	-	-
Principle Power Inc.	U.S.	Repsol New Energy Ventures, S.A.	Consolidated due to acquisition	mar-13	PC	33,61%	33,61%	-	-	-
Principle Power Portugal Unipessoal, Lda.	Portugal	Principle Power Inc.	Consolidated due to acquisition	mar-13	PC	100%	33,61%	-	-	-
Repsol Exploración Gharb, S.A.	Spain	Repsol Exploración, S.A.	Consolidated due to constitution	mar-13	FC	100%	100%	-	-	-
Windplus, S.A.	Portugal	Principle Power Inc.	Transfer and modificación of ownership percentage	abr-13	PC	23,73%	70,62%	PC	30,95%	30,95%
Air Miles España, S.A.	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Modificación of ownership percentage	jun-13	EM	25,78%	26,67%	EM	21,75%	22,50%
Repsol Exploración Guyana, S.A.	Spain	Repsol Exploración, S.A.	Consolidated due to constitution	jun-13	FC	100%	100%	-	-	-
Algaenergy	Spain	Repsol Nuevas Energías, S.A.	Modificación of ownership percentage	jul-13	PC	20,02%	20,02%	PC	20,01%	20,01%
Repsol Exploración Cendrawasih I, B.V	Netherlands	Repsol Exploración, S.A.	Consolidated due to constitution	jul-13	FC	100%	100%	-	-	-
Repsol Exploración Gorontalo, B.V.	Netherlands	Repsol Exploración, S.A.	Consolidated due to constitution	jul-13	FC	100%	100%	-	-	-
Repsol Exploración Numfor, B.V.	Netherlands	Repsol Exploración, S.A.	Consolidated due to constitution	jul-13	FC	100%	100%	-	-	-
SC Repsol Baicoi SRL	Romania	Repsol Exploración, S.A.	Consolidated due to constitution	jul-13	FC	100%	100%	-	-	-
SC Repsol Pitesti SRL	Romania	Repsol Exploración, S.A.	Consolidated due to constitution	jul-13	FC	100%	100%	-	-	-
SC Repsol Targoviste SRL	Romania	Repsol Exploración, S.A.	Consolidated due to constitution	jul-13	FC	100%	100%	-	-	-
SC Repsol Targu Jiu SRL	Romania	Repsol Exploración, S.A.	Consolidated due to constitution	jul-13	FC	100%	100%	-	-	-
San Andrés Park S.L	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Consolidated due to acquisition	sep-13	FC	96,67%	100%	-	-	-
Bahía Bizkaia Electricidad, S.L. [1]	Spain	Repsol, S.A.	Deconsolidated due to disposal	oct-13	-	-	-	PC	25,00%	25,00%
Albatros S.a.R.L.	Luxembourg	Repsol, S.A.	Consolidated due to constitution	nov-13	FC	100%	100%	-	-	-
Atlantic 1 Holdings, Llc. [1]	U.S.	Repsol LNG Port Spain, B.V.	Deconsolidated due to disposal	dic-13	-	-	-	EM	20,00%	20,00%
Atlantic 2/3 Holdings Llc. [1]	U.S.	Repsol LNG Port Spain, B.V.	Deconsolidated due to disposal	dic-13	-	-	-	PC	25,00%	25,00%
Atlantic 4 Holdings Llc. [1]	U.S.	Repsol LNG Port of Spain, B.V.	Deconsolidated due to disposal	dic-13	-	-	-	EM	22.22%	22.22%
Atlantic LNG 2/3 Company of Trinidad&Tobago, Unlimited [1]	Trinidad & Tobago	Atlantic 2/3 Holdings Llc.	Deconsolidated due to disposal	dic-13	-	-	-	PC	25,00%	100%
Atlantic LNG 4 Company of Trinidad&Tobago, Unlimited [1]	Trinidad & Tobago	Atlantic 4 Holdings Llc.	Deconsolidated due to disposal	dic-13	-	-	-	EM	22.22%	100%
Atlantic LNG Co. of Trinidad&Tobago [1]	Trinidad & Tobago	Atlantic 1 Holdings, Llc.	Deconsolidated due to disposal	dic-13	-	-	-	EM	20,00%	100%
LNG Shipping operation services netherlands B.V. [1]	Netherlands	Repsol Exploración, S.A.	Deconsolidated due to disposal	dic-13	-	-	-	FC	100%	100%
Netherlands ALNG Holding Company B.V. [1]	Netherlands	Repsol International Finance, B.V.	Deconsolidated due to disposal	dic-13	-	-	-	FC	100%	100%
Perú LNG Company Llc. [1]	U.S.	LNG Shipping Operation Services Netherland, B.V.	Deconsolidated due to disposal	dic-13	-	-	-	EM	20,00%	20,00%
Perú LNG, S.R.L. [1]	Peru	Perú LNG Company, Llc.	Deconsolidated due to disposal	dic-13	-	-	-	EM	20,00%	20,00%
Repsol - Gas Natural LNG, S.L.	Spain	Gas Natural SDG, S.A.	Deconsolidated due to disposal	dic-13	-	-	-	PC	65,00%	100%
Repsol LNG Port of Spain, B.V. [1]	Netherlands	Netherlands ALNG Holding Company, B.V.	Deconsolidated due to disposal	dic-13	-	-	-	FC	100%	100%
Repsol LNG T&T, Ltd. [1]	Trinidad & Tobago	Repsol LNG Port Spain, B.V.	Deconsolidated due to disposal	dic-13	-	-	-	FC	100%	100%
Sociedades del Grupo Gas Natural (varias) [2]		**Gas Natural SDG, S.A.**								

(1) Companies forming part of the scope of the sale to Shell of the Group's LNG assets and businesses. Bahía Bizkaia Electricidad, S.L. was ultimately sold to BP (Note 31)
(2) The consolidation scope of the Gas Natural Fenosa group changed in 2013, with new companies consolidated, others deconsolidated and increases and decreases in existing shareholdings; none of these changes has a significant impact on the Group's financial statements.
(3) Consolidation Method:
F.C. Full consolidation
P.C. Proportionate Consolidation
E.M. Equity Method
(4) Percentage corresponding to the Parent Company's ownership in the subsidiairy.

APPENDIX ib: MAIN CHANGES IN THE CONSOLIDATION SCOPE FOR THE YEAR ENDED DECEMBER 31, 2012

					12.31.12			12.31.11		
						% of Total Ownership			% of Total Ownership	
Name	Country	Parent Company	Concept	Date	Consolidation Method (4)	% of Direct Ownership	% of Control (5)	Consolidation Method (4)	% of Direct Ownership	% of Control (5)
YPF S.A. (1)	Argentine	Repsol, S.A.	Deconsolidated due to expropriation	apr-12	(1)	(1)	(1)	F.C.	57,43	57,43
A&C Pipeline Holding	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				E.M.	20,67	36,00
A-Evangelista Construçoes e Servicios, Ltda.	Brazil	A-Evangelista, S.A.	Deconsolidated due to expropriation	apr-12				F.C.	57,43	100,00
A-Evangelista, S.A.	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				F.C.	57,43	100,00
Central Dock Sud, S.A.	Argentine	Inversora Dock Sud, S.A.	Deconsolidated due to expropriation	apr-12				E.M.	24,86	86,15
CLH Holdings Inc	Argentine	YPF Holdings Inc.	Deconsolidated due to expropriation	apr-12				F.C.	57,43	100,00
Compañía Mega, S.A.	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				P.C.	21,82	38,00
Gas Argentino, S.A.	Argentine	YPF Inversora Energética, S.A.	Deconsolidated due to expropriation	apr-12				E.M.	26,03	45,33
Gasoducto del Pacífico (Argentina), S.A.	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				E.M.	5,74	10,00
Gasoducto del Pacífico Cayman S.A	Cayman Islands		Deconsolidated due to expropriation	apr-12				E.M.	5,74	10,00
Gasoducto del Pacífico Chile S.A	Chile		Deconsolidated due to expropriation	apr-12				E.M.	27,69	36,00
Gasoducto Oriental, S.A.	Argentine	A-Evangelista, S.A.	Deconsolidated due to expropriation	apr-12				E.M.	9,57	16,66
Gateway Coal Company	Argentine	Maxus Energy Corporation	Deconsolidated due to expropriation	apr-12				F.C.	57,43	100,00
Inversora Dock Sud, S.A.	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				E.M.	24,61	42,86
Maxus (US) Exploration Company	Argentine	Maxus Energy Corporation	Deconsolidated due to expropriation	apr-12				F.C.	57,43	100,00
Maxus Energy Corporation	Argentine	YPF Holdings Inc.	Deconsolidated due to expropriation	apr-12				F.C.	57,43	100,00
YPF Guyana	Argentine	YPF International, S.A.	Deconsolidated due to expropriation	apr-12				F.C.	57,43	100,00
Maxus International Energy Co	Argentine	Maxus Energy Corporation	Deconsolidated due to expropriation	apr-12				F.C.	57,43	100,00
Metrogás, S.A.	Argentine	Gas Argentino, S.A.	Deconsolidated due to expropriation	apr-12				E.M.	18,22	70,00
Oiltanking Ebytem, S.A	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				E.M.	17,23	30,00
Oleoducto Trasandino Argentina, S.A.	Argentine	A & C Pipeline Holding	Deconsolidated due to expropriation	apr-12				E.M.	20,98	100,00
Oleoductos del Valle, S.A.	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				E.M.	21,25	37,00
Operadora de Estaciones de Servicio S.A.	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				F.C.	57,43	99,85
Pluspetrol Energy, S.A.	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				P.C.	25,84	45,00
Poligás Luján, S.A.	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				F.C.	29,00	50,49
Profertil, S.A.	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				P.C.	28,72	50,00
Refinerias del Norte, S.A.	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				P.C.	28,72	50,00
Terminales Marítimas Patagónicas, S.A.	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				E.M.	19,04	33,15
Tierra Solutions Inc.	Argentine	CLH Holdings Inc.	Deconsolidated due to expropriation	apr-12				F.C.	57,43	100,00
YPF Ecuador Inc. (Sucursal Ecuador)	Argentine	YPF International, S.A.	Deconsolidated due to expropriation	apr-12				F.C.	57,43	100,00
YPF Holdings Inc.	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				F.C.	57,43	100,00
YPF International, S.A.	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				F.C.	57,43	100,00
YPF Inversora Energética, S.A.	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				F.C.	57,43	100,00
AESA Perú, S.A.C	Argentine	A-Evangelista, S.A.	Deconsolidated due to expropriation	apr-12				F.C.	57,43	100,00
YPF Services USA Corporation	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				F.C.	57,43	100,00
YPF Servicios Petroleros, S.A	Argentine	YPF S.A./YPF services USA Corporation	Deconsolidated due to expropriation	apr-12				F.C.	57,43	100,00
YPF Brasil Comercio de Derivados de Petróleo LTDA.	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				F.C.	57,43	100,00
Civeny, S.A.	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				P.C.	22,97	40,00
Bizoy, S.A.	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				P.C.	22,97	40,00
Eleran Inversiones 2011. S.A	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				F.C.	57,43	100,00
YPF Chile, S.A.	Argentine	Eleran Inversiones 2011. S.A	Deconsolidated due to expropriation	apr-12				F.C.	100,00	100,00
A-Evangelista ingenieria y construcciones Bolivia S.A.	Argentine	A-Evangelista, S.A.	Deconsolidated due to expropriation	apr-12				F.C.	99,99	99,99
YPF Gas, S.A. (2)	Argentine	Repsol Butano, S.A.	Deconsolidated due to expropriation	apr-12	(2)	(2)	(2)	F.C.	85,00	85,00
Comsergas, Compañía Servicios Industriales de Gas Licuado, S.A.	Argentine	YPF Gas S.A.	Deconsolidated due to expropriation	apr-12				F.C.	52,70	62,00
Gas Austral, S.A.	Argentine	YPF Gas S.A.	Deconsolidated due to expropriation	apr-12				E.M.	42,50	50,00
Mejorgas, S.A.	Argentine	YPF Gas S.A.	Deconsolidated due to expropriation	apr-12				E.M.	57,43	100,00
ZAO EUROTEK-YAMAL	Russia	Eurotek	Deconsolidated due to disposal	may-12				F.C.	100,00	100,00
OOO Eurotek-ND	Russia	Eurotek	Deconsolidated due to disposal	may-12				F.C.	100,00	100,00
Repsol Trading USA Corporation	USA	Repsol USA Holdings Corp.	Consolidated due to acquisition	jun-12	F.C.	100,00	100,00			
Windplus, S.A.	Portugal	Repsol New Energy Ventures, S.A.	Consolidated due to acquisition	jun-12	P.C.	30,95	30,95			
NEOL Biosolutions, S.A.	Spain	Repsol New Energy Ventures, S.A.	Consolidated due to acquisition	jun-12	P.C.	50,00	50,00			
Repsol Butano Chile, S.A.	Chile	Repsol Butano, S.A.	Deconsolidated due to disposal	jul-12				F.C.	100,00	100,00
Empresas Lipigas,S.A.	Chile	Repsol Butano Chile, S.A.	Deconsolidated due to disposal	jul-12				P.C.	45,00	45,00
OOO Eurotek-YuKh	Russia	Eurotek	Deconsolidated due to disposal	aug-12				F.C.	100,00	100,00
AR Oil & Gaz BV	Holland	Repsol Exploración, S.A.	Consolidated due to acquisition	aug-12	P.C.	49,01	49,01			
Amodaimi Oil Company Ltd	Ecuador	Repsol Ecuador, S.A.	Deconsolidated due to disposal	sep-12				F.C.	100,00	100,00
Saneco	Russia	Arog, B.V.	Consolidated due to acquisition	sep-12	P.C.	49,01	100,00			
Sksol Lube Base Oils, S.A	Spain	Repsol Petróleo, S.A.	Consolidated due to recent formation	dec-12	P.C.	30,00	30,00			
Noroil, S.A.	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Increase of ownership percentage	dec-12	F.C.	96,67	100,00	F.C.	67,67	70,00
TNO (Tafnefteotdacha)	Russia	AR Oil & Gaz BV	Consolidated due to acquisition	dec-12	P.C.	49,01	100,00			
Repsol Exploration Namibia PTY LTD	Namibia	Repsol Exploración, S.A.	Consolidated due to recent formation	dec-12	F.C.	100,00	100,00			
Repsol Exploración Australia PTY LTD	Australia	Repsol Exploración, S.A.	Consolidated due to recent formation	dec-12	F.C.	100,00	100,00			
Repsol Aruba, B.V.	Holland	Repsol Exploración, S.A.	Consolidated due to recent formation	dec-12	F.C.	100,00	100,00			
Repsol Bulgaria, B.V.	Holland	Repsol Exploración, S.A.	Consolidated due to recent formation	dec-12	F.C.	100,00	100,00			
Sociedades del Grupo Gas Natural (several companies) (3)		Gas Natural SDG, S.A.								

(1) Following the loss of control of YPF S.A. and the expropiation of its 51% equity ownership, the Group can only exercise the voting rights attaching to the 6.43% in relation to which the Argentine government has not recorded its rights pursuant to the Expropriation Act. Likewise, upon enforcing the guarantees relating to the loans awarded by Repsol to Petersen in order for the latter to acquire its stake in YPF S.A. (Note 5), Repsol can also exercise the corresponding voting rights attaching to the shares it holds as security for the loans, such rights representing 5.38% of the voting rights. Subsidiaries of YPF S.A. were not considered Repsol Group Companies and, accordingly, they are not included in the scope of consolidation of Repsol Group since the loss of control of YPF S.A.

(2) Following the loss of control of YPF Gas S.A. and the expropiation of its 51% equity ownership, the Group can only exercise the voting rights attaching to the 33.997% in relation to which the Argentine government has not recorded its rights pursuant to the Expropriation Act. Subsidiaries of YPF Gas S.A. were not considered Repsol Group Companies and, accordingly, they are not included in the scope of consolidation of Repsol Group since the loss of control of YPF Gas S.A.

(3) In 2012, the scope of consolidation of Gas Natural Fenosa Group has been modified because of additions, disposals, increases and decreases on the participation percentages in companies, without significant effect on the consolidated financial statements of Repsol Group.

(4) Consolidation Method:
F.C. Full consolidation
P.C. Proportionate Consolidation
E.M. Equity Method

(5) Percentage corresponding to the Parent Company's ownership in the subsidiairy.

APPENDIX II: Assets and Jointly Controlled Operations for the year ended December 31, 2013

Name	% Ownership [1]	Operator	Activity
Angola			
Block 22	42,86%	Repsol Angola 22 B.V. (sucursal)	Exploration
Block 35	35,71%	ENI West Africa SPA	Exploration
Block 37	28,57%	ConocoPhillips Angola 37 Ltd	Exploration
Algeria			
TFT	30,00%	Groupement TFT	Exploration and production
Issaouane (TFR)	59,50%	Repsol Exploración Argelia - Sonatrach	Exploration and production
Reggane	26,25%	Groupement Reggane	Exploration and production
Sud Est Illizi	52,50%	Repsol Exploración Argelia S.A.	Exploration and production
Bolivia			
Block San Alberto [2]	50,00%	Petrobras Bolivia S.A.	Exploration, development and production
Block San Antonio [2]	50,00%	Petrobras Bolivia S.A.	Exploration, development and production
Block Monteagudo [2]	20,00%	Petrobras Bolivia S.A.	Exploration, development and production
Planta de Compresión de Gas Rio Grande [2]	50,00%	YPFB Andina S.A.	Exploration, development and production
Block Charagua	30,00%	Repsol E&P Bolivia S.A.	Exploration
Block Caipipendi	37,50%	Repsol E&P Bolivia S.A.	Exploration, development and production
Block Monteagudo	30,00%	Repsol E&P Bolivia S.A.	Exploration, development and production
Brazil (3)			
Albacora Leste	10,00%	Petrobras	Production
BM-C-33	35,00%	Repsol Sinopec Brasil S.A.	Exploration
BM-ES-21	10,00%	Petrobras	Exploration
BM-S-50	20,00%	Petrobras	Exploration
BM-S-51	20,00%	Petrobras	Exploration
BM-S-7	37,00%	Petrobras	Exploration
BM-S-9	25,00%	Petrobras	Exploration
Cabiunas	15,00%	Petrobras	Gas
Floating LNG	16,33%	Petrobras	Gas
Bulgaria			
Han Asparuh	30,00%	OMV Offshore	Exploration
Canadá			
Canaport LNG Limited Partnership	75,00%	Repsol Canadá Ltd	LNG Regasification
Colombia			
Cravo Norte [4]	22,50%	OXYCOL	Production
Cosecha [4]	70,00%	OXYCOL	Production
Chipirón [4]	35,00%	OXYCOL	Production
Rondon [4]	35,00%	OXYCOL	Production
Capachos	50,00%	Repsol Exploración Colombia Sucursal	Abandoned
El Queso	50,00%	Repsol Exploración Colombia Sucursal	Abandoned
Guajira OFF-1	50,00%	Repsol Exploración Colombia Sucursal	Exploration
Cebucan	20,00%	PETROBRAS	Exploration
Catleya	50,00%	ECOPETROL	Exploration
Tayrona	30,00%	PETROBRAS	Exploration
RC11	50,00%	Repsol Exploración Colombia Sucursal	Exploration
RC12	50,00%	Repsol Exploración Colombia Sucursal	Exploration
Guadual	20,00%	PETROBRAS	Abandoned
Orquidea	40,00%	HOCOL	Abandoned
Cuba			
Block 25-29 y 35*36	40,00%	Repsol YPF Cuba S.A	Exploration
Ecuador			
Block 16	35,00%	Repsol Ecuador S.A.	Exploration and production
Block Tivacuno	35,00%	Repsol Ecuador S.A.	Exploration and production
Spain			
Albatros	82,00%	Repsol Investigaciones Petrolíferas S.A.	Development
Angula	53,85%	Repsol Investigaciones Petrolíferas S.A.	Development
Barracuda	60,21%	Repsol Investigaciones Petrolíferas S.A.	Producción
Bezana Bigüenzo [6]	100,00%	Petroleum Oil & Gas España S.A.	Exploration
Boquerón [6]	66,45%	Repsol Investigaciones Petrolíferas S.A.	Production
Canarias	50,00%	Repsol Investigaciones Petrolíferas S.A.	Exploration
Casablanca [6]	76,85%	Repsol Investigaciones Petrolíferas S.A.	Exploration and production
Casablanca Unit	68,67%	Repsol Investigaciones Petrolíferas S.A.	Development / Production
Chipirón [6]	100,00%	Repsol Investigaciones Petrolíferas S.A.	Production
Comunidad de bienes Central Nuclear de Almaraz, Grupo I y II [5]	11,30%	Iberdrola, Endesa, Hidrocantábrico	Generation of electricity
Comunidad de bienes Central Nuclear de Trillo, Grupo I [5]	34,50%	Iberdrola, Endesa, Hidrocantábrico	Generation of electricity
Comunidad de bienes Central Térmica de Aceca [5]	50,00%	Iberdrola	Generation of electricity
Comunidad de bienes Central Térmica de Anllares [5]	66,70%	Endesa Generación S.A.	Generation of electricity
Fulmar	84,23%	Repsol Investigaciones Petrolíferas S.A.	Exploration
Gaviota I y II	82,00%	Repsol Investigaciones Petrolíferas S.A.	Exploration
Montanazo [6]	92,10%	Repsol Investigaciones Petrolíferas	Production
Morcín – 1 [5]	20,00%	Petroleum Oil & Gas España S.A.	Exploration
Rodaballo [6]	73,42%	Repsol Investigaciones Petrolíferas S.A.	Exploration and production
Rodaballo Concesión	65,42%	Repsol Investigaciones Petrolíferas S.A.	Development
Siroco	60,00%	Repsol Investigaciones Petrolíferas S.A.	Exploration
Villaviciosa [5]	70,00%	Petroleum Oil & Gas España S.A.	Exploration
Indonesia			
Seram PSC	45,00%	Black Gold Indonesia LLC	Exploration and production
East Bula PSC	45,00%	Black Gold East Bula LLC	Exploration and production
Cendrawasih Bay II	50,00%	Repsol Exploracion Cendrawasih II B.V.	Exploration and production
Cendrawasih Bay III	50,00%	NIKO Resources (Cendrawasih Bay III) Limited	Exploration and production
Cendrawasih Bay IV	50,00%	NIKO Resources (Cendrawasih Bay IV) Limited	Exploration and production
Cendrawasih I bay block	30,00%	Black Gold Cendrawasih L.L.C.	Exploration
Iraq			
Piramagrun and Qala Dze Blocks	50,00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration and production
Ireland			
Dunquin	25,00%	Exxon	Exploration
Newgrange	40,00%	Repsol Exploración Irlanda SA	Exploration
Kenya			
L5	20,00%	Woodside Energy N.A.	Exploration
L7	20,00%	Woodside Energy N.A.	Exploration

Liberia			
Block 10	10,00%	Anadarko	Exploration
Block 15	27,50%	Anadarko	Exploration
Libya			
Epsa IV NC115	25,20%	Akakus Oil Operations	Exploración y Producción
Epsa IV NC186	19,84%	Akakus Oil Operations	Exploración y Producción
Epsa IV NC115 Exploración	40,00%	Repsol Exploracion Murzuq. S.A.	Exploración y Producción
Epsa IV NC186 Exploración	32,00%	Repsol Exploracion Murzuq. S.A.	Exploración y Producción
Pack 1	60,00%	Repsol Exploracion Murzuq. S.A.	Exploración y Producción
Pack 3	35,00%	GDF	Exploración y Producción
Area 137	50,00%	Sancor	Exploración y Producción
Morocco			
Tánger Larrache (6)	88,00%	Repsol Exploración Marruecos S.A.	Exploration
Mauritania			
TA09	70,00%	Repsol Exploración S.A.	Exploration
TA10	70,00%	Repsol Exploración S.A.	Exploration
Namibia			
Block 10	44,00%	Repsol Exploration Namibia PTY Ltd.	Exploration
Norway			
Licence PL512	25,00%	Det Norske	Exploration
Licence PL541	35,00%	Repsol Exploration Norge	Exploration
Licence PL557	40,00%	OMV (Norge)	Exploration
Licence PL356	40,00%	Det Norske	Exploration
Licence PL529	10,00%	ENI Norge	Exploration
Licence PL589	30,00%	Wintershall Norge	Exploration
Licence PL530	10,00%	GDF Suez E&P Norge	Exploration
Licence PL531	20,00%	Repsol Exploration Norge	Exploration
Licence PL642	40,00%	Repsol Exploration Norge	Exploration
Licence PL644	20,00%	OMV (Norge)	Exploration
Licence PL640	40,00%	Talisman	Exploration
Licence PL656	20,00%	E.ON Rurhgas	Exploration
Licence PL658	50,00%	Dong	Exploration
Licence PL692	40,00%	Repsol Exploration Norge	Exploration
Licence PL705	40,00%	Repsol Exploration Norge	Exploration
Licence PL711	40,00%	Repsol Exploration Norge	Exploration
Licence PL704	30,00%	E.ON Rurhgas	Exploration
Licence PL721	20,00%	RWE Dea Norge	Exploration
Omán			
Zad-2	50,00%	RAK Petroleum	Exploration
Perú			
Batch 57	53,84%	Repsol Exploración Perú Sucursal del Perú	Exploration and development of Hydrocarbons
Batch 39	55,00%	Repsol Exploración Perú Sucursal del Perú	Exploration of Hydrocarbons
Batch 90	50,50%	Repsol Exploración Perú Sucursal del Perú	Exploration of Hydrocarbons
Batch 56	10,00%	Pluspetrol Perú Corporation	Production of Hydrocarbons
Batch 88	10,00%	Pluspetrol Perú Corporation	Production of Hydrocarbons
Batch 76	50,00%	Hunt Oil Company of Perú LLC Sucursal del Perú	Exploration of Hydrocarbons
Batch 103	30,00%	Talisman Petrolera del Perú LLC Sucursal del Perú	Exploration of Hydrocarbons
Batch 109	70,00%	Repsol Exploración Perú Sucursal del Perú	Exploration of Hydrocarbons
Batch 101	30,00%	Talisman Petrolera del Perú LLC Sucursal del Perú	Exploration of Hydrocarbons (abandoned)
Portugal			
Lagosta	90,00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Lagostim	90,00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Ostra	65,00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Mexilhão	65,00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Ameijoa	65,00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Camarão	65,00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Licence	70,00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Romania			
Block 13 Targu Jiu	49,00%	OMV Petrom	Exploration
Block 5 Baicoi	49,00%	OMV Petrom	Exploration
Block 6 Targoviste	49,00%	OMV Petrom	Exploration
Block 12 Pitesti	49,00%	OMV Petrom	Exploration
Sierra Leone			
SL6	25,00%	Anadarko S.L.	Exploration
SL7	25,00%	Anadarko S.L.	Exploration
Trinidad			
Block 5B	30,00%	BP	Exploration
Venezuela			
Yucal Placer	15,00%	Ypergas	Exploration and Production

(1) Corresponds to the shareholding that the ownership company holds of the asset involved in the operation.
(2) Activities or assets operated through YPFB Andina, S.A., joint control company with a participation of the 48.92%.
(3) Activities or assets operated through Repsol Sinopec Brasil, S.A., joint control company with a participation of the 60%.
(4) Activities or assets operated through Occidente de Colombia L.L.C., joint control company with a participation of the 25%.
(5) Activities or assets operated through Gas Natural SDG S.A., joint control company with a participation of the 30.001%.
(6) Part of the participation over the activity or asset is operated by Gas Natural SDG S.A., joint control company with a participation of the 30.001%.

APPENDIX II: Assets and Jointly Controlled Operations for the year ended December 31, 2012

Name	% Ownership (1)	Operator	Activity
Angola			
Block 22	42,86%	Repsol Angola 22 B.V. (sucursal)	Exploration
Block 35	35,71%	ENI West Africa SPA	Exploration
Block 37	28,57%	ConocoPhillips Angola 37 Ltd	Exploration
Argelia			
TFT	30,00%	Groupement TFT	Exploration and production
Issaouane (TFR)	59,50%	Repsol Exploración Argelia - Sonatrach	Exploration and production
Gassi-Chergui	60,00%	Repsol Exploración Argelia, S.A.	Exploration and production
M'Sari Akabli	45,00%	Repsol Exploración Argelia, S.A.	Exploration and production
Reggane	29,25%	Groupement Reggane	Exploration and production
Sud Est Illizi	52,50%	Repsol Exploración Argelia, S.A.	Exploration and production
Bolivia			
Block San Alberto (2)	50,00%	Petrobras Bolivia S.A.	Exploration, development and production
Block San Antonio (2)	50,00%	Petrobras Bolivia S.A.	Exploration, development and production
Block Monteagudo (2)	20,00%	Petrobras Bolivia S.A.	Exploration, development and production
Block Monteagudo	30,00%	Repsol YPF E&P Bolivia S.A.	Exploration, development and production
Planta de Comprensión de Gas Río Grande	50,00%	YPFB Andina S.A.	Exploration, development and production
Block Charagua	30,00%	Repsol YPF E&P Bolivia S.A.	Exploration
Block Caipipendi	37,50%	Repsol YPF E&P Bolivia S.A.	Exploration, development and production
Brazil (3)			
Albacora Leste	10,00%	Petrobras	Production
BM-C-33	35,00%	Repsol Sinopec Brasil S.A.	Exploration
BM-ES-21	10,00%	Petrobras	Exploration
BM-S-44	25,00%	Petrobras	Exploration
BM-S-48	40,00%	Repsol Sinopec Brasil S.A.	Exploration
BM-S-50	20,00%	Petrobras	Exploration
BM-S-51	20,00%	Petrobras	Exploration
BM-S-7	37,00%	Petrobras	Exploration
BM-S-9	25,00%	Petrobras	Exploration
Cabiunas	15,00%	Petrobras	Gas
Floating LNG	16,33%	Petrobras	Gas
Canada			
Canaport LNG Limited Partnership	75,00%	Repsol Canada Ltd	LNG Regasification
Colombia			
Cosecha (4)	70,00%	Occidental de Colombia L.L.C	Production
Capachos	50,00%	Repsol Exploración Colombia Sucursal	Abandoned
Cebucan	20,00%	Petrobras	Exploration
Catleya	50,00%	Ecopetrol	Exploration
RC11	50,00%	Ecopetrol	Exploration
RC12	50,00%	Ecopetrol	Exploration
El Queso	50,00%	Repsol Exploración Colombia	Abandoned
Guadal	20,00%	Petrobras	Abandoned
Orquidea	40,00%	Hocol	Abandoned
Guajira OFF-1	50,00%	Repsol Exploración Colombia	Exploration
Tayrona	30,00%	Petrobras	Exploration
Cravo Norte	22,50%	Occidental de Colombia L.L.C	Production
Chipirón	35,00%	Occidental de Colombia L.L.C	Production
Rondon	25,00%	Occidental de Colombia L.L.C	Production
Ecuador			
Block 16	35,00%	Repsol Ecuador S.A.	Exploration and production
Block Tivacuno	35,00%	Repsol Ecuador S.A.	Exploration and production
Spain			
Albatros	82,00%	Repsol Investigaciones Petrolíferas, S.A.	Development
Angula	53,85%	Repsol Investigaciones Petrolíferas, S.A.	Development
Barracuda	60,21%	Repsol Investigaciones Petrolíferas, S.A.	Production
Bezana Bigüenzo (6)	100,00%	Petroleum Oil & Gas España, S.A.	Exploration
Boquerón (6)	66,45%	Repsol Investigaciones Petrolíferas, S.A.	Production
Canarias	50,00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Casablanca (6)	76,85%	Repsol Investigaciones Petrolíferas, S.A.	Exploration and production
Casablanca Unit	68,67%	Repsol Investigaciones Petrolíferas, S.A.	Development / Production
Chipirón (6)	100,00%	Repsol Investigaciones Petrolíferas, S.A.	Production
Comunidad de bienes Central Nuclear de Almaraz, Grupo I y II (5)	11,30%	Iberdrola, Endesa, Hidrocantábrico	Generation of electricity
Comunidad de bienes Central Nuclear de Trillo, Grupo I (5)	34,50%	Iberdrola, Endesa, Hidrocantábrico	Generation of electricity
Comunidad de bienes Central Térmica de Aceca (5)	50,00%	Iberdrola	Generation of electricity
Comunidad de bienes Central Térmica de Anllares (5)	66,70%	Endesa Generación, S.A.	Generation of electricity
Fulmar	84,23%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Gaviota I y II	82,00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Montanazo (6)	92,10%	Repsol Investigaciones Petrolíferas, S.A.	Production
Morcín – 1 (5)	20,00%	Petroleum Oil & Gas España, S.A.	Exploration
Rodaballo (6)	73,42%	Repsol Investigaciones Petrolíferas, S.A.	Production
Rodaballo Concesión	65,41%	Repsol Investigaciones Petrolíferas, S.A.	Development
Siroco	60,00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Villaviciosa (5)	70,00%	Petroleum Oil & Gas España, S.A.	Exploration
Equatorial Guinea			
Block C	57,38%	Repsol Exploración Guinea SA	Exploration
Indonesia			
Seram	45,00%	Black Gold Indonesia LLC	Exploration and production
East Bula	45,00%	Black Gold East Bula LLC	Exploration and production
Cendrawasih Bay II	50,00%	Repsol Exploración Cendrawasih II B.V.	Exploration and production
Cendrawasih Bay III	50,00%	NIKO Resources (Cendrawasih Bay III) Limited	Exploration and production
Cendrawasih Bay IV	50,00%	NIKO Resources (Cendrawasih Bay IV) Limited	Exploration and production
Ireland			
Dunquin	25,00%	Exxon	Exploration
Newgrange	40,00%	Repsol Exploración Irlanda SA	Exploration
Kenya			
L5	20,00%	Woodside Energy, N.A.	Exploration
L7	20,00%	Woodside Energy, N.A.	Exploration
Liberia			
Block 10	10,00%	Anadarko	Exploration

Block 15	27,50%	Anadarko	Exploration
Block 16	52,38%	Repsol Exploración Liberia BV	Exploration
Block 17	52,38%	Repsol Exploración Liberia BV	Exploration
Libya			
Epsa IV NC115	25,20%	Akakus Oil Operations	Exploration and production
EPSA IV NC186	19,84%	Akakus Oil Operations	Exploration and production
Epsa IV NC115 Exploration	40,00%	Repsol Exploración Murzuq. S.A.	Exploration and production
Epsa IV NC186 Exploration	32,00%	Repsol Exploración Murzuq. S.A.	Exploration and production
Pack 1	60,00%	Repsol Exploración Murzuq. S.A.	Exploration and production
Pack 3	35,00%	Woodside Energy, N.A.	Exploration and production
Area 137	50,00%	Petrocanada Ventures (North Africa) Ltd.	Exploration and production
Morocco			
Tanger Larrache (6)	88,00%	Repsol Exploración Marruecos, S.A.	Exploration
Mauritania			
TA09	70,00%	Repsol Exploración, S.A.	Exploration
TA10	70,00%	Repsol Exploración, S.A.	Exploration
Namibia			
Bloque 10	44,00%	Repsol Exploration Namibia PTY Ltd.	Exploration
Norway			
Licence PL512	25,00%	Det Norske	Exploration
Licence PL541	50,00%	Repsol Exploration Norge	Exploration
Licence PL557	40,00%	OMV (Norge)	Exploration
Licence PL356	40,00%	Det Norske	Exploration
Licence PL529	10,00%	ENI Norge	Exploration
Licence PL589	30,00%	Wintershall Norge	Exploration
Licence PL530	10,00%	GDF Suez E&P Norge	Exploration
Licence PL531	20,00%	Repsol Exploration Norge	Exploration
Licence PL642	40,00%	Repsol Exploration Norge	Exploration
Licence PL644	20,00%	OMV (Norge)	Exploration
Licence PL640	40,00%	Talisman	Exploration
Licence PL656	20,00%	E.ON Rurhgas	Exploration
Licence PL658	50,00%	Dong	Exploration
Oman			
Zad-2	50,00%	RAK Petroleum	Exploration
Peru			
Batch 57	53,84%	Repsol Exploración Perú Sucursal del Perú	Exploration and development of Hydrocarbons
Bacth 39	55,00%	Repsol Exploración Perú Sucursal del Perú	Exploration of Hydrocarbons
Bacth 90	50,50%	Repsol Exploración Perú Sucursal del Perú	Exploration of Hydrocarbons
Batch 56	10,00%	Pluspetrol Perú Corporation	Production of Hydrocarbons
Batch 88	10,00%	Pluspetrol Perú Corporation	Production of Hydrocarbons
Batch 76	50,00%	Hunt Oil Company of Perú LLC Sucursal del Perú	Exploration of Hydrocarbons
Batch 103	30,00%	Talisman Petrolera del Perú LLC Sucursal del Perú	Exploration of Hydrocarbons
Batch 101	30,00%	Talisman Petrolera del Perú LLC Sucursal del Perú	Exploration of Hydrocarbons (abandoned)
Portugal			
Peniche	90,00%	Repsol Exploración, S.A.	Exploration
Algarve	15,00%	Petrobras	Exploration
Sierra Leone			
SL6	25,00%	Anadarko, S.L.	Exploration
SL7	25,00%	Anadarko, S.L.	Exploration
Trinidad			
Block 5B	30,00%	Amoco Trinidad Gas, B.V.	Exploration
Venezuela			
Yucal Placer	15,00%	Repsol Venezuela, S.A.	Exploration and Production

(1) Corresponds to the shareholding that the ownership company holds of the asset involved in the operation.
(2) Activities or assets operated through YPFB Andina, S.A., joint control company with a participation of the 48.92%.
(3) Activities or assets operated through Repsol Sinopec Brasil, S.A., joint control company with a participation of the 60%.
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(6) Part of the participation over the activity or asset is operated by Gas Natural SDG S.A., joint control company with a participation of the 30.01%.

APPENDIX III: REGULATORY FRAMEWORK

The activities of Repsol, S.A. and its subsidiaries are subject to extensive regulation, whose key aspects are described below.

Spain

Spain currently has a legislation which implements a liberalization of the Oil Industry, an example of which is the Hydrocarbons Sector Law 34/1998 of October 7, which has been amended by several legislative acts, including the Law 12/2007 of July 2, and implemented through numerous royal decrees and ministerial orders. This Law establishes the criteria for allocating competencies among the Spanish Government and Regional Administrations.

Law 2/2011, of March 4, on Sustainable Economy, modified the Hydrocarbons Sector Law, establishing binding guidelines for energy planning under criteria designed to contribute to the creation of a safe, cost-effective, economically-sustainable, and environmentally-friendly energy system. It further establishes measures for cutting greenhouse gas emissions and provides for the creation of a carbon allowance trading fund as well as a broad spectrum of measures affecting nearly all segments of the energy sector.

On June 5, 2013 the Official State Gazette (BOE – "Boletin Oficial del Estado," in Spanish) published Law 3/2013 of June 4, regarding the creation of the National Markets and Competition Commission (CNMC – "Comisión Nacional de los Mercados y la Competencia," in Spanish) as an overseeing body, charged with the specific duties and tasks relating to supervision and control of regulated markets, which were previously supervised by various National Commissions, amongst them the National Energy Commission and the National Competition Commission.

The aforementioned Law 3/2013, which created the CNMC, substantially modifies the regime controlling corporate transactions in the energy sector. The control function had formerly been part of what was known as the CNE's public duty no. 14 ("Duty 14"). Law/2013 repeals this duty and assigns it to the Ministry of Industry Energy and Tourism (hereinafter, "Minetur"). The new law devises a new ex post regime with respect to certain transactions by either requiring the buyer to notify Minetur of the execution of certain transactions or by means of the ministry's power to impose conditions on the business operations of the companies acquired, in so far as energy supply in Spain is deemed threatened.

A novelty of this new control regime is the assimilation of the liquid hydrocarbons sector with the sectors that previously already fell under a control regime (electricity and gas). Where the liquid hydrocarbons sector is concerned, its scope encompasses companies that pursue refining activities, pipeline transportation, and storage of petroleum products (related activities), or companies that hold title to said assets. Such assets acquire the condition of strategic assets.

This control regime shall extend to both: (i) active transactions, in which the active subject of the transaction (the acquirer) is an entity from the above-listed energy sectors that is regulated directly or by assimilation, insofar as the transaction has a relevant impact or significant influence on the development of the business activities of the company notifying the transaction; and (ii) passive transactions, transactions in which the object or acquiree is an energy company that is regulated directly or by assimilation insofar as the transaction in question delivers "significant influence" over the acquiree's management.

Within the sector's regulation, the figures of 'principal operators' and 'dominant operators' are significant. Under Royal Decree-Law 5/2005, of March 11, the CNE is obliged to publish not only the list of principal operators but also the dominant operators in each market or sector. This duty has since been vested in the newly-created CNMC.

Dominant operators are defined as those commanding a share of more than 10% of the corresponding benchmark market. A principal operator, on the other hand, is the operator ranked among the top five players by market share in the following markets or sectors. Designation as a dominant operator, as far as prevailing legislation is concerned, implies certain regulatory restrictions in the Electricity Sector.

As for the principal operators, Article 34 of Royal Decree-Law 6/2000, of June 23, establishes a series of limitations related to the acquisition of voting rights in the equity of companies qualifying as principal operators and serving on their boards of directors. Specifically, it stipulates that any natural or legal person holding an equity interest of 3% or more in two or more companies that qualify as principal operators in a given market may not exercise the voting rights corresponding to their equity interests in excess of this threshold at more than one company. Nor may such persons appoint, directly or indirectly, members of the board of directors of another principal operator.

Liquid hydrocarbons, oil, and petroleum derivatives

Hydrocarbon deposits and underground storage existing on Spanish territory and in the territorial marine subsoil and ocean bottoms which are under Spanish sovereignty are considered public properties.

Research permits are granted by national or regional governments, depending on whether autonomous areas are affected, and exclusive investigation rights are granted for periods lasting six years.

A concession for exploiting hydrocarbon reserves grants the owners exclusive exploration rights for 30 years, renewable for two successive ten-year periods, as well as the right to continue exploration activities in these areas and obtain authorization for stipulated activities, as well as to freely sell the hydrocarbon products they obtain.

Several of the activities falling within the scope of Law 34/1998 may be subject to prior authorizations, permits, and/or concessions. Law 25/2009, of December 22, modifies the Hydrocarbon Act, Law 34/1998 of October 7; this requires, among other aspects, the elimination of the need to obtain prior authorization for natural gas suppliers, LPG wholesalers, bulk LPG retailers, or petroleum product wholesalers, and also establishes the obligation for interested parties to sign a responsibility declaration and issue a notification prior to commencing business operations.

The construction and operation of refining, transportation, and fixed storage facilities is subject to receiving prior authorization, the granting of which requires meeting the relevant technical, financial, environmental, and safety requirements.

Third parties may access transportation and fixed storage facilities of oil products, such as the facilities of Compañía Logística de Hidrocarburos S.A. (“CLH”), on conditions agreed on an objective and non-discriminatory basis.

No physical or legal person may hold, directly or indirectly, ownership of more than 25% of the capital stock of CLH. The aggregate ownership interest in CLH of entities with refining capacity in Spain may not exceed 45% of CLH’s capital.

Law 11/2013 of July 26, regarding measures to support entrepreneurs and to stimulate growth and job creation, introduces a number of measures in the wholesale and retail markets for petroleum products intended to increase effective competition in the sector.

In the retail side of the business, Law 11/2013 introduces certain changes to exclusive supply agreements for the distribution of vehicle fuel. Specifically, the term of these agreements is now limited to one year (from five years previously); they can be automatically rolled over for additional one-year periods, for a maximum of three years, if and only if the distributor so desires. The new legislation similarly bans clauses that set, recommend or influence, directly or indirectly, the price at which fuel is sold to the public.

The new law grants a one-year period in which to adapt prevailing contracts to the foregoing. Under a carve-out, these modifications do not apply, however, to operator-owned service stations or to service stations with lease and limited rights in-rem agreements in favour of the supplier insofar as the duration of the exclusive supply agreements is not longer than the duration of the former.

Lastly, Law 11/2013 limits the growth in the number of fuel supply facilities of wholesalers with provincial markets shares, measured by number of points of sale, of over 30%.

Petroleum derivative prices have been liberalized, with the exception of LPG, which is subject, in some cases, to maximum retail prices. Prices of bulk LPG and LPG sold in bottles that are less than 8 kilograms or more than 20 kilograms have been liberalized.

The retail marketing of LPG cylinders may be carried out freely by any natural or legal person.

Natural Gas

Law 12/2007 of July 2, which amended Law 34/1998 on the hydrocarbon sector, and incorporated into Spanish Law the European Parliament Directive 2003/55, incorporates measures for achieving a completely liberalized market. This legislation establishes the framework for eliminating the tariff system and creates the role of the supplier of last resort with ultimate liability for supplying customers lacking sufficient bargaining power. Moreover, these suppliers are subject to a price cap ("last resort tariff"), which is set by Minetur. Business operations in the natural gas sector can be classified into: (i) regulated activities: essentially the transport (including storage, regasification and transport per se) and distribution of natural gas; and (ii) deregulated activities: production, acquisition and retailing of natural gas. The first require prior administrative authorization, their remuneration is regulated and are subject to specific obligations. On the contrary, the latter activities are not regulated, and are therefore not subject to administrative intervention.

Prevailing legislation stipulates functional unbundling (separation) obligations which imply accounting unbundling, in order to prevent cross subsidies and increase toll royalty and tariff calculation transparency, legal unbundling, by means of separate companies, and also separation of regulated activities by requiring them to operate independently of the other companies in their consolidated groups.

In accordance with European Union directives, the distribution of natural gas is fully deregulated in Spain, which means that all Spanish consumers are qualified and are accordingly free to choose their natural gas provider since January 1, 2003. The construction, operation, modification and closing of basic network and carrier network facilities require prior government authorizations.

Enagás, S.A., the Natural Gas System Operator, is responsible for the coordinating and ensuring that the system works properly. Law 12/2007 limits equity ownership interests in Enagás, S.A. to 5%, caps voting rights at 3% as a general rule, although this cap falls to 1% in the case of companies carrying out business activities related to the gas sector and; in any case, the aggregate ownership interest of shareholders whose business activities relate to the gas sector cannot exceed 40%.

Royal Decree Law 13/2012, of March 30, transposes into Spanish legislation Directive 2009/73/EC of the Parliament and of the Council of July 13, 2009, introduces the concept of separation of ownership of assets, which is understood to be a situation in which the network owner is appointed network controller and is separate from any company with interests in its production and supply.

The abovementioned Royal Decree Law also implements Directive 2009/28/EC of the Parliament and of the Council, of April 23, 2009, on the promotion of the use of energy from renewable sources and amends and repeals Directives 2001/77/EC and 2003/30/EC.

Minimum stock for security

Royal Decree 1766/2007, partially amending Royal Decree 1716/2004, regulates the obligation to maintain a minimum stock in the oil and natural gas sectors, the obligation to diversify the natural gas provisions and the activities of the Corporation of Strategic Reserves of Petroleum Products (CORES for its acronym in Spanish).

The obligation to maintain minimum stocks of oil and gas products for security reasons, excluding LPG, currently requires storing at all times an amount equivalent to 92 days of sales based on the sales during the previous 12 months. Repsol was obliged to maintain a stock corresponding to 50 days of sales, while the remaining stocks required to make up the difference with the abovementioned safety stock requirement are held by CORES on behalf of the various operators.

Royal Decree-Law 15/2013, of December 13, introduces an amendment to the Hydrocarbon Sector Act, Law 34/1998, of October 7, bringing Spanish legislation into line with Council Directive 2009/119/EC of September 14, 2009. It also provides that, via regulation, administrative procedures and obligations needed to ensure, on an ongoing basis, a minimum safety buffer equivalent, at least, to the higher of the volume corresponding to 90 days of average net daily imports and sixty-one days of average internal daily consumption corresponding to the year of reference and measured in oil equivalent.

Spanish legislation does not require these reserves to be handled, measured or stored in any specific manner; indeed any products accounted for by the operators as part of their inventories in the ordinary course of their business operations qualify as strategic reserves to this end.

Electricity sector regulation in Spain

Deregulation of the Spanish electricity sector began in 1997 with the passage of Law 54/1997, of November 27, the Electricity Sector Act, which is implemented in Spanish Law Directive 96/92/EC concerning common rules for the internal market in electricity, as fleshed out by enacting regulations. The Electricity Sector Act was amended by Law 17/2007, of July 4, and more recently overhauled by the new Electricity Sector Act, Law 24/2013, of December 26 (the "New Electricity Sector Act"). The New Electricity Sector Act took effect on December 28, 2013.

Although the new sector Act contains many new provisions, the electricity system it regulates is broadly similar, insofar as generation and supply activities continue to be deregulated, competitive businesses, while transmission, distribution and the system's technical and financial management remain regulated activities. Power supply, for its part, is classified as a service of general economic interest.

More specifically, the commercialization business is based on the principles of the freedom of contract and choice of supplier by the end customer. As a deregulated activity, the commercialization of electricity is remunerated at amounts freely agreed among the parties. Power transmission and distribution and technical and economic system management continue to qualify as regulated activities insofar as pursuit thereof is subject to specific obligations and requires authorization from the authorities, while remuneration is regulated.

As regards power generation, the new Act eliminates the distinction between 'ordinary' and ‘special’ (*aka* renewable-CHP) regime generation. All electricity production facilities are now regulated as a whole, with certain idiosyncratic provisions for renewable facilities.

The electricity system has not been self-sufficient for several years; this phenomenon has given rise to an annual tariff deficit that has had to be financed by the sector players. Against this backdrop, Royal Decree-Law 6/2009, of April 30, established a series of measures designed to address the tariff deficit by creating a state-guaranteed securitization fund and introducing price reductions for household consumers meeting certain requirements in respect of consumption and purchasing power to be financed by the generators. However, these measures, intended to reduce and even eliminate the tariff deficit, failed, so that the deficit has increased in the meantime. The New Electricity Sector Act attempts to address this situation and provide the regulatory stability the sector needs, articulated around the principle of the economic and financial sustainability of the electricity system.

The System Operator in Spain is Red Eléctrica de España, S.A. (REE). REE’s key function is to guarantee electricity supply continuity and safety as well as the correct coordination of the generation and transmission system. Spanish Law 17/2007 generally caps interests in REE at 3% of share capital or voting; this limit falls to 1% in the case of parties engaged in electricity sector business activities. Moreover, the aggregate interests held by shareholders engaged in electricity sector business activities may not exceed 40%.

In recent years, the Spanish government has passed a series of laws with the aim of modifying and reducing the premium remuneration awarded to certain classes of power generation assets.

Spanish Royal Decree Law 1/2012, of January 27, 2012, eliminates the financial incentives for new generation plants under the special regime and for ordinary regime plants using technology akin to the technologies governed by the special regime.

By virtue of the New Electricity Sector Act, the Spanish government, at the recommendation of the Ministry for Industry, Energy, and Tourism, is set to pass legislation to regulate the legal and financial regime governing facilities that generate electricity using renewable energy sources, co-generation and waste that are entitled to a premium payment at the time this new piece of legislation comes into effect. This new regime will affect the Repsol Group’s co-generation facilities, part of the now defunct ‘special’ regime and those that were entitled to premiums under the ordinary regime by virtue of using analogous special regime technology. The new regime will be based on the necessary participation of these facilities in the grid, topping up market-driven revenue with a specific regulated payment designed to enable them to compete on an even footing with the rest of the technologies in the marketplace, compensating owners for the costs that, unlike conventional generation technologies, cannot be recouped in the market, all with a view to enabling them to earn an adequate return on their investment by means of metrics tailored for the various standard facilities.

Bolivia

Bolivia’s New Constitution took effect on February 7, 2009. It affected several aspects of the oil and gas sector, notably among which the designation of hydrocarbons as the inalienable and imprescriptible property of the Bolivian people, so that title to Bolivia's natural resources cannot be listed on securities markets or used to secure or securitize financial transactions. In addition, the New Constitution makes state-owned Bolivian company Yacimientos Petrolíferos Fiscales Bolivianos (YPFB) solely responsible for controlling and managing the hydrocarbon production chain and the sale of these products, stipulating that it may not transfer its rights or obligations in any way but empowering it to enter into service agreements with public, mixed-ownership or private companies, whether Bolivian or foreign, engaging such companies to perform certain production chain activities on its behalf in exchange for remuneration or payment for their services.

YPFB may also form associations or mixed-ownership enterprises to carry out oil and gas related business activities, but must retain at least 51% of these companies' share capital.

The Bolivian oil and gas industry is regulated by Law 3,058 of May 19, 2005 (the "Hydrocarbons Law").

On May 1, 2006, Supreme Decree 28,701 (the "Nationalization Decree") was published, which nationalized the country's oil and gas and transferred ownership and control to the Bolivian state company Yacimientos Petrolíferos Fiscales Bolivianos (YPFB). Furthermore, the shares required to enable YPFB to control at least 50% plus one vote in different companies, among them Empresa Petrolera Andina, S.A., currently known as YPFB Andina S.A. (YPFB Andina), were nationalized.

Operating contracts

According to the Hydrocarbons Law and the Nationalization Decree, Repsol E&P Bolivia S.A. and its subsidiary YPFB Andina S.A. signed with YPFB the Operating Contracts establishing the conditions for the prospecting and production of hydrocarbons in Bolivia, effective as of May 2, 2007.

Regarding these Operating Contracts, significant legislation was issued in 2008 and 2009, which had the effect of: setting the conditions and parameters for the recognition and approval by YPFB of the Recoverable Costs within the framework of the Operating Contracts; amending the regulations governing the settlement of royalties and investments with the Bolivian Treasury; and regulating the tendering, contracting and purchase of materials, works, goods and/or services by Operating Contract Holders.

Further, in compliance with what is established in Ministerial Order 101/2009, the amended Development Plan corresponding to the Operating Contract governing the Caipipendi Area, and the Margarita and Huacaya Fields was presented. This Development Plan was approved by YPFB on March 8, 2010.

In respect of the Delivery Agreements, Ministerial Order 088/2010 of March 25, established that the allocation of the hydrocarbons produced to be made by YPFB will be formulated by field and by market in accordance with the volumes committed to in the Delivery Agreements signed with YPFB. The order of priority for allocation of natural gas is: (1) Internal Market and (2) Export Markets, in the chronological order in which YPFB entered into the various Natural Gas Purchase Agreements; and for liquid hydrocarbons, the priority order is: (1) Internal Market and (2) Export Market.

Brazil

Exploration and Production

The Constitution of the Federative Republic of Brazil states that the Federal Government is the holding company (state monopoly) devoted to the exploration, development, and production of oil, gas, and other liquid hydrocarbons, as well as their refining, importation, exportation, and transportation, and is able to engage private or government corporations to assume the above functions, in accordance with the conditions established in legislation.

Law 9,478/97, known as the Oil Act, introduced the first contractual model for exercising exploration activities and encompasses the following:

- It confirms the Brazilian government as the oil and gas monopoly and it creates: (i) the National Council on Energy Policy (CNPE), a body entrusted with establishing energy policies, which is subordinate to the President of the Republic, and (ii) the National Agency of Petroleum, Natural Gas and Biofuel (ANP), an independent regulatory agency which falls under the Mines and Energy Ministry and which is in charge of establishing upstream and downstream activity guidelines.

- It stipulates that concession contracts must be awarded through specific tenders, and sets minimum bid requirements.
- It also establishes minimum terms and conditions to be included in concession contracts covering the exploration, development, and production of hydrocarbons.
- It provides for the payment of the following amounts: (i) signature bonuses (paid at the signing of the contract); (ii) royalties (paid on a monthly basis, in amounts ranging from 5% to 10% of the oil and/ or natural gas production, depending on the terms set forth in the tender); (iii) a special participation (paid in situations involving a large volume of production); and (iv) occupation or retention payments.

Under the Concession Agreement, the Federal Government grants its concessionaires the right to explore, develop, and produce hydrocarbons in a certain area during a determined period of time established in the agreement; the exploration stage may last between three to eight years, and the production phase may last twenty-seven years ,commencing on the date commercial viability is declared (and can be extended by obtaining ANP authorization).

The main rights of the concessionaries are as follows: (i) exclusive exploration, development, and production rights in a granted area; (ii) ownership of produced hydrocarbons; (iii) the right to commercialize the production; and (iv) the right to export hydrocarbons, taking into account the obligation to supply domestic production in the case of a state of emergency.

Concessionaires assume the following obligations as part of the agreement: (i) all the risks and costs related to the exploration, development, and production of hydrocarbons; (ii) compliance with the relative local content and demands; (iii) compliance with the demands related to the execution of minimal work; and (iv) payment of government take.

The production allocation regime for pre-salt areas for which concessions have not yet been awarded and areas of strategic potential, to be defined by the executive branch, was introduced in 2010 under Brazilian Law 12,351/10. The aforementioned piece of legislation further establishes that:

- The exploration and production in areas contemplated in the above regimes (production allocation) must be directly granted to Petrobras, the company controlled by the Federal Government, in exclusive contractual terms, without the necessity of undergoing a bidding process;
- Should a tender protocol exist, Petrobras will always have a 30% minimum share of the winning consortium, and must be designated block operator;
- A new public company, Empresa Brasileira de Administração de Petróleo e Gás Natural S.A. – Pré-Sal Petróleo S.A. (PPSA), created by virtue of Law 12,304 in 2010 will manage the production sharing contracts, and in principle, participate in the consortium agreement signed with Petrobras or other entities involved, without assuming the risks or investments involved in exploration, evaluation, development, production, and installation dismantlement;
- Should oil reserves be found, the successful bidders will be allowed to recover in hydrocarbons the costs incurred during the above-mentioned stages (known as oil cost), and will also be entitled to the final production minus the cost of crude, royalties, and the participation of the Federal Government in the production (known as crude oil surplus);
- The winner of this regime's bid process will be the company or companies able to provide the largest oil reserves to the Federal Government;

- In relation with the financial compensation, the distribution regime of the production foresees the payment by the successful bidders in the form of: (i) royalties, and (ii) signature bonuses.

Natural Gas

In 2009, Law 11,909/09 (the Gas Act) was approved; it regulates certain activities within the natural gas industry, including transportation and commercialization (excluding the distribution of piped natural gas, which is the exclusive domain of state governments). The ANP continues to regulate the above activities while also granting concessions and authorizations, as applicable.

Ecuador

In accordance with the Constitution of 2008 and the Hydrocarbons Law of Ecuador, the nation's hydrocarbon fields and the associated substances are the inalienable, imprescriptible and unattachable property of the State. The State explores and operates the oil and gas fields directly through Petroecuador. Petroecuador, in turn, can perform this activity sub-contracting with third parties. It is also possible to incorporate mixed-ownership enterprises between local companies and renowned expert foreign companies that are legally established in Ecuador.

In accordance with the provisions set down in the amended legislation of the Hydrocarbons Law and the Internal Tax Regime Law, of July 27, 2010, the agreements for the exploration and exploitation of hydrocarbons under the various contractual forms must be modified to reflect the amended hydrocarbons exploration and exploitation services agreement model provided for in article 16 of the Hydrocarbons Law under which the contractor is obliged to perform, using its own financial resources, oil and gas exploration and exploitation services in the indicated areas, investing the capital and using the equipment and technology needed to this end. When there are, or the service provider discovers, commercially viable hydrocarbon reserves, it is entitled to payment of a set price per net barrel of oil produced and delivered to the state. This price, which constitutes the contractor's gross revenue, is contractually stipulated based on estimated depreciation schedules, cost/expense schedules and a reasonable profit in light of the risk incurred.

Repsol Ecuador, S.A. (Ecuador Branch), as the contractor and operator of Block 16, entered into a hydrocarbons (crude oil) exploration and exploitation service agreement covering Block 16 in the Ecuadorian Amazon region. The agreement was filed with the Hydrocarbons Register on December 23, 2010 and took effect on January 1, 2011.

In addition, on January 22, 2011, Repsol signed an agreement with the Ecuadorian State amending the services agreement covering the Tivacuno Block. This contract was filed with the Hydrocarbons Register on February 21, 2011.

The United States

Exploration and Production

The two government agencies responsible for offshore exploration and production are the *Bureau of Ocean Energy Management* (BOEM) and the *Bureau of Safety and Environmental Enforcement* (BSEE - previously called the *Minerals Management Service*, for its acronym "MMS") of the *U.S. Department of the Interior*.

i. The BOEM is in charge of responsibly ensuring the economic and environmental development of US offshore resources. Its functions include: offshore leasing, resources evaluation, review and administration of oil and gas exploration, development plans, renewable energies development, National Environmental Policy Act (NEPA) analyses, and environmental studies.

ii. The BSEE is responsible for safety and environmental oversight of offshore oil and gas operations, including permitting and inspections of *offshore* oil and gas operations. Its functions include the development and enforcement of safety and environmental regulations, permitting offshore exploration, development, and *offshore* production, inspections, *offshore* regulatory programs, oil spill response and newly formed training and environmental compliance programs.

With regards to U.S. onshore exploration and production activities, the oil and gas industry is primarily regulated by the laws of the individual states. Oil and Gas production are considered mining activities, and therefore, cannot be governed by federal law.

Federal authorities have exclusive jurisdiction over the sale and transportation of gas and oil in interstate commerce for resale. The power to regulate the production or gathering of natural gas, which involves the physical acts of drawing gas from the earth and preparing it for the first stages of distribution, is reserved exclusively to the states.

Currently, Repsol E&P USA Inc. has operations located in Alaska, Kansas, Oklahoma, and Louisiana, and is therefore subject to their respective laws.

Peru

Regulation of the hydrocarbons market in Peru is included in its Constitution. The Constitution states that the government promotes the private initiatives, recognizing the economic pluralism, and having the state a subsidiary role in terms of business concerns. The Constitution establishes that private and public business activity must be treated equally under the law, and those national and foreign investments are subject to the same conditions.

The Constitution also states that natural resources are National heritage and by Organic Law establishes the conditions of their use and concession to private entities.

Exploration and Production

The Organic Law of Hydrocarbons (OLH), regulates this natural resource. To provide legal assurance to investors, it states that the contracts entered into under it shall be considered Contract-Law, and therefore can only be modified by written agreement between the two parties. To achieve these goals the OLH created PERUPETRO as a State owned Limited Company organized in accordance with the General Corporate Law, to which the State as owner of the hydrocarbons located in the territory of the nation, grants the right of ownership over the hydrocarbons, in aims that PERUPETRO can negotiate, conclude and monitor, exploration and exploitation contracts, through License Agreements, Services Agreements, and other contracting methods authorized by the Ministry of Energy and Mines.

The License Agreements grant Contractors the authorization to explore and exploit hydrocarbons within a determined area. The licensee has ownership over the extracted hydrocarbons and can commercialize them freely. By virtue of the Services Agreements, PERUPETRO grants the Contractor the right to perform hydrocarbon exploration and exploitation activities within the contracted area, and the Contractor receives retribution based on the final certified output. Under this type of agreement, PERUPETRO retains ownership over the extracted hydrocarbons, and therefore is free to arrange for its exportation or its refining and commercialization in the national market.

Article 14 of OLH states that national or foreign individuals or legal entities interested in entering into hydrocarbon exploration and/or exploitation contracts must receive prior authorization from PERUPETRO, which is granted based on their legal, technical, economic, and financial capacity to comply with all its contractual obligations.

Refining and commercialization of hydrocarbons

The OLH stipulates that any national or foreign individuals or legal entities may install, operate, and maintain petroleum refineries, plants for processing natural gas and condensed, natural asphalt, greases, lubricants, and petrochemicals, subject to the norms specifically established by The Mines and Energy Ministry. The OLH does not have established requirements for each activity, and therefore, it is necessary to refer to the Regulations for each of the abovementioned activities.

Although the commercialization of hydrocarbon-derived products is subject to supply and demand, by virtue of Urgency Decree No. 010-2004, the Fuel Price Stabilization Fund ("The Fund") was created to cushion Peruvian consumers from the high volatility of prices of in the national oil markets. The Fund's equity is comprised of the contributions and discounts made by Producers and Importers on the price of each product, depending on whether the Export Parity Prices (EPP) are over or under the price range. Law No. 29552 made this Fund a permanent mechanism.

Law No. 28694 also regulated the sulphur content of diesel fuel, stipulating that from January 1, 2010 it is forbidden to sell diesel for domestic use with a sulphur content of over 50ppm, further banning the import of Diesel No. 1 and Diesel No. 2 fuel with a sulphur content of over 2500 ppm. This Law empowered the Ministry for Energy and Mining to establish, exceptionally, geographic regions in the interior of the country in which the sale of diesel with a higher sulphur content is permitted.

In April 2012, the *Sistema de Seguridad Energética en Hidrocarburos* (SISE) and the *Fondo de Inclusión Social Energético* (FISE) were created through Law No. 29852. SISE paved the way for establishing infrastructures created to make energy systems safer. It is comprised of networks of ducts and storage installations of strategic interest for the government (infrastructure), and receives remuneration through tariff charges on the national network of ducts and transportation of liquid hydrocarbons, as well as on the supply of such products. The FISE sets up a Social Compensation and Universal Service scheme focused on the more vulnerable members of society. This fund is to be remunerated by a series of surcharges levied on: i) deregulated users of interconnected electricity systems; ii) the supply of liquid products deriving from hydrocarbons and liquid natural gas, by levying every primary sale made by Producers and Importers, to be passed on to liquid hydrocarbons end prices; and iii) the monthly invoicing of tariff charges levied on users of the system for transporting natural gas by pipeline or ducts.

Regarding applicable law and jurisdiction regulating hydrocarbons in general, national or foreign individuals or legal entities that carry out hydrocarbon-related activities will be expressly subject to the laws of the Republic of Peru and waive all diplomatic claims. Claims arising during execution, compliance, and in general, all other hydrocarbons-related activities encompassed by this Law are subject to judicial authority or national or international arbitration.

The bodies in charge of supervising hydrocarbons are: the Mines and Energy Ministry, which prepares, approves, proposes, and implements sector policies while establishing regulations complementary to those already in existence to keep them updated; the Dirección General de Hidrocarburos of the Ministry of Energy and Mines, which is in charge of monitoring regulatory compliance and application; the Organismo Superior de la Inversión en Energía y Minería (OSINERGMIN), which inspects and sanctions individuals or legal entities which perform activities related to electrical / hydrocarbon sub-sectors when they are not in compliance with MINEM and Perupetro's legal and technical obligations.

The OEFA (acronym in Spanish for the Environmental Assessment and Taxation Body) is the technical institution devoted to ensuring compliance with the standards, obligations and incentives laid down in prevailing environmental regulations.

Venezuela

The Constitution of the Bolivarian Republic of Venezuela stipulates that the mines and oil and gas fields, irrespective of their nature, located on national territory, under the territorial sea, in the exclusive economic zone or on the continental platform, belong to the Republic, are public-domain goods and are, therefore, inalienable and imprescriptible.

By virtue of organic law and to protect national interests, the Venezuelan State has reserved the Venezuelan oil and gas activities for itself. For reasons of economic and political sovereignty and for national strategic purposes, the State holds all of the shares of Petróleos de Venezuela, S.A. (or the entity that may be set up to run the oil and gas industry).

Venezuela's Hydrocarbons Organic Law regulates all matters regarding the exploration, operation, refining, industrialization, transportation, storage, sale and conservation of hydrocarbons, including related refined products and the works required to perform these activities.

Exploration and Production

The performance of the activities relating to exploration for hydrocarbon fields, the extraction of hydrocarbons in their natural form, and their collection, transportation and initial storage is reserved to the State, either conducted directly by the National Executive Power or by wholly-owned State companies. The State may also conduct these activities through companies whose decision-making it ultimately controls by means of holding a majority equity interest (over 50%); these are called mixed-ownership enterprises.

The incorporation of mixed-ownership companies and the terms governing the performance of primary activities require prior approval from the National Assembly. Any subsequent amendment to these terms also requires the National Assembly approval. Accordingly, mixed-ownership enterprises are governed by law and specifically by the terms and conditions established by the Agreement approval of the National Assembly. These companies are also subject to the rules established in the Code of Commerce and other applicable regulations. Mixed-ownership enterprises can be functioning for a maximum term of 25 years; this term can be extended for a period agreed upon by the parties of no more than 15 years.

The State is entitled to a thirty per cent (30%) participation in the hydrocarbon volumes extracted from any of its fields, notwithstanding the companies' requirement to pay all other applicable taxes.

The commercialization activities of natural hydrocarbons and of any derivative products indicated by the National Executive Power by Decree, may only be performed by wholly-owned State companies. As a result, the mixed-ownership enterprises that engage in primary activities may only sell the natural hydrocarbons they produce to companies that are wholly-owned by the State.

Pursuant to the Organic Gaseous Hydrocarbons Law, the following activities may be carried out by the state either directly or through state-owned entities or by private national or foreign bodies, with or without state ownership: (i) activities consisting of exploration for non-associated gaseous hydrocarbons and operation of these fields; (ii) the extraction, storage and use of the non-associated natural gas found at these fields and the gas produced in association with oil or other fossil fuels; and (iii) the processing, industrialization, transportation, distribution and domestic and foreign trading of such gases.

Activities to be carried out by private national or foreign bodies, with or without state ownership, does require a license or permit and must be associated with specific projects or uses linked to national development objectives.

A single party may not simultaneously perform or control in a given region two or more

production, transportation or distribution activities.
Other provisions

Another regulatory milestone worth mentioning was the passage on November 19, 2013 of a Law authorizing the President of the Republic to issue Presidential Decrees in Parliament in the areas of anti-corruption and defense of the economy. This delegation of powers will take effect 12 months from when the Law is published in the Official Journal.

Argentina

The Repsol Group's activities that were carried out in Argentina through its shareholding in YPF S.A. and YPF Gas S.A. were interrupted due to the expropriation of 51% of its shares in both companies. Repsol considers the expropriation to be clearly illicit (see Note 4, section 4.1, "*YPF and YPF Gas Intervention Decree and Expropriation Law*").

For this reason, the description of the Argentine regulatory regime is limited to that provided in Note 4.1 in the context of the legal framework used to carry out the expropriation. In this section a fuller description of the regulatory environment affecting the activities carried out by YPF and its investees in Argentina not provided since, although the Repsol Group continues to hold title to its interest in the shares of YPF and YPF Gas that are subject to expropriation, for all intents and purposes the expropriation process has had the practical effect of depriving Repsol of effective management of these companies.

Other countries

Repsol's operations are subject to an extensive variety of legislation and regulatory frameworks in the other countries in which it operates. All aspects of the activities performed, including among others, land occupancy, production rates, royalties, price-setting, environmental protection, export rates, exchange rates, etc., are covered by such legislation and regulatory frameworks. The terms of the concessions, licenses, permits and agreements governing the Group's interests vary from one country to another. These concessions, licenses, permits and agreements are generally awarded or jointly carried out with government bodies or state companies and occasionally with private sector organizations.

APPENDIX IV. **Detail of holdings and/or positions held by directors and their related parties in companies with identical, similar or complementary activities to those of Repsol, S.A**.

Mr. Antonio Brufau Niubó

Positions: Vice-President of the Board of Directors of Gas Natural SDG, S.A.

Shares: Gas Natural SDG, S.A.: 81,139 shares

Shares held by related parties: Gas Natural SDG, S.A.: 1,086 shares

Mr. Isidro Fainé Casas

Shares: Gas Natural SDG, S.A.: 113,655 shares

Mr. Manuel Manrique Cecilia

Positions: Director of Valoriza Gestión, Inc.

Mr. José Manuel Loureda Mantiñán

Positions: President of Valoriza Gestión, Inc.

Mr. Juan María Nin Génova

Positions: Director of Gas Natural SDG, S.A.

Shares held by related parties: Gas Natural SDG, S.A.: 156 shares

Pemex International Spain, S.A.

The parent company of Pemex International España, S.A., Petróleos Mexicanos, is an entity with legal personality and its own equity. The Company was incorporated to strategically manage and direct all activities carried out by the Mexican State oil industry under the terms provided by Mexican legislation.

Mr. Luis Suárez de Lezo Mantilla

Positions: Director of Gas Natural SDG, S.A.

Shares: Gas Natural SDG, S.A.: 18,156 shares

Shares held by related parties: Gas Natural SDG, S.A.: 998 shares

Iberdrola, S.A.: 383 shares

CONSOLIDATED MANAGEMENT REPORT
For the financial year 2013

Repsol, S.A. and Investees comprising the Repsol Group

Translation of a report originally issued in Spanish.
In the event of a discrepancy, the Spanish language version prevails.

REPSOL, S.A. AND INVESTEES COMPRISING THE REPSOL GROUP

INDEX

1. *MAIN EVENTS OF THE YEAR*

In 2013, the recurring adjusted [(1)] CCS net income, i.e. the net income for the financial year, not including atypical results and taking into account replacement costs of crude oil and products, was €1,823 million, 6.7% less than in 2012. The new production from the key *Upstream* projects and the higher margins and volumes from the LNG business helped compensate for lower profits due to production interruptions in Libya and lower refining and petrochemical margins, all in a complex macro-economic environment marked by the slowdown in the pace of global growth, associated with the deceleration of emerging economies.

In the *Upstream* business, net production in 2013 was 346 kboe/d, 4% higher than 2012. Three new projects included in the company's growth strategy began producing: Sapinhoá, Brazil, in block BM-S-9, which started commercial production in January and reached total output of 30,000 barrels of oil a day throughout the year; Syskonsininskoye (SK), in Russia, where gas production began in February and had reached 1.7 million cubic metres per day at the end of the year, and; Phase II of the Margarita-Huacaya field in Bolivia, which increased its gas production to 15 million cubic metres per day. These projects add to those which began producing in 2012 in Spain (Lubina and Montanazo), the USA (Mississippian Lime), Russia (AROG) and Bolivia (Phase I of Margarita). Development continued in the remaining strategic projects, where the Declaration of Commerciality (DoC) for the Carioca field in block BM-S-9 in Brazil was especially significant. The production added by new projects, together with an improved performance from the Trinidad and Tobago fields, allowed for an increase in output in 2013, despite the interruption of operations in Libya for more than three months due to conflicts and security problems in the country.

The proven reserves replacement ratio (RRR) in 2013 was 275%, which was a new organic record high for Repsol and the highest in the industry worldwide. By the end of the year, proven reserves totalled 1,515 million barrels of oil equivalent.

Investment in exploration has also been maintained, thus consolidating the successful trend started in 2005. Eight of the exploratory wells drilled have produced positive results, especially those in Brazil (BM-S-50), Alaska (North Slope), Algeria (SE Illizi) and Russia (Karabahsky-2). To ensure long-term exploration activity, Repsol acquired 65 new exploration blocks that cover a total area of 64,183 km2 (Repsol net 37,194 km2), mainly in the United States (44 blocks) and Norway (6 blocks).

Regarding *Downstream*, Repsol has once again demonstrated the quality of its assets, even more so after the completion of the major refining projects at Cartagena and Petronor, achieving an EBITDA of €863 million and leading its European competitors in integrated Marketing and Refining margins. All this in an environment marked by the continued fall in demand in Europe, particularly in Spain, which has weakened refining and petrochemical margins as well as retail sales.

Contribution of Gas Natural Fenosa's results was in line with the previous year. Lower earnings of the electricity business in Spain due to higher taxes and the new regulations, were offset by higher wholesale gas margins and improved results in Latin America.

The recurring CCS net income translated to a net income of €195 million, since it was impacted by the overall negative effect of certain singular and extraordinary operations, the provisions made and the effect of the valuation at mean cost (MIFO) of crude oil and products, instead of at replacement cost (CCS).

In overall terms, the reduction of €1,628 million between recurring net income (€1,823 million) and net income (€195 million) is explained by the following:

- Negative valuation adjustment of €1,279 million, due to the compensation agreement for the expropriation of 51% of YPF

[(1)] The results and other measures, variables or indicators identified as "adjusted" have been prepared considering that the quantities related to the LNG assets and businesses subject-matter of the sale (see section 5.3) form part of the results of continuing operations. APPENDIX I of this document includes an EU-IFRS compliant breakdown of the adjusted income reconciliation statement explained in this section.

- Negative effect totaling €187 million, associated with the valuation at mean cost (MIFO) of crude oil and products, instead of at replacement cost (CCS).
- Negative adjustment of €162 million, due to other provisions and atypical events, which include the positive net effect of the sale of the major part of the Liquefied Natural Gas (LNG) business and the negative net effect of other provisions and write-offs, the most significant of which were in the chemicals business.

With regards to the expropriated holding in YPF, finally, after the negotiations held since November with the Argentine Government, at the date of the approval of the consolidated financial statements, the Republic of Argentina and Repsol have reached an agreement that recognises a value of $5,000 million as compensation; this will have to be ratified by Repsol's General Shareholders Meeting and the Argentine Congress. At the close of financial year 2013, in view of the ongoing negotiation process, the expropriated shares in YPF, S.A. and YPF Gas, S.A. have been revalued to adjust their value to the expected recoverable value, and this implies recognising a net loss of €1,279 million.

The effect of crude oil and product valuation is the result of the difference between the valuation criterion commonly used for management in industry (CCS: replacement cost) and the accounting criterion accepted under the accounting European framework (MIFO: mean cost). The changes to prices of crude oil and products in 2013 have had a negative impact of €187 million on the net income for the financial year.

With regards to the LNG assets, in February 2013 an agreement was signed to sell LNG assets to Shell that included holdings in liquefaction plants (Atlantic LNG and Peru LNG) and marketing and transportation assets. On 31 December, 2013 the first phase of this was completed, transferring the stake of the liquefaction plants, and on January 1, 2014 the transaction was completed with the transfer of the remaining sold assets (marketing and transportation). Also, in October Repsol’s Bahia Bizkaia Electricidad (BBE) stake was sold to BP. These operations have resulted in revenues of around $4,300 million and net capital gains of €1,263 million in 2013 and €328 million in January 2014. As a result of these sales, and by applying maximum financial prudence, Repsol has adjusted in its financial statements the value of the remaining LNG assets, recording a total post-tax provision of €1,105 million.

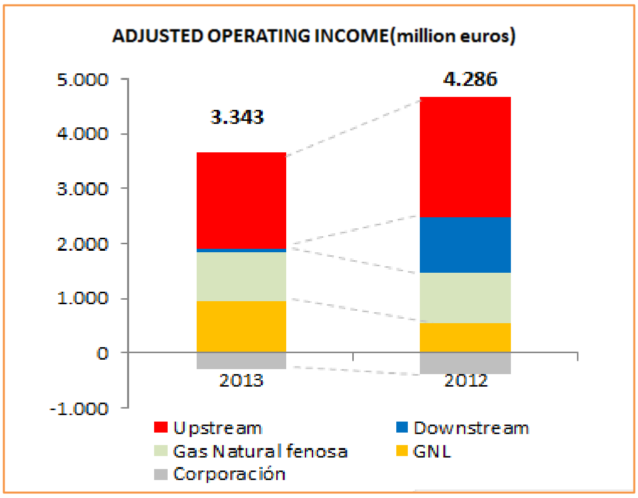
By the end of the year, net debt was €9,655 million, 20.3% lower than the same period of the previous year. Repsol also has a high level of resources available, and these cover 73% of its gross debt.

In the corporate field, underline the sale of treasury shares (5%), as it made it possible to include Temasek, one of the most prestigious investment companies worldwide, into Respol's group of major shareholders, and the voluntary buy back of preference shares in the Group. The company has also been widely recognised for its policy of corporate responsibility and commitment to the wider society, and has held leadership positions in the institutions and bodies of which it is a member.

During the year Repsol’s shares gained 19.5%, more than its European peers (10.4%). This increase in the share value allowed Repsol to regain part of the ground lost in 2012, when 51% of YPF was expropriated. Shareholder remuneration continued to be competitive in 2013 with a dividend yield of 6%. Through the “Repsol Flexible Dividend” program, which has been a great success, the company continues to offer its shareholders the choice of receiving payment in new shares or in cash. At the approval of the annual accounts, the Board of Directors will propose another bonus share issue to be charged to the voluntary reserves derived from retained earnings for the approval of the Ordinary General Shareholders Meeting, as part of the "Repsol Flexible Dividend" program, which will be equivalent to shareholder remuneration of around € 0.5 per share.

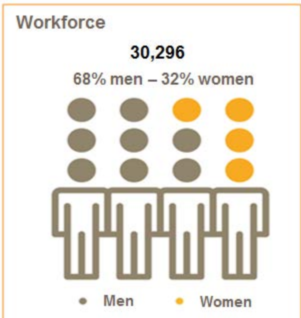
Regarding its commitment to society and its employees, Repsol has invested over €20 million in training, which represents an average 40 hours per employee, reducing the accident frequency rate (0.59 in 2013) and avoiding the emission into the atmosphere of 353,000 tons of CO_2 equivalent.

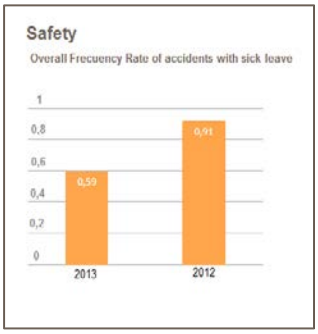
Results, financial overview and shareholder remuneration [(1)]	2013	2012
Results		
EBITDA* [(2)]	6,230	6,956
Operating income*	3,343	4,286
Recurring CCS net income	1,823	1,954
Net income	195	2,060
ROACE (%) [(2)]	6.5	7.8
Financial overview		
Net financial debt	9,655	12,120
EBITDA/ Net financial debt (%)	64.5	57.4
Shareholder remuneration		
Total shareholder remuneration (€)	0.96	1.12



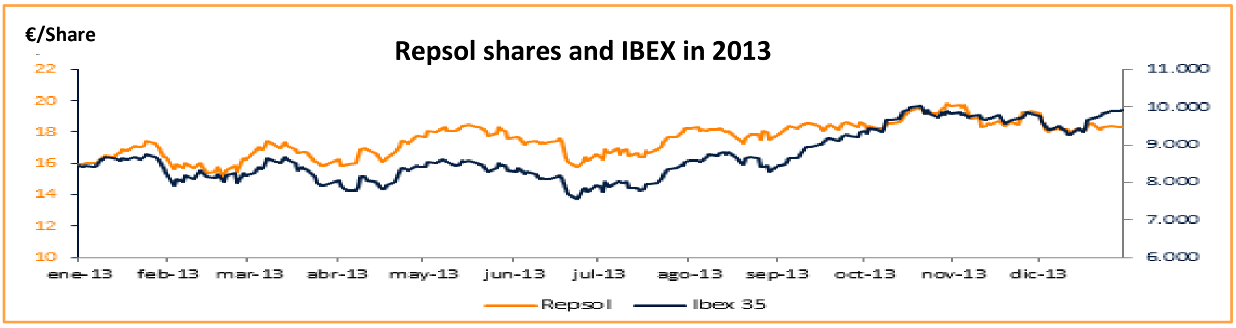
Our business performance [(1)]	2013	2012
Upstream		
Proven reserves (Mboe)	1,515	1,294
Proven reserves replacement ratio (%)	275	204
Net production of hydrocarbons day (kboe/d)	346	332
Operating income	1,757	2,208
Investments	2,317	2,423
Downstream		
Refining capacity (kbbl/d)	998	998
Conversion index in Spain (%)	63	63
Refining margin indicator in Spain ($/bbl)	3.3	5.3
No. of service stations (controlled + branded)	4,604	4,549
Oil product sales (kt)	43,177	42,744
LPG Sales (kt)	2,464	2,537
Petrochemical product sales (kt)	2,337	2,308
EBITDA	863	1,533
CCS operating income	326	1,012
Operating income	42	1,013
Investments	656	666
LNG		
LNG sold in North America (TBtu)	184	219
Operating income*	959	535
Gas Natural Fenosa		
Operating income [(3)]	889	920
Investments [(3)]	444	432

Different ways of creating value	2013	2012
People		
Total employees at 31 December	30,296	29,985
New employees	1,062	1,222
Staff turnover rate (%)	5	7
Hours of training per employee	40	42
Safety and environmental management		
Overall Frequency Rate (IF) of acid. with sick leave	0.59	0.91
Direct CO_2 emissions (million t)	13.41	13.24
Annual emissions reduction (million t)	0.353	0.433
Number of spills	14	29





*Adjusted figures according to chapter *4. Results, financial overview and own shareholder remuneration*.
(1) Where appropriate, figures shown in million euros.
(2) See a definition of these ratios in the section "*Results*", in chapter 4 of the document.
(3) Figures corresponding to Repsol´s interest of 30% in Gas Natural Fenosa.



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 40 countries worldwide. Repsol Group´s activities are divided into four business areas:

- *Upstream*, relating to the exploration and production of oil and natural gas.

- *LNG*, relating to midstream operations (liquefaction, transport and regasification) of natural gas and to marketing operations for natural gas and liquefied natural gas.

- *Downstream*, corresponding to refining and marketing activities involving oil products, chemicals, and liquefied petroleum gas.

- Finally, Gas Natural Fenosa represents Repsol's stake in the Gas Natural Fenosa group, which mainly engages in natural gas marketing and the generation, distribution, and marketing of electricity.

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 : **223.363** Km²	Finished exploration probes in 2013: **23** ended **4** ongoing	Total proven reserves: **1.515** Mboe Replacement ratio **275** (%):	Development wells drilled in 2013: **576** gross	Active productive wells at December 31: **2.800** gross	Net production of hydrocarbons per day: **346** kboe/d

Downstream

Storage and transportation	Industrial Activities		Marketing		
Crude oil	Oil products	Chemicals	LPG	Chemicals	Marketing
Trading and transportation of crude oil and products to refineries for processing	Refining and crude oil transformation into oil products	Elaboration of a wide variety of petrochemical products	Processing and distribution of LPG	Distribution and sale of the petrochemical products elaborated	Distribution and sale of the oil products obtained

Processed crude oil in 2013: **38,1** Million t	Refining capacity: **998** kbbl/d	Gross petrochemical capacity (Basic + Derivative) **5.299** kt	Sale of LPG: **2.464** kt	Sale of petrochemical products: **2.337** kt	Sale of oil products: **43.177** kt Number of service stations: **4.604**

LNG [3]

Liquefaction →		Transport →		Regasification →	Markets	
Heat	Refrigerants	Pipeline	LNG ships	Heat treatment	Businesses	Individuals
Gas liquefaction in order to facilitate tansportation to consumption areas		Gas transportation using pipelines (medium distance) or LNG ships (long distance)		Gas storage for regasification purposes	Gas markets include power generation, industrial, residential and commercial use and transport	

Production of liquefaction trains:
987
TBtu

9 LNG tankers:
5 tankers of 138.000 m³
4 tankers of 193.000 m³

Initial supply rate:
10
bcm/year

LNG sold:
184
TBtu

GNF [1]

Infraestructure, Supply and Marteting →				Distribution →		Merchandising		
E&P	LNG	Storage and trnsp.	Electricity	Gas	Electricity	Gas	Other products	U.F.
Power generation, development of integrated LNG projects and other activities related to hydrocarbon production and distribution		Transport, distribution and sale of LNG		Rate regulated gas and electricity distribution		Gas and power marketing, to both individuals and businesses		

Electricity generation Peninsula:
33.785
GWh

Gas distribution:
424.808[2]
GWh

Electricity distribution:
51.750[2]
GWh

Gas supply points:
11.948[2]
thousands

Electricity supply points:
7.013[2]
thousands

(1) Figures generated by the Gas Natural Fenosa Group (100%).
(2) Includes figures of the Latin America segment.
(3) In December 2013 and January 2014, the Group completed the sale of part of the assets and business of the LNG segment. For further information on this matter, see Note 5.3 in this document and Notes 31 *Divestments*, 37 *Subsequent events* and 29 *Segment Reporting* in the Group´s Consolidated Financial Statements 2013.

2.3) OUR OPERATING MARKETS

UPSTREAM

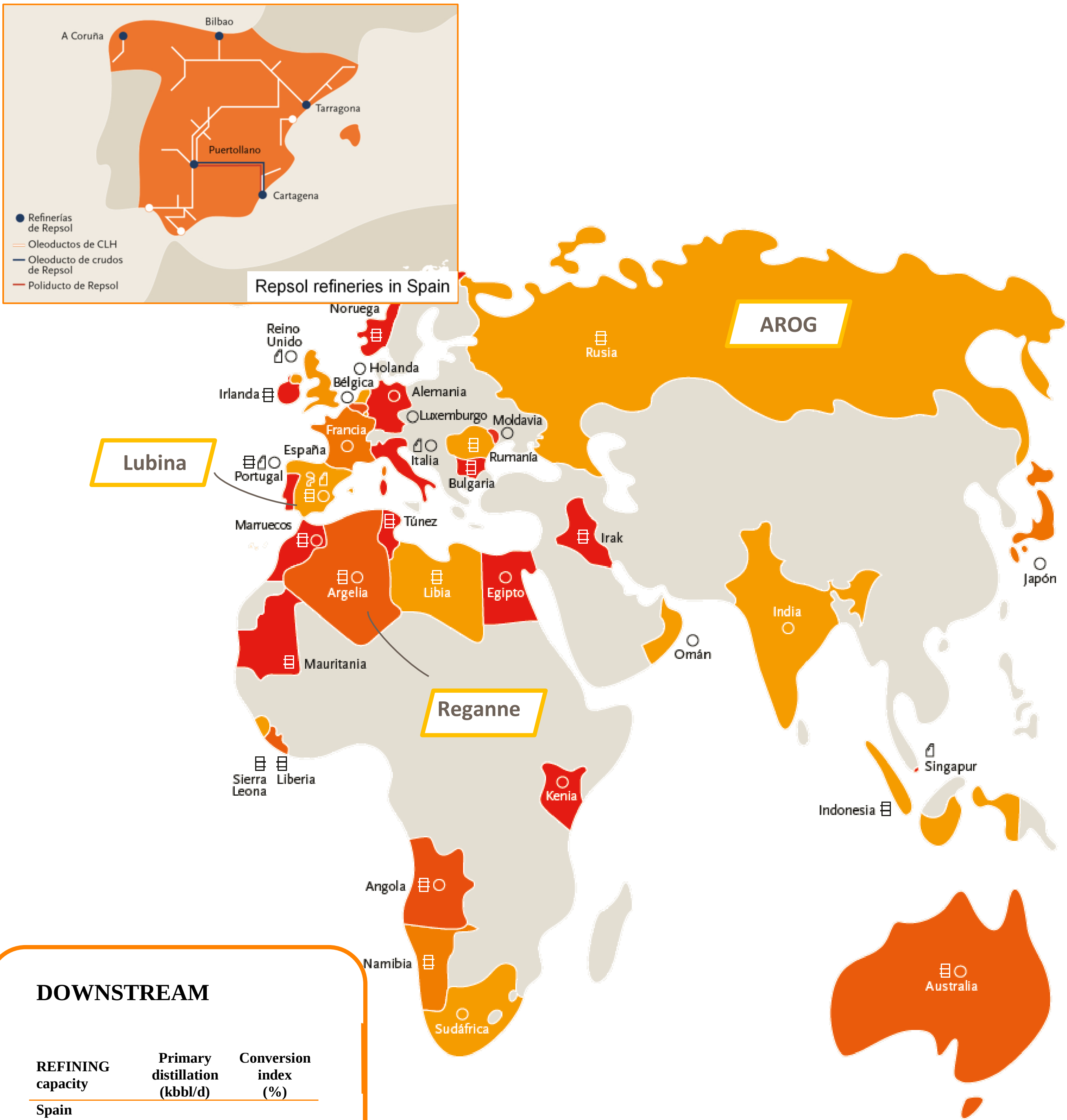
We participate in 730 oil and gas Exploration and Production blocks[1] in 31 countries, directly or through our affiliated companies.

There have been more than 30 discoveries in the past 6 years, including six of the major findings worldwide according to IHS.

Repsol's hydrocarbon production in 2013 was estimated at 346 kboe per day, representing an increase of 4.2% on the figures for 2012.

At year-end 2013 Repsol's proven reserves amounted 1,515 Mboe, of which 422 Mboe (27.8%) corresponded to crude oil, condensate and liquefied gases, and the rest, 1,093 Mboe 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	3,615
Portugal	433
Peru	354
Italy	202

Repsol	3,138
Campsa	163
Petronor	290
Petrocat	21
OTHER	3

Sales volume of LPG	2013	2012
Spain	1,281	1,271
Rest of Europe	131	143
Peru	665	622
Ecuador	386	374
Rest of Latin America	-	127

Operating figures, Chemicals	2013	2012
Capacity		
Basic petrochemicals	2,808	2,808
Derivative petrochemicals	2,491	2,942

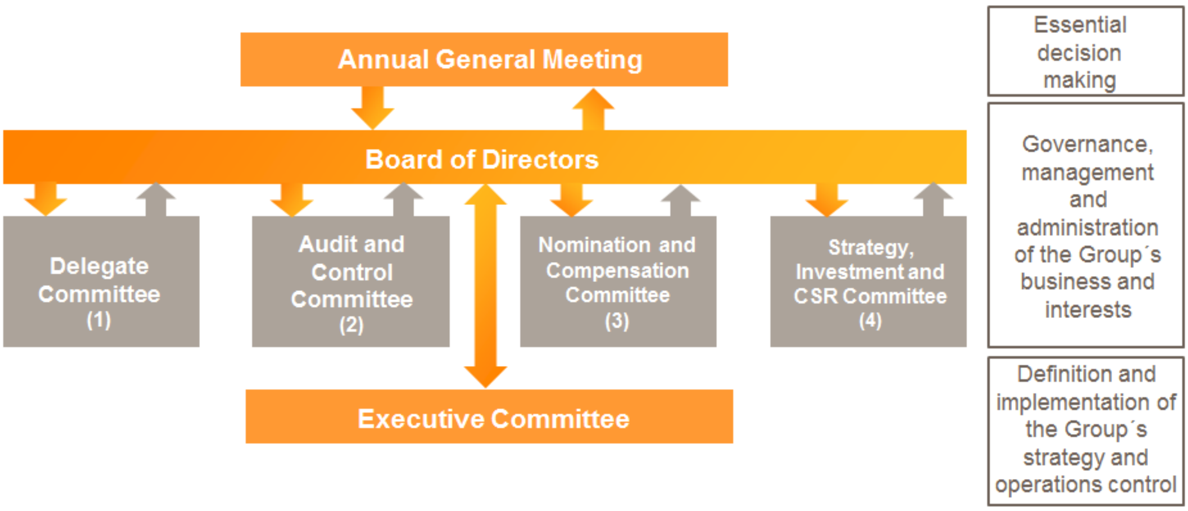
2.4) CORPORATE GOVERNANCE

STRUCTURE AND GOVERNING BODIES

The Annual General Meeting of Shareholders is the sovereign corporate body through which the shareholders can take part in the Company's key decisions, while the Board of Directors is responsible for the governance, management and administration of the Company's business interests for all matters not reserved to the competence of the General Meeting.

To ensure greater efficiency and transparency in the performance of its functions, the Board of Directors has appointed internal committees with executive and consulting powers: the Executive Committee, acting as a delegated body of the Board, the Audit and Control Committee, the Appointment and Remuneration Committee and the Strategy, Investment and Corporate Social Responsibility Committee which are three special committees that carry out supervision, information, consulting and proposal drafting tasks.

In general, the Board of Directors entrusts the day-to-day handling of ordinary business to the Executive Committee and the management team, concentrating its efforts on general supervision and considering matters of particular importance to the Company.



NOTE: See the Annual Corporate Governance Report for more information on the General Meeting, the Board of Directors and its committees.

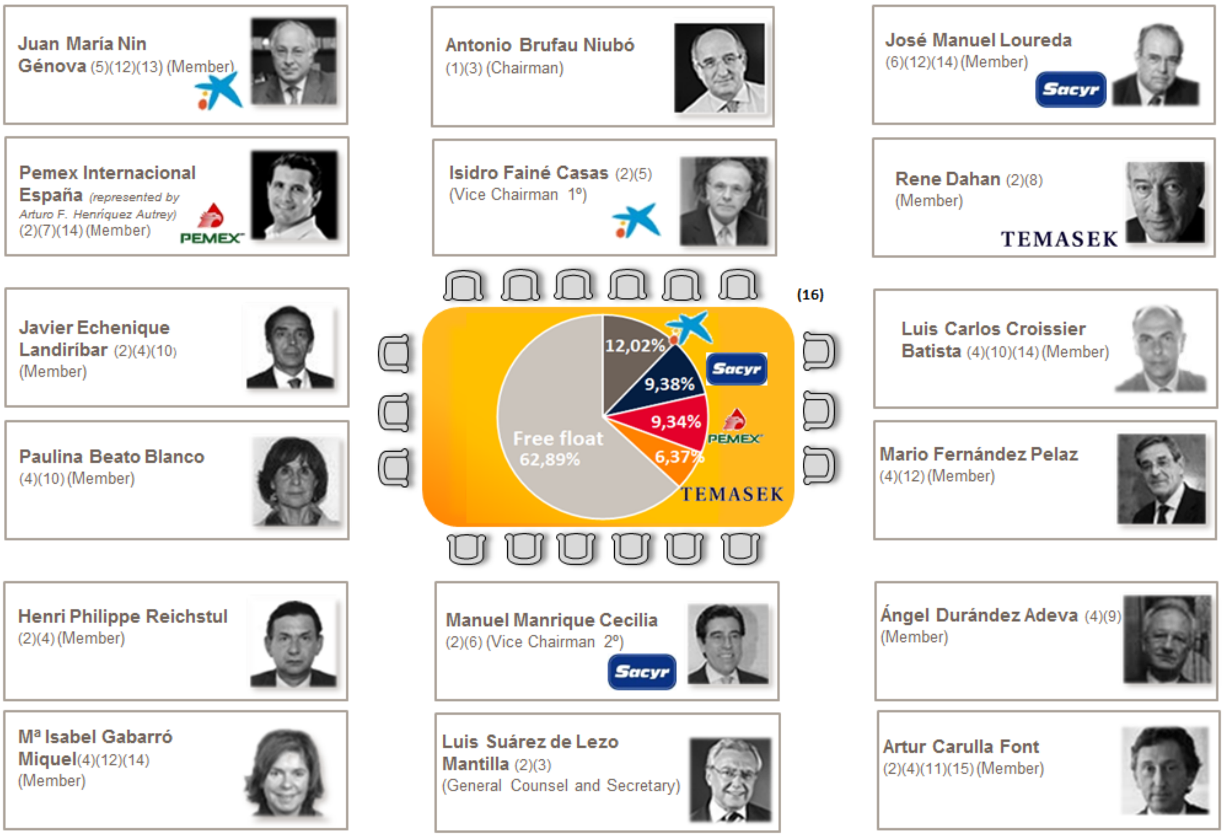
(1) The Executive Committee is permanently delegated with all the powers of the Board of Directors except those that cannot be delegated according to the Articles of Association or the Regulations of the Board of Directors.

(2) The function of the Audit and Control Committee is to support the Board in its oversight duties, through the regular review of the preparation process of the financial-economic information, executive controls, supervision of the systems that record and control the Company' hydrocarbon reserves, Internal Audits, and the independence of the external auditor, as well as the review of compliance with all the legal provisions and internal regulations applicable to the Company. This Committee is responsible for formulating the proposed resolution to the Board on the appointment of external auditors, the extension and termination of their appointment and the terms of their engagement. Likewise, it shall inform, through its Chairman, the General Shareholders' Meeting on the issues raised by shareholders and that fall within its scope. Its functions also include the knowledge and guidance of the Company's policies, objectives and guidelines in the environmental and safety fields.

(3) The Appointments and Remuneration Committee is responsible for 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 and Directors who make up the Board's Committees; proposals for the Board's remuneration policy and, if applicable the Executive Directors, on the additional remuneration for their executive duties and other terms of their contracts; reporting on the appointment of senior Company executives and on the overall remuneration and incentives policies; reporting on compliance by the Directors of the Corporate Governance principles or the obligations contained in the By-laws or Board Regulations; and, in general, for proposals and reports on any other matters related to the above as requested by the Chairman or by the Board of Directors.

(4) The Strategy, Investment and Corporate Social Responsibility Committee is responsible for reporting on the most important events, milestones and revisions of the Strategic Plan; strategic decisions relevant to the Repsol Group; and asset acquisitions and divestitures that, because of their magnitude or strategic nature, are submitted by the Managing Director for prior review by the Committee. Its role also includes knowing and guiding the policy, objectives and guidelines of the Repsol Group on Corporate Social Responsibility and reporting to the Board of Directors; reviewing and reporting on the Repsol Group Corporate Responsibility Report prior to its submission to the Board of Directors; and, in general any other functions within its areas of competence that are requested by the Board of Directors or its Chairman.

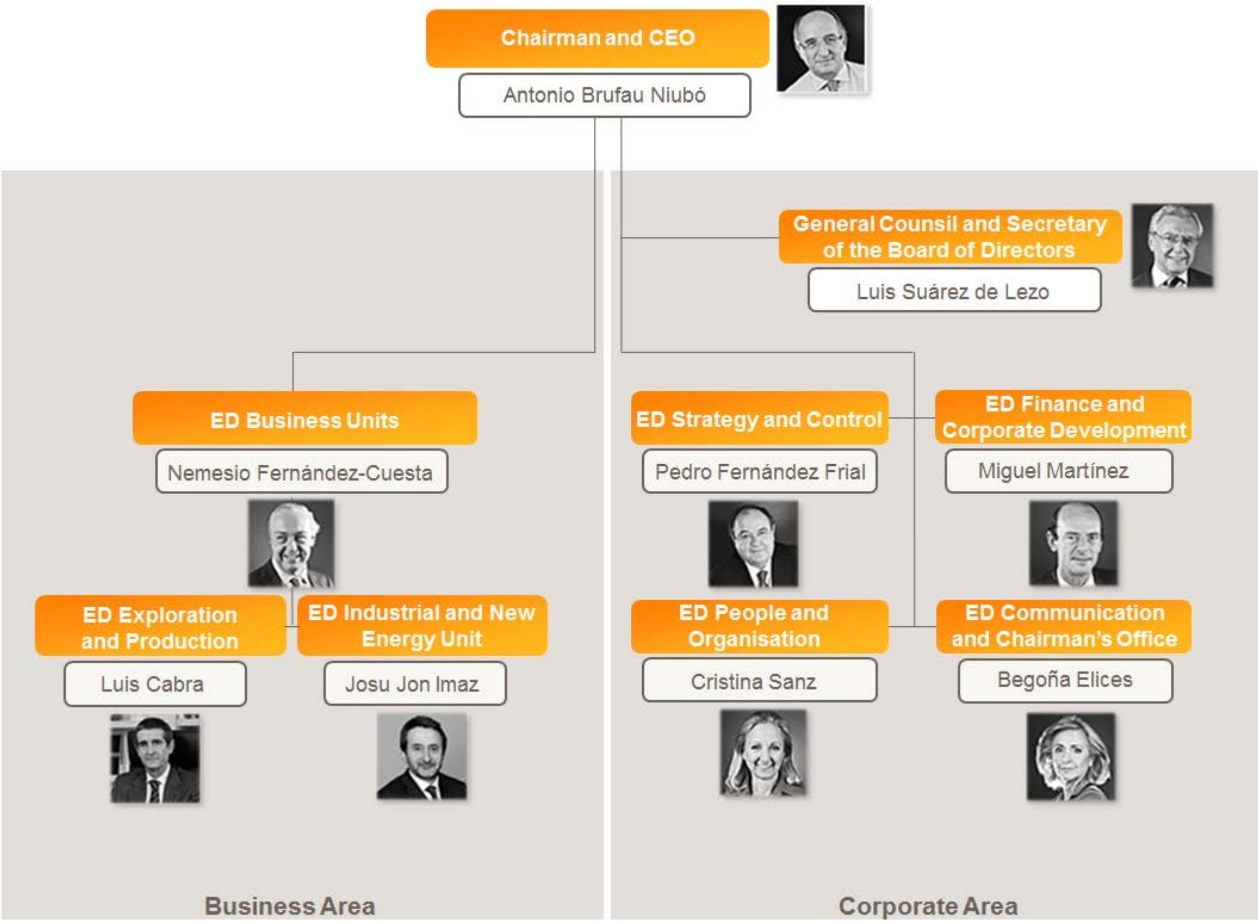
The composition of the Board and its committees is as follows:



NOTE: Updated information on the Board members´ background information can be found at www.repsol.es/es_es/corporacion/accionistas-inversores/gobierno-corporativo/consejo-de-administracion/

(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 Petróleos Mexicanos.
(8) Institutional Outside Director proposed by Temasek.
(9) Chairman of the Audit and Control Committee.
(10) Member of the Audit and Control Committee.
(11) Chairman of the Nomination and Compensation Committee.
(12) Member of the Nomination and Compensation Committee.
(13) Chairman of the Strategy, Investment and CSR Committee.
(14) Member of the Strategy, Investment and CSR Committee.
(15) Lead Independent Director.
(16) Percentage of share capital at December 31, 2013. Data corresponding to the latest 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).

The composition of the Executive Committee on 31st December 2013 is as follows:



NOTE: E.D: Executive Division. Updated information on the Committee members´ background information is available at www.repsol.com

2.5) OUR STRATEGY

In recent years, at Repsol we have consolidated a growth strategy enabling us to develop new and attractive business lines, diversify our portfolio of assets and incorporate key projects that today underpins 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.

In the 2012-2016 Strategic Plan (hereafter "SP 12-16") we are committed to growth as a driving force to prepare for the Company's future.

Our Strategic Plan rests on four pillars:

1. **Upstream Growth**: focusing on exploration and with challenging growth targets for production and reserves.
2. **Maximising return on investments in Downstream**: through operational excellence following the implementation of the projects to upgrade Cartagena and Petronor.
3. **Financial strength**: self-financed strategic plan that allows the company's credit rating to be maintained.
4. **Compensation to shareholders**: giving a competitive remuneration in relation to the sector.

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 señecting the most attractive opportunities at any one time, thus optimising 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.

1. Upstream, driving growth

Exploration and production activities are our growth engine. Our commitment to innovation has been the key to consolidating ourselves as a company with great exploratory success.

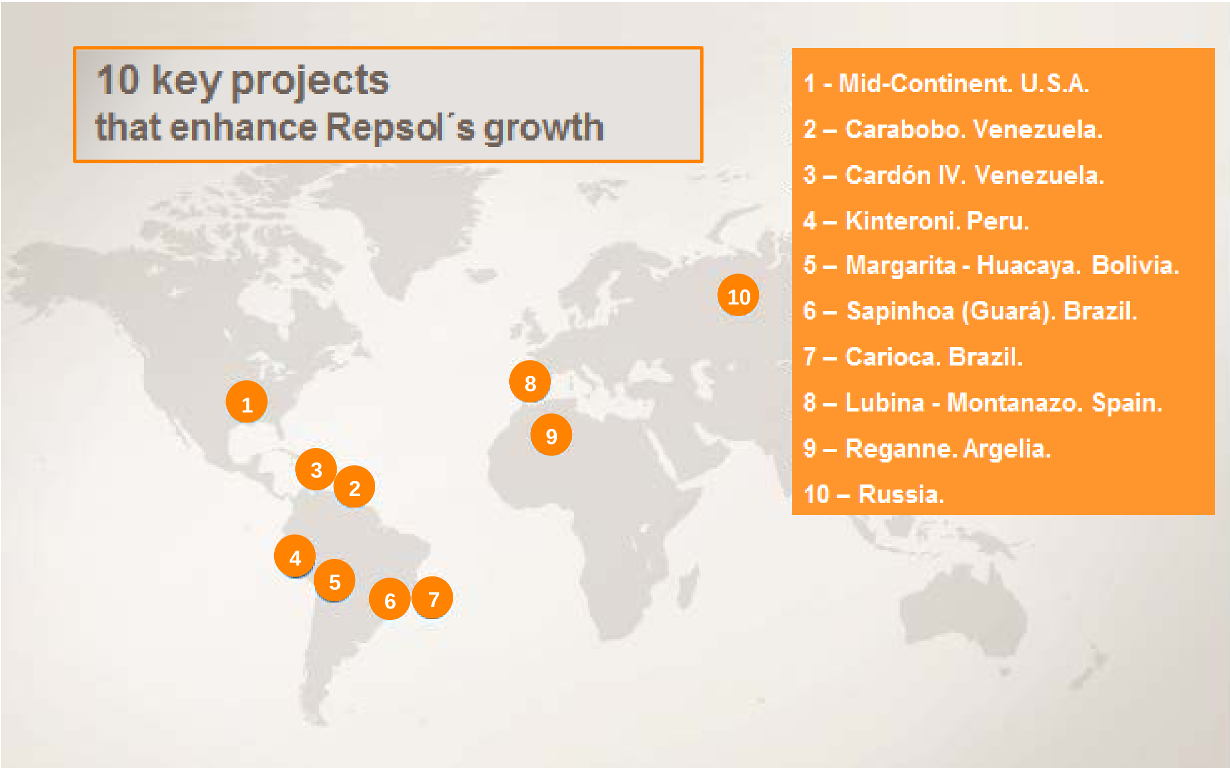
Since 2008, we have made more than 30 discoveries, including six of the largest annual findings in the world, according to IHS.

Estimated investment for the period of the *Upstream* business plan is an average of €2,900 million per year, more than 20% growth over previous years. This investment represents about 77% of the Group's total forecasted investments.

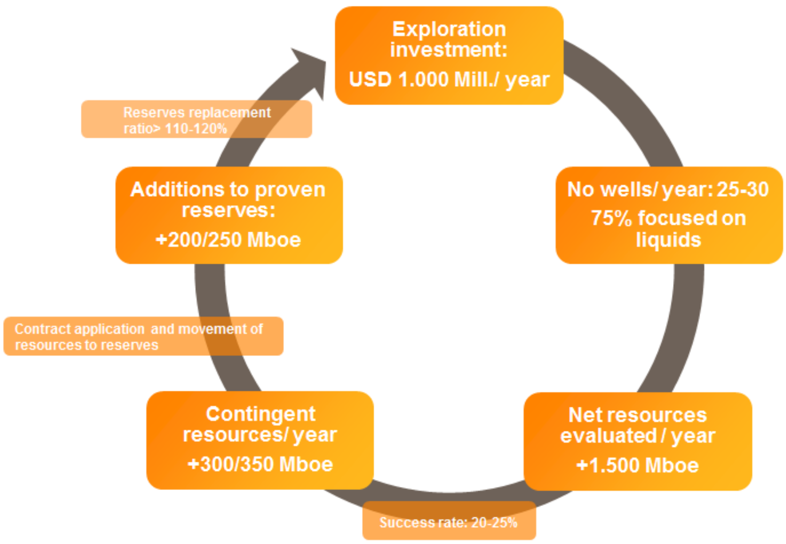
To carry out this growth commitment we have focused on 10 key growth projects located in Brazil, United States, Russia, Spain, Venezuela, Peru, Bolivia and Algeria. The 10 major projects involve a total combined investment of €6,700 million.

Five of them (Mid Continent, Margarita, Sapinhoá, Lubina-Montanazo and Russia) are already producing and contributing to the production growth target. And furthermore, Carabobo registered its first early production in late 2012.
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, Peru, Libya and Russia. Exploration investment in the period of the SP 12-16 will involve an average annual investment of around USD 1,000 million.

This investment includes the drilling of 25 to 30 exploration wells per year.



The intense activity in the area of exploration and development will allow targets for the planned period to be reached with more than 7% annual growth in production for the plan´s period, an average reserve replacement ratio of over 120% and an average annual addition to contingent resources of about 300/350 million bo



2. Downstream, operational excellence and margin optimisation

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 average investment for the period of the plan stands at €750 euros 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.

3. A self-financed plan

The third pillar of our strategic plan is financial strength, sustained in a firm commitment to maintaining the credit rating, achieving high liquidity and performing selective divestments during the period in order to develop a self-financed investment plan.

In March 2013 there was a sale of Repsol treasury shares corresponding to 5% of the capital stock to Temasek, a Singapore-based investment fund.

In June 2013 a solution, with an acceptance of 97% of the total value, was given to holders of preference shares, ensuring their value and liquidity in the market through repurchases in cash and with Repsol obligations.

Additionally, in order to maximise cash flow, a process of continuous optimisation of the Group's working capital is being carried out continuously.

The sale of LNG assets to Shell, 2013, and other divestments previously completed in other business lines as part of the usual dynamics of managing our portfolio of assets, has already allowed us in 2013 to meet the divestment targets set out in the of the strategic plan period (between €4,000 and €4,500 million).

All this has led to improved financial ratios, allowing us to maintain *investment grade* (the minimum acceptable credit rating level) and has increased the confidence of international investors.

4. Competitive remuneration for shareholders

The last of the strategic pillars is to establish a competitive remuneration policy for its shareholders.

Our 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%.

2.6) RISK MANAGEMENT

2.6.1. RISK MANAGEMENT MODEL

The Repsol Group operates in numerous countries, under multiple regulatory frameworks and in all stages of the value chain of the oil and gas business.

Therefore, the Company's operations and results are subject to risks in the long-term (strategic), short and medium term (operational) as well as financial. Any of these risks could have a negative impact on the Group's financial position, businesses or operating income, thus affecting the achievement of its objectives.

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, becoming an integral element of the Group's decision-making processes.

In recent years, risk management at Repsol has received a major boost from specialised units (including the safety, environment or financial units among others).

Additionally, Repsol is committed to accelerating progress towards a model of integrated risk management in order to obtain a more comprehensive view of the risks in all its activities, along with the interactions and mitigation strategies, as well as enabling a more efficient use of the allocated resources. All this is achieved through the implementation of Repsol's Integrated Risk Management System (IRMS).

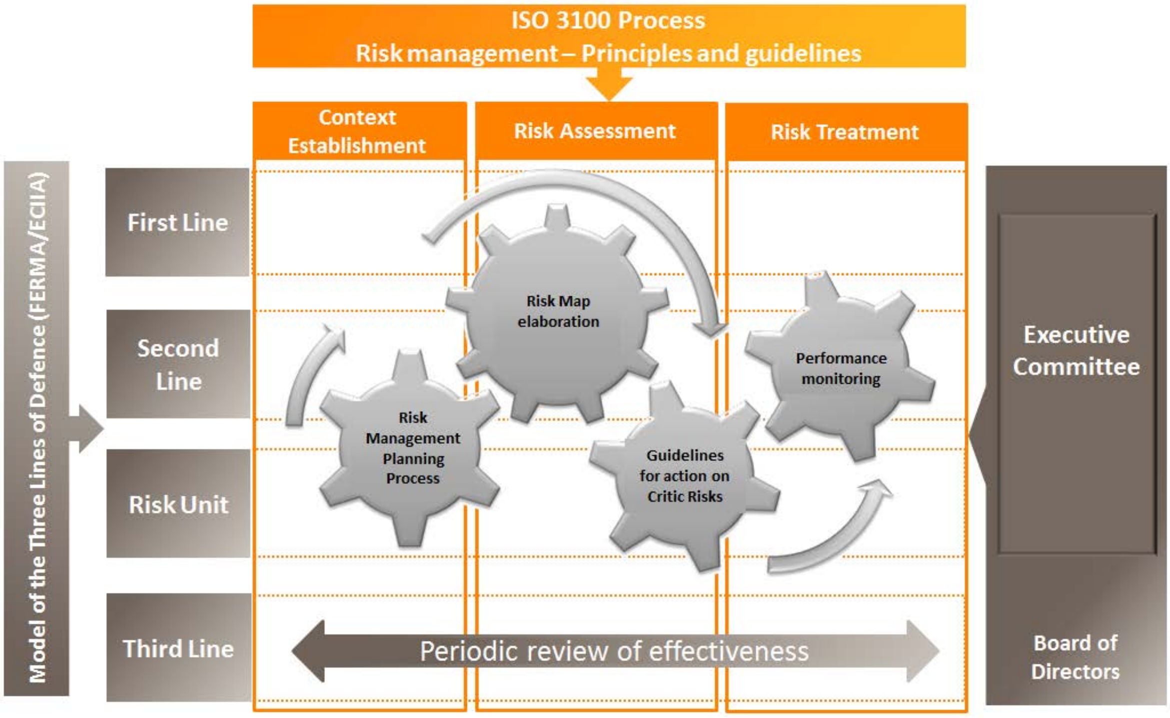
The IRMS complies with international standards of reference for risk management: ISO 31000 and COSO ERM (1), concerning the effective methodology for integrated risk management and analysis in organisations, and the Model of the Three Lines of Defence (2), on the allocation of responsibilities in the scope of risk management and control.

One of the main pillars of IRMS is the Risk Management Policy, approved by Repsol's Board of Directors in July 2013. This Policy establishes a commitment to the integrated management of risks that contribute to the deployment of the Company's Vision and Values, based on the following principles:

- Management Leadership
- Integration of management processes
- Differentiated responsibility
- Global scope and harmonisation of management
- Continuous improvement

(1) Enterprise Risk Management Model – Integrated Framework defined by COSO (C*ommittee of Sponsoring Organizations of the Treadway Commission*).

(2) Recommended by FERMA (European Risk Management Associations Federation) and ECIIA (European Confederation of Internal Auditors Institutes).



The main strategic, operational and financial risks Repsol Group is facing are set out below:

2.6.2. 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 RISKS

Uncertainty in the current economic context

Global economic growth is still weaker than anticipated. The recent rise in the forward interest rates in the US could lead to a partial reversal of capital flows towards certain economies, resulting in greater exposure for countries with weaker fiscal positions or with higher rates of inflation.

In the Euro Zone, the European Central Bank (ECB) has two major challenges ahead: ending the banking division within the monetary union which hampers the transmission of monetary policy uniformly across the Eurozone, and to avoid a prolonged period of low inflation.

Meanwhile, persistent pressure on the sustainability of government finances in advanced economies has led to pronounced tensions in credit markets, and could prompt fiscal reforms or changes in the regulatory framework of the oil and gas industry. 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 from Repsol operations.

Potential 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, including projected capital expenditures related to exploration and development activities. 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 throughout the world in matters such as the award of exploration and production permits, the imposition of specific drilling and exploration obligations, restrictions on production, price controls, required divestments of assets, foreign currency controls, and nationalisation, expropriation or the cancellation of contractual rights. Such legislation and regulations apply to virtually all aspects of Repsol's operations both inside and outside Spain.

Furthermore, the natural gas and electricity sectors, in which Repsol operates mainly through Gas Natural Fenosa, tend to be extensively regulated in most countries. These regulations are typically subject to periodic revision by the competent authorities and changes to those regulations can result in a decrease (or a lower increase than expected) in the remuneration received for regulated activities.

Likewise, oil refining and petrochemical activities, in general, are subject to extensive government regulation and intervention in matters such as safety and environmental controls.

Finally, the energy sector, particularly the oil industry, is subject to a singular fiscal framework. In *Upstream* activities there are often energy taxes on profit and production, and in regard to the activities of *Downstream*, the existence of taxes on consumption products is also 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 practically 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.

Requirements previously mentioned 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, mistakes 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, 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 that enables 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 the estimation of proved 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-proved 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, some of which are beyond Repsol's control. Factors that fall within Repsol's control include: drilling, testing and production after the date of the estimate, which may entail substantial upward or downward corrections in the estimate; the quality of available geological, technical and economic data used and the interpretation and valuation thereof; the production performance of reservoirs and recovery rates, both of which depend in significant part on available technologies as well as Repsol's ability to implement such technologies and the relevant know-how; the selection of third parties with which Repsol conducts business; and the accuracy of initial estimates of existing hydrocarbons in place at a given reservoir, which may prove to be incorrect or require substantial revisions control. On the other hand, factors that are mainly beyond Repsol's control include changes in prevailing oil and natural gas prices, which could impact on the quantities of proven reserves (since estimates of reserves are calculated under existing economic conditions when such estimates are made); changes in prevailing tax rules, other government regulations and contractual conditions after the date estimates are made (which could render reserves economically unviable to exploit); and certain actions of third parties, including the operators of fields in which the Group has an interest.

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

As discussed in several of the above risk factors, Repsol's operations are subject to extensive economic, operational, regulatory and legal risks. The Group 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 liabilities incurred. In addition, Repsol's insurance policies contain exclusions that could leave the Group with limited coverage in certain circumstances. 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 formulae, 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 clients, mainly in Bolivia, Venezuela, Trinidad and Tobago, Peru and Russia, which present additional types of risks to the company 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 the aforementioned 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, and requires the Repsol Group's utmost attention and continuous efforts towards improving efficiency and reducing unit costs, without becoming detrimental to operational safety or 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 the Company 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, 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 Company 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 company include controls aimed at detecting and mitigating relevant compliance aspects of the Ethics and Conduct Regulations. The existence of management misconduct or breach of applicable legislation, when occurring, could cause harm to the Company'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 Repsol Group's information technology systems are critical to maintaining the availability of its business processes and the confidentiality and integrity of the data belonging to the Company and third parties. Given that cyber-attacks are constantly evolving, the Repsol Group cannot guarantee that it will not suffer material losses in the future caused by such attacks.

Expropriation of Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A.

The main risk facing Repsol as a result of the expropriation of the Group's shares in YPF S.A. and YPF Gas S.A. lies with the uncertainty hanging over the restitution of Repsol's YPF S.A. and YPF Gas S.A. shares subject to expropriation and/or the amount of compensation the Argentine state must pay Repsol in exchange for seizing control over both companies, which risk extends to the timing and form of any related payments.

In light of the conversations underway with the Argentine government with a view to reaching a rapid, adequate and effective solution to the ongoing controversy, and on the basis of the fact that Repsol is seeking certain and monetary compensation of USD5,000 million at year-end, the Group has adjusted what it is considered as the recoverable value of its equity interests in YPF S.A. and YPF Gas S.A subject to expropriation, as detailed in Note 4 to the 2013 consolidated financial statements. The estimated recoverable amount is subject to the sources of uncertainty intrinsic to any negotiation process and the specific scope of any agreements reached. For further information on the negotiation process, see Note 37 "*Subsequent events*".

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 financial statements analyses 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.

At 31 December 2013 Repsol held available resources in cash and other liquid financial instruments and undrawn credit lines which covered 73% of the gross debt and 72% of such debt including the preference shares at that time. The Group had undrawn credit lines for €5,234 million and €5,899 million at 31 December 2013 and 31 December 2012, respectively.

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 the customer or individual third parties, and whose amounts are reflected in the balance sheet net of allowances for impairment provisions in the amount of €7,128 million and €7,202 million, at 31 December 2013 and 31 December 2012, respectively. 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 analyses 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 risk

Exchange rate fluctuation risk: Repsol is exposed to fluctuations in currency exchange rates since revenues and cash flows generated by oil, natural gas and refined product sales are generally denominated in U.S. dollars or are otherwise affected by dollar exchange rates. Operating income is also exposed to fluctuations in currency exchange rates in countries where Repsol conducts its activities. Repsol is also exposed to exchange risk in relation to the value of its financial assets and investments, predominantly those denominated in U.S. dollars. In order to mitigate the exchange rate risk on results, Repsol may, when it deems appropriate, hedge its position through the use of derivatives in relation to those currencies for which there is a liquid market and where transaction costs, in its opinion, are reasonable.

In addition, 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 at the exchange rate prevailing at the balance sheet date. The revenues and expenses of each of these items in the profit and loss accounts are translated into euros by applying the exchange rate in force on the date of each transaction; for practical reasons, the exchange rate used is, in general, the average of the period in which the transactions were made. Fluctuations in the exchange rates applied in the process for translating the currencies into euros generate gains or losses, which are recognized in the Repsol Group consolidated financial statements and expressed in 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 those currencies that have a liquid market, with reasonable transaction costs.

Note 19 "*Financial risk and capital management*" and Note 20 "*Derivative transactions*" in the Group's audited consolidated financial Statements for the financial year ended 31 December 2013 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 "*Potential 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). Therefore, changes in prices of crude oil, natural gas and their derivatives could have an adverse effect on the Repsol Group's business, results and financial position. Note 20 "*Derivative transactions*" in the Group's audited consolidated financial Statements for the financial year ended 31 December 2013 include additional details on the financial risks to which the Repsol Group is exposed.

Interest rate risk: Changes in interest rates can 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.

Note 19 "*Financial risk and capital management*" and Note 20 "*Derivative transactions*" in the Group's audited consolidated financial Statements for the financial year ended 31 December 2013 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.

2.6.3. EXPROPRIATION OF REPSOL GROUP SHARES IN YPF, S.A. AND REPSOL YPF GAS, S.A.

In 2012 the Group deemed YPF, which included the business activities of YPF S.A. and its group companies, a business segment. That year, Repsol lost control of YPF S.A. and YPF Gas, S.A. when in April of that year the Argentine government seized management control and initiated proceedings to expropriate some of the shares in this company owned by the Group.

It is Repsol's belief that the expropriation is manifestly illicit and gravely discriminatory (the expropriation only affects YPF S.A. and YPF Gas S.A. and not other oil and gas companies operating in Argentina; moreover, the Argentine government only confiscated the shares of one of the shareholders of YPF S.A. and YPF Gas S.A., namely Repsol, and none of the other shareholders). It further maintains that there is no justification whatsoever for the public utility argument put forward and that the seizure of its shares constitutes a blatant breach of the obligations assumed by the Argentine state when it privatized YPF.

It is remarkable that, at year-end 2013, in light of the talks underway with the Argentine government with a view to reaching a rapid, adequate and effective solution to the ongoing controversy, and on the basis of the fact that Repsol is seeking certain and monetary compensation of USD5,000 million, the Group has adjusted the recoverable value of its interests in YPF S.A. and YPF Gas S.A subject to expropriation, as detailed in Note 4 to the 2013 consolidated financial statements.

A full description of the expropriation and the related accounting effects, including the revaluations recognized in 2013, is provided in Note 4 "*Expropriation of the Repsol Group's shares in YPF S.A. and YPF Gas S.A.*" and in Note 37 "*Subsequent events*" accompanying the consolidated Financial Statements of the financial year 2013.

Throughout 2013, Repsol has continued -despite the negotiations underway- the proceedings filed before the ICSID Arbitration Tribunal and the courts of Argentina, Spain and the State of New York. In relation to the legal actions taken before the ICSID Arbitration Tribunal, the tribunal that will hear the case presented by Repsol has already been constituted, its president appointed and the arbitrators proposed by each party named. For further information on the proceedings undertaken in the wake of the expropriation, see Note 34.1.1 to the 2013 consolidated financial statements.

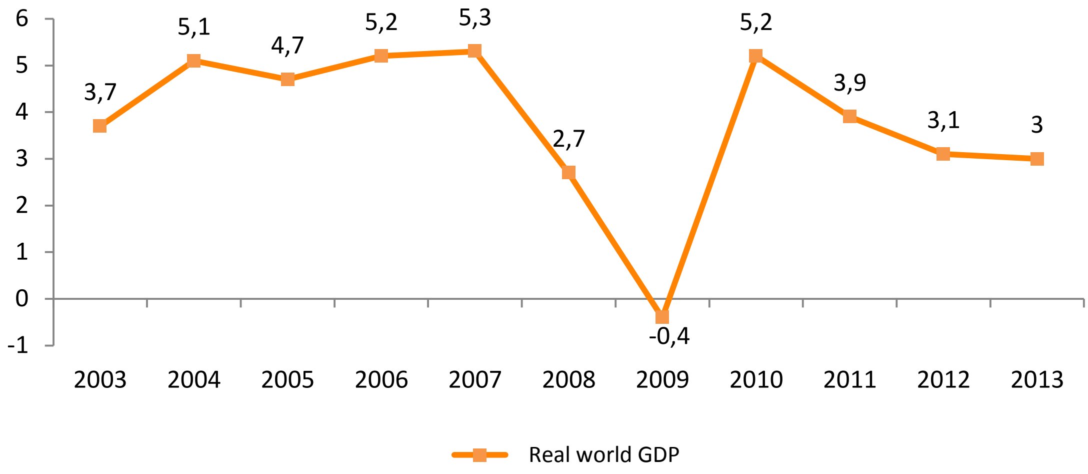
Repsol trusts that such flagrant violation of the most fundamental principles of legal certainty and respect for business activities carried out in good faith will not go ignored by the international investment community and, should the negotiations underway not come to a satisfactory conclusion, that it will be handed down favorable rulings by the corresponding courts of justice and international dispute settlement bodies.

3. MACROECONOMIC ENVIRONMENT

Recent economic developments

In 2013 the global economy slowed its growth rate to 3% year-on-year, mainly due to a slowdown in emerging economies. Meanwhile, developed economies began to strengthen which, although not enough to offset the lower growth contribution of developing economies, has meant a shift of monetary policy towards the withdrawal of financial stimulus and greater global financial stability.

GPD evolution



Source: International Monetary Fund (IMF) and Repsol Economic Research Department.

With respect to growth by region, in the United States the strong fiscal adjustment reduced growth by 1.9% year-on-year while domestic demand remained strong. Emerging economies, on average, grew at a rate of 4.7%, well short of the 6.2% growth of 2011. In some cases, this slowdown was caused by above potential growth and the subsequent reversion to reasonable levels. In other cases, population growth is creating bottlenecks in infrastructure, labour markets and investment, thus also contributing to the slowdown in many of these economies.

In the Eurozone, the adjustment policies implemented reduced major risks, stabilising financial conditions. Although growth in the periphery was limited by tight credit restrictions and weak domestic demand, there were significant advances in competitiveness and exports. The whole of the Eurozone returned to positive growth rates as from the second quarter of 2013, achieving a growth of around -0.4% for the whole year.

During 2013, the Spanish economy experienced a marked change compared to the past two years. The easing of tension in the European financial markets, together with the acknowledgement by supranational institutions of the country's domestic efforts has already resulted in improved confidence among the main economic players. While the signs of stabilisation are still at an early stage, corrections to the accumulated causes of imbalance and the structural reforms adopted encourage expectations of further stabilisation in economic activity. In this sense, the Spanish economy technically emerged from recession in the third quarter of 2013 with growth of 0.1% quarter-on-quarter.

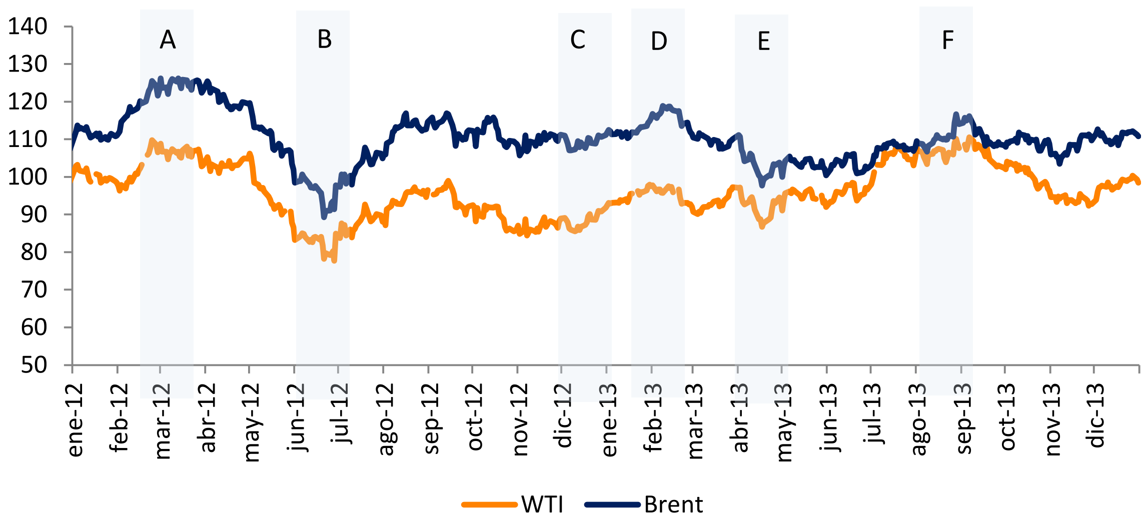
Recent developments in the Energy sector

With regard to the energy market, the fluctuations recorded in oil prices throughout 2013 were related to the health of global finances and geopolitical uncertainty. Along with these factors, the oil market in 2013 has been largely marked by the entry of new oil production from unconventional formations in the US and Canada, especially the former. We could conclude that without the increase in supply experienced by these North American countries (about 1.5 million barrels of total liquids per day), relaxing to a certain extent the fundamentals, the price fluctuations would have been greater. Thus, the interaction of all these factors defined two cycles throughout the year, each showing rises and subsequent declines in oil prices.

The first cycle saw a price increase during the first two months of the year, in response to positive economic data from the US, China and Germany, and in particular to the tension created in Algeria by the kidnapping of staff at a gas facility by radical Islamists. The downward phase of this first cycle lasted from February to mid-April, with a climate of prevailing pessimism in the data and the economic outlook of key economies.

The second cycle of prices began its upward trend with the aggravation of the civil war in Syria, after the use of chemical weapons. This price trend was reinforced by an improvement in the economic outlook and various geopolitical problems in Iraq and Libya, directly affecting oil supplies from these countries. The next downward phase of this second cycle, which began in mid-September, was mainly caused by the easing of geopolitical uncertainty, though still latent in Libya, and also, to a large extent by the uncertainty created by the possibility that the United States could start to curb the liquidity policy maintained for the past three years.

Milestones in the evolution of the price per barrel of Brent crude



Source: *Bloomberg* and Repsol Economic Research Department

A - Negotiation for the release of reserves. Negotiations between G5 + 1 and Iran over its nuclear program.
B - Good economic data and reduced production in the North Sea. Start of Iran oil sanctions.
C- Start of QE3 bond-buying in the US.
D- Doubts about the evolution of the European and Chinese economies.
E- Good economic data from the US and China. Rising geopolitical tensions in Syria.
F- Chemical disarmament agreement in Syria.

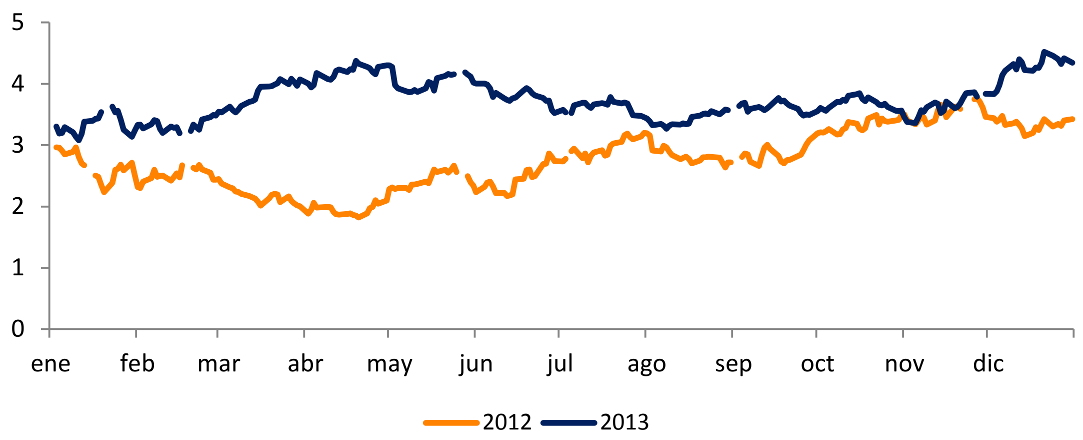
The average price of Brent crude (*Brent Dated*) in 2013 stood at $108.7 a barrel, while WTI (WTI *Spot*) averaged $ 98.05 per barrel in the same period. This year the spread between the two reference crudes has gone through two stages. In the first stage it went from over $20 in late January to $5 in late June, determined by the improved oil refining and transportation infrastructure that has helped decongest the oil hub of Cushing, Oklahoma in the US Midwest. In the second stage, the spread again extended above $13 per barrel in December, in response to the aforementioned sharp increase in the supply of US oil.

Gas Natural – Henry Hub

In 2013 Henry Hub gas prices averaged $3.65/MMBtu, representing an increase of over 30% over the previous year. Underlying market fundamentals are behind this increase, in particular an increase in demand due to a more intensive use of gas by industry and the residential sector in winter, along with a drop in supply. Total supply fell as a result of both a decline in domestic production (-0.8% year-on-year) and total imports (-7.1%), in a context of high inventory levels (historic highs) resulting from the increased production experienced in 2012.

Despite the increase of Henry Hub, the price remains low due to the boom in unconventional gas production (which already accounts for about half of total US gas production). At the end of 2013 there were five projects with permission to export LNG in the United States, with a combined export capacity exceeding 7 Bcm/year (approx 2% of the world LNG trade).

Evolution of Henry Hub prices



Source: *Bloomberg* and Repsol Economic Research Department.

Regarding the price of gas in Europe, the average net NBP (National Balancing Point) for gas in 2013 was $10.42 z/mmBtu, up by 12.5% compared to 2012. Like Henry Hub, the NBP has responded to inherent market fundamentals.

Evolution of exchange rate

The euro appreciated strongly during 2013 thanks to greater financial stability in the Eurozone and its improved economic prospects. Consequently, the EUR/USD rate averaged at 1.33 during 2013, compared to 1.28 last year, and recorded lower volatility.

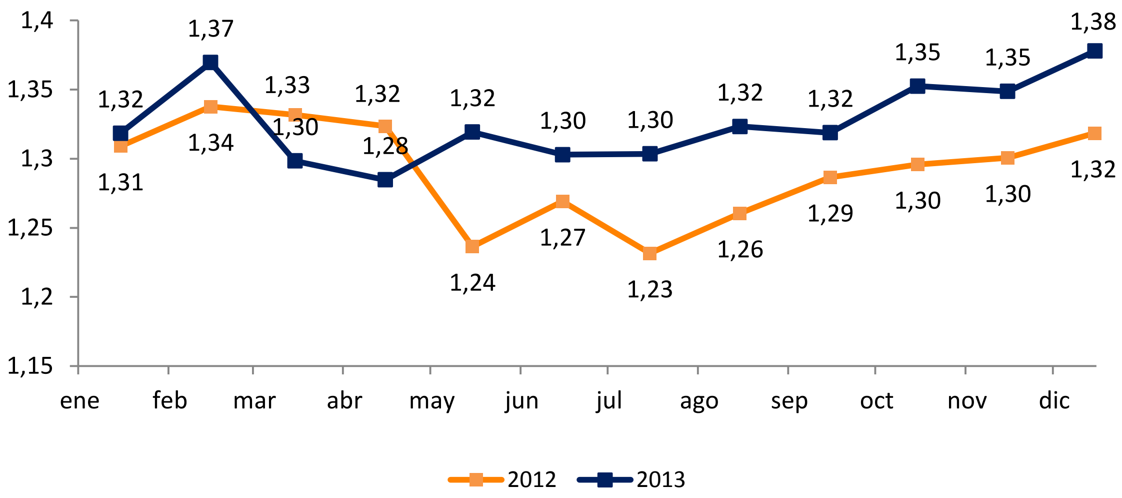
Improved confidence in the single currency was remarkable thanks to very strong statements from the ECB President, Mario Draghi, in July 2012 in which he reaffirmed the irreversibility of the euro, and the announcement shortly after of a program allowing the ECB to buy sovereign bonds if necessary. These measures prompted the return of capital to the Eurozone, progressively reducing risk premiums in the euro periphery and strengthening community currency.

Financial stability was also favoured by the progress of government fiscal adjustment plans and structural reforms. In particular, 2013 saw the recapitalisation of Spanish banks with the European credit line, and the emergence of Ireland from the Troika's bailout program.

The moment of greatest weakness for the single currency in 2013 was recorded in March, with the intervention of the Cypriot financial system. This involved losses for depositors at the island's second-largest bank, forcing the suspension of free movement of capital and the imposition of a bank freeze in Cyprus lasting several weeks. Despite the gravity of the situation, the financial instability was contained and did not seriously affect other member states of the monetary union.

In the light of lower inflationary pressures in the short and medium term, the ECB cut its benchmark rate, first in May and then in November from 0.75% to 0.25%, underscoring its commitment to keep interest rates low in the Eurozone for an extended period of time in order to support the economic recovery.

Evolution of the EUR/USD exchange rate (monthly closings)



Source: *Bloomberg* and Repsol Economic Research Department.

4. RESULTS, FINANCIAL OVERVIEW & OUR SHAREHOLDER REMUNERATION

RESULTS

Group adjusted results (see footnote) in 2013 and 2012 are as follows:

Millions of euros	2013	2012	% variation
Upstream	1,757	2,208	-20.4
LNG	959	535	79.3
Downstream	42	1,013	-95.8
Gas Natural Fenosa	889	920	-3.4
Corporate	(304)	(390)	22.1
Operating income	**3,343**	**4,286**	-22.0
Financial result	(814)	(857)	-5.0
Share of results of companies accounted for using the equity method-net of tax	122	117	4.3
Income before tax	**2,651**	**3,546**	**-25.2**
Income tax	(1,096)	(1,581)	-30.7
Net income for the period from continuing operations	**1,555**	**1,965**	**-20.9**
Net income for the period from continuing operations attributable to minority interests	(38)	(75)	-49.3
Net income for the period from continuing operations attributable to the parent	**1,517**	**1,890**	**-19.8**
Net income for the period from discontinued operations attributable to the parent	**(1,322)**	**170**	
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT	**195**	**2,060**	**-90.5**

NOTE: The results and other measures, variables or indicators identified as "adjusted" have been prepared considering that the quantities related to the LNG assets and businesses subject-matter of the sale (see section 5.3) form part of the results of continuing operations. APPENDIX I of this document includes an EU-IFRS compliant breakdown of the adjusted income reconciliation statement explained in this section.

From a macroeconomic point of view, the main factors that have influenced the evolution of the results in 2013 have been the sustained depreciation of the dollar against the euro and the weak global economic recovery. In this context, weak demand in southern Europe has negatively affected margins in the industrial business areas as well as domestic sales of our commercial businesses. With regard to our *Upstream* business, there has been an increase in production, despite production disruptions in Libya. In the LNG business, the sale of part of the Group's LNG assets to Shell was successfully completed, with a gain of €1,540 million. Finally, it should be noted that, applying a conservative valuation criteria, a significant effort has been made in the extraordinary write-downs of assets from the LNG and YPF businesses, with a global negative impact on results of €3,266 million before tax.

Operating income from continued operations in the first half of 2012 amounted to €3,343 million, which represents a decrease of 22% on the first half of 2012 (€4,286 million). Adjusted EBITDA reached 6,230 million euros in 2013, compared to 6,956 million euros for the year 2012.

Upstream operating income in 2013 amounted to €1,757 million, representing a decrease of 20.4% from €2,208 million in the same period of 2012. Increase in production due to the launch of the new key Strategic Plan projects (Lubina and Montanazo in Spain, Sapinhoá in Brazil, Mid-Continent in the US, *AROG* in Russia and Margarita in Bolivia), has been reduced by production disruptions lasting over 100 days in Libya. Additionally, results were negatively affected by higher exploration costs, higher depreciation resulting from the onset of production in the new projects and the depreciation of the dollar against the euro.

Downstream operating income in 2013 it was €42 million, representing a decrease of 95.8% compared to the same period in 2012, which included €195 million from the sale of the LPG business in Chile. The most notable factors in these results are the negative impact of the European economic crisis both on refining margins and sales margins and volumes of service stations in Spain. Additionally, stagnant demand and uncertainty about the growth of the economy have conditioned the outcome of the Chemicals division, which was also affected by the scheduled multiannual shutdown of the Tarragona facilities and the restructuring of certain assets and associated costs amounting to €108 million. Finally, the variations in prices of crude oil and other products have had a negative impact of €284 million. The improved result of the LPG business partially offset the above impacts.

In 2013, *Downstream*'s CCS operating income was € 326 million. The CCS income is calculated by valuing the cost of the crude oil and products at their replacement value (CCS) instead of at mean cost (MIFO), which is a difference of € 284 million as a result of changes to the prices of crude oil and of the products. The CCS income is a measure of income which is commonly used in the industry, although it is not accepted for accounting purposes according to European legislation.

The adjusted operating result for *LNG* in 2013 amounted to €959 million, representing an increase of 79.3%. The better results are mainly due to increased margins and volumes of LNG sold and the result obtained from the sale of LNG assets and business (see section 5.3) with a gain of €1,540 million. These results were partially offset by provisions for impairment losses (€1,410 million) recorded in relation to the assets in Canada, which, together with other assets and marketing businesses in North America, have not been transmitted (see section 5.3).

With regard to *Gas Natural Fenosa*, the operating income in 2013 was €889 million compared to €920 million for the same period last year. This downturn is owed primarily to lower results from the electricity business in Spain affected by new fiscal measures and regulations and reduced income from Unión Fenosa Gas, offset by higher wholesale gas marketing margins and better results in Latin America.

The *Corporation* section includes corporate operating costs and activities not attributable to operating areas, as well as inter-segment consolidation adjustments. A loss of €304 million was posted in 2013, against the €390 million net losses for 2012.

The net financial adjusted result in 2013 amounted to €814 million in spending, which represents a decrease in net spending of 5% over the same period last year, highlighting the positive impact on operating results of the repurchase of preferences shares, partially compensated by the negative exchange rate differences associated primarily with the euro/dollar positions.

Corporation adjusted tax amounted to €1,096 million in 2013, with an effective tax rate of 43% This is lower than the same period last year (46%) mainly due to declining results in businesses with a high tax burden, such as Libya.

The result from discontinued operations includes the liability for the shares of YPF S.A. and YPF Gas S.A. subject to the expropriation process and that were recorded in the balance sheet as “*Non-current assets held for sale subject to expropriation*". At year-end 2013, in accordance with the preliminary agreement announced by the Argentinian government and the basis for the negotiation process established by Repsol, the expropriated shares were revalued to adjust their recoverable value to an estimated $5,000 million. Therefore, an impairment in the value was recorded with a net impact on the results of €1,279 million.

As a consequence of the above measures, income in 2013 was €195 million, compared with the €2,060 million the previous year.

In 2013, recurring CCS net income, i.e. net income for the financial year, not including atypical results and taking into account product and crude oil costs at replacement value, was €1,823 million, 6.7% less than in 2012.

The difference between CCS recurring net income (€1,823 million), which is habitually used in the industry and the net accounting income (€195 million) is mainly explained by the following reasons:

- Adjustment to the value of the Group´s expropriated shares in YPF: - €1,279 million after tax

- Effect associated with the valuing of the crude oil and products at mean cost (MIFO), instead of at replacement costs (CCS): - €187 million after tax.

- Net effect of other non-recurring events, such as the sale of Liquefied Natural Gas (LNG) and the provisions and write-offs (LNG, Chemicals): - €162 million after tax.

Financial performance indicators for periods 2013 and 2012 are as follows:

PERFORMANCE INDICATORS	**31/12/2013**(1)	**31/12/2012**(1)
Return on equity (ROE)(2) (%)	5.6	7.4
Return on average capital employed (ROACE)(3) (%)	6.5	7.8
EBITDA (4)/Financial debt	64.5	57.4

(1) The numerator of financial ratios at December 31, 2013 and 2012 has been calculated from the results of continuing operations. Ratios of these periods including capital employed do not incorporate any YPF amounts.
(2) ROE is the result attributed to the parent company after tax / average equity attributed to the parent company.
(3) ROACE is the (result attributed to the parent company + result attributed to minority interests + financial result after tax) / (equity + preference shares + average net debt for the period).
(4) EBITDA: represents operating income adjusted for items that do not result in cash inflows or outflows from operations (depreciation and amortisation, allowances and provisions released, profit/loss from asset sales and other items), and is calculated following the guidelines stated at the beginning of this section.

FINANCIAL OVERVIEW

In 2013, Repsol has continued its policy of financial prudence, which has allowed it to maintain access to the markets and a high credit rating while financing the investment program, the preference shares buy-back plan and attractive shareholder remuneration, to name just a few.

Preference Shares

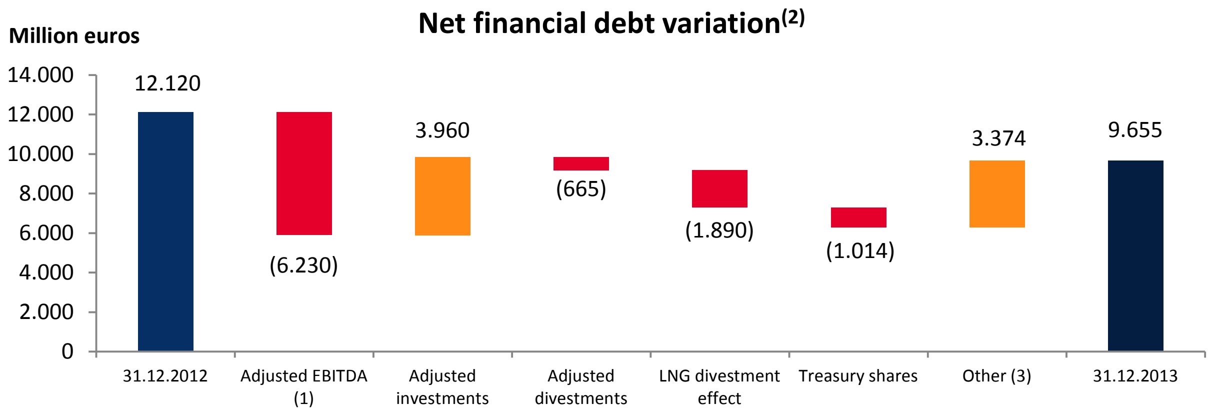
On 31 May 2013 the Board of Directors of Repsol International Capital Ltd (RIC) and Repsol, S.A. agreed, in their respective jurisdictions, to launch an operation consisting in a voluntary Tender Offer for the Repurchase of the Preference Shares in cash issued by RIC, simultaneously linked to the public offer for the subscription of bonds of Repsol S.A. addressed to the holders accepting the Repurchase Offer. RIC paid €2,843 million in cash (97.21% of the nominal) to the acceptants of the Repurchase Offer, of which €1,458 million were applied to the subscription of Repsol S.A. bonds that were admitted to trading on 2 July.

On the other hand, on 16 April 2013 the Board of Directors of Gas Natural authorised the launch of an offer to buy preference shares issued on 20 May 2003 by its group company Union Fenosa Financial Services USA, LLC, that on 20 May 2013 resulted in a lump sum payment amounting to €162 million (corresponding to Repsol's percentage stake in that group) to acceptors of that offer (88.56% of the total nominal amount of the issue).

For more information regarding the financial effects of the transaction, see the *Preference Shares* section of Note 18 in the Group’s audited consolidated financial Statements for the financial year ended 31 December 2013.

Indebtedness

The Consolidated Group's net financial debt at the end of 2013 was €9,655 million compared to €12,120 million at the end of 2012. The evolution of net financial debt in 2013 is described below:



(1) Adjusted EBITDA: represents operating income adjusted for items that do not result in cash inflows or outflows from operations (depreciation and amortisation, allowances and provisions released, profit/loss from asset sales and other items).
(2) See Note 19.2 "Capital Management" in the in the Group's audited consolidated financial Statements for the financial year ended 31 December 2013, which describes the composition of net debt.
(3) "Others" include the following items: i) €1,279 million of income tax payments, ii) €145 million in payments for operational activities, iii) €528 million of dividends and other remuneration to shareholders and iv) €902 million in net interests.

The Group's net financial debt excluding Gas Natural Fenosa, i.e. excluding the financial debt relating to this company, was €5,358 million, compared to €7,432 million for the previous period.

The reduction in net debt in the period was mainly motivated by the impact of the sale of LNG assets within the period.

Main financing operations

The main financing operations of Repsol Group during 2013 were as follows:

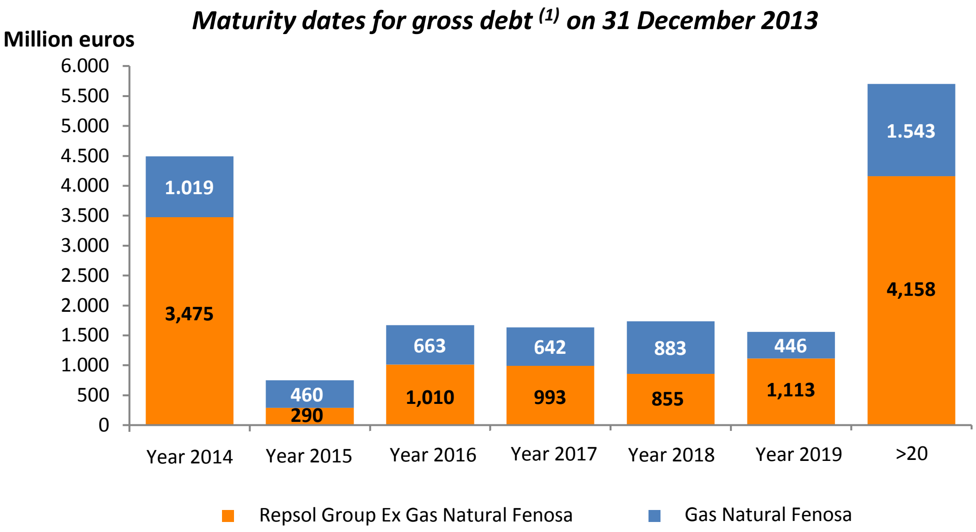
CONCEPT	ISSUER	CURRENCY	NOMINAL[1] (millons)	RATE	DATE	TERM
Bonds	Gas Natural Fenosa	Euro	90	2.310%	April	4 years
Loan	Gas Natural Fenosa	Euro	225	n/d	October	5 years
Bonds	Gas Natural Fenosa	Swiss franc	60	2.125%	January	6 years
Bonds	Repsol International Finance, B.V	Euro	1,200	2.625%	May	7 years
Bonds	Gas Natural Fenosa	Euro	150	3.5%	October	7,5 years
Bonds	Repsol International Finance, B.V	Euro	1,000	3.625%	October	8 years
Bonds	Gas Natural Fenosa	Euro	225	3.875%	April	9 years
Bonds	Gas Natural Fenosa	Euro	180	3.875%	January	10 years
Loan	Banco Europeo de Inversiones	Euro	200	Euribor 3M +1.402%	May	10 years
Bonds	Repsol, S.A.	Euro	1,458	3.50%	July	10 years
Bonds	Gas Natural Fenosa	NOK	31	3.974%	July	10 years

[1] Amounts corresponding to Gas Natural Fenosa Group issues shows Repsol's % of participation in that Group.

Additionally during 2013, the Group issued short-term European commercial paper amounting to €1,382 million nominal, $430 million and 20 million Swiss francs nominal under a Euro-Commercial Paper Programme (ECP) Through Gas Natural Fenosa, and its ECP Program, issues totalling €481 million were released in 2013 (amount in proportion to the Group taking into account the percentage of Repsol's stake in Gas Natural Fenosa).

Maturity dates for gross debt.

As a result of this information, the maturity date profile of the existing financial debt at year-end is as follows:



(1) Includes preference shares, exchange rate derivatives and interest.

Financial prudence

Repsol holds sufficient available cash resources and other liquid financial instruments, including undrawn lines of credit, to cover the debt maturities for at least the next five years, and covering 72% of its entire gross including preference shares. In the case of Repsol, excluding Gas Natural Fenosa, these same resources cover 78% of gross debt.

Further information; see Note 19 in the Group Consolidated Financial Statements as "Liquidity risk".

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.

	December, 31st			
INDICATORS OF FINANCE SITUATION	**Consolidated Group**		**Consolidated Group ex Gas Natural Fenosa**	
Amounts in millions of euros, except ratios	**2013**	**2012**	**2013**	**2012**
Net financial debt with preference shares	9,655	12,120	5,358	7,432
Total capital employed (1)	37,575	39,592	32,806	34,426
Net financial debt / total capital employed (1)	25.7%	30.6%	16.3%	21.6%

(1) Includes Net Capital employed coming from discontinued operations.

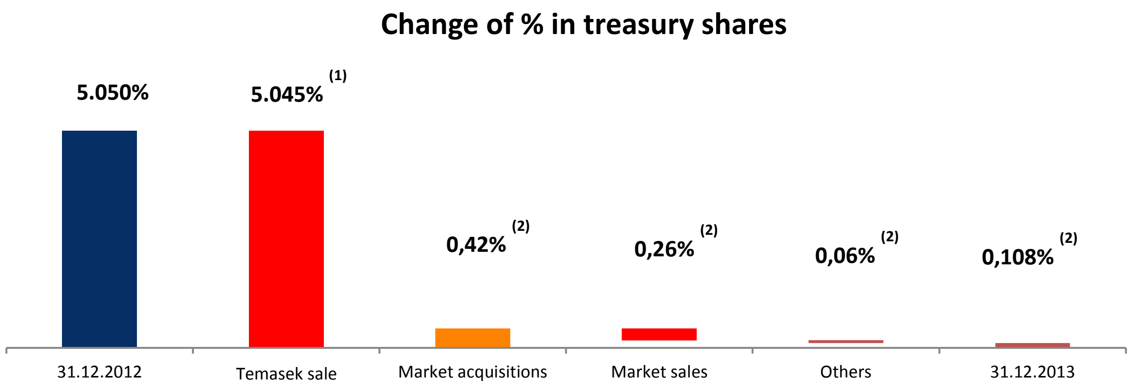
Credit rating

Repsol S.A.'s current credit rating is as follows:

TERM	STANDARD & POOR'S	MOODY'S	FITCH RATINGS
Long-term	BBB-	Baa3	BBB-
Short-term	A-3	P-3	F-3
Outlook	Stable	Stable	Stable
Latest data review	22/06/2012	01/03/2013	31/01/2013

Treasury shares and own equity investments

Below is a description of the evolution in the percentage of treasury shares in relation to Repsol's share capital, attending to the nature of its sale or acquisition that on 31 December 2013 represented 0.108% of the Group share capital (calculated over Repsol share capital post *scrip dividend* in January 2014).



(1) % calculated over the share capital prior to sale.

(2) % calculated as the number of shares over Repsol share capital post *scrip dividend* of January 2014.

The aforementioned acquisitions were carried out by virtue of the powers that the General Shareholders' Meeting of April 30, 2010 vested in the Board of Directors.

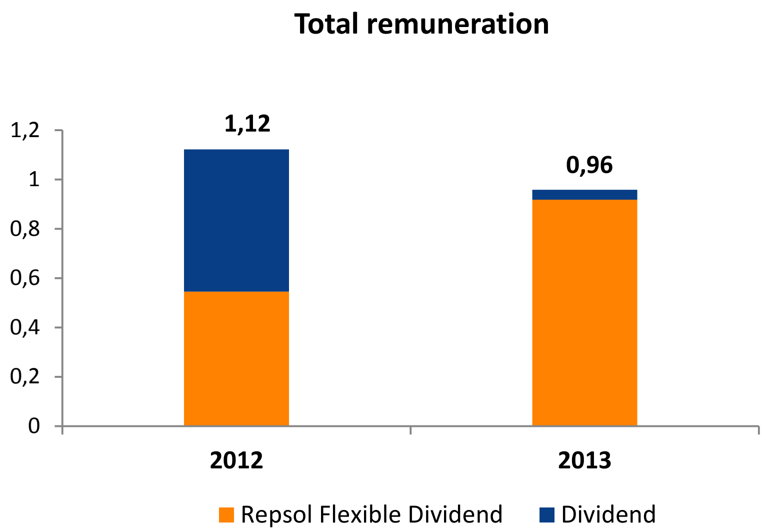
Among the operations performed with treasury shares in the period was the acquisition on 4 March 2013 of 64.7 million Repsol shares held in treasury by the Singapore investment company Temasek, representing 5.045% of the capital, at a price of 16.01 euros per share and resulting in the payment to Repsol of €1,036 million. For further information, see Note 14.4 "Treasury shares and equity interests" of the Group's Consolidated Financial Statements.

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 2013 and 2012, including cash dividend and script dividend under the “Repsol Flexible Dividend” program, was as follows:



The remuneration shown in the table for 2012 includes the dividend for 2011 of € 0.5775 gross per share paid in January 2012 and the amount of the irrevocable undertaking to purchase free assignment rights made by Repsol in the capital increase concluded in July 2012 (€ 0.545 gross per right), under the "Repsol Flexible Dividend" program.

The remuneration of 0.96€/share for 2013 includes the amount of the irrevocable undertaking to purchase free assignment rights made by Repsol in the two capital increases concluded in January and July 2013 (0.473 and 0.445 euros gross per right), 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, with an equivalent of € 833 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 2014 of € 232 million (€ 0.477 gross per right) to those shareholders who chose to sell their free assignment rights to the Company, and distributed 22,044,113 shares, with an equivalent value of € 389 million, to those who chose to receive new shares in the Company.

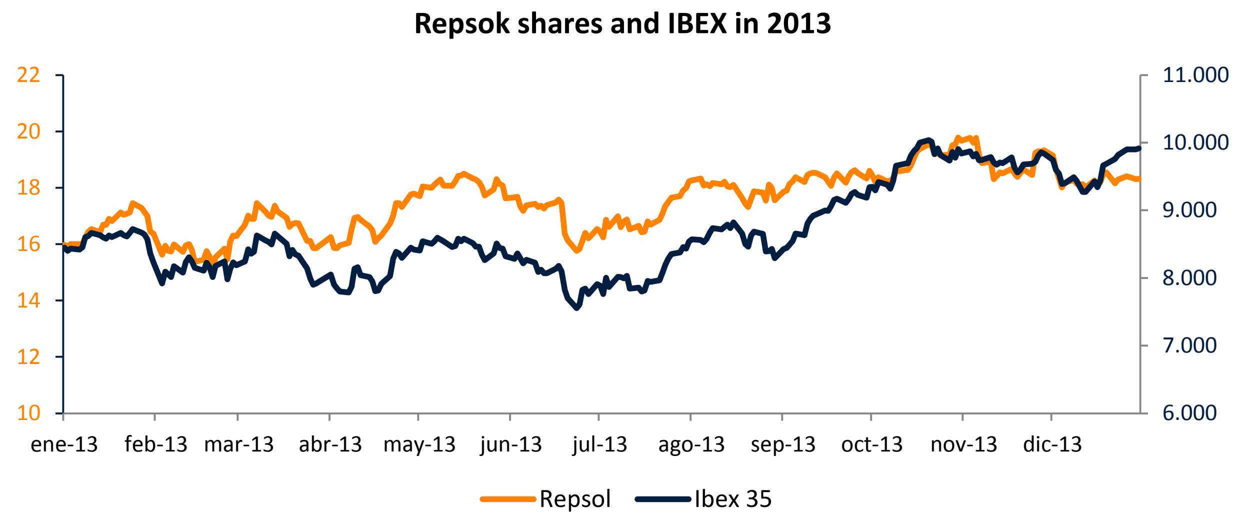
Lastly, on the date on which the Annual Accounts are completed, within the “Repsol Flexible Dividend” program, and to replace the traditional complementary dividend for the financial year, the Board of Directors will propose to the next Ordinary General Shareholders Meeting a capital increase to be charged to reserves from retained earnings equivalent to a shareholder return of approximately 0.50 euros per share.

For additional information on the total remuneration received by shareholders, the aforementioned capital increases issued under the "Repsol Flexible Dividend" program, see sections 6 *Shareholder remuneration* and 1 *Share Capital* of Note 14 "*Net Equity*" of the consolidated financial statements of the Group for the financial year 2013.

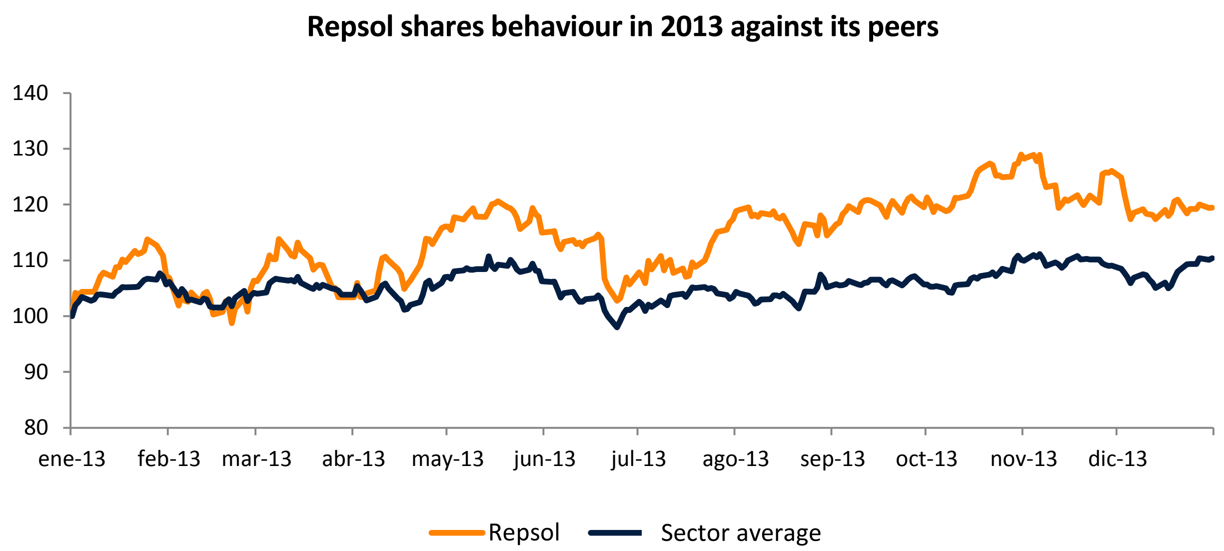
Our shares

Overall 2013 has been positive for the Spanish stock markets, closing the year with revaluation of the Ibex index of 21.4%. This increase is mainly due to a change in the perception of the Spanish economy by investors. The risk premium fell 170 points during the year and the interest on Spanish debt fell from 5.26% to 4.14%, showing that the market considers the political reforms and stability as positive signals for investing in Spanish companies.

Repsol shares have experienced a very similar progress to the Íbex, as shown in the following chart, with an increase of 19.5%:



Compared to the sector, Repsol shares have performed better than the average of its European peers. European companies in the sector have raised an average of 10.4%, while Repsol shares, as mentioned above, have risen by 19.5%.



Note: sector average include Repsol, BP, ENI, Total, RDS (B), OMV and Statoil

The main stock-exchange indicators of the Group during the years 2013 and 2012 are detailed bellow:

MAIN STOCK EXCHANGE INDICATORS	2013	2012
Share price at close of financial year[2] (euros)	18.3	15.3
Average share price (euros)	17.5	16.2
Maximum price for the period (euros)	19.8	24.1
Minimum price for the period (euros)	15.1	11
Market capitalisation (million euros) [1]	23,861	19,263
PER[3] (euros)	122.1	9.3
Dividend yield [4] (%)	6.0	4.7
Shareholders' equity per share [5]	21.29	21.48

(1) Corresponds to the trading price per share at closing multiplied by the number of outstanding shares (million euros).
(2) This item represents the quoted year-end price per share in the Continuous Market of the Spanish Stock Exchanges.
(3) PER is the closing quoted share price for the period / earnings per share attributed to the parent company.
(4) Corresponds to the dividend per share according to the quotation at the beginning of the period.
(5) Corresponds to the Equity / average number of shares outstanding at closing.

5. *PERFORMANCE OF OUR BUSINESS AREAS*

5.1) UPSTREAM

Our activities

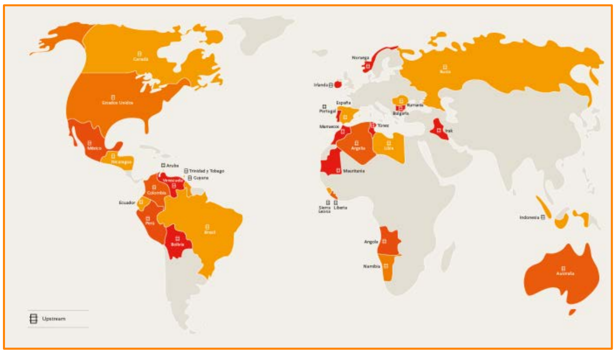
The Repsol *Upstream* Division includes oil and natural gas exploration and production, and the company manages its project portfolio in order to achieve profitable, diversified and sustainable growth with a commitment to safety and the environment. The exploration and production activities are:

- **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**: 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

	2013	2012
UPSTREAM:		
Net non-developed acreage (Km^2)	223,363	221,228
Net developed acreage (Km^2)	880	935
Reserves of crude oil, condensate and LPG (Mboe)	422	428
Natural Gas Reserves (Mboe)	1,093	866
Proven Reserves Replacement Ratio (%)	275	204
Reserve replacement cost (three-year average) ($/boe) (1)	11.5	12.3
Net production of hydrocarbons day (boe/d)	346	332
Average crude realisation price ($/bbl)	88.7	89,0
Average gas realisation price ($/boe)	22.5	20.9
Extraction cost (2) (net lifting cost - $/Boe)	5.0	3.8
Finding cost (three-year average) ($/boe) (3)	6.0	9.0

(1) Finding cost: (Investments Acreage Acquisition+Exploration)/Discoveries and Extensions
(2) Reserve replacement cost: Total Investment(ex. Gas Storage, Liquefaction, Regasification and Other Investments) /Addition of Net Reserves (without Reserves Sales)
(3) Net Lifting Cost: Lifting Costs / Net Production



Our vision for the future

Exploration and production activities are our growth engine. In this area, strategy is based on the increase of production and reserves, maintaining our intense exploratory activity, geographical diversification, operative excellence and maximization of assets return.

Our performance in 2013

Millions of euros **Operating income**	**2013**	**2012**	**Variation 2013/2012**
North America and Brazil	205	380	-46.05%
North Africa	752	1,298	-42.06%
Rest of the world	800	530	50.94%
Total	**1,757**	**2,208**	**-20.43%**
Investments (1)	**2,317**	**2,423**	**-4.37%**

(1) Development investments represented 71% of the total (34% U.S.A., 17% Venezuela, 15% Brazil, 12% Trinidad and Tobago, 9% Bolivia y 5% Peru).Exploration investments represented 24% (26% U.S.A., 21% Brazil, 9% Norway, 8% Canada, 8% Iraq y 7% Ireland)

Main events of the period

- Commercial exploitation starts in Sapinhoá field, located in the Brazilian pre-salt region (Ja
çnuary).
- The creation of the AROG joint venture process was completed between Alliance Oil (51%) and Repsol (49%) in Russia (January).
- Start of production in Syskonsyninskoye (SK) in Russia (February).
- Gas discovery in the SE Illizi block in Algeria, as well as three discoveries in the Alaska North Slope (April).
- Discoveries at the BM-S-50 deepwater block of the Santos Basin in Brazil, at the Karabashsky-2 block in Russia and the Cosecha block in Colombia (June).
- Six new exploration licenses in Norway (H1) (first semester).
- Launch of phase II of the Margarita-Huyaca project in Bolivia (October).
- Oil discovery in Libya in block NC115 (October).
- The seventh generation drill ship "Ocean Rig Mylos" began drilling in Brazil (November)
- Production stops in Libya due to problems not associated with the operation (H2).
- Entry into two new countries: Nicaragua and Romania
- Commissioning of new gas well in Margarita-Huacaya in Bolivia (December).
- Declaration of commercial viability applied for at the Carioca

field in the deep waters of the Santos Basin in Brazil (December).

5.1.1. UPSTREAM MAIN ACTIVITIES

EXPLORATION AND DEVELOPMENT

At year-end 2013, Repsol's *Upstream* division was involved in oil and gas exploration and production blocks in 31 different countries, either directly or through investee companies. The company was the operator in 25 of these.

The tables below display information on Repsol's acreage and exploration and development activities by geographical area:

	Developed and non-developed acreage 2013			
	Developed (1)		Undeveloped (2)	
(km2)	Gross (3)	Net (4)	Gross (3)	Net(4)
Europe	**22**	**17**	**64,677**	**32,649**
South America	**1,862**	**513**	**119,074**	**60,741**
Brazil	98	8	3,659	468
Peru	167	17	38,814	15,974
Trinidad and Tobago	180	66	7,972	3,327
Venezuela	777	186	2,214	667
Other countries in South America	640	237	66,415	40,306
North America	**866**	**69**	**40,249**	**11,029**
Africa	**643**	**175**	**152,024**	**82,204**
Asia	**215**	**105**	**42,905**	**24,192**
Oceania	-	-	**12,548**	**12,548**
Total	**3,608**	**880**	**431,477**	**223,363**

(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 (2)				Gross acreage (km2) (1)				Net acreage (km2) (2)			
	Development		Exploration		Development		Exploration		Development (3)		Exploration	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Europe	**10**	**12**	**49**	**41**	**399**	**468**	**64,301**	**41,578**	**332**	**389**	**32,334**	**18,170**
South America	**51**	**50**	**20**	**27**	**17,294**	**17,047**	**103,642**	**86,833**	**5,724**	**5,685**	**55,531**	**41,301**
Brazil	3	2	4	10	956	723	2,801	6,161	113	78	363	1,219
Peru	2	2	5	5	2,020	2,020	36,961	36,961	202	202	15,789	19,017
Trinidad and Tobago	7	7	1	-	5,579	5,579	2,574	-	2,363	2,363	1,030	-
Venezuela	8	8	-	1	2,990	2,980	-	518	853	849	-	207
Other countries in South America	31	31	10	11	5,749	5,745	61,306	43,194	2,193	2,193	38,350	22,858
North America	**7**	**7**	**517**	**474**	**18,208**	**1,157**	**22,908**	**27,504**	**2,009**	**559**	**9,089**	**9,791**
Africa	**4**	**5**	**34**	**37**	**12,059**	**12,274**	**140,607**	**172,166**	**2,564**	**2,692**	**79,815**	**107,470**
Asia	**16**	**14**	**21**	**20**	**2,076**	**1,404**	**41,043**	**35,612**	**1,017**	**1,181**	**23,280**	**22,376**
Oceania	**-**	**-**	**1**	**1**	**-**	**-**	**12,548**	**12,548**	**-**	**-**	**12,548**	**12,548**
Total	**88**	**88**	**642**	**600**	**50,036**	**32,351**	**385,049**	**376,242**	**11,647**	**10,506**	**212,596**	**211,657**

(1) Gross acreage is the area where Repsol owns a working interest. Net acreage is the sum of the gross area in each acreage according to their respective working interests.
(2) The number of active blocks excludes unconventional Mississippian Lime assets in the United States.
(3) Includes development and in production acreage.

	Finished and ongoing exploratory wells									
	Positive		Negative		Under evaluation		Total		Ongoing	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Europe	**-**	**-**	**4**	**1**	**-**	**-**	**4**	**1**	**-**	**-**
Latin America	**2**	**4**	**6**	**5**	**-**	**1**	**8**	**10**	**-**	**4**
Brazil	1	1	4	1	-	1	5	3	-	4
Peru	-	1	-	1	-	-	-	2	-	-
Trinidad and Tobago	-	-	-	-	-	-	-	-	-	-
Venezuela	-	-	-	-	-	-	-	-	-	-
Other countries in South America	1	2	1	2	-	-	2	4	-	-
Central America	-	-	1	1	-	-	1	1	-	-
North America	**3**	**-**	**1**	**1**	**-**	**2**	**4**	**3**	**-**	**-**
Africa	**2**	**1**	**3**	**1**	**-**	**2**	**5**	**4**	**2**	**1**
Asia	**1**	**-**	**1**	**-**	**-**	**-**	**2**	**-**	**2**	**-**
Oceania	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**8**	**5**	**15**	**8**	**-**	**5**	**23**	**18**	**4**	**5**

	Finished development wells							
	Positive		Negative		Under evaluation		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Europe	-	-	-	-	-	-	-	-
South America	**95**	**75**	**6**	**5**	**6**	**4**	**107**	**84**
Brazil	4	1	-	1	-	-	4	2
Peru	1	3	-	1	-	-	1	4
Trinidad and Tobago	5	4	-	-	2	1	7	5
Venezuela	29	20	-	1	1	1	30	22
Other countries in South America	56	47	6	2	3	2	65	51
Central America	-	-	-	-	-	-	-	-
North America	**406**	**254**	-	**1**	**1**	**5**	**407**	**260**
Africa	**23**	**2**	-	-	-	-	**23**	**2**
Asia	**31**	**4**	**2**	-	**6**	-	**39**	**4**
Oceania	-	-	-	-	-	-	-	-
Total	**555**	**335**	**8**	**6**	**13**	**9**	**576**	**350**

PRODUCTION AND RESERVES

Average production in 2013 (346 Kboe/d) has been 4% higher than in 2012 (332 Kboe/d). The start-up of five of the ten major projects and the reduction in stoppages in Trinidad and Tobago have compensated for the interruption in production in Libya (which stopped for over 100 days) and the sale of 20% of block 16 in Ecuador. If Libya had operated normally, average production in 2013 would have been 8% higher than in 2012. Production was restarted in Libya on the 4th January 2014.

	Net production of liquids and natural gas by geographical area					
	2013			2012		
	Liquids	Natural gas	Total	Liquids	Natural gas	Total
	(Mbbl)	(bcf)	(Mbep)	(Mbbl)	(bcf)	(Mbep)
Europe	**2**	**1**	**3**	**1**	**2**	**1**
South America	**24**	**395**	**94**	**24**	**372**	**90**
Brazil	3	*	3	2	*	2
Peru	4	40	11	3	39	10
Trinidad and Tobago	4	253	49	4	240	47
Venezuela	5	47	13	5	48	13
Other countries in South America	8	54	18	10	45	18
North America	**10**	**9**	**11**	**10**	**5**	**11**
Africa	**11**	**11**	**13**	**17**	**12**	**19**
Asia	**4**	**8**	**5**	**1**	**-**	**1**
Total net production	**51**	**424**	**126**	**52**	**391**	**122**

(*) Production value between 0 and 1.

	Productive Wells by geographical área			
	Oil		Gas	
	2013	2012	2013	2012
Europe	**10**	**9**	**1**	**1**
South America	**1,098**	**1,083**	**180**	**166**
Brazil	17	16	-	-
Peru	-	-	20	21
Trinidad and Tobago	97	96	47	48
Venezuela	366	333	25	23
Other countries in South America	618	638	88	74
North America	**811**	**304**	-	**-**
Africa	**248**	**240**	**83**	**83**
Asia	**362**	**332**	**7**	**-**
Oceania	-	**-**	**-**	**-**
Total	**2,529**	**1,968**	**271**	**250**

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, 2013, 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	100,00%	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	30,00%	Productive	NO	L-G
Trinidad and Tobago	TSP	70,00%	Productive	O	L-G
Trinidad and Tobago	5B Manakin	30,00%	Development	NO	L-G
Rest (South America)					
Brazil	BM-S-9 (Sapinhoá)	15,00%	Productive	NO	L
Brazil	Albacora Leste	6,00%	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	--
Ecuador	Block 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%	Development	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%	Development	O	L
North America	---	---		---	---
United States	Shenzi	28,00%	Productive	NO	L-G
United States	Mississippian Lime	7,42%	Productive	NO	L-G
Africa					
Argelia	Tin Fouyé Tabenkor (TFT)	30,00%	Productive	O	L-G
Argelia	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	--
Russia	SNO	49,00%	Productive	O	L
Russia	TNO	49,00%	Productive	O	L

Average realization price for crude oil and gas by geographical region

	At December 31, 2013		At December 31, 2012	
	Average crude oil realization price	Average gas realization price	Average crude oil realization price	Average gas realization price
	($/Bbl)	($/Boe)	($/Bbl)	($/Boe)
Europe	108.12	63.27	110.13	65.11
South America	82.18	22.41	75.99	20.43
North America	102.36	28.78	103.80	37.43
Africa	108.51	-	110.33	-
Asia	60.13	10.69	65.15	-
Oceania	-	-	-	-
TOTAL	**88.68**	**22.46**	**88.96**	**20.87**

Note: source data in dollars converted at the accumulated average dollar/euro exchange rate for the period in question.

Reserves

At year-end 2013, 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 1,515 Mboe, of which 422 Mboe (27.8%) relate to crude oil, condensate and liquefied gases, and the remaining 1,093 Mboe (72.2%) to natural gas.

	Proven reserves	
Millions of barrels of oil equivalent	2013	2012
Europe	4	5
South America	1,287	1,033
North America	46	53
Africa	139	152
Asia	39	51
Oceania	-	-
TOTAL	**1,515**	**1,294**

In 2013, the development of these reserves was positive, with a total incorporation of 347 Mboe, mainly from the Cardón IV Project in Venezuela, incorporations in BPTT in Trinidad and Tobago reviews in Blocks 56 and 88 in Peru. In 2013, the company achieved a proven reserves replacement ratio (measuring total additions of proven reserves over the period relative to production for the period) of 275% for crude oil, condensate, LPG and natural gas (87% for crude oil, condensate and LPG, and 401% for natural gas), which improves the good ratios obtained in 2012 (204%) and 2011 (162%), adding resources that strengthen their future growth.

5.1.2. ACTIVITIES IN THE MAIN GEOGRAPHIC LOCATIONS

Noth America

<table>
<tr><td>Canada</td><td>

In early 2013, Repsol was awarded a new offshore exploration block in the NL12-02-Flemish Pass Exploration Round. The EL-1134 block was awarded to a consortium in which Repsol holds a 25% stake. The block is located in the Southern Flemish basin.
The entry of this new exploration block to join existing ones, demonstrates Repsol's commitment to create a portfolio of projects in the Canadian offshore area, in line with its strategy of geographical diversification and growth in OECD countries.

</td></tr>
</table>

<table>
<tr><td>EE.UU.</td><td>Repsol's diversified portfolio of projects in the United States, comprised of assets in production and exploration projects of great significance, both onshore and offshore, positions this country as one of the major strategic growth areas for the company. Repsol has a stake in 500 blocks in the US, along with the Mississippian Lime assets.</td></tr>
<tr><td colspan="2">In the Gulf of Mexico, Repsol won the award in Exploration Round 227 held in March 2013, for two new exploration blocks. The offshore blocks are Green Canyon 581-GC in which Repsol holds 40% and Atwater Valley-AT 172 with a 100% stake.</td></tr>
<tr><td colspan="2">In April 2013, Repsol announced three oil discoveries in Alaska during the 2012-2013 exploration campaign. The wells Qugruk 1 (Q-1) and Qugruk 6 (Q-6) showed hydrocarbons at two levels, whereas in the Qugruk 3 (Q-3) hydrocarbons were found at multiple levels. The exploration and evaluation work will continue during the winter 2013-2014. Repsol is the operator of the exploration consortium with a 70% stake.</td></tr>
<tr><td colspan="2">In Alaska, Repsol was officially awarded the 41 blocks previously announced as the highest offer in the NS-2012W and BS-2012W rounds of North Slope of Alaska in November 2012.</td></tr>
<tr><td colspan="2">The areas of unconventional resources in the Mississippian Lime reservoir, located between the states Kansas and Oklahoma, in which Repsol holds a stake after an agreement ratified in 2012 with US oil firm SandRidge Energy, continued operating in 2013 with an intense drilling campaign of more than 400 producing wells drilled during the year.</td></tr>
<tr><td colspan="2">At the productive asset of Shenzi, located in deepwater Gulf of Mexico and where Repsol has a 28% stake, saw the drilling of two development wells and a new well was started. There currently are 16 production wells (14 at the Shenzi platform and two at the Marco Polo platform) and four injection wells have been drilled, including two in 2013.</td></tr>
<tr><td colspan="2">In the first half of 2013, a second appraisal well was drilled at the Buckskin discovery, which is scheduled for completion in early 2014.</td></tr>
</table>

Latin America

Brazil

The exploration discoveries made in Brazil in recent years, the emerging development projects and the partnership between Repsol (60%) and China's Sinopec (40%), creating the company Repsol Sinopec Brazil, reinforce the company's strategy in the Brazilian offshore, one of the largest areas of growth in hydrocarbon reserves in the world and a key growth area for Repsol *Upstream*. The company has a large and diversified portfolio of assets in Brazil, including the Sapinhoá and Albacore Leste productive fields and assets in the BM-S-9 and BM-C-33 blocks with major discoveries made in recent years.

- In January 2013 production began at the Sapinhoá field with the first production well in the southern area, in the BM-S-9 block in the deepwater pre-salt layer of the Santos Basin. Repsol Sinopec Brazil has a 25% stake. The production of this high quality crude oil is taking place in the south area through the floating platform that produces, stores and transfers the oil to another vessel (FPSO) "Cidade de São Paulo" with capacity to process 120,000 barrels of oil per day and 5 million cubic meters of gas. Within the complete development plan for the area, the platform will connect to new production wells and is expected to reach a total production of 120 kbbld of oil. In a second phase of development in the north area of the Sapinhoá Field, the FPSO "Cidade de Ilhabela" will be installed with a daily production capacity of 150,000 barrels of oil and 6 million cubic meters of gas.

- In 2013 production tests were performed (EWT) in Sapinhoá Norte in the BM-S-9 block connecting with the FPSO Cidade de São Vicente platform. The tests gave very positive results and produced high quality oil.

- In June 2013 a major oil discovery was made by the Sagittarius exploratory well in block BM-S-50 in the deepwater Brazilian pre-salt layer of the Santos Basin. This is the first well drilled in block BM-S-50. The company IHS included it in its list of the world's ten largest discoveries in the first half of 2013. Repsol Sinopec Brazil has a 20% stake in this block.

- The seventh generation drill ship "Ocean Rig Mylos" arrived in Block 33 in the Campos offshore field in Brazil in late October 2013 and began its drilling activities in November. This rig is one of the most modern and safest in the world and can be used for drilling in water depths of up to 3,700 m. Repsol chartered the rig in 2012 for a period of three years with an option to extend for two more. Initially, the evaluation plan for Block 33 will be implemented. Block BM-C-33 is operated by Repsol Sinopec Brasil (35%), in partnership with Statoil (35%) and Petrobras (30%).

- In 2013 work continued on the appraisal plan and the design of the future development of the Carioca project in block BM-S-9. A formation test (TFR) was performed in Carioca Norte and Carioca SW was drilled with very positive results.
  In December 2013 an application for the Declaration of Commercial Viability of the Carioca field was submitted to the Brazilian authorities (ANP), including the northeast and southwest areas of the Evaluation Plan and returning the southeast area including the Abaré, Abaré West, Iguazú North Iguazú South prospects.

Bolivia

- In October 2013 the President of Bolivia and Chairman of Repsol inaugurated the expansion of a gas processing plant as part of the second phase of Margarita-Huacaya development project. The plant's capacity was increased, with a current gas production of 14 million cubic meters per day. The Margarita-Huacaya development plan is one of the key growth projects described in the 2012-2016 Strategic Plan. In its final phase the development plan for the area includes the drilling of four wells, two of which have already been completed and the implementation of seismic 2D and 3D data surveys, which will lead to further production increases.

- To incorporate the new wells to the production system, in 2013 the construction of 29 km of pipeline was completed and the Villamontes compressor station was expanded.

- The project is operated by Repsol, with a 37.5% stake.
- In December 2013 production began at the Margarita 6 well with six million cubic metres of gas per day. This well is the second to enter production, out of four in the second phase of the Margarita-Huacaya project and allows total production at Margarita-Huacaya to increase to 15 million cubic metres of gas per day.

Peru	• In 2013 the supply of natural gas from Peru LNG liquefaction plant, from the region of the Camisea field, where Repsol has a 10% interest in blocks 56 and 88, continued normally. In these blocks the Cashiriari and San Martín fields are under production, and production is intended for the local market and to supply the Peru LNG liquefaction plant.
	• The Kinteroni field in block 57 was ready to start production in 2013, pending the settlement of outstanding trade issues. The Kinteroni field is located in central-eastern Peru, east of the Andes, in the Ucayali-Madre de Dios basin.
	• In mid-2013 the Peruvian authorities announced the resumption of the extension work being carried out in the Camisea pipeline, which will increase its current capacity from 1230 to 1540 cubic feet per day. The pipeline is operated by Transportadora de Gas del Perú (TGP) where Repsol has a 10% stake. At the end of January 2014, an agreement was signed with Enagás for the sale of 10% of Repsol's holding in the TGP gas pipeline; completion is subject to compliance with conditions precedent. This operation is in line with the goal of divestment of non-strategic assets as outlined in Repsol's 2012-2016 Strategic Plan (see Note 37 *Subsequent Events* in the Consolidated Annual Accounts for 2013).

Venezuela	• In the gas development project at the Perla field in the Cardon IV block, Gulf of Venezuela, the consortium (where Repsol has a 32.5%) continued to progress in 2013. This project contemplates three Phases depending on the volumes of non-associated natural gas to be produced (150, 450 and 800 Mscfd). Additionally, there is an estimation of one last Phase and reach 1,200 Mscfd. The first 150 Mscfd phase is estimated to start producing by the end of 2014. • In 2013 the detailed engineering work for the onshore processing plant was performed, the contract to supply equipment for the plant was awarded and the contract for its construction was signed. In addition the EPC contract (Engineering, Procurement and Construction) was awarded for the construction of the offshore facilities, work progressed on the installation of the production pipeline (sea-to-coast), the rig contract was awarded, the earthmoving works were performed and the detailed engineering of the condensate tanks began.
	• In 2013 progress was made in the development work of the Carabobo heavy oil project, another key growth project in Venezuela and where Repsol has an 11% stake. The ongoing seismic campaign continued, approval was given to commission a processing plant with capacity for 30,000 barrels of oil for accelerated early production along with the future installation of two new 30,000 Bbld plants and the FEED contract (Front End Engineering Design) was awarded for the permanent *Upstream* facilities. • Early production is estimated to start around 2016, reaching an anticipated production plateau of 400,000 Bbld in 2018 to 2019 with the start-up of the upgrader. This facility, with a processing capacity of 200,000 Bbld, will increase the quality of the crude to 32º API.
	• In the first half of the year Repsol opened a new office in Venezuela in Maracaibo.

Trinidad and Tobago	• The Trinidad&Tobago development well drilling campaign continued throughout 2013 at the Savonette and Immortelle fields. The company bpTT where Repsol has a 30% stake, operates an extensive offshore area, dedicated to gas production from these fields to supply the liquefaction trains of the Atlantic LNG plant.
	• In the TSP block, progress was made during 2013 in preparation for the drilling campaign to be carried out in 2014. It is estimated that between 6 and 8 development wells will be drilled using two rigs. Repsol is the operator in TSP with a 70% stake.
	• In November 2013 the exploration contract for block 23b was signed. Repsol participates in this new deepwater exploration block with a 40% interest.

Other countries in Latin America
• In Colombia, in the Cosecha onshore block participated by Repsol with a 25% stake in the exploration phase, during the first half of 2013 a discovery was made at the REX-1 exploratory well. The block is located in the Llanos Basin. • At the Tayrona offshore exploration block where Repsol holds a 30% interest, in 2013 the seismic survey was completed and the location was defined for the first exploration well planned for 2014. The environmental license was granted in May 2013.
• In Mexico, Repsol operated in 2013 the Reynosa-Monterrey block in the Burgos basin, through a multi-service contract. At the end of 2013 there were about 40 producing wells, although their production is not recorded in Repsol's books since they belong to the state-owned company Pemex. Following Pemex instructions, the work performed in 2013 focused primarily on maintenance services. • The Services contract with Pemex ended on 8 January 2014 and the facilities were handed over to Pemex.
• In Ecuador, in blocks 16 and Tivacuno where Repsol is the operator under the form of a Service Agreement a total cumulative production of 300 million barrels was achieved in 2013.
• In Aruba, in February 2013 Repsol opened a permanent representation office in the country, where it is the operator of an extensive exploratory offshore block. In 2013 the register of a 2D seismic survey was conducted in this block and the processing was completed at the end of the year.
• In Guyana, in May 2013, Repsol signed a new Production Sharing Contract (PSC) with the Government of Guyana for exploring the Kanuku offshore block.
• In Nicaragua, in late 2013 Repsol's entry in the country was completed with a 20% interest in the Tyra and Isabel blocks. The operation was pending of official ratification 31 December, 2013.

Africa

Repsol's significant presence in North Africa is mainly concentrated in Algeria and Libya, countries where it holds interests in major projects that will ensure sustained and profitable growth over the coming years. The company is also consolidating its presence in West Africa, in particular in Angola, Tunisia, Morocco, Mauritania, Namibia, Sierra Leone and Liberia.

Libya	• In October 2013, Repsol announced a very high quality (39º API) light oil discovery in the Murzuq Basin. The discovery was made at the A1-129/02 well in block NC115. Repsol is the operator in the exploration area of the block, with a 40% stake.
	• For more than 100 days in 2013, production in the NC115 and NC186 blocks were affected by problems not associated with the operation. At the beginning of January, production was restarted.

Argelia	• In the second quarter of 2013 a second exploratory gas discovery was made at the Tin Essameid Est-1 (TDE-1) well in the Sud-Est Illizi block. In 2013 the outline plan of these two discoveries made during the first exploration period was submitted to Sonatrach, along with approval for the second period. Repsol is the operator of the consortium with a 25.7% stake in the contract.
	• At the major gas development project Reggane the FEED (Front End Engineering Design) was completed for the surface facilities in July 2013 and the bid proposal process began for the Detailed Engineering and Construction contract of the gas treatment plant, export pipeline and collection system that will connect the wells to the plant. Also in 2013 the bid proposal process began for the drilling rigs. Drilling of the first development wells is expected to start in 2014. • In September a 3D seismic survey campaign began in the Reggane field, to be followed by the Azrafil SE and Khalouche South fields. • Repsol co-operates this project with a 29.25% stake.
	• In September 2013, three fields -Tifernine, TIM and BEQ were handed over to Algerian state company Sonatrach.. This transfer resulted from the expiry of the 15-year exploitation period granted.

Angola	• In April 2013 the new office was opened in Angola, where Repsol is present in three exploration blocks (22, 35 and 37) Repsol is the operator of block 22 where it has 30% stake, it also has a 25% interest in block 35 and 20% of Block 37.
	• In 2013 a collaboration agreement was signed with state oil company Sonangol to use Repsol's cutting edge exploratory technology in Angola, as developed in the Kaleidoscope project and successfully deployed in offshore Brazil.

Liberia	• At the LB-10 block, where Repsol holds a 10% stake, in 2013 the interpretation of drillable targets was completed and two of them were selected in order to begin drilling in 2014.
	• In June 2013 the partners of the LB-16 and 17 blocks, after the studies performed, informed the Liberian authorities of the decision not to proceed to the second exploratory phase.

Tunez	• In the first half of 2013 a 2D seismic register campaign was performed in the three offshore exploration blocks that Repsol operates with a 50% share. The processing of the survey was completed in the last quarter.
	• In mid-2013 the authorities were requested to extend the exploratory period in the three blocks in order to complete the evaluation of the area's potential.

Namibia	• In February 2013, the agreement signed in July 2012 became effective under which Repsol acquired, from the company Arcadia Petroleum Ltd, a 44% stake in exploration license 0010 located in the waters of Namibia and comprising offshore blocks 1910a, 1911 and 2011A. Repsol took over as operator.

Morocco	• In mid-2013 Repsol applied to the Moroccan authorities for an exploration license in the offshore "Gharb" block after the good results obtained by the geological and economic appraisal performed under the evaluation license.

Mauritania	• At the end of 2013 drilling began of the Ouguiya-1 exploration well in block TA-10 in the Taoudenni basin. Repsol is the operator with a 70% stake.

Sierra Leona	• To date all the exploration commitments undertaken with the authorities of the country have been fulfilled in this exploratory phase of block SL-07B-10. The alternatives which may be followed before the end of the exploration phase for the block (August 2014) are currently being studied in collaboration with other partners in the block.

Asia

Russia	• In January 2013 Repsol contributed to the AR Oil and Gaz BV (AROG) joint venture with the company's assets in Eurotek, including two major gas fields: Syskonsyninskoye (SK), entered production in late February 2013 and Yuzhno-Khadyryakhinskoye (YK) which is in the final evaluation phase before entering development. With all this in late January 2013 was completed the formation of the joint venture between Alliance Oil AROG (51%) and Repsol (49%).
	• In February 2013, gas production began at the Syskonsyninskoye (SK) field, in the Khanty-Mansiysk region of the Siberian steppe. The full development of the field includes a total of 11 production wells that are all estimated to enter production throughout 2014.
	• In mid-2013 there was a discovery at the Gabi 3 exploratory well in the Karabashsky-2 block in Siberia, where Repsol is the operator with a 100% interest. 2013 also saw the completion of the Gabi 1 well in the Karabashsky-1 block (100% Repsol) with very good results, which will be confirmed with the production tests in 2014.
	• In 2013 the company's Acreage was joined by two new exploratory blocks in Siberia; Karabashsky-3 and Karabashsky-9, where Repsol is the operator with a 100% stake.

Indonesia	• In June 2013 the Indonesian authorities authorised the entry of Repsol, with a 30% stake in the Cendrawasih offshore exploration block. This new exploration block adds to the five blocks in which Repsol is already involved in Indonesian waters.

Iraq	• In 2013 processing and interpretation work concluded on the results of the 2D seismic acquisition surveys performed in 2012 in the Dze Piramagrun and Qala exploration blocks. As a result, drilling objectives were defined and one of them began in the fourth quarter of 2013 with work at the Zewe 1 well in the Piramagrun block. The second exploratory well at the Binari Serwan exploratory well in the Dze Qala block, is expected to be finished in the first half of 2014.
	• In the fourth quarter of 2013 the Maersk company concluded the purchase of 50% of Repsol's stake in the Piramagrun and Qala Dze blocks. With this divestment, Repsol maintains a 50% interest in the Area and maintains the operation.

Europe

Norway	In recent years Repsol has been consolidating a wide portfolio of projects in the Scandinavian country, in line with its strategy of geographic diversification and increased presence in OECD countries. In December 2013 Repsol participated in 18 exploration licenses in Norwegian waters, acting as the operator in six of them (PL-531, PL-541, PL-642, PL-692, PL-705 y PL-711).

- In January 2013 Repsol's involvement became effective with a 20% interest in license PL628. The license is located in the North Sea.
- In the first quarter of 2013 the Norwegian Petroleum Directorate announced the award of a license in the Norwegian Sea (PL 692) to Repsol where it is the operator with a 40% interest.
- In June 2013 the Norwegian Ministry of Petroleum and Energy announced the award to Repsol of four exploration licenses in Round 22. Repsol will be the operating company in two of these licenses. Two are located in the Norwegian Sea (PL704 Repsol 30% and PL705 Repsol 40% and operator) and the other two are in the Barents Sea (PL711 Repsol 40% and PL721 Repsol 20%).
- In the fourth quarter of 2013, the dilution of a 15% stake at license PL541 took place, in favour of Explora Petroleum. Repsol still holds a 35% stake and the operational control of the area.

Ireland	• In the second quarter of 2013 the Dunquin exploration well was drilled, although after the studies performed it was declared not commercially viable in the third quarter.

Portugal	• In the third quarter of 2013 Repsol completed the acquisition of the 50% stake held by Petrobras in the offshore blocks Mexilhao, Ameijoa, Ostra and Camarao. After this transaction Repsol's interest stands at 65% and it has taken over the operation of this blocks.
	• In the blocks of the Algarve (Lagosta and Lagostim) in 2013 processing continued on the 3D seismic data registered in 2012. The result of this work will be obtained during 2014 in order to define the location of the first exploration well. Repsol has a 90% stake.

Rumania	• In March 2013 Repsol announced the signing of an agreement with the Romanian subsidiary of Austrian oil company OMV (OMV Petrom), to jointly explore the deeper levels (2,500 to 3,000 meters) of four blocks in Romania. The blocks are located in the front part of the Carpathian fold belt. Repsol's participation in this project is 49% and it is the operator company.

Bulgaria	• In 2013 the award obtained in 2012 of the Han Asparuh ocean exploration block, located in the Black Sea, was officially ratified. Repsol holds a 30% stake. It spans over an area of 14,220 km2 and is located in the Western Sub-Basin of the Black Sea, at a depth between 200 and 2,000 metres underwater.

España	• In 2013 production at the Lubina and Montanazo fields surpassed two million barrels of total oil, both combined. Production in these fields, discovered in 2009 by Repsol, began in October 2012. Lubina and Montanazo have increased the past production of the Casablanca platform fivefold. Thanks to the activity of both deposits, at least another decade of life will be added to the other fields operating through Casablanca, allowing the possibility of developing new fields. • In 2013 the Casablanca platform obtained Integrated Management System certification under ISO9001, ISO14001 and OHSAS18001. In this way Casablanca has reached high standards of integrity and security in the industry for this type of facility. • Repsol is the operator in both blocks, with a stake of 68.67% in Montanazo and 100% in Lubina.
	• The Spanish Ministry of Industry, Energy and Tourism approved, in April 2013, the request submitted by Repsol in January to extend the Sirocco A-D permit to search for gas in the seabed off the coast of Malaga. Repsol is the operator of the project with a 60% stake.
	• In 2013 the government authorised the study of the seabed in the Canary Islands. The Energy Policy and Mines Department granted Repsol authorisation to study the seabed off the coast of Lanzarote and Fuerteventura. The area includes the blocks "Canarias 1-9" and the results will be incorporated into the Environmental Impact Study for the exploratory wells to be drilled. Repsol is the operator with a 50% stake.

5.1.3. UPSTREAM R&D PROGRAMES

During 2013, a significant number of Strategic Research Projects have been deployed in line with the targets of the 2011-2015 Strategic Plan for E&P Technology.

Within the key technological areas, projects have been created to understand how the subsoil is formed, through the development of simulations to characterise rocks and fluids contained in deposits, leading to a long-term decrease in hydrocarbon exploration investments, projects focused on the more specific characterisation of fluids during their extraction and transport, also addressing flow assurance. Other strategic projects aim to quickly determine the most cost-effective deposit within a given reservoir portfolio with different levels of information and uncertainty. This is done through an evaluation technology based on proprietary algorithms that enable predictive decision-making and avoid lost opportunities.

Work is also underway on unconventional hydrocarbons, from heavy oil to shale gas/oil.

Finally, Repsol has developed in partnership with a technology partner a technology for the surveillance and early detection of hydrocarbons in the aquatic environment, being able to identify very small quantities automatically, in any atmospheric or light condition. This is a pioneering project led by the Repsol Technology Centre, consisting of an advanced interpretation sofware, capable of operating autonomously. The investigation phase has been successfully completed and development has already been implemented at the Casablanca platform (offshore Tarragona). This project is a clear example of Repsol's commitment to the environment.

5.2) DOWNSTREAM

Our businesses

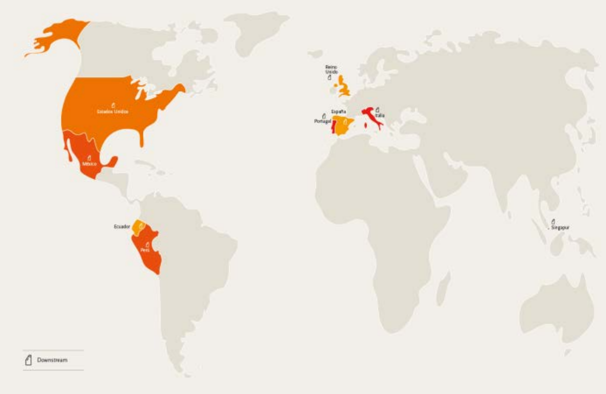
The Repsol Group *Downstream* business embraces the supply and trading of crude oil and other products, oil refining, marketing of oil products and the production and marketing of chemicals.

This is done through six divisions:

- **Refining:** production of fuel and other petroleum-derived products.
- **Marketing:** marketing 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 marketing of a wide variety of products, ranging from basic petrochemicals to derivatives.
- **LPG:** production, distribution and retailing of LPG.
- **New Energies:** this division is responsible for identifying opportunities, promoting projects and carrying out initiatives in areas such as bioenergy, transport electrification and renewable generation.

Main figures

	2013	2012
Refining capacity (kbbl/d)	**998**	**998**
Europe (including stake at ASESA)	896	896
Rest of the world	102	102
Conversion index (%)	**59**	**59**
Crude processed (million t)	**38.1**	**37.0**
Europe	35.0	33.4
Rest of the world	3.1	3.6
Refining margin indicator ($/Bbl)		
Spain	3.3	5.3
Peru	0.8	3.9
Number of service stations	**4,604**	**4,549**
Europe	4,250	4,216
Rest of the world	354	333
Oil product sales (kt)	**43,177**	**42,744**
Europe	39,066	38,277
Rest of the world	4,111	4,467
Petrochemical product sales (kt)	**2,337**	**2,308**
Europe	2,023	1,997
Rest of the world	314	311
LPG sales (kt)	**2,464**	**2,537**
Europe	1,412	1,414
Rest of the world	1,051	1,123



Our vision for the future

Consists in maximising the return on investment and cash generation, by:

- Reduction in investments after the investment and asset portfolio cycle has completed.
- Maximising margins and return on investment.
- Increasing profits through operational efficiency and excellence.

Our performance in 2013

	2013	2012	Variation
EBITDA	**863**	**1,533**	**-43.71%**
CCS Operating income	**326**	**1,012**	**-67.79%**
Operating income	**42**	**1,013**	**-95.85%**
Europe	65	723	-91.01%
Rest of the world	(23)	290	-107.93%
Investments (1)	**656**	**666**	**-1.5%**

(1) In 2013, 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

- Opening of a new Fueloil Reduction Unit in Petronor's refinery (April).
- Opening of a commercial office in Istanbul (September).
- Technology transfer agreement with the Chinese company Jilin Shenhua, for the construction of a flexible polymeric and polyol plant (November).

5.2.1. DOWNSTREAM MAIN ACTIVITIES

REFINING

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.

Refining activity and context

The year was marked, as in previous years, by the effects of the international economic crisis. Demand for petroleum products declined in the OECD countries, affecting the refining business, especially in Europe, where refining margins remained low. The weak demand and overcapacity of European refining is compounded by increased exports of oil products from the United States (especially middle distillates) motivated by the high refining rates caused by low crude prices and energy costs derived from the exploitation of unconventional resources. This further depresses refining margins in the European environment. For this reason, 2013 witnessed the closure of yet more refineries, and this restructuring within the sector is expected to continue over the coming years across Europe, with the closure of less advanced and less competitive refineries. These closures will allow offer to adjust to demand and will foreseeably allow margins to rally, especially at refineries geared towards producing medium distillates and with capacity to process heavy crude oil products, as Repsol does.

The refining margin in Spain stood at 3.3 dollars per barrel in 2013, slightly down on the same figure for 2012 (5.3 dollars per barrel). In Peru, the annual refining margin came in at 0.8 dollars per barrel, in comparison to the 3.9 dollars per barrel seen in 2012.

The following table shows the refining capacity of the plants in which Repsol had an interest at 31 December 2013:

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 consolidation criteria: all the refineries cited are integrated globally 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 38.1 million tons of crude oil, representing an increase of 3% compared to 2012, due in part to increased capacity at the Cartagena refinery. The average use of refining capacity was 78% in Spain, higher than the 74% recorded in the preceding year. On the contrary, in Peru, refinery use was down on 2012, going from 70% to 60% in 2013.

The table below provides a breakdown of refinery production, by main products:

PRODUCTION Thousands of tons	**2013**	**2012**
Refinery intake [(1)]		
Crude	38,074	36,960
Other refinery intake	7,312	8,213
Total	**45,386**	**45,173**
Refining production		
Intermediate distillates	22,299	21,863
Gasoline	7,587	7,165
Fuel oil	3,555	4,474
LPG	929	961
Asphalts [(2)]	1,080	970
Lubricants	232	184
Other (except petrochemicals)	6,059	5,827
Total	**41,741**	**41,444**

[(1)] Information submitted in accordance with the Repsol Group's consolidation criteria: all the refineries cited are integrated globally in the Group's financial statements.

[(2)] Includes 50% of the Asfaltos Españoles S.A. (ASESA) asphalt production, in which Repsol and Cepsa own 50% shares. Repsol markets 50% of ASESA's products.

The following table shows the origin of the crude oil processed at the Group's refineries, as well as sales of oil products.

ORIGIN OF CRUDE OIL PROCESSED	**2013**	**2012**
Middle East	14%	17%
North Africa	13%	13%
West Africa	7%	6%
Latin America	38%	40%
Europe	28%	24%
Total	**100%**	**100%**

OIL PRODUCTS SALES

Thousands of tons	**2013**	**2012**
Sales by geographic area		
Sales in Europe	**39,066**	**38,277**
Own marketing	**19,170**	**19,417**
Light products	16,587	16,618
Other products	2,583	2,799
Other sales [1]	**6,734**	**7,131**
Light products	6,484	6,567
Other products	250	564
Exports [2]	**13,162**	**11,729**
Light products	4,583	4,554
Other products	8,579	7,175
Sales rest of the world	**4,111**	**4,467**
Own marketing	**2,209**	**1,999**
Light products	1,979	1,788
Other products	230	211
Other sales [1]	**1,144**	**1,583**
Light products	893	1,214
Other products	251	369
Exports [2]	**758**	**885**
Light products	283	344
Other products	475	541
Total sales	**43,177**	**42,744**
Sales by distribution channel		
Own marketing	**21,379**	**21,416**
Light products	18,566	18,406
Other products	2,813	3,010
Other sales [1]	**7,878**	**8,714**
Light products	7,377	7,781
Other products	501	933
Exports [2]	**13,920**	**12,614**
Light products	4,866	4,898
Other products	9,054	7,716
Total sales	**43,177**	**42,744**

[1] Includes sales to operators and bunker sales.
[2] Expressed from country of origin.

After implementation and start-up of two major projects at the end of 2011 and the beginning of 2012 in the Cartagena and Petronor refineries respectively, the courses of action for the refining business are fundamentally focussed 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 2013, progress was made in the construction phase of a new production plant for next-generation lubricants, a joint facility with the Korean company SKL. This new plant is expected to be launched in the second half of 2014.

The plant, adjacent to the refinery in Cartagena, will involve an estimated investment of €250 million. The Tarragona and Cartagena refineries will provide the raw materials for the plant.

The base oils produced are needed in the manufacture of advanced lubricants, and involve a major reduction in emissions and consumption.

MARKETING

Repsol markets its range of products through an extensive network of service stations. In addition, marketing activity includes other sales channels and the marketing of a wide range of products, such as lube oils, bitumen, coke, and derivatives.

Total marketing sales were 21,379 thousand tons in 2013, in line with figures from last period. The declines in domestic consumption, more moderate than previous years and motivated by a shrinking demand, were offset by 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 the improvement of the position in Portugal.

In this complex environment, the management of sales 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 2013, Repsol had a network of 4,604 service stations in countries where the *Downstream* division operates. In Spain, the network comprised 3,165 points of sale, 69.5% of which had a strong concessionary link to the network, while 26% were company operated. Service stations in other countries were spread throughout Portugal (433), Italy (202) and Peru (354).

The *Downstream* business had the following points of sale (service stations and supply units) as of 31 December 2013:

Points of sale	Controlled by Repsol (1)	Branded (2)	Total
Spain	2,513	1,102	3,615
Portugal	262	171	433
Peru	114	240	354
Italy	71	131	202
Total	**2,960**	**1,644**	**4,604**

(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 the EU, the maximum term of these agreement is five years.

In Spain, Repsol markets its fuels under the Repsol, Campsa, Petronor Campsa Express and Petrocat brands, with the following distribution as of 31 December 2013:

Brand	**Points of sale**
Campsa	163
Repsol	3,138
Petronor	290
Petrocat	21
Other	3
Total	**3,615**

Law 11/2013 of July 26 has introduced a number of measures aimed to ensure fuel price stability and to increase competition in the sector (see APPENDIX III of the Consolidated Financial Statements 2013 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 and has made progress with its implementation of the Burger King outlets in its service station network in Spain.

As a company committed to technological innovation, Repsol, along with La Caixa has supported the implementation of a faster contactless payment system, the quickest on market, allowing customers to pay remotely, being very useful in busy outlets such as service stations. Repsol is the first Ibex35 company to use this technology.

In 2013, 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 2013, 26 points of sale with this new business model were opened with the Campsa Express brand.

In 2013, Repsol consolidated its position as an international producer and marketer of green fuel grade coke with over 50% of the sales of this product made in foreign markets, reaching a total of 20 countries mainly in Europe and North Africa.

In line with this idea of growth and consolidation, Servicios Logísticos de Combustibles de Aviación (SLCA), in which Repsol holds a 50% interest, has started in-plane refueling operations in Spain's two main airports: Madrid-Barajas and Barcelona-El Prat. As a result 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 60% of the Lubricants 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 Singapore in

September, 2013. Highlights also include the start of construction of the third-generation base lubricant plant in Cartagena.

True to its social commitments, in 2013 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 asphalts.

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 2013, the company operated in four different European and Latin American countries.

LPG sales in 2013 totaled 2,464 thousands of tons. Meanwhile, total sales in Spain increased 0.7% 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 5 million active customers. Bottled LPG sales accounted for more than 50% of total retail LPG sales in Spain in 2013, through a network of 222 distribution agencies.

Thousands of tons

Sales volume of LPG	**2013**	**2012**
Europe	**1,412**	**1,414**
Spain	1,281	1,271
Rest of Europe (1)	131	143
Latin America	**1,051**	**1,123**
Peru	665	622
Ecuador	386	374
Rest of Latin America (2)	-	127
Total	**2,464**	**2,537**
Bottled	1,354	1,367
Bulk, piped and other (3)	1,110	1,170
Total	**2,464**	**2,537**

(1) Portugal.
(2) Chile and Colombia in 2012.
(3) 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 21 March, updating the system for the automatic determination of the maximum sales price, before tax, of bottled liquefied petroleum gas, and its subsequent resolutions.

In Portugal, Repsol distributes bottled, piped and bulk LPG and Autogas to end customers while also supplying other operators. Sales in 2013 reached 131,344 tons, making the company the third largest operator with a 20% market share.

In Latin America, Repsol sells bottled, bulk, piped and automotive LPG in the home, commercial and industrial markets of Peru and Ecuador with sales of 1,051thousands 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 30% in 2013, indicating increased demand for this economic fuel that also helps to improve air quality within cities. The industry expects that roughly 200,000 vehicles will be running on Autogas in Spain in five years' time.

Repsol, fully aware of the growing interest in this alternative fuel, had 476 points of sale equipped with AutoGas pumps at year-end 2013, of which over 228 are in Spain. Additionally there are already 279 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 Financial Statements 2013.

CHEMICALS

The Chemicals division produces and markets a wide variety of products, and its activities range from basic petrochemicals to derivatives. Its products are marketed 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.

Stagnant demand and uncertainty regarding the growth of the economy have influenced the results of a financial year, that has been influenced by the negative impact of the scheduled multiannual shutdown of the Tarragona facilities performed this year, as well as the write-downs mentioned in the results section. However, volumes of sales to third parties were up to 2.3 million tons, 1.3% higher than 2012.

Given the situation of the Business, throughout the year the company continued to consolidate its strong measures initiated in recent years to cut costs, including production adjustments and asset restructuring. In this line, the company announced the shutdown of production of EPS (expandable polystyrene) in Monzón (Polidux) in December 2013 and production of High Density Polyethylene (HDPE) in Puertollano by 2015, in addition to the stoppages already implemented for PO/SM and glycols at Puertollano (idle since 2009) and ACN/MMA in Tarragona (idle since 2010).

In the same line of efficiency and asset optimisation, the Sines facility reported a consolidated improvement in its margin owing to the flexibility of raw material input to the cracker and the modification of the ETBE plant (ethyl tertiary butyl ether) to MTBE (methyl tert butyl ether) that allows the unit to produce either product depending on demand.

Regarding product development, at the Polyethylene line in Tarragona the acquisition of technology to produce metallocene grade was approved. In the Polypropylene line, a new range of random copolymers was launched on the market, thus further differentiating our products.

Additionally, in 2013 Repsol signed a technology transfer agreement with the Chinese holding Jilin Shenhua Group, for the construction of a flexible polyol plant (185,000 t/year) and two polymer polyol plants (24,000 t/year each) in China. This agreement confirms Repsol´s leading position in this process.

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.

Major individual projects include the improvements in energy efficiency implemented during the Tarragona cracker turnaround in the fourth quarter of 2013 and the approval of a project to optimise the Puertollano cracker in order for its production to meet the site's ethylene requirements, thus permitting a significant increase in energy savings and consolidating the increased flexibility in the supply of raw materials. This project will be started up during the 2015 turnaround.

Thousands of tons

OPERATING FIGURES, CHEMICALS	**2013**	**2012**	**Variation**
Capacity			
Basic petrochemicals	2,808	2,808	0 %
Derivative petrochemicals	2,491	2,942	-15.3%
TOTAL	**5,299**	**5,750**	**-7.8 %**
Sales by type of product			
Basic petrochemicals	718	731	-1.7 %
Derivative petrochemicals	1,619	1,577	2.7 %
TOTAL	**2,337**	**2,308**	**1.3 %**
Sales by region			
Europe	2,023	1,997	1.3 %
Rest of the world	314	311	1.0 %
TOTAL	**2,337**	**2,308**	**1.3 %**

The following table details the production capacity for the main petrochemical products, mainly in Europe, as of 31 December 2013:

PRODUCTION CAPACITY *Thousands of tons*	**2013**
Basic petrochemicals	**2,808**
Ethylene	1,362
Propylene	904
Butadiene	202
Benzene	290
Ethyl tert-butyl ether	50
Petrochemical derivatives	**2,491**
Polyolefins	
Polyethylene [(1)]	883
Polypropylene	520
Intermediate products	
Propylene oxide, polyols, glycols, and styrene monomer [(2)]	937
Acrylonitrile / Methyl methacrylate	-
Rubber [(3)]	115
Other [(4)]	36

(1) Includes ethylene vinyl acetate (EVA) and ethylene butyl acrylate (EBA) copolymers.
(2) Does not include OP/SM and Puertollano glycols.
(3) Includes 55,000 tons of production capacity in Mexico.
(4) Includes specialties. Does not include EPS, which stops being reported due to cease of activity in December 2013.

NEW ENERGIES

The New Energies business unit was created by the Repsol Group in 2010 to promote and provide business sense to the new initiatives that contribute to a vision of the future where energies are more diversified.

The aim of this new business unit is to identify new opportunities, promote projects and carry out initiatives in fields such as biotechnology and renewable energies applied to transport and other areas that could share synergies with Repsol's current businesses and the geographic regions in which it operates.

In 2013, New Energies continued to develop the projects initiated since its inception. Repsol carried on developing the electric mobility business in 2013 through IBIL and IBILEK. IBIL already has more than 300 recharging stations operating in both the public and private sectors. Development has begun along these lines on fast recharging infrastructure at the service stations of the Repsol Group.

In 2011, Repsol acquired 100% of Sea Energy Renewables, later renamed Repsol Nuevas Energías U.K., a British company based in Scotland engaged in the promotion and development of offshore wind farms. With the deal, Repsol acquired development rights at three offshore wind farms off the Scottish coast.

Within the context of this same deal, Repsol reached an agreement with EDP Renováveis for the joint development of two of these wind farms, namely the 1,500-MW Moray Firth wind farm and the 905-MW Inch Cape facility. Following the operation, Repsol owns 33% and 51% interests in these facilities, respectively. The company also holds a 25% stake in the Beatrice wind farm with Scottish and Southern Renewables owning the remaining 75%. Thanks to the new deal, Repsol now holds rights to develop construct and operate 1,190 MW of installed capacity in the United Kingdom.

During 2013 Repsol executed the investment plan for these three projects according to schedule and incorporated the capacities needed to ensure their development. Major milestones have included the presentation of all the information needed to apply for the official approval of the Beatrice, Moray Firth and Inch Cape wind farm projects, expected in the first quarter 2014.

During the project development stage, to be completed sometime between 2014 and 2015, the necessary studies will be conducted and steps taken to acquire the construction and operating permits for the facilities, with commissioning expected to take place from 2018. These projects will allow Repsol to apply its considerable technological expertise in offshore operations, coupled with its experience in large-scale engineering projects.

Furthermore, the New Energies division has made the following investments in 2013, all them through Repsol New Energy Ventures, S.A., a 100% subsidiary of the Repsol Group.

In January 2013, Repsol acquired a stake in the Dutch company Tocardo, BV, dedicated to developing power generation technology in rivers and ocean currents. At year-end, Repsol owns 20.34% of that company.

In March 2013, Repsol acquired a 33.6% stake in Principal Power Inc. (PPI) through the delivery of its shares in WindPlus (all of them except one). PPI is the company that owns the technology implemented by WindPlus in its offshore floating wind turbine prototype.

In December 2013, through the INNVIERTE program, Repsol acquired a 5.2% stake in the company Graphenea, dedicated to the development of industrial graphene applications.

In 2013, Repsol New Energies SA, within the framework of its "*CLIMA*" projects, achieved a proven reduction in CO2 emissions, thanks to its electrical mobility program developed by its subsidiary IBIL.

5.2.2. DOWNSTREAM R&D PROGRAMES

In the area of oil refining and its derived products (petrol and diesel, LPG, asphalt, lubricants, wax...), technological knowledge is applied to optimize the operation of refineries, the development of new processes and products and to enhance the quality standards of the latter, with particular attention paid to advances in energy efficiency and environmental issues.

Examples of developments in this area include, among others: technologies aimed at improving energy efficiency in the operation of our refinery units; the adaptation of our fuels and lubricants to the demands of new engines and emerging legislation; the technological distinction of our entire product portfolio; the development of more environmentally friendly lubricants - formulated using regenerated raw materials and biodegradable oils - that are also more efficient in order to contribute to improved engine performance, reducing consumption and the resulting emissions; processes facilitating the development of new products for manufacturing tires in more demanding and competitive markets; and, asphalt surfacing tailored to the needs of each application, addressing road safety and environmental concerns. Finally, we have proposed highly innovative applications for automotive LPG in order to promote its use as an alternative fuel.

In 2013, the shrinking demand for fuels in Spain - and to a lesser extent Europe -, a combination of the economic downturn and the development of more efficient engines, has raised the need for more flexible processes and examining the possibility of manufacturing alternative products and maximizing product differentiation to guarantee the competitiveness required by Repsol's businesses. The new projects with this guidance are mainly focused on energy efficiency, the development of new fuels and biofuels, and processing increasingly heavy crude oils. The current situation also requires the streamlining and internationalization of research activities accompanied by a strong commitment to selling our products in new markets.

In 2013, the technology strategy has been revised to provide the support required by the adopted measures developed to improve the competitiveness of the chemical business.

The most significant results of the year included the project to sell proprietary technology for manufacturing polyols to the Chinese Jilin Shenhua Group; the launch of a project for the differentiation and reduction of production costs through the use of CO_2 as raw material for the manufacture of polymers; the development of PO/SM technology to reduce the consumption of raw materials; or, the development of differentiated products. In this last line, there has been progress in the development of products with higher performance, such as new polymeric polyols for the automotive market, polypropylene grades with improved properties for food industry containers and materials from polyethylene with improved mechanical and insulation properties for use in power transmission cables, along with pipe grades with enhanced processing and resistance properties.

Repsol´s commitment to the future of energy technology is framed in four research areas: renewable generation, bioenergy, CO_2 technologies and transport electrification.

Noteworthy initiatives undertaken within the scope of renewable generation included investments in companies with a high technological level or signing agreements with different official agencies. The development of simulation tools has allowed the potential of different families of wave energy technologies to be assessed. Meanwhile, floating offshore wind power has made increased technological progress; therefore, Repsol, in collaboration with various partners, has established a full-scale prototype off the Portuguese coast in order to monitor and evaluate the data to propose actions for optimising this technology.

Within the area of bioenergy, new challenges and opportunities, as well as barrriers, for microalgae have been identified. In this regard, a new phase has opened, focused on technological monitoring and the search for more disruptive solutions for the direct production of biofuels. The main objectives are the active monitoring of new technologies to check whether they can tackle the challenges and uncertainties identified and the search for possible partnerships with different entities. In addition, through its participation in the company NEOL, Repsol has selected and patented a microorganism for obtaining biofuels. The challenge of the project is not only to generate an integrated process, but to do so competitively for less than the price of generation from fossil fuels.

Finally, in order to develop new processes associated with the challenge of transforming CO_2 into value-added products, work has continued on the CO_2 Transform project created with the objective of enhancing CO2 into units that can be used as a raw materials, beyond mere geological sequestration. This project is carried out in collaboration with universities, companies and technology research centres.

5.3) LIQUEFIED NATURAL GAS (LNG)

Our activities

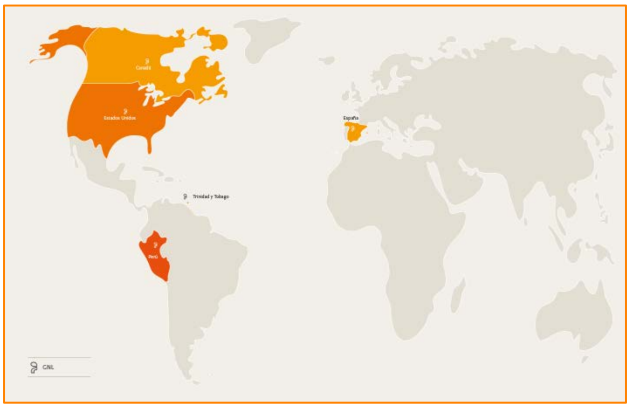
LNG activities include liquefaction, transport, marketing, trading and regasification of liquid natural gas.

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 marketing, transport and trading.

The Group maintains its regasification and transport assets and its marketing businesses in North America, and also an investment in the integrated LNG project in Angola.

Main figures

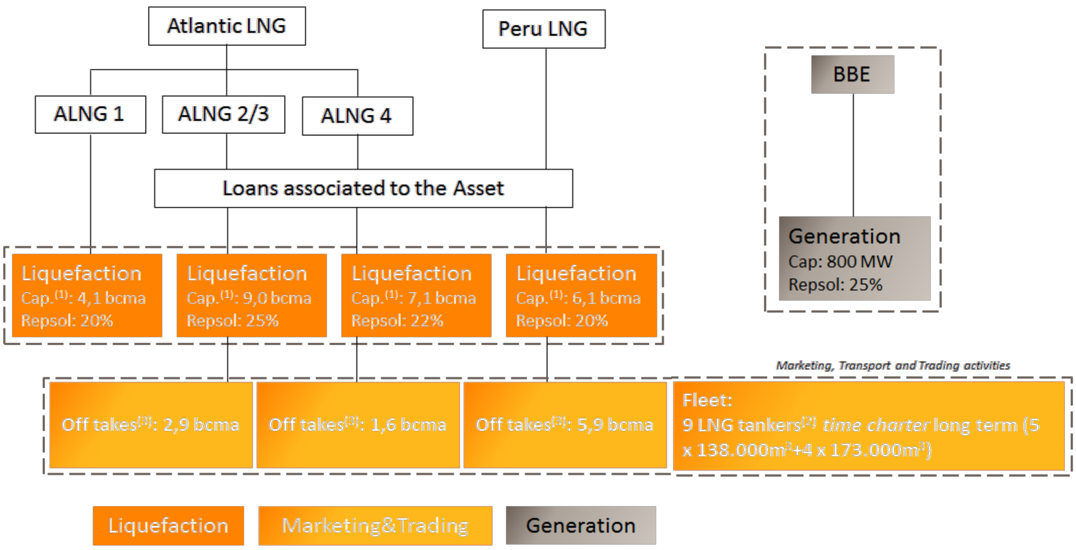
	2013	2012
LNG:		
Liquefaction trains production (TBtu)	987	960
Canaport production (bcm)	1	1.4
LNG sold in North America (TBtu)	184	219
Operating income (million euros)	**959**	**535**



5.3.1. SALE OF PART OF THE LNG ASSETS AND BUSINESS

On 26 February 2013 Repsol signed an agreement with Shell to sell part of its LNG assets and businesses, which was completed in three separate transactions in October and December 2013 and January 2014.

The Shell operation included the business assets presented in the following diagram:



(1) Plant capacity.
(2) 7 owned by Repsol and 2 owned 50% by Repsol and GNF.
(3) Gas supply contract.

Additionally, along with the sale agreement another agreement was signed by which Shell will supply LNG to Repsol's Canaport regasification plant (Canada), over the next 10 years, for a total approximate volume of 1 million tonnes.

On October 11 Repsol sold its 25% stake in the Bahía de Bizkaia Electricidad (BBE) combined cycle power plant to BP for €135 million and generated a pre-tax gain of €89 million. This asset, initially included within the perimeter of the sale to Shell, was finally transferred to BP after it exercised its right of first refusal.

On 31 December 2013, after obtaining permits and approvals and having met other conditions precedent provided for in the agreement, the sale to Shell of the main LNG purchase and supply contracts was materialised, as well as minority interests in the Atlantic LNG and Peru LNG businesses, amounting to €2,446 million that generated a gain before tax of €1,451 million. On 1 January 2014, and after obtaining the necessary approvals, the sale of Repsol Comercializadora de Gas, S.A., whose basic activities are marketing, transport and trading, was completed for approximately $730 million. The transaction generated a pre-tax gain of €432 million, recognised in the financial statements of 2014.

Overall, these transactions have provided the release of financial commitments and unconsolidated debt. Repsol's balance sheet and liquidity have been significantly strengthened, with a net reduction of the company's debt of €1,890 million.

With this transaction, Repsol achieved a volume of divestments of over €5,000 million, above the target established in its Strategic Plan, which for the 2012-2016 period, provided for divestments of between €4,000 and €4,500 million.

Following the agreement of sale of assets to Shell, Repsol will retain the main LNG business assets with the Canaport regasification plant and pipelines in Canada and the US. The inability to continue managing these assets together with others already transferred to Shell, has prompted the company to rethink the applicable business models for managing them and has led to cautious provisions reflecting their potential loss in value, for a total amount of €1,410 million before tax.

For further information in relation with the accounting effect of these operations, see Notes 31 "*Divestments*", Note 10 "*Non-current assets and liabilities held for sale*", Note 7 "*Property, Plany and Equipment*", Note 16 "*Current and non current provisions*", Note 37 "*Subsequent events*" and Note 27 "N*et income from discontinued operations*" of the consolidated Financial Statements for the financial year 2013.

Additional operative information of the assets included in the sale agreement, as well as those remaining in Repsol Group, is disclosed below.

5.3.2. MAIN ACTIVITIES OF LNG

Not transferred commercialization, regasification and transport businesses

Repsol operates a regasification plant, Canaport LNG, owned by Repsol (75%) and Irving Oil (25%). It is the first LNG regasification plant on the east coast of Canada. Located in Saint John (New Brunswick) and with an initial capacity of 10 bcm/year (1,000 million cubic feet/day), this terminal is one of the largest in North America. Repsol supplies the LNG that fuels the terminal and is entitled to use the entire regasification capacity. Repsol has also contracted transportation capacity for a period of 25 years with the Emera Brunswick Pipeline and Maritimes & Northeast Pipeline (M&NE), which will allow it to market the gas regasified in the Canaport facility to the Maritime Canada and North Eastern US markets.

In 2013, eight shipments were unloaded (five Q-Max ships, the largest in the world, with capacities of 210,000 and 260,000 cubic meters from the agreement with Qatargas, and three shiploads from the Trinidad and Tobago trains). The plant produced 1 bcm in 2013, 40% less than in 2012. This is a consequence of having optimised production for commercial reasons, as well as maintenance shutdowns and other work associated with the minimum send-out project. This project, commenced in 2012, was completed in October 2013 and allows the plant to adapt to the needs of gas sales. The minimum supply to the plant has been secured with the signing of a contract with Shell for the next 10 years, representing a total volume of 1,000 million tonnes.

The business's strong profits were the result of several factors, but especially Repsol's ability to manage production at Canaport and meet peaks in demand at times of high prices by storing the LNG at times of low demand. The value of the LNG is thus maximised, since sales are concentrated into times of high demand. Market prices exceeded $ 30 per million BTU in January 2013.

In addition to the gas produced at the plant, the marketing activity includes the natural gas purchased from North American suppliers. In this regard it should be noted that the Encana pipeline has been supplying the plant since August (with gas from the Deep Panuke basin in Canada), substantially diversifying the gas supply. The total volume traded in North America in 2013 amounted to 184 TBtu, 19% lower than in 2012, although with marketing margins that have doubled as a result of price increases and the optimisation of sales, which has allowed the business to obtain the best results since the start of its operations.

Additionally it should be noted that this year Repsol has signed two important gas supply agreements. The first one is the purchase of one billion cubic metres per year of liquefied natural gas for a period of approximately 20 years beginning in 2017. The second one is the purchase in Spain of two billion cubic metres per year of natural gas between 2015 and 2018. These two agreements, together with the Canaport supply contract with Shell, will help to competitively guarantee the gas needs of the Repsol Group following the sale of the LNG business.

As for the Angola LNG project, in which we have participated with Natural Gas since 2007, preliminary studies were conducted in 2013 to select the best monetisation option.

Businesses transferred during 2013 and 2014

In 2013, Repsol marketed 11 bcm of LNG, 9% more than in 2012. Most of the gas came from Peru LNG, which was started up in June 2010, and from Trinidad and Tobago. The main destinations for the cargo were Spain, Mexico, the Asian market and Canaport LNG, with sales materializing in both the Atlantic (Europe and America) and the Pacific basins.

Until it was sold on 31 December, Repsol was involved in the Trinidad and Tobago integrated LNG project, in which it held an interest alongside BP, BG and others in the Atlantic LNG liquefaction plant. The strategic geographical location of the facility allowed it to supply markets in the Atlantic Basin (Europe, the United States, and the Caribbean).

The Peru LNG liquefaction plant, located in Pampa Melchorita, went into production in June 2010, and Repsol had a 20% stake until the effective moment of its sale on 31 December 2013. The Camisea consortium, in which Repsol currently has a 10% stake, supplies natural gas to the plant.

In Spain, until its effective sale to BP in October 2013, Repsol had a 25% stake in Bahía de Bizkaia Electricidad (BBE). This company owns a combined cycle power plant with 800 MWe of installed capacity. This facility, which is located in the port of Bilbao, maintained throughout 2013 the high availability levels of 2012, despite which it continued to sell surplus gas without harming the company financially.

5.4) GAS NATURAL FENOSA

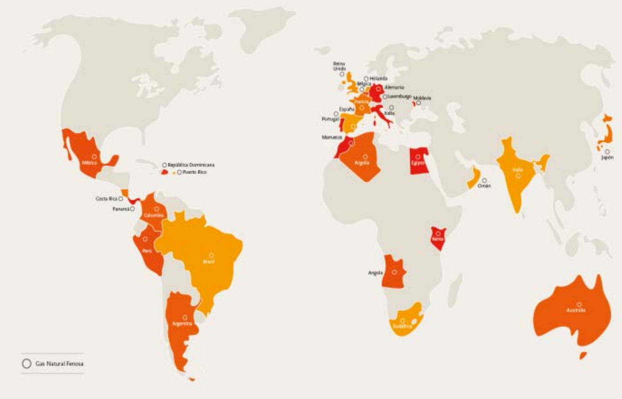
Business model

The Business model of Gas Natural Fenosa is developed through a broad number of companies basically in Spain, rest of Europe, Latin America and Africa and is supported through five principal businesses:

- **Gas distribution in Europe (Spain and the rest).**
- **Electricity distribution in Europe (Spain and the rest).**
- **Gas (Infraestructure, Supply & Marketing, Union Fenosa Gas).**
- **Electricity (Spain and the rest).**
- **Latin America (Gas distribution, Electricity distribution and Electricity)**.

Main physical figures

	2013	2012
Gas distribution in Europe		
Sales – TPA (Third party access)(GWh)	194,975	199.416
Distribution points (thousands)	5,627	5,573
Electricity distribution in Europe		
Sales – TPA (Third party access)(GWh)	35,307	36,288
Distribution points (thousands)	4,618	4,608
Gas		
Gas supply (GWh)	326,923	328,058
Gas Transportation – EMPL (GWh)	122,804	116,347
Electricity		
Electricity Generated (GWh)	34,342	37,790
Installed electricity capacitiy (MW)	15,420	15,519
Latin America		
Sales – TPA gas (GWh)	229,833	210,358
Sales – TPA Electricity (GWh)	16,443	18,074
Electricity Generated	19,414	18,458
Installed electricity capacitiy (MW)	2,580	2,580



Strategy of Gas Natural Fenosa

In November 2013, Gas Natural Fenosa presented an update of the strategic guidelines for 2013-2015 and a strategic vision for 2017 in order to adapt to the current macroeconomic and energy environment and the impact of regulatory factors.

Main economic figures [1]

Millions of euros	2013	2012	Variation 2013/2012
Gas distribution Europe	204	199	2.6%
Electricity distribution Europe	117	125	5.8%
Gas	249	277	-10.1%
Electricity	50	84	-40.9%
Latin America	270	252	7.4%
Other activities	(1)	(17)	90.6%
Operating income	**889**	**920**	**-3%**
Investments [2]	**444**	**432**	**18%**

(1) Figures corresponding to Repsol´s investment of 30% in GNF.
(2) Operating investments are mainly increased due to the investment in electricity generation outside Spain (Mexico) and the acquisition of an interest of 14.9% in Medgaz.

Main events of the period

- Acquisition of a 10% stake in Medgaz (January)
- Award of tender issued by the Peruvian government to extend natural gas to four cities in southwest Peru (July).
- Signature of two agreements for the sale of natural gas to Repsol. The first of 2 bcm per year for the period 2015-2018 and the second for the sale of 1 bcm per year for 20 years that is estimated to begin from 2017 (July).
- Acquisition of 4.9% in Medgaz (July).
- Tender awarded by the Panamanian National Public Services Authority (ASEP) for extending the operation of its two power distributors in Panama over the next 15 years (August).
- Signature of a contract to supply natural gas to South Korea's KOGAS energy company over the coming years (September).

Main business figures of those activities which mean a significant percentage from the Gas Natural Fenosa operating income are described below. For a better comprehension, amounts corresponding to Gas Natural Fenosa Group reflect Repsol's participation in that Group, which at year-end 2013 was 30%.

Gas distribution in Europe

Business in Spain includes the compensated gas distribution activity, the TPA (third-party network access services) and secondary transport, as well as non-compensated distribution activities (rental of gas meters, connections to customers, etc.). Aditionally, in Italy, gas sales at the regulated tariff are also included.

Sales from regulated gas business in Spain amounted to 191,189 GWh in 2013, down 2.3% on the same figure for 2012. Gas Natural Fenosa continues the expansion of its distribution network and number of distribution points. The volume of subscribers, not previously connected, increased by 5.2% over the previous year. Its distribution network increased by 1,137km, including the gasification of 36 new municipalities.

Sales from gas activity in Italy amounted 3,786 GWh, up 3.8% on the same figure for 2012. Furthermore, marketing to the retail market increased by 5.2% to 2,992 GWh. Today the distribution network extends over 6,958 km, with an increase of 73 km in the last 12 months and reaches 455,000 supply points in the distribution business, representing an increase of 1.3% over the previous year.

Electricity distribution in Europe

Electricity supply points remained the in the same level of 2012, reaching 3,772,000. In 2013, eletricity effectively supplied showed a decrease of 3% compared to 2012, amounting 32,766 GWh, mainly because of the benign weather conditions.

The energy delivered in Moldova climbed by 0.6%, as well as the supply points, which totaled 846,080, up 1.2% in comparison with 2012. Sales from the electricity distribution business stood at 2,541 GWh, which represents an increase of 0.6% in comparison with last year.

Gas

Infrastructure. Gas transportation activity carried out in Morocco through the companies EMPL and Metragaz represented a total volume of 122,804 GWh, up 5.5% on the previous year. Of this figure, 84,781 GWh were transported to Gas Natural Fenosa through the company Sagane, while 38,023 GWh were earmarked for Portugal and Morocco, representing growth of 6.7%.

In January 2013 Gas Natural and the Algerian company Sonatrach signed an agreement for the purchase from the latter of a 10% stake in Medgaz for €16 million in total, acquiring an additional stake in July 2013 of 4.5% in the company Gaz de France International, S.A.S amounting to €11 million (these figures take into account Repsol's percentage stake in Gas Natural Fenosa). The amounts transported by the Medgaz pipeline for Natural Gas Fenosa in 2013 amounted to 4,889 GWh.

Supply and marketing. In a scenario of weak demand, the marketing of natural gas in the Spanish gas market reached 229,419 GWh, a decrease of 3.8% on the previous year, owing to reduced sales to end customers of Gas Natural Fenosa (-6.3%), mainly due to lower consumption in the combined cycle, partially offset by higher third-party provisioning (+3.6%). Meanwhile, the international gas market reached 94,512 GWh, an increase of 8.9%, compared with the previous year.

Unión Fenosa Gas. Gas supplied to the Spanish market reached 24,228GWh, representing a year-on-year drop of 13%. This decline is particularly acute in the supply to the electricity generators (-18%) and much more moderate in the sales of the industrial segment.

Electricity

In 2013, the national electricity demand stood at 246,204 GWh which represents an annual decrease of 2.2% over the previous year, either gross demand and corrected demand in the effects of the number of working days and temperatures, was the third consecutive drop in demand.

Gas Natural Fenosa power generation throughout the Iberian Peninsula amounted to 33,785 GWh in 2013. Of this amount, 30,744 GWh came from ordinary system generation, and 3,041 GWh from special system generation.

Sales from the electricity marketing business came in at 32,941 GWh.

Latin America

Gas distribution. This division involves gas distribution in Argentina, Brazil, Colombia and Mexico. Sales from the gas activity in Latin America, (gas and ATR third-party network access services), totalled 229,833 GWh, with a 9.3% increase compared to sales for the same period last year.

In 2013, the number of gas distribution supply points reached 6,321,000. Year-on-year growth rates remain high, showing an increase of 231,000 supply points, mainly in Colombia, with an increase of 115,000 points.

The gas distribution network has been extended by a further 1,720 kilometres over the last 12 months, reaching 69,054 km at year-end 2013 and representing a growth of 2.6%. Significant contributions came from the expansion of the network in Mexico, which increased by 674 km.

Distribution and electricity. This division involves electricity distribution in Colombia, Nicaragua (until its sale on 11 February 2013) and Panama. Electricity distribution sales in Latin America reached 16,443 GWh, a decrease of 9% due to inclusion in the previous year of sales made by distributors in Nicaragua of 2,752 GWh compared to 239 GWh in 2013 (1 month). Excluding the operations in Nicaragua in both periods, sales experienced an increase of 5.8%, generated by the growth in demand both in Colombia and Panama.

The number of supply points reached 2,395,000.

Electricity in Latin America. This section includes electricity generation in Mexico, Puerto Rico, Panama and the Dominican Republic. Power generated in Latin America stood at 19,414 GWh in 2013, higher than the previous year, mainly in Mexico and Puerto Rico.

For further information on Gas Natural´s activities, see the consolidated management report 2013, published in www.gasnaturalfenosa.com.

6. DIFFERENTS WAYS OF CREATING VALUE

6.1) PEOPLE

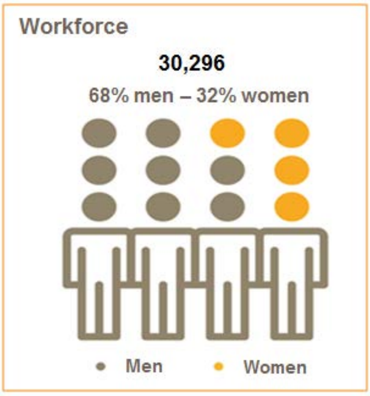
At Repsol we believe that our competitive advantage lays in the people within the Company, hence the strategic value of the management of our employees and the various teams. This is an organization that is distinguished by having a team of multidisciplined, skilled and committed professionals.

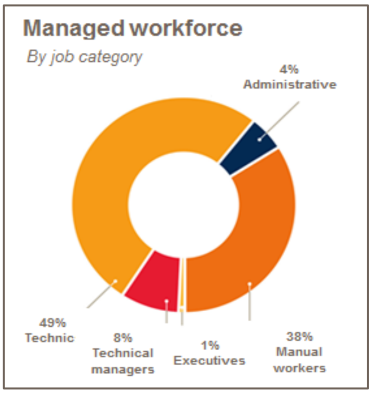
6.1.1 PEOPLE MANAGEMENT

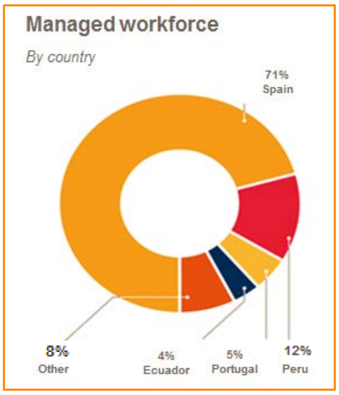
On 31 December 2013, Repsol Group had a workforce of 30,296 employees. A total of 24,214[1] employees formed part of entities directly managed by Repsol, and the information included in this chapter is exclusively referred to them, unless the contrary is specified. Managed workforce increased by 219 people, compared to 2012.

STAFF	2013	2012
Consolidated Workforce	30,296	29,985
Managed Workforce	24,214	23,995
Non-Managed Workforce	6,082	5,990
Accumulated average managed workforce	24,068	23,656
Number of new hires in the year	1,062	1,222
MANAGED WORKFORCE BY COUNTRY		
Employees in Spain	17,193	17,059
Employees in Peru	2,872	3,015
Employees in Portugal	1,247	1,209
Employees in Ecuador	931	932
Number of employees elsewhere in the world (35 countries)	1,971	1,780
GENDER INDICATORS		
Women in the workforce	7,857	7,706
Managerial positions held by women	43	44
MANAGED WORKFORCE BY BUSINESS		
Total number of employees in Corporation	2,539	2,522
Total number of employees in *Downstream*	18,314	18,255
Total number of employees in *Upstream*	3,197	3,042
Total number of employees in LNG	165	176
MANAGED WORKFORCE BY JOB CATEGORY		
Number of Executives	292	292
Number of Technical Managers	1,967	1,851
Number of Technical workers	11,776	11,656
Number of Administrative workers	1,086	1,089
Number of Manual workers	9,093	9,107

(1) The data provided in this chapter exclude those employees with annual working hours equal to or less than 20% of the hours set in the collective agreement and employees of partially-owned companies in which Repsol does not have management control. The workforce figure also follows the Group's accounting consolidation criteria.







6.1.2 ATTRACTING TALENT

Repsol offers different ways to recruit, motivate and engage talented individuals, helping them to develop personally and professionally, with a good working environment, skills training, internal promotion opportunities and job mobility.

To recruit this talent, the company took part in over 20 forums and job fairs, and it gave talks and presentations in a number of schools, colleges, universities and associations providing more information about the company.

INITATIVES	2013	2012
Hiring of New Repsol Professionals (1)	97	140
University Internship agreements to boost Training (2)	680	>300
Medium and Higher Level Vocational Training Internships (3)	52	>60

(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).

(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.

6.1.3 MANAGEMENT TALENT

Repsol's ability to retain talent is evidenced by the low rates of voluntary employee turnover and the high retention rate among its management staff.

RETAINING TALENT	2013	2012
Total staff turnover rate (1)	7%	8%
Total voluntary staff turnover rate (2)	3%	3%
Executive rotation rate (3)	4%	3%

(1) Corresponds to the total 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 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, training, internal and international mobility, development and performance assessment.

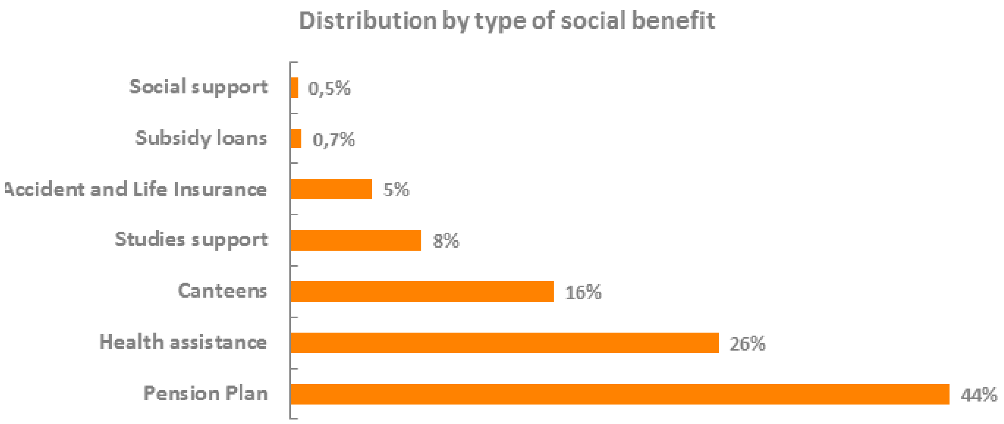
Compensation

Remuneration is an important factor for attracting and retaining the professionals who are necessary to the company. The compensation system is designed to reward individuals, standing at competitive market values that are appropriate for an organisation like Repsol, as well as boosting employee compromise with the achievement of Repsol´s strategic and operative objectives.

COMPENSATION	2013	2012
Average personnel costs per employee (euros) [(1)]	67,301	65,840

[(1)] Corresponds to the heading of personnel expenses of the consolidated income statement of the Group from the consolidated average workforce.

In 2013 the total spending on social benefits for employees of the managed workforce was 93.9 million, compared to 88.3 million in 2012.



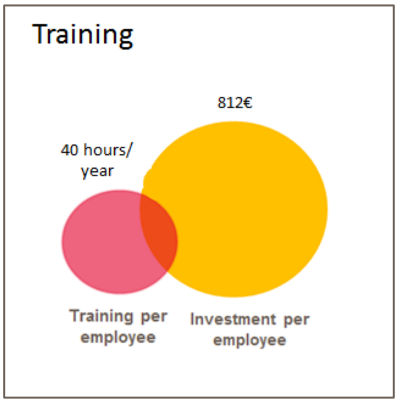
For the first time, in 2012 the variable remuneration system was deployed for employees included in collective bargaining agreements in Spain, linked to the achievement of the common goals of each organisational unit. Common goals were defined for the collective agreement workforce in Spain in 47 different units, addressing all the Group's business lines in Spain, where collective negotiations concluded in the Sixth Framework Agreement and the reference agreement or covenant was established for each company. In 2013, first payment was effective in Spain.

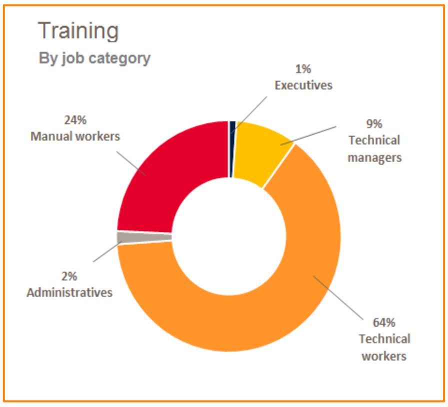
The Flexible Remuneration scheme continued in 2013, incorporating new benefits and collectives, expanding with Childcare, Computer Equipment, Health Insurance Expansion benefits and additional benefits to the Pension Plan.

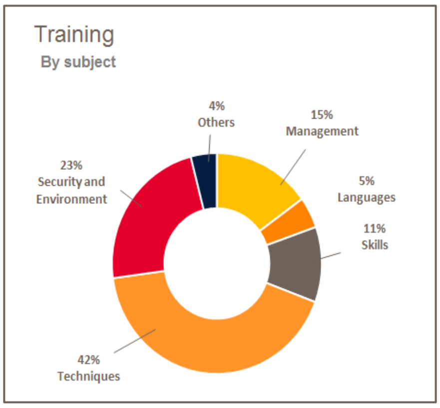
For more information regarding pension plans, medium-and long-term incentives for employees and share-based employee compensation plans, see Note 17 to the Consolidated Financial Statements for the year 2013. In relation to the remuneration of the members of the Board of Directors and senior management, see Note 33 to the Consolidated Financial Statements and the Annual Report on Corporate Governance.

Training

Repsol is a company that values, promotes and facilitates staff training as the key driver behind their personal and professional development.







TRAINING	2013	2012
No. of training actions	10,989	9,007
Total investment in training (€ million)	20	19
Investment per employee (€)	812	792
Total Training Hours / year	978,751	1,008,973
Average hours / year per employee	40	42
% of Employees receiving training	78.2%	75%
No. of Attendances	107,014	94.068
No. of People	18,939	18,122

In 2013, we have continued to integrate training for new university graduates through professional Master's degree programs in the areas of E&P, Petrochemical and Gas Refining, and Management, for a total of 142 students attending these programs.

The E&P area has maintained its focus in the training role with specialised technical courses in asset management, well integrity management for production, compressional structural styles, etc. This classroom training has been complemented with the introduction of a wide range of online technical training units, including over 100 specific courses in Geology, Geophysics, Petrophysics, Production Engineering and Reservoir Engineering. Additionally, a major international mentor-based training program has been developed.

The Commercial Areas have launched the new "Commercial School", formally certified by prestigious Spanish universities based on modular learning paths using blended methodologies that combine classroom and on-line training. This training covers general skills in the oil&gas environment, sales training, product training and service and management skills.

In Safety and Environment, the Leadership in Safety and Environment program has almost completed the training of all Repsol managers with dependent staff in their role as safety and environment leaders, with a total of 58 actions and 1,389 attendees. This program has been supplemented with an SMA Leadership program for Area Managers and Maintenance Managers in Industrial Centres. Everyone in the organisation, managers and non-managers, both in the corporate and business areas have attended at least one training activity on this topic.

A new leadership and management roadmap has been developed for all Repsol managers aimed at promoting and standardising the profile of team leaders throughout the company, as exponents of corporate values and culture. Specific programs have been launched to boost Leadership in Innovation and an online itinerary for Innovation and Knowledge Management has been designed.

Development and evaluation performance

This development is focused on the acquisition and/or improvement of skills and knowledge, enabling people to take on greater challenges and responsibilities within the Company, and giving them room for professional growth.

JOB CLASSIFICATION CHANGES	2013	2012
Number of people	1,941	1,996

The company's tools for the evaluation of potential and planning of development actions are mainly *People Review* and *Development Centre*.

People Review Assessment Indicators	2013	2012
People tested by *People Review* according to objective (1)	2,329	2,307
People tested by *Development Centre* according to objective (2)	189	112

(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.

(2) This program evaluates the professionals' level of development through individual and group tests. Additionally to tests planned in 2013, and as a consequence of the Trading project, 89 specific evaluations were performed in this collective.

In 2013, 14,576 employees underwent performance assessments, 10,743 are employees in Spain and 3,833 in rest of world.

The Company has a Performance Assessment model called "Management by Commitments (GxC)" for staff not covered by collective agreements (Executives, Line Managers and Technicians). Also, in January 2013, an agreement was signed with union representatives for the implementation of a "single performance evaluation model" applicable to all collective agreement staff in Spain known as Performance and Development Management (or *"DyD - desempeño y desarrollo"*), thus reaching a significant milestone towards a homogeneous framework for performance management for all collective agreement staff working for the company in Spain.

Internal mobility and internationalisation

Mobility is an opportunity for professional development driven by the assumption of new challenges and tasks.

MOBILITY	2013	2012
Number of Migrations	3,328	3,330
% of women	40	35

Increasing internationalisation makes it necessary to support businesses and corporate areas, considered as a development opportunity for employees.

INTERNATIONAL CAREER	2013	2012
Number of employees on international assignment	674	652
Incorporation of professionals to international workforce	162	166
Migrations carried out between different countries	87	105

6.1.4 LABOUR RELATIONS

LABOUR RELATIONS	2013	2012
No. of employees with fixed employment contract	21,993	21,872
No. of employees with temporary contract	2,221	2,123
Absenteeism rate (1)	2.87%	2.83%

(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.

The VI Framework Agreement signed in 2011 with Spain's largest unions - the CC.OO. and UGT - remains in force. This Framework Agreement regulates the working conditions of Repsol's workers in Spain. Its contents have been extended to other collective agreements of the Group in Spain.

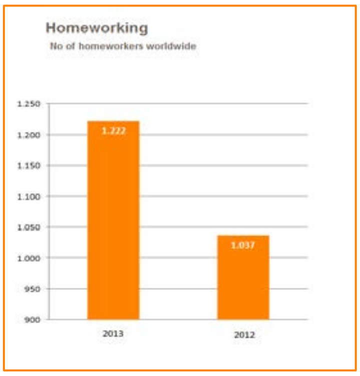
The collective agreements were signed for Repsol S.A., Repsol Comercial, Repsol Directo, Repsol Butano, Repsol Química and Dynasol, General Química, Repsol Petróleo, Repsol Trading, Repsol Lubricantes y Especialidades, S.A. (Relesa), Repsol Exploración and Repsol Investigaciones Petrolíferas, S.A. (Ripsa) are in force too.

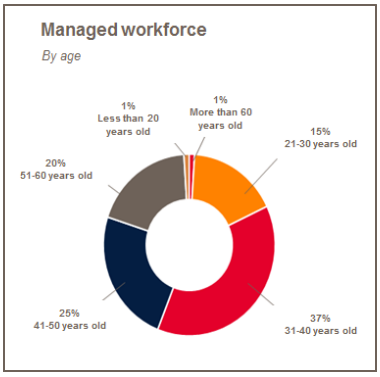
In the international field, agreements have been signed in Brazil (“Acordo Coletivo de Trabalho 2013” and “Aditivo de Acordo Coletivo específico para instituição do plano de participação nos resultados para o biénio”), Portugal (“Acordo coletivo entre a BP Portugal - Comércio de Combustíveis e Lubrificantes, S.A., e outras empresas petrolíferas e o SINDEQ - Sindicato Democrático da Energia, Química, Têxteis e Indústrias Diversas e outros - Alteração salarial e outras e texto consolidado” and “Acordo coletivo entre a BP Portugal - Comércio de Combustíveis e Lubrificantes, S.A. e ou-tras empresas petrolíferas e a FETESE - Federação dos Sindicatos da Indústria e Serviços - Alteração salarial e outras e texto consolidado") and in Peru (Collective Agreement for 2013-2014 (REGAPESA) and Certificate of Final Agreement on Collective Bargaining 2013 (RELAPASAA))

The European Workers Committee met on 10 and 11 July 2013. UGT-R. Portugal, CGTP-R. Portugal, CC.OO. and UGT attended.

At the beginning of 2014, the negotiation of the VII Framework Agreement and Collective Agreements will begin.

6.1.5 BALANCING PERSONAL AND PROFESSIONAL LIFE, DIVERSITY AND EQUAL OPPORTUNITIES





Repsol's Diversity and Work-life Balance Committee has continued to promote the programs initiated in previous years: homeworking, recruiting people with disabilities, flexible working hours, efficient time management and cultural diversity.

The homeworking program at Repsol is one of the most accepted measures in the Company's development towards a flexible working environment model.

HOMEWORKING INDICATORS	**2013**	**2012**
Number of Homeworkers Worldwide	1,222	1,037
Number of Homeworkers in Spain	1,148	972
Number of Homeworkers rest of the world	74	65

In addition to Pilot telecommuting programs in Ecuador and Peru, different studies have been initiated for the implementation of such programs in Trinidad and Tobago and Bolivia.

In addition, further actions were implemented to promote more flexible and efficient time management, based on work planning and prioritisation. Some of the achievements include flexible hours worldwide, adapted to the habits and customs of each country.

According to research published by the International Institute of Political Science, Repsol is regarded as the top company in Spain in terms of work-life balance. The ARHOE Foundation (Association for the Rationalisation of Spanish Working Hours) awarded Repsol as most outstanding company in the implementation of activities to promote more rational working hours, adapted to people's needs.

Repsol has an integration plan for disabled people, which integrates these employees in every area of the organization. We keep on overcoming legislation on this matter, distinguishing in Spain with 2.77% of disabled people on 31 December 2013, from which 22% of these professionals occupy technically qualified posts.

The current effort is focused on sensitization and impulse in different countries, promoting a model of social coexistence committed and supportive. In 2013, 32 new jobs have been filled by people with disabilities.

INTEGRATION	**2013**	**2012**
Total number of disabled employees	654	547
No. of employees with disabilities in Spain	532	437
No. of employees with disabilities in Ecuador	40	38
No. of employees with disabilities in Peru	47	39
No. of employees with disabilities in Portugal	17	17
No. of employees with disabilities in Venezuela	9	10
No. of employees with disabilities in Brazil	9	6

Repsol, in the context of its managed societies, is present in nearly forty countries with over 1,000 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. In order to encourage and promote cultural diversity within the company, actions have been designed with the aim of adapting management practices to the company's employees in an increasingly multicultural environment.

The following table shows the countries with the most different nationalities among employees (excluding the country in question):

Destination destination	Spain	Brazil	United States	Portugal	Libya	Trinidad, Tobago	Norway	Algeria	Russian Federation	Iraq	Peru	Angola	Venezuela	Ecuador	Bolivia	Colombia	United Kingdom	Canada	UAE	Indonesia	Netherlands
No. of different nationalities	59	23	18	17	15	14	11	10	10	10	9	8	8	7	6	5	5	4	4	4	4

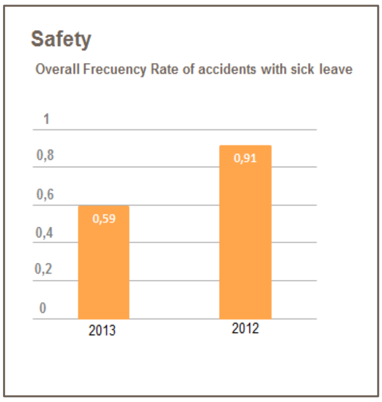
Repsol continues to increase the percentage of women participating throughout all the groups and businesses. The Equality Board meets every two months to conduct a review of the current situation and the evolution of the main gender indicators.

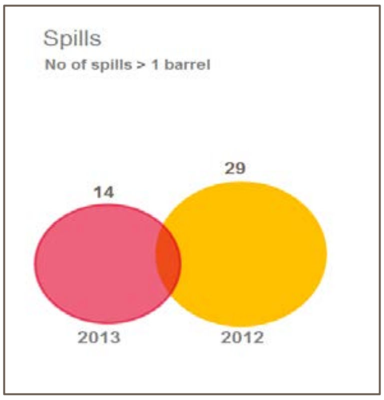
Gender Indicators	2013	2012
Women in the workforce	7,857	7,706
Women managers	43	44

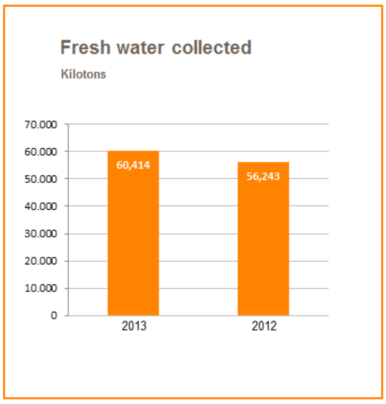
At Repsol we promote initiatives to convert the knowledge of senior staff into a shared asset, encouraging the transfer of knowledge acquired by people with more experience to our new employees, believing that this approach will ensure the success of the Company in the short and long term. A project has been undertaken focused on the employability and profitability of the expertise of assets with Greater Experience. Teams have been formed so, through a process of disruptive innovation, have generated concrete proposals in collaboration with the areas of Occupational Health, Education and the Innovation.

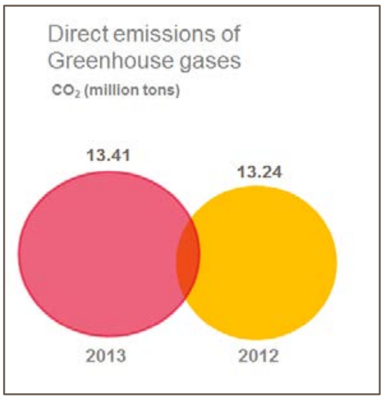
	2013			2012		
	Women	Men	% of women	Women	Men	% of women
Aged under 20	85	61	58	93	68	58
Aged 21-30	1,582	2,124	43	1,678	2,346	42
Aged 31-40	3,433	5,620	38	3,417	5,753	37
Aged 41-50	1,918	4,221	31	1,774	4,076	30
Aged 51-60	795	4,017	17	708	3,781	16
Older than 60	44	313	12	36	266	12

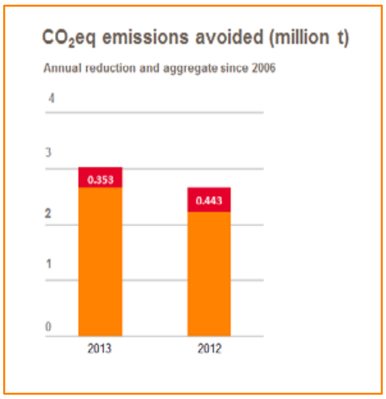
6.2) SAFETY AND ENVIROMENTAL MANAGEMENT











The attention to safety and the environment plays a central role for Repsol in managing its activities. The Company's principles for safety and the environment are defined in its Health, Safety and Environment Policy.

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. The most significant new requirements include:

- Approval of Directive 2013/30/EU on the Safety of offshore platforms, which provides that companies must conduct an assessment of the potential risks, the measures to adopt and have an emergency response plan before commencing exploration or production operations located anywhere in the world (not just in European territory). Repsol has a comprehensive emergency response program that includes strengthening prevention and covers the safety requirements stipulated in the Directive.

- The update process is currently underway for the BREF documents in the refining sector, large combustion plants, plants handling large volumes of organic chemicals and the treatment plants, water management and residual gas systems in the chemical sector. These documents establish the Best Available Techniques (BATs) and their associated levels of emissions to air and discharges to water. In compliance with Directive 2010/75/EU on Industrial Emissions, these limits, that were voluntary up until now, will become binding with the integrated environmental authorisations

(IEAs). All the BREF documents with implications in Repsol's activities are expected to be approved between 2014 and 2015.

- In 2013, Phase III of CO_2 Emission Trading started, which regulates Directive 2009/29/EC on the greenhouse gas emission allowance trading scheme of the Community, establishes a goal of reducing overall emissions by 20% compared to 1990 levels by 2020. The start of the new phase was conditioned by the effect of the excess of allowances. To reactivate the price, on 6 February 2014, the European Parliament approved the Commission's proposal on “Backloading” (temporary withdrawal of 900 million allowances).

- The process of transposing Directive 2012/27/EU on Energy Efficiency which drives the European objective of primary energy savings of 20% by 2020 has begun. To achieve this objective, the Directive establishes a system of energy efficiency obligations that will require energy distribution companies to work with their customers in order to achieve annual savings in the use of their products equivalent to 1.5% of their energy sales. It also requires large companies to carry out energy audits, and promotes the implementation of Energy Management Systems.

- In process, definition of article 7A of Directive 2009/30/EC as regards the specification of petrol, diesel and gas-oil and introducing a mechanism to monitor and reduce greenhouse gas emissions and that aims to ensure the monitoring, reporting and reduction of emissions from fuel during its life cycle.

Safety and environmental management system at Repsol is comprised of a body of regulations, procedures, technical guidelines and management tools applicable in all company activities and facilities. They are being continuously updated to be adapted to the sector's best practices. Our safety management system is based on the OHSAS 18001 standard ISO 14001 for the environmental management system. We encourage progressive certification of the company's centres according to these standards. In the certificates search function at www.repsol.com and the Corporate Responsibility Report 2013, information on all the certified centres as well as information on the audits carried out can be found.

6.2.1 SAFETY

Repsol's main safety indicators are shown below:

SAFETY (1)	2013	2012
Overall Frequency Rate (IF) of accidents with sick leave (2)	0.59	0.91
Frequency rate of accidents with sick leave of own staff	0.60	1.00
Frequency rate of accidents with sick leave of contractor staff	0.55	0.84
Number of fatalities own staff	0	0
Number of fatalities contractor staff	0	4

(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. These indicators include the safety ratios in relation to 100% of the staff of the subsidiaries in which Repsol has a majority ownership and/or operational responsibility (control).
(2) Overall frequency rate with sick leave: number of accidents leading to days lost or deaths recorded over the year, for every million hours worked.

Our goal is to achieve zero accidents from Repsol's activities. As a result of the high level of safety we demand from our operations, the overall accident rates reflect a continued improvement in our performance. No deaths were reported in 2013 and the accident frequency rate with sick leave decreased more than 35% over the previous year, meeting the annual target and representing an accumulated fall of 55% since 2011. The fulfilment of this goal is part of the annual targets of Repsol employees with variable remuneration and the performance assessment of the remaining personnel.

In addition to the efforts to ensure the safety of the people who work at our facilities, we have a robust system for managing the risks associated with our industrial processes and assets. To achieve this, we perform risk analysis throughout the entire lifecycle of our assets, applying the highest international standards at the designing stage and implementing strict operation and maintenance procedures.

In this way, we respond to the safety challenges established by the company's strategic plan for operating in increasingly complex and sensitive environments.

One of the most notable projects was our 2013 Plan for Leadership in Safety and Environment Culture. Over the past two years all of the company's leaders have received training in safety culture, which means that more than 3,000 people have attended some of the 120 editions held in 11 countries. This training has been extended to other groups, and about 1,000 middle-managers have participated in these initiatives. At Repsol we understand that a safety culture is part of the company's value proposal and for this reason we have spent years working on projects that guarantee our ranking in this field.

6.2.2 ENVIROMENT

The main environmental management indicators are shown below:

MAIN ENVIRONMENTAL INDICATORS	2013	2012
SPILLS		
Number of spills > 1 barrel that have reached the environment	14	29
Oil spills that have reached the environment (tons) (1)	15	6,091
WATER MANAGEMENT (KT)		
Freshwater collected(2)	60,414	56,243
Reused	9,473	8,375
DISCHARGES (TONS)		
Hydrocarbons (3)	460	259
Suspended Solids	1,265	1,581
Chemical Oxygen Demand (COD)	7,944	8,752
MANAGEMENT OF WASTE (TONS) (4)		
Hazardous waste	66,315	80,775
Non-hazardous waste (5)	182,693	52,580
AIR EMISSIONS (TONS)		
SO_2	34,263	36,949
NO_X	37,155	33,566
COV_S	41,755	42,855

(1) The 2012 figure includes the Tarragona spill of approximately 6,000 tonnes, of which over 90% has been recovered to date.
(2) Does not include the figure for the amount of water used in the exploration campaign in Alaska. This water is taken directly from surface resources (ice) to construct roads, and not for its own business. This water returns to its natural terrain once the campaign is over. The amount of water used for this purpose was 314,207 kilotonnes.
(3) The increase in hydrocarbon leaks is associated with specific operational problems at one of the water treatment plants in the Trinidad and Tobago facilities.
(4) Additionally, the waste associated with drilling mud should be taken into account. The increase in 2013 is due to exploration activities.

2013	2012
115,978 tons	58,793 tons

(5) The increased amount of non-hazardous waste in 2013 includes the extraordinary generation of 105,267 tonnes of waste due to soil remediation work in the Peru Refining activities, and to dismantling the Spain Refining facilities.

We work with the goal of minimising our impact on the environment. Therefore, and in order to further support the long term strategic plan of our company, establishing that margins should be improved through operational excellence and efficiency, we conduct numerous initiatives.

Our main efforts focus on improving the environmental quality of our products, minimising air emissions, increasing energy efficiency, optimising water consumption, reducing the contaminating load of dumps and improving spill prevention systems, applying for it the available best practices and technological innovation. Also noteworthy is the effort undertaken to identify, evaluate and correct the possible contamination situations occurred in the past. In note 36 “*Environmental information*” of the Consolidated Financial Statements, information on assets, provisions, and expenses of an environmental nature is listed.

The major milestones of 2013 included the implementation of a comprehensive program for the prevention, preparation, response and recovery from the impact of major accidents in exploration and production operations: *Global Critical Management Program*. This program establishes the following lines of action:

- Adaptation of internal standards to international best practices.
- Creation of a group of experts in emergency management (Global Critical Management Group) and establishment of functions and roles for a new multidisciplinary group set up to deal with emergency response (Global Critical Response Group).

- Establishment of emergency response facilities and centres located in Madrid, Houston, Lima and Rio de Janeiro.

6.2.3 SUSTAINABLE ENERGY AND CLIMATE CHANGE

When reporting on energy and carbon performance, we follow the oil industry guidelines developed by the *American Petroleum Institute* (API), the *International Petroleum Industry Environmental Conservation Association* (IPIECA), and the *International Association of Oil & Gas Producers*. The main indicators related to sustainable energy and climate change are set out below:

MAIN INDICATORS	2013	2012
DIRECT EMISSIONS OF GREENHOUSE GASES (1)		
CO_2 (million tons)	13.41	13.24
CH_4 (million tons)	0.029	0.028
N_2O (thousand tons)	0.64	0.72
CO_2 eq (million tons)	14.22	14.06
CO_2 EMISSIONS AVOIDED (MILLION TONS)		
Aggregate reduction since 2006	3.021	2.668
Annual reduction	0.353	0.443

(1) For data on emissions from mobile sources, only those associated with own transport is included.
(2) CO_2 information in process of regulatory verification with an end date of 28/02/2014.

Repsol is committed to building a better future through smart energy initiatives, offering the best energy solutions to society and the planet. This means using a wide variety of sources and optimizing their use through energy management systems to achieve excellent energy performance. This commitment is reflected in the updated Corporate Global Carbon Strategy for 2012-2020 which aims to boost the company's vision of a more diversified and less carbon intensive energy supply. The Carbon Strategy's end goal is to have a common method of acting that harmonizes the existing initiatives and detects synergies with an integrated focus.

Repsol established a strategic goal of reducing 2.5 million tons of CO_2 during the 2006-2013 period. This objective was met one year ahead of time, so during 2013 work has been done on defining a new long-term Company Plan to improve energy efficiency and reduce CO_2 emissions.

As a result of this work, a new strategic target was established to reduce 1.9 million tonnes of CO_2eq through a new plan for the period 2014-2020, which includes the reduction of energy intensity and emissions. Additionally, in 2013 Repsol has maintained its commitment to continuous improvement and to reducing Greenhouse Gas emissions, and has promoted energy efficiency actions which have resulted in reductions of over 350 kt of CO_2eq.

One of the main strategic objectives in energy terms is the implementation of an Energy Management System (EMS) in our facilities, which allows the establishment of the necessary systems and processes to improve its energy performance, promoting cost savings and affirming the company's commitment to supplying sustainable energy. Advancing excellence in energy management through the implementation of these EMS allows the company's energy policy and vision to be formalised, and likewise establishes goals and objectives to be monitored in the short, medium and long term, as part of a process of continuous improvement. It also systematises procedures and best practices, spreading common energy standards and homogenising their use in Repsol by anticipating regulatory implementation.

Repsol's Energy Management System is implemented according to the requirements of International Standard ISO 50001. During 2013 the certification process of facilities continued, covering the refineries of Tarragona, Cartagena and La Pampilla (Peru), the Puertollano Chemical plant and finally the *Upstream* assets in Block 16 (Ecuador), which join the facilities already certified in previous years.

Repsol aims to achieve excellence in its greenhouse gas inventories by broadening their scope and continuously improving their quality and transparency. Accordingly, every year an external company is called in to check that our GHG inventories meet the highest standards in quality and accuracy. During the year, progress was made in CO_2 emissions inventories, verifying more than 92% of these emissions according to international standard ISO 14064.

Additionally Repsol continues being the leader in the energy sector in the Climate Disclosure Leadership Index (CDLI), from the Climate Disclosure Project, the most prestigious in matters of climate change internationally.

Repsol's 2013 Corporate Responsibility Report lists the most notable actions carried out during the financial year to improve safety and to protect and conserve the environment, as well as the development of the most relevant indicators.

6.3) TAXATION

Tax Policy

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 policies in regard to taxation and for promoting cooperative relationships with governments and the different stake holders.

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.

In its operations and business models, tax 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.

Repsol has made a commitment not to use opaque ownership structures i.e. those which are designed to conceal information from Tax Authorities or in which special purpose vehicles in tax havens or territories that do not cooperate with Tax Authorities are used.

As a result of its commitment to transparency, Repsol is a founding member of EITI (Extractive Industries Transparency Initiative). This initiative aims to strengthen governance through improvements in transparency about payments made by oil, gas and mining companies to governments and agencies linked to 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, Indonesia, etc.)

The Board of Directors, through the Audit and Control Committee, regularly reviews the taxation policies which are being followed.

Impact of taxation on Repsol's profits

The 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).

The Group is also subject to other levies 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 2013, the total tax burden accrued from the abovementioned taxes was €2,192 million, which is an effective rate of 60.5%. The effective tax rate on profits is 43.3%.

Taxation on profits impact in 2013
Amounts in million euros

	Repsol Group ex Gas Natural Fenosa		Repsol Group	
Item	**Amount**	**Rate (*)**	**Amount**	**Rate (*)**
Income tax	956	50.5%	1,096	43.3%
Total tax burden	1,857	66.4%	2,192	60.5%

(*) Effective tax rate on profits: Corporation tax /income before tax on profits and participated companies.
Effective rate of total tax burden: Corporation tax + Other taxes on the operating income /profit before tax on profits and on operating profits.

Tax contribution

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 formal obligations and the obligations of informing and collaborating with the Authorities that it implies, while carrying with it significant liabilities.

In order to monitor and analyse the Group's fiscal contribution, we distribute the taxes paid into those which are an effective cost to the company and reduce its profit (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, taxes on profits which are due, but which will be paid in the future, are not included. By this criterion, it should be emphasised that in 2013, Repsol fulfilled more than 22,000 tax declarations, not including those for Gas Natural Fenosa, and paid € 13,671 million in taxes and associated public charges.

Taxes effectively paid in 2013 (*)
Amounts in million euros

Regions	Tax burden	Taxes collected	Total
Europe	851	10,462	11,313
Latin America	974	736	1,710
North Africa	600	5	605
Rest of the world	25	19	43
TOTAL 2013	**2,449**	**11,222**	**13,671**

(*) 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.

In 2013, the breakdown of taxes paid by the Group by country, not including those paid by Gas Natural Fenosa, is as follows:

Taxes effectively paid in 2013, by country, not including Gas Natural Fenosa [1]

Millions of euros

		Tax burden			Taxes collected [2]			
COUNTRY	**Taxes paid in 2013**	**Corporation Tax**	**Others**	**Total**	**VAT**	**Tax on hydrocarbons**	**Others**	**Total**
Spain	**8,811**	188	276	465	3,200	4,825	322	8,346
Portugal	**1,144**	16	11	27	428	669	19	1,117
Italy	**390**	2	1	3	51	334	1	387
Russia	**89**	13	60	73	11	0	5	16
Lybia	**566**	512	53	565	0	0	1	1
Argelia	**39**	34	1	35	0	0	4	4
T&T	**465**	301	164	465	-9	1	8	0
Venezuela	**67**	35	20	55	7	0	5	12
Colombia	**25**	18	1	19	0	0	6	6
Bolivia	**91**	56	8	64	22	0	5	27
Peru	**815**	77	120	196	425	175	19	618
Brazil	**74**	27	35	62	2	0	11	13
Ecuador	**39**	21	2	24	10	0	5	15
Rest	**30**	8	4	12	-2	0	20	18
TOTAL 2013	**12,645**	**1,308**	**757**	**2,065**	**4,145**	**6,004**	**432**	**10,581**

[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.

[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, which requires a scrupulous and ongoing process of risk identification, analysis and evaluation.

Specifically, investment and divestment projects and the company's significant operations all involve studying their taxation implications before decisions are taken.

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.

6.4) R&D

Through research and innovation, fostering talent and working cooperatively with networked groups of scientific excellence, in Spain and abroad, Repsol seeks to develop solutions to address these challenges.

The Repsol Technology Centre is the scientific and technological hub where the company centralises its R&D investments.

R& D MANAGEMENT INDICATORS	**2013**	**2012**
Number of contracts	122	151
External R&D (million euros)	23	20
R&D Investment (million euros)	89	83

In 2013, Repsol invested €83 million in R&D activities carried out directly at its Technology Centre in Móstoles (Spain), and a further €6 million in projects undertaken at the company's different business units, compared to €77 million and €6 million in 2012 respectively. Repsol maintains an active policy of collaboration with technology centres, public and private universities and companies in Spain and internationally. The investment earmarked for these types of agreements was more than €23 million. Repsol participates in R&D financing projects run by different government authorities. During 2013 Technology Centre participated in 12 projects backed by the Spanish Government and 9 EU projects, compared to 14 and 6 in 2012, as well as an international cooperation project with Chile.

During 2013 a loan agreement was signed with the European Investment Bank (EIB) to finance R&D activities at the Technology Centre for the next four years. This loan covers almost half of the budget during this period and is a milestone in public aid for the Centre, representing the first time that Repsol has requested funding for such activities. This operation represents an endorsement and is a guarantee of the quality of our R&D activities.

This loan will finance numerous actions within the extensive research, development and innovation investment program, covering among other fields improving energy efficiency and oil refining processes, development and production of petrochemical derivatives or storage of CO_2. The R&D programs also include developing systems and products in the field of renewable energy generation, bioenergy and transport solutions.

The Technology Centres in Houston and Brazil became fully operational in early 2013. The launch of these two new "hubs" in locations of strategic interest and in highly innovative technological environments, involved the creation of an integrated model with the Madrid Technology Centre, which makes it possible to access new innovation ecosystems and to be close to projects in these areas that are important to the company.

6.5) SOCIETY

CORPORATE SOCIAL 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 2013, the company has consolidated the implementation of its corporate responsibility coordination system, with the creation of new Corporate Responsibility Committees in the countries where it operates. These join those already in place in Spain and Portugal, Bolivia, Ecuador and Peru. Each committee has approved and published its corresponding Sustainability Plan 2013-2014, where it defines the actions to be undertaken to bring the company's ethical, social and environmental performance in line with expectations of its stakeholders.

During this year, the deployment system for the coordination of corporate responsibility in the main industrial complexes has been formalised, which passed their first sustainability plans. Having a model that integrates the corporate accountability 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, as vouched for by our continued presence in the Dow Jones and FTSE4Good and sustainability indices. Repsol again received the "Gold Class" company rating, according to the SAM 2013 Sustainability Yearbook, which recognises companies with the best sustainability performance.

SHAREHOLDERS AND INVESTORS

Repsol has an Investor Relations Management department, whose aim is to serve to Repsol shareholders, both institutional investors as minority shareholders, besides those analysts who follow the Company, on all these matters related to access the company's financial and operating information and facts that may affect the value of their shares.

In this context, and with the aim of continuously improving the quality of the information about the company, in 2013 the Investor Relations Department developed two new specialised areas for attending to the needs of minority shareholders on the one hand and socially responsible investors on the other.

The "*Repsol in Action*" channel was created for minority shareholders as relationship model based on the best practices of good corporate governance and transparency in order to facilitate closer ties, communication and a more fluid contact between the company and its minority shareholders. A special section was created in the investors section of the website dedicated to Repsol shareholders, in order to keep them informed of key developments in the company in a transparent manner and to involve them in social action, sporting events and the company's promotional campaigns.

With regard to socially responsible investors, a dedicated contact channel was designed along with a series of special events aiming to transmit how the company operates in the areas of corporate responsibility and dealing with the issues of safety, environment, human rights, and relationship with communities and corporate governance, among others.

A summary is shown below with statistics that support the interaction of the company with investors and the financial community through the various channels of communication established:

SHAREHOLDERS AND INVESTORS INFORMATION	2013	2012
OIA calls[(1)]	34,291	45,000
Acces to corporate website	443,000	390,000
Mail consultation	10,000	6,000
Roadshows institutional investors (cities) [(2)]	41	34
Roadshows minority shareholders (cities) [(2)]	12	-
Sectoral conferences	19	22
Institutional investors contacted	808	900
Application for mobile devices (downloads)	1,385	-
Events for minority shareholders	49	-

(1) Shareholder Information Office (OIA) serves shareholders, both current and potential.

(2) *Roadshows* are trips to different cities to visit institutional investors or minority shareholders. Includes *roadshows* with socially responsible investors.

Additionally in 2012, in an effort to update access to company information for the financial community, an application was developed for shareholders and investors to consult information using mobile devices (tablets and smartphones). This application can be downloaded for free on Repsol's website.

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 ten years, the repsol.com portal has positioned itself among the top European websites, according to the periodic study conducted by international consultancy firm KWD. In this ranking, the corporate site has always occupied the first position in Spain and has been among the top in its sector.

In addition, Repsol has other assets of particular relevance -such as the website guiarepsol.com- and applications for mobile devices. Moreover, the company's presence in social networks -especially Facebook and Twitter- has gained special significance with over 180,000 followers so far.

REPSOL ON THE INTERNET

2,800,000 visits (monthly average)

1,600,000 unique users (monthly average)

56,000 followers

127,000 followers

Google

5,500 keywords positioned in the Google Top 20, with an annual estimated value of €212,000

ADVERSTISING, SPONSORSHIP AND PUBLIC RELATIONS

Throughout 2013, several advertising campaigns have been made that have served to highlight the company's strategic projects. These communications 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 involvement in training young people, among others. On the commercial front, there have been numerous advertising campaigns that have served to highlight the excellence of our products and their competitive advantages.

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 programs have helped generate awareness for the Repsol brand and strengthen our corporate image as a forerunner in the commitment to society and the future of energy.

During the 2013 season, Marc Márquez became the youngest MotoGP World Champion in history, and along with his teammate Dani Pedrosa, they gave the Repsol Honda Team yet another World Championship team title. Without doubt, this sponsorship program 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 specific products for top motor competitions enables Repsol to remain a leader in research and thus be capable of fulfilling its customers' highest expectations.

As a sign of Repsol's commitment to society, in 2013 the strategy of sponsorship and public relations included new programs such as CEV Repsol (Spanish Bike Championship) or 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 and holding the Annual General Meeting.

7. OUTLOOK AND PROSPECTS

Users of this report should be aware that the forward-looking information contained in the document and which reflects the plans, forecasts or estimates of the Group's managers, based on assumptions that are considered reasonable, should not 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. The main risks and uncertainties are described in section 2.6) Risk Management.

7.1) MACROECONOMIC OUTLOOK

Global economy is still recovering from the crisis of 2009, but this process turned out to be slow and fragile. Unlike previous years, in 2013 the risks in emerging economies have increased and risks in advanced economies have become more moderate.

The outlook for the global economy is that economic growth will rebound to above 3%, after the slowdown experienced between 2011 and 2013, so that in 2014 it will reach 3.7%. The bulk of global economic growth will continue to be driven by emerging economies but there has also been a momentum in growth in advanced economies. In these countries, real GDP will increase 2.2% in 2014, almost one percentage point higher than in 2013.

Growth in emerging and developing economies is expected to reach 5.1% in 2014 and gradually increase in subsequent years, sustained by strong domestic demand, the recovery of exports and more flexible fiscal, monetary and financial policies; although most of these economies are experimenting slower growth and have recently revised their forecasts downward.

Looking ahead to 2014, most analysts already estimate that the Spanish economy will show a positive annual variation rate, although the magnitude of this growth is still uncertain. IMF placed growth at 0.6% in the latest WEO[1]. Repsol's Environmental Studies and Analysis Department placed GDP growth for 2014 at 0.8% - in line with forecasts form the main national analyst firms.

In all, it seems that the Spanish economy is gradually achieving a certain degree of stability. There are still many weaknesses, and risks exist that could reverse the path followed by GDP in the past two quarters. But the improvement of the situation in the Eurozone, both institutional and macroeconomic, and the structural reforms adopted leave room for cautious optimism. The Spanish economy already emerged from technical recession in the third quarter of 2013, registering its first positive growth figures. However, there is still a long way to go before reaching pre-crisis production levels.

Macroeconomic forecasts, main figures

	GDP (%)		**Average inflation (%)**	
	2013	**2014**	**2013**	**2014**
Global economy	3	3.7	3.8	3.8
Advanced economies	1.3	2.2	1.4	1.8
Spain	-1.2	0.6	1.4	1.5
Emerging economies	4.7	5.1	6.1	5.6

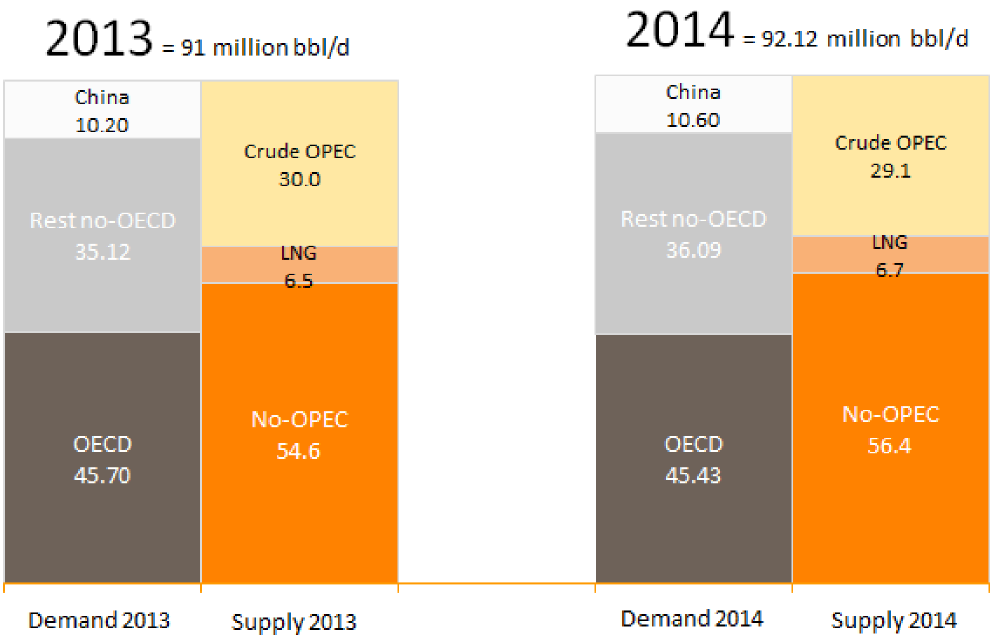
Source: IMF and Repsol Economic Research Department.

[1] World Economic Outlook

7.2) ENERGY SECTOR OUTLOOK

In the short-term, according to the International Energy Agency (IEA) the supply/demand balance for oil will be determined by the significant increase in production expected for 2014, of about 1.8 million barrels. More than 60% of this supply will come from non-OPEC countries. In turn, the increased demand will be driven by non-OECD countries.

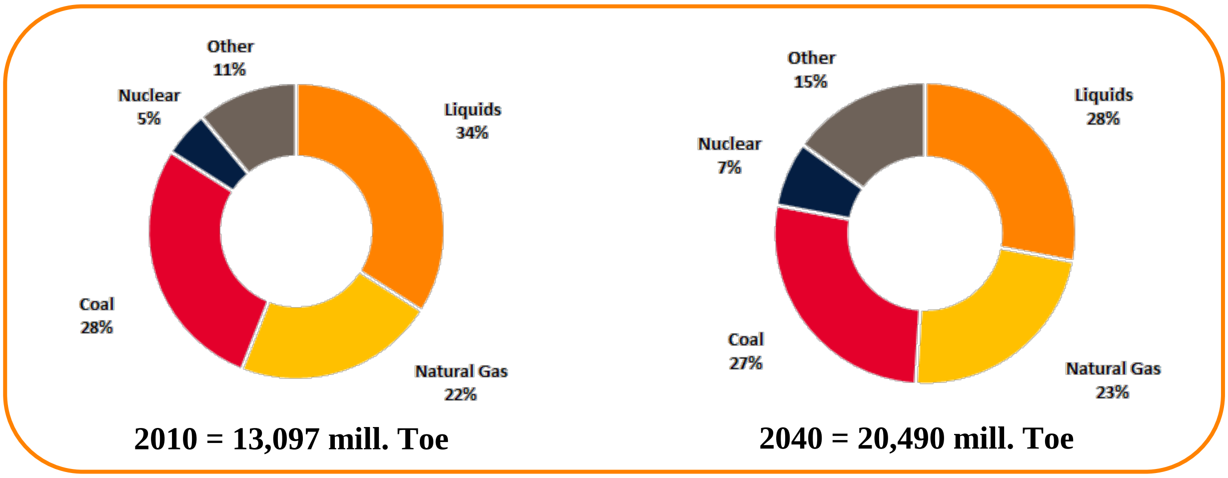
Short-term prospects of the global balance between supply and demand



Source: AIE and Repsol Economic Research Department.

In the longer term, the increase in energy demand put forward by the United States Energy Information Administration (EIA) stands at 56% from 2010-2040, equivalent to an average annual growth of 1.5%, with most of this growth, 85%, concentrated in non-OECD countries, due 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 34% in 2010 to 28% in 2040.



Source: International Energy Outlook 2013 (EnergyInternational Agency) and Repsol Economic Research Department.

7.3) FUTURE OUTLOOK FOR OUR BUSINESSES

Following the milestones achieved in 2012 and 2013, the strategic guidelines established in the 2012-2016 Strategic Plan will be maintained in the next few years. In this way, we will continue to focus on business growth in *Upstream* and operational excellence in *Downstream*, while maintaining a competitive shareholder remuneration and strength of our financial ratios.

In the *Upstream* business, our goal is to achieve a strong, profitable and sustainable growth over time. Thus, our investment efforts focus on projects with high added value, which enable the company's progressive expansion. This is the growth vector of the company, and therefore 77% of the investments referred to in the SP 12-16 are concentrated in this area. In 2014 the investment effort commitments will be upheld. Approximately $1,000 million is earmarked for exploration activities, hoping to complete more than 30 exploratory wells and conduct major seismic campaigns, highlighting the investments in Brazil, United States, Angola, Russia, Norway, Colombia, Namibia and Romania. Additionally, approximately $2,600 million is contemplated for investment in development, drilling and facilities construction, mainly in North America, Brazil, Venezuela and Algeria.

In 2014 the production and incorporation of new reserves is expected to follow the forecasts of the SP 12-16.

The growth commitment of the SP 12-16 is driven by 10 major projects, including those already in production in 2013, namely; Russia, Lubina-Montanazo, Margarita, Mid-Continent, Sapinhoa and Carabobo (early production). It is expected that between 2014 and 2015 Kinteroni in Peru and Cardón IV in Venezuela will become operational and development will continue in the other projects mentioned, along with Carioca and Reggane.

In the *Downstream* business the completion of the major projects of Cartagena and Petronor 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 efficiency and competitiveness of the Refining and Chemical facilities, thus leading to continuous improvements in margins.
- Commissioning of the SKSOL next generation lubricants plant in Cartagena, in association with the Korean company SKL.
- 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 after 6 years of constant decline.

In the anticipated environment, the Group will maintain its financial strength to perform the required investments while maintaining its credit rating and offering shareholders competitive returns.

APPENDIX I: RECONCILIATION OF ADJUSTED RESULTS WITH IFRS-EU RESULTS

2013 *(Million euros)*	**Adjusted Results**	**Reclassif.**	**Results IFRS-EU**
Operating income	**3,343**	**(772)**	**2,571**
Financial result	(814)	59	(755)
Share of results of companies accounted for using the equity method-net of tax	122	(74)	48
Income before tax	**2,651**	**(787)**	**1,864**
Income tax	(1,096)	149	(947)
Net income for the period from continuing operations	**1,555**	**(638)**	**917**
Net income for the period from continuing operations attributable to minority interests	(38)	-	(38)
Net income for the period from continuing operations attributable to the parent	**1,517**	**(638)**	**879**
Net income for the period from discontinued operations attributable to the parent	**(1,322)**	**638**	**(684)**
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT	**195**	**-**	**195**

2012 *(Million euros)*	**Adjusted Results**	**Reclassif.**	**Results IFRS-EU**
Operating income	**4,286**	**(620)**	**3,666**
Financial result	(857)	47	(810)
Share of results of companies accounted for using the equity method-net of tax	117	(70)	47
Income before tax	**3,546**	**(643)**	**2,903**
Income tax	(1,581)	175	(1,406)
Net income for the period from continuing operations	**1,965**	**(468)**	**1,497**
Net income for the period from continuing operations attributable to minority interests	(75)	-	(75)
Net income for the period from continuing operations attributable to the parent	**1,890**	**(468)**	**1,422**
Net income for the period from discontinued operations attributable to the parent	**170**	**468**	**638**
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT	**2,060**	**-**	**2,060**

APPENDIX II: CONVERSION TABLE AND GLOSSARY

			OIL				GAS		ELECTRICITY
			Litres	**Barrels**	**Cubic metres**	**toe**	**Cubic metres**	**Cubic feet**	**kWh**
OIL	1 barrel [(1)]	bbl	158.99	1	0.16	0.14	162.60	5,615	$1.7x10^6$
	1 cubic metre [(1)]	m^3	1,000	6.29	1	0.86	1,033	36,481	10,691.5
	1 ton of oil equivalent [(1)]	toe	1,160.49	7.30	1.16	1	1,187	41,911	12,407.4
GAS	1 cubic metre	m^3	0.98	0.01	0.001	0.001	1	35.32	10.35
	1,000 cubic feet=$1.04x10^6$ Btu	ft^3	27.64	0.18	0.03	0.02	28.3	1,000	293.1
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	35.3107	6.2898	1,000	1

Term	Description
bbl	Barrel
bcf	Billion cubic feet
bcm	Billion cubic meters
boe	Barrels of oil equivalent
Btu	British thermal unit
LPG	Liquefied Petroleum Gas.
LNG	Liquefied Natural Gas.
Gwh	Gigawatts per hour

Term	Description
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	Thousand tons
Mbbl	Million barrels
Mboe	Million barrels of oil equivalent

Term	Description
Mm^3/d	Million cubic metres per day
Mscf/d	Million standard cubic feet per day
MW	Million watts
Mwe	Million electric watts
MWh	Million watts per hour
TCF	Trillion cubic feet
toe	ton of oil equivalent
USD	US dollar

APPENDIX III: ANNUAL REPORT ON CORPORATE GOVERNANCE

ANNUAL CORPORATE GOVERNANCE REPORT

LISTED COMPANIES

DETAILS OF ISSUER

DATED END OF YEAR 2013

TAX REGISTRATION NUMBER: A78374725

Name: REPSOL, S.A.

Registered office: C/ Méndez Álvaro, 44 28045 Madrid

ANNUAL CORPORATE GOVERNANCE REPORT
LISTED COMPANIES

Read the instructions at the end of this report to correctly understand and complete the form.

A OWNERSHIP STRUCTURE

A.1 Complete the following table on the capital of the company:

Date latest modification	Capital (€)	Number of shares	Number of voting rights
05-07-2013	1,302,471,907	1,302,471,907	1,302,471,907

Indicate whether there are different classes of shares with different associated rights:

Yes [ ] No [X]

A.2 Give details on the direct and indirect holders of significant interests in your company at year-end, excluding directors:

Name of shareholder	Number of direct voting rights	Indirect voting rights		Interest / total voting rights (%)
		Direct holder of the interest	Number of voting rights	
Sacyr , S.A.	0	Sacyr Vallehermoso Participaciones Mobiliarias, S.L.	122,208,433	9.38
CaixaBank, S.A.	156,509,448			12.02
Temasek Holdings (Private) Limited	0	Chembra Investments Pte. Ltd	82,949,191	6.37
Petróleos Mexicanos	0	Financial institutions	67,969,767	9.34
		PMI Holdings BV	53,703,915	
		Pemex Internacional España, S.A.	1	

Indicate the principal movements in the shareholding structure during the year:

Name of shareholder	Date of transaction	Description of the transaction
BNP Paribas, Societé Anonyme	11/03/2013	Interest raised to over 3% of the capital
BNP Paribas, Societé Anonyme	12/03/2013	Interest lowered to below 3% of capital
BNP Paribas, Societé Anonyme	13/03/2013	Interest raised to over 3% of the capital
BNP Paribas, Societé Anonyme	04/04/2013	Interest lowered to below 3% of capital
BNP Paribas, Societé Anonyme	10/05/2013	Interest raised to over 3% of the capital
BNP Paribas, Societé Anonyme	14/05/2013	Interest lowered to below 3% of capital
BNP Paribas, Societé Anonyme	10/06/2013	Interest raised to over 3% of the capital
BNP Paribas, Societé Anonyme	11/06/2013	Interest lowered to below 3% of capital
BNP Paribas, Societé Anonyme	12/06/2013	Interest raised to over 3% of the capital
BNP Paribas, Societé Anonyme	25/06/2013	Interest lowered to below 3% of capital
Temasek Holdings (Private) Limited	04/03/2013	Interest raised to over 5% of the capital

A.3 Complete the following tables on directors' voting rights corresponding to shares in the company:

Name of director	Number of direct voting rights	Indirect voting rights		Interest / total voting rights (%)
		Direct holder of the interest	Number of voting rights	
Antonio Brufau Niubó	306,604	-	-	0.024
Isidro Fainé Casas	266	-	-	0.000
Manuel Manrique Cecilia	109	Cymofag, S.L.U.	938	0.000
Paulina Beato Blanco	109	-	-	0.000
Artur Carulla Font	49,379	-	-	0.004
Luis Carlos Croissier Batista	1,326	-	-	0.000

Rene Dahan	10,263	-	-	0.001
Ángel Durández Adeva	6,576	-	-	0.000
Javier Echenique Landiríbar	0	Bilbao Orvieto, S.L	19,012	0.001
Mario Fernández Pelaz	4,420	-	-	0.000
María Isabel Gabarró Miquel	6,445		2,026	0.001
José Manuel Loureda Mantiñán	57	Prilou, S.L.	30,067	0.002
Juan María Nin Génova	266	0		0.000
Pemex Internacional España, S.A.	1	0		0.000
Henri Philippe Reichstul	50	0		0.000
Luis Suárez de Lezo Mantilla	24,093	0		0.002

Total % of voting rights held by board members	0.035

Complete the following tables on directors with stock options in the company:

Name or corporate name of the director	**Number of direct stock options**	**Indirect options**		**Equivalent number of shares**	**% of total stock options**
		Direct holder	**Number of options**		

A.4 **Indicate family, commercial, contractual or corporate relationships among controlling shareholders known to the company, if any, except any that are insignificant and those deriving from ordinary commercial business:**

Name of related parties	**Type of relationship**	**Brief description**

A.5 **Indicate commercial, contractual or corporate relationships between controlling shareholders and the company and/or its group, if any, except any that are insignificant and those deriving from ordinary commercial business:**

Name of related parties	Type of relationship	Brief description
Caja de Ahorros y Pensiones de Barcelona	Corporate	Repsol and Caja de Ahorros y Pensiones de Barcelona (controlling shareholder of Caixaholding Bank, S.A.U. and CaixaBank, S.A.) participate in Gas Natural SDG, S.A., which has as business purpose, among other activities, supply, production, piping and distribution of any type of combustible gas. Repsol and Caja de Ahorros y Pensiones de Barcelona have also signed an agreement in relation to Gas Natural SDG, S.A., considered by both entities as a concerted action of which the Comisión Nacional del Mercado de Valores (CNMV) has been duly notified.

A.6 State whether the company has been notified of any shareholders' agreements that may affect it pursuant to the Companies Act articles 530 and 531. If any, describe them briefly and list the shareholders related by the agreement:

Yes [ ] No [X]

Parties to shareholders' agreement	% of capital affected	Brief description of agreement

Indicate and describe any concerted actions among company shareholders of which the company is aware:

Yes [ ] No [X]

Parties to concerted action	% of capital affected	Brief description of arrangement

Expressly indicate any change or break-up of those agreements or concerted actions, if any, that has taken place during the year:

A.7 Indicate any individuals or entities that exercise or may exercise control over the company in pursuance of section 4 of the Securities Market Act:

Yes [ ] No [X]

Name

Comments

A.8 Complete the following tables on the company's treasury stock:

At year-end:

Number of direct shares	Number of indirect shares (*)	Treasury stock/capital (%)
19,188	1,413,492	0.11

(*) Through:

Name of direct holder of the shares	Number of direct shares
Repsol Tesorería y Gestión Financiera, S.A.	1,413,492
Total:	1,413,492

Give details on any significant variations during the year, according to the provisions of Royal Decree 1362/2007:

Date of communication	Total direct shares acquired	Total indirect shares acquired	% of capital

A.9. Indicate the term and conditions of the authorisation granted by the General Meeting to the Board to issue, buy back or sell own shares.

The Annual General Meeting of Shareholders of Repsol, S.A. held on second call on April 30, 2010, adopted the following resolution under item six on the Agenda:

"First. To authorize the Board of Directors for the derivative acquisition of shares of Repsol YPF, S.A., by sale, purchase, exchange or any other onerous legal business modality, directly or through controlled companies, up to a maximum number of shares, that added to those already own by Repsol YPF, S.A. and its subsidiaries, not exceeding 10% of the share capital and for a price or equivalent value that may not be lower than the nominal value of the shares nor exceed the quoted price on the stock market.

The shares so acquired may be disbursed among the employees and directors of the Company and its Group or, if appropriate, used to satisfy the exercise of option rights that such persons may hold.

This authorization, which is subject to the compliance of all other applicable legal requirements, shall be valid for 5 years, counted as from the date of the present General Shareholders Meeting, and leaves without effect the authorization granted by the last Ordinary General Shareholders Meeting held on the 14th May 2009.

Second. To authorize the Board of Directors to delegate, pursuant to the provisions of article 141.1 of Joint Stock Companies Act, the delegated powers contemplated in section first of these resolutions."

A.10 State whether there are any constraints on the transferability of shares and/or any restrictions on voting rights. In particular, indicate the existence of any type of constraint or limitation that may hamper takeover of the company through the acquisition of its shares on the market.

Yes [X] No [ ]

Description of constraints
Article 34 of Royal Decree-Law 6/2000 establishes certain constraints on the exercise of voting rights in more than one principal operator in any one market or sector. Among others, it lists the fuel production and distribution, liquefied petroleum gas production and supply and natural gas production and supply markets. The principal operators are the entities holding the five largest shares of the market in question. These constraints are as follows: – Individuals or entities directly or indirectly holding more than 3% of the capital or voting rights of two or more principal operators on the same market may not exercise the voting rights corresponding to the excess over that percentage in more than one of such operators. – No principal operator may exercise the voting rights corresponding to an interest of more than 3% in the capital of another principal operator on the same market. These constraints shall not be applicable to parent companies that are principal operators in respect of their subsidiaries that are in the same position, provided this structure is imposed by law or the result of a mere redistribution of securities or assets among group companies. The Comisión Nacional de Energía (CNE), regulator of the energy market, may authorise exercise of the voting rights corresponding to the excess provided this does not favour the exchanging of strategic information or imply any risks of coordination of their strategic actions.

A.11 Indicate whether the General Meeting has resolved to apply the breakthrough rule against a takeover bid, under Act 6/2007:

Yes [ ] No [X]

If yes, explain the measures approved and the terms on which the restrictions will become ineffective:

A.12 State whether the company has issued any shares that are not traded on an EU regulated market:

Yes [X] No [ ]

If yes, indicate the different classes of shares and, for each class, the rights and obligations conferred.

At 31 December 2013, Repsol shares in the form of *American Depositary Shares* (ADSs) are listed on the OTCQX market. In addition, the shares in Refinería La Pampilla, S.A. are listed on the Lima Stock Exchange.

B GENERAL MEETING

B.1 Indicate whether there are any differences between the quorums established for General Meetings and the minimums stipulated in the Companies Act and, if any, explain:

Yes [ ] No [X]

	% quorum differing from that stipulated in the Companies Act article 193 for ordinary resolutions	% quorum differing from that stipulated in the Companies Act article 194 for special resolutions
Quorum required on 1st call		
Quorum required on 2nd call		

Description of the differences

B.2 Indicate whether there are any differences in respect of the system stipulated in the Companies Act for adopting corporate resolutions and, if any, explain:

Yes [X] No [ ]

What differences exist in respect of the system stipulated in the Companies Act?

	Larger majority than that established in the Companies Act article 201.2 for cases contemplated in article 194.1	**Other cases requiring a larger majority**
% established by the company for adopting resolutions		75%

Describe the differences

On both, first and second call the favourable vote of 75% of the voting capital attending the general meeting is required to validly adopt resolutions on the following matters:

- Alteration of Articles 22A and 44A of the Articles of Association on related party transactions and directors' prohibition from competing, or this special regulation.
- Authorisation of related party transactions in the cases contemplated in Article 22A of the Articles of Association.
- Releasing of a director from his obligation to not compete, pursuant to Article 44A of the Articles of Association.

B.3 Indicate the rules to amend the company's Articles of Association. In particular, indicate the majorities stipulated for amend the Articles of Association and the rules, if any, protecting shareholders' rights in any amendment of the articles.

The Articles of Association of Repsol do not establish different conditions for altering articles of association from those set down in the Companies Act, except as provided in Article 22, which provides that to alter Articles 22A ("Related party transactions"), 44A ("No competition obligation") and the special rule on alteration of the Articles of Association set out in Article 22, which requires the favourable vote of seventy-five per cent (75%) of the voting capital attending the general meeting on both first and second call.

Article 22 provides that annual and extraordinary general meetings must be attended on first call, in person or by proxy, by shareholders holding at least fifty per cent (50%) of the voting capital in order to adopt valid resolutions to alter the Articles of Association. On second call, the attendance of twenty-five per cent (25%) of that capital will be sufficient.

If a general meeting is attended by less than fifty per cent (50%) of the voting capital, resolutions altering the articles may only be validly adopted with the favourable vote of two-thirds of the capital present or represented at the general meeting.

B.4 Give details of attendance of general meetings held during the year of this report and the previous year:

	Details of Attendance				
Date General Meeting	**% in person**	**% by proxy**	**% distance voting**		**Total**
			Electronic vote	**Others**	
31-05-2013	15.329	42.418	0.0052	6.82	64.574

B.5 Indicate if there are any restrictions established in the articles of association requiring a minimum number of shares to attend general meetings

Yes [ ] No [X]

Number of shares required to attend general meetings	

B.6 State whether it has been ruled that certain decisions which entail a structural modification of the company (spin-offs, sale and purchase of essential operating assets, transactions equivalent to liquidation of the company…) are to be laid before the general meeting for approval even though this is not expressly required under commercial law.

Yes [ ] No [X]

B.7 Indicate the address and the way to access to the company's website, and where to find information on corporate governance and other information on general meetings that must be made available to shareholders through the company's website.

The information on corporate governance regulated by the Companies Act article 539, Order ECO/3722/2003 of 26 December and the National Securities Market Commission (CNMV) Circular 1/2004 of 17 March, and the information on general meetings is set out in the section "Information for shareholders and investors" on the company's website (www.repsol.com).

C MANAGEMENT STRUCTURE OF THE COMPANY

C.1 Board of Directors

C.1.1 State the maximum and minimum numbers of directors stipulated in the articles of association:

Maximum number of directors	16
Minimum number of directors	9

C.1.2 Give details of the board members:

Name of director	Representative	Position on Board	Date first appointment	Date latest appointment	Election procedure
Antonio Brufau Niubó		Chairman	23-07-1996	15-04-2011	Cooptation
Isidro Fainé Casas		Deputy-Chairman	19-12-2007	31-05-2012	Cooptation
Manuel Manrique Cecilia		Deputy-Chairman	25-04-2013	31-05-2013	Cooptation
Paulina Beato Blanco		Member	29-12-2005	30-04-2010	Cooptation

Artur Carulla Font		Member	16-06-2006	30-04-2010	Vote at General Meeting
Luis Carlos Croissier Batista		Member	09-05-2007	15-04-2011	Vote at General Meeting
Rene Dahan		Member	31-05-2013	31-05-2013	Vote at General Meeting
Ángel Durández Adeva		Member	09-05-2007	15-04-2011	Vote at General Meeting
Javier Echenique Landiríbar		Member	16-06-2006	30-04-2010	Vote at General Meeting
Mario Fernández Pelaz		Member	15-04-2011	15-04-2011	Vote at General Meeting
María Isabel Gabarró Miquel		Member	14-05-2009	31-05-2013	Vote at General Meeting
José Manuel Loureda Mantiñán		Member	31-01-2007	15-04-2011	Cooptation
Juan María Nin Génova		Member	19-12-2007	31-05-2012	Cooptation
Pemex Internacional España, S.A.	Arturo F. Henríquez Autrey	Member	26-01-2004	30-04-2010	Cooptation
Henri Philippe Reichstul		Member	29-12-2005	30-04-2010	Cooptation
Luis Suárez de Lezo Mantilla		Member & Secretary	02-02-2005	31-05-2013	Cooptation

Total Number of Directors	16

Indicate any retirements from the board during the reporting period:

Name of director	Type of director at time of retirement	Date of retirement
Juan Abelló Gallo	Proprietary	06-03-2013

C.1.3 Complete the following tables on the types of board members:

<u>EXECUTIVE DIRECTORS</u>

Name of Director	Committee that informed on appointment	Position in company's organisation
Antonio Brufau Niubó	Nomination and Compensation Committee	Executive Chairman
Luis Suárez de Lezo Mantilla	Nomination and Compensation Committee	Director, Company Secretary and Secretary

		of the Board

Total number of executive directors	2
% of board	12.5

NON-EXECUTIVE PROPRIETARY DIRECTORS

Name of Director	Committee that informed on appointment	Name of controlling shareholder represented or that proposed appointment
Isidro Fainé Casas	Nomination and Compensation Committee	CaixaBank, S.A.
Juan María Nin Génova	Nomination and Compensation Committee	CaixaBank, S.A.
Manuel Manrique Cecilia	Nomination and Compensation Committee	Sacyr, S.A.
José Manuel Loureda Mantiñán	Nomination and Compensation Committee	Sacyr, S.A.
Pemex Internacional España, S.A.	Nomination and Compensation Committee	Petróleos Mexicanos
Rene Dahan	Nomination and Compensation Committee	Temasek Holdings (Private) Limited

Total number of proprietary directors	6
% of board	37.,5

NON-EXECUTIVE INDEPENDENT DIRECTORS

Name of director	Profile
Paulina Beato Blanco	Phd Economics, University of Minnesota, Professor of Economic Analysis, Commercial Expert and Economist of the State. Former Executive Chairperson of Red Eléctrica de España, Director of CAMPSA and major financial institutions. Formerly Chief Economist in the Sustainable Development Department of Inter-American Development Bank and Consultant in the Banking Supervision and Regulation Division of the International Monetary Fund. Currently she is advisor to the Iberoamerican Secretary General (Secretaría General Iberoamericana), professor for Economic Analysis and member of the Board of

	Barcelona GSE Foundation and of Balia Foundation.
Artur Carulla Font	Graduate in Economics. He has been Executive Director of Arbora & Ausonia, S.L. and Managing Director of Agrolimen, S.A. Currently, he is Chairman of Agrolimen, S.A. and its participated companies; Affinity Petcare, S.A., Preparados Alimenticios, S.A. (Gallina Blanca Star), Biocentury, S.L., The Eat Out Group, S.L. and Roger Goulart, S.A.; Member of the Regional Board of Telefónica in Catalonia, member of Advisory Board of EXEA Empresarial, S.L. and member of Advisory Board of Roca Junyent. He is also Vice-Chairman of Círculo de Economía, Vice-Chairman of Foundation ESADE, Member of Foundation Lluis Carulla, Member of IAB (International Advisory Board) of the Generalitat de Catalunya, Member of the Management Board of Instituto de la Empresa Familiar, Member of Foundation MACBA (Museo de Arte Contemporaneo de Barcelona) and Member of FUOC (Fundació per a la Universitat Oberta de Catalunya).
Luis Carlos Croissier Batista	He has been the professor in charge of economic policy of the Universidad Complutense of Madrid. During his long professional tenure, amongst other positions, he was Subsecretary of the Ministry of Industry and Energy, President of the National Institute of Industry (Instituto Nacional de Industria, I.N.I.), Minister of Industry and Energy and President of Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores). Currrently he is Director of Adolfo Dominguez, S.A., Testa Inmuebles en Renta, S.A. and Eolia Renovables de Inversiones SCR, S.A and Sole Director of Eurofocus Consultores, S.L.
Mario Fernández Pelaz	Graduate in Law at Deusto University in 1965. He has been Professor of Mercantile Law in the Faculty of Law of Deusto University and in the Faculty of Business

	Science at the same University, and Professor of different Masters at Deusto University. In his long professional career, he has served, among other charges, as Minister and later Vice-president of the Basque Government, Chairman of the Central Administration-Basque Government Transfers Mixed Committee, Chairman of the Basque Financial Council, Chairman of the Economic Committee of the Basque Government, Member of the Arbitration Committee of the Basque Autonomous Community. He was also Executive Director of BBVA Group and member of the Executive Committee from 1997 to 2002, and Main Partner of Uría Menéndez from that date to June 2009. From July 2009 to November 2012 he has been Chairman of BBK (Bilbao Bizkaia Kutxa), From January 1st, 2012 is Executive Chairman of Kutxabank, S.A., Chairmanof its Risk Delegate Committee and Chairman of its Executive Committee, and Vicechairman of Confederación Española de Cajas de Ahorros (CECA). He is also Consul of the Bilbao Consulate and Illustrious of Bilbao. He has also published on mercantile and financial matters
Ángel Durández Adeva	BA Economics, Professor of Commerce, chartered accountant and founding member of the Registry of Economic Auditors. He joined Arthur Andersen in 1965 where he was Partner from 1976 to 2000. Up to March, 2004 he headed the Euroamerica Foundation, of which he was founder, entity dedicated to the development of business, political and cultural relationships between the European Union and the different Latin American Countries. Currently he is Director of Mediaset España, S.A., Director of Quantica Producciones, S.L., Director of Ideas4all, S.L., Member of the Advisory Board of FRIDE (Foundation for the international relations and the foreign development), Chairman of Arcadia Capital, S.L. and Información y Control de

	Publicaciones, S.A., Member of Foundation Germán Sánchez Ruipérez and Foundation Independiente and Vicepresident of Foundation Euroamérica.
Javier Echenique Landiríbar	Ba Economics and Actuarial Science. Former Director-General Manager of Allianz-Ercos and General Manager of BBVA Group. Currently Vice chairman of Banco Sabadell, S.A., Vicechairman of Calcinor, S.L., Director of Telefónica Móviles México, Actividades de Construcción y Servicios (ACS), S.A., Grupo Empresarial Ence, S.A. and Celistics, L.L.C., Delegate of the Board of Telefónica, S.A. in the Basque region, Member of the Advisory Board of Telefónica Spain, Member of Foundation Novia Salcedo, Foundation Altuna and Member of the Círculo de Empresarios Vascos.
María Isabel Gabarró Miquel	Graduate in Law at the University of Barcelona in 1976. In 1979 she joined the Bar of Notaries. She has been a board member of important entities in different sectors: financial, energy, telecommunications, infrastructure and also property, where she was also a member of the Nomination and Compensation Committee and of the Audit and Control Committee. Currently, she is registered on the Bar of Notaries of Barcelona, since 1986, and is a member of the Sociedad Económica Barcelonesa de Amigos del País.
Henri Philippe Reichstul	Ba Economics, University of São Paulo and Phd at Hertford College, Oxford. Former Secretary of the State Business Budget Office and Deputy Minister of Planning in Brazil. From 1988 to 1999 he held the position of Executive Vice President of Banco Inter American Express, S.A. From 1999 to 2001 he was Chairman of Brazilian State Oil Company Petrobrás. He is Member of the Strategic Board of ABDIB, Member of Coinfra, Member of the Advisory Board of Lhoist do Brasil Ltda., Member of the Advisory Board of AES Brasil, Member of the Supervisory Board of Peugeot Citroen, S.A., Member of the Supervisory Board of Fives

	Group, Member of the International Board of UTC, Member of the Board of Directors of Gafisa, Member of the Board of Directors of Foster Wheeler, Member of the Board of Directors of Semco Partners and Vice-Chairman of the Board of the Brazilian Foundation for Sustainable Development.

Total number of independent directors	8
% of board	50%

State whether any director qualified as independent receives from the company or any other company in the same group any sum or gain other than directors' emoluments, or has or has had a business relationship with the company or any other company in its group during the past year, in his/her own name or as controlling shareholder, director or senior executive of a company which has or has had such a relationship.

If appropriate, include a reasoned statement by the board explaining why it considers that the director in question can perform his/her duties as an independent director.

Name of director	Description of relationship	Reasoned statement

<u>OTHER NON-EXECUTIVE DIRECTORS</u>

Name of director	Committee that proposed his/her appointment

Total number of other non-executive directors	
% of board	

Explain why they cannot be considered proprietary or independent directors and their relationships, with the company or its executives or with the shareholders:

Name of director	Reasons	Company, executive or shareholder with which the director is related

Indicate any variations during the reporting period in the type of each director:

Name of director	Date of change	Previous type	Present type

C.1.4 Complete the following table with details of the number of female directors over the past 4 years and the type of female directors:

	Number of female directors				Female directors / total directors of each type (%)			
	Year t	Year t-1	Year t-2	Year t-3	Year t	Year t-1	Year t-2	Year t-3
Executive	-	-	-	-	-	-	-	-
Proprietary	-	-	-	-	-	-	-	-
Independent	2	2	2	2	25%	25%	25%	25%
Other non-executive	-	-	-	-	-	-	-	-
Total	2	2	2	2	12,5%	13,3%	12,5%	12,5%

C.1.5 Explain any measures taken to endeavour to include in the board a number of women to give a balanced composition of men and women directors

Explanation of measures
Article 32 of the company's articles of association stipulates that both the general meeting and the board, exercising its power to propose tot he board and cooptation to fill vacancies, shall endeavour to apply policies of professional, international and gender diversity suited to the company's activity from time to time in respect of the composition of the board. The Regulations of the Board also include this provision and also expressly assigns to the Nomination and Compensation Committee the duty to oversee that when filling new vacancies or appointing new directors, the selection procedures are not implicitly biased against the selection of female directors and a conscious effort is made to include women with the target profile among the candidates, reporting to the Board on the initiatives taken in this regard and the outcome. In the latest selection processes, the Nomination and Compensation Committee has ensured that there are no implicit biases that may hinder the access of women to the vacancies. It evaluated the skills, knowledge and expertise of all the candidates according to the needs of the governing bodies at any time, assessing the dedication necessary to be able to suitably perform their duties in the light of the principles contained in the Board Regulations.

C.1.6 Explain any measures agreed by the nomination committed to ensure that the selection procedures are not implicitly biased against the selection of female directors and that a conscious effort is made to include women with the target profile among the candidates:

Explanation of measures
See previous section above. In 2012 the Nomination and Compensation Committee submitted a proposal to the Board to alter the Articles of Association and Regulations of the Board to incorporate diversity policies as a guideline to be followed by the Board when selecting new candidates, both to fill vacancies by cooptation and to propose the appointment of new directors to the general meeting. The institutionalisation of a policy which promotes professional, international (nationality) and gender while taking account of the business requirements of Repsol from time to time helps to enrich the internal culture of the company and decision-making processes by contributing new experiences and points of view. Repsol currently has two female directors on its governing body.

If, despite the measures taken, if any, there are few or no female directors, explain the reasons that justify this situation:

Explanation of reasons
See section above.

C.1.7 Explain the form of representation on the board of shareholders with significant interests.

All controlling shareholders with the right to proportional representation are represented on the Repsol board of directors.

C.1.8 Explain, if appropriate, why proprietary directors have been appointed at the request of shareholders holding less than 5% of the capital:

State whether any formal requests for presence on the board have been rejected from shareholders holding interests equal to or greater than others at whose request proprietary directors have been appointed. If appropriate, explain why such requests were not met.

Yes [ ] No [X]

Name of shareholder	Explanation

C.1.9 State whether any director has retired before the end of his/her term of office, whether said director explained the reasons for such decision to the Board and through what means, and if the explanations were sent in writing to the entire Board, explain below at least the reasons given by the director:

Name of director	Reason for retirement
Juan Abelló Gallo	Sale by the Torreal Group of all its shares in Sacyr, S.A. (Mr Abelló was Proprietary Director representing the Sacyr Group)

C.1.10 Indicate the powers delegated to the Managing Director(s), if any:

Name of director	Brief description

C.1.11 Name Board members, if any, who are also directors or executives of other companies in the same group as the listed company:

Name of director	Name of Group company	Position

C.1.12 Name the company directors, if any, who are on the Boards of non-group companies listed on stock exchanges, insofar as the company has been notified:

Name of director	Listed company	Position
Antonio Brufau Niubó	Gas Natural SDG, S.A.	Deputy Chairman
Isidro Fainé Casas	Abertis Infraestructuras, S.A.	1st Deputy Chairman
Isidro Fainé Casas	Telefónica, S.A.	Deputy Chairman
Isidro Fainé Casas	CaixaBank, S.A.	Chairman
Isidro Fainé Casas	The Bank East of Asia, Limited	Director
Isidro Fainé Casas	Banco Portugués de Investimento, S.A.	Director
Manuel Manrique Cecilia	Sacyr, S.A.	Chairman and CEO
Manuel Manrique Cecilia	Testa Inmuebles en Renta, S.A. (Grupo Sacyr)	Director
Luis Carlos Croissier Batista	Adolfo Domínguez, S.A.	Director
Luis Carlos Croissier Batista	Testa Inmuebles en Renta, S.A.	Director
Ángel Durández Adeva	Mediaset España, S.A.	Director
Javier Echenique Landiríbar	Banco Sabadell, S.A.	Deputy Chairman
Javier Echenique Landiríbar	Actividades de Construcción y Servicios (ACS), S.A.	Director
Javier Echenique Landiríbar	Grupo Empresarial ENCE, S.A.	Director
José Manuel Loureda	Testa Inmuebles en Renta,	Director

Mantiñán	S.A.	
Juan María Nin Génova	CaixaBank, S.A.	Deputy Chairman & CEO
Juan María Nin Génova	Gas Natural SDG, S.A.	Director
Juan María Nin Génova	Banco BPI, S.A.	Director
Juan María Nin Génova	Erste Group Bank, S.A.	Director
Juan María Nin Génova	Grupo Financiero Inbursa S.A.B. de CV	Director
Henri Philippe Reichstul	Gafisa	Director
Henri Philippe Reichstul	Foster Wheeler	Director
Luis Suárez de Lezo Mantilla	Gas Natural SDG, S.A.	Director

C.1.13 Indicate and, where appropriate, explain whether the company has established rules on the number of directorships its directors may hold:

Yes [X] No [ ]

Explanation of the rules
Article 17 of the Board of Directors Regulations provides in its section 5 the following: *"Directors may not hold more than four (4) other mandates in other listed companies different from Repsol, S.A. To these effects:* *a) It will be considered as one single mandate all those mandates held in companies belonging to the same group as well as those Board memberships held as proprietary director proposed by a company of said group although the stock held in the company or the level of control may not qualify to consider said company as part of the group; and* *b) Board memberships in holding companies or companies ancillary to the development of the professional services of the own Director, the spouse, persons having equivalent emotional ties or closest family.* *Exceptionally and due to reasons properly justified, the Board may waive the Director from this prohibition. In addition, the Director shall inform the Nomination and Compensation Committee of any other professional obligations they may have and any material changes in their professional situation, as well as any that may affect the nature or condition by virtue of which they have been appointed Director."*

C.1.14 Indicate the company policies and general strategies that must be approved by the full Board:

	Yes	No

Investment and financing policy	X	
Definition of the structure of the group of companies		X
Corporate governance policy	X	
Corporate social responsibility policy	X	
Strategic or business plan, annual management objectives and budget	X	
Pay policy and performance rating of senior executives	X	
Risk management and control policy and regular monitoring of internal reporting and control systems	X	
Dividend policy, treasury stock policy and, in particular, the limits established	X	

C.1.15 Indicate the overall remuneration of the board:

Remuneration of the board (thousand euros)	11,886
Amount of the overall remuneration corresponding to the vested rights of directors in pension schemes (thousand euros)	-
Overall remuneration of the board (thousand euros)	11,886

C.1.16 Name the members of top management who are not executive directors and indicate the aggregate remuneration accrued in their favour during the year:

Name or corporate name	Position/s
Nemesio Fernández-Cuesta Luca de Tena	General Manager Business
Miguel Martínez San Martín	General Manager Economics, Finance and Corporate Development
Pedro Fernández Frial	General Manager Strategy & Control
Cristina Sanz Mendiola	General Manager Personnel & Organisation
Begoña Elices García	General Manager Communication & Office of the Chairman
Luis Cabra Dueñas	General Manager Exploration & Production
Josu Jon Imaz San Miguel	General Manager Industrial Area & Trading
Isidoro Mansilla Barreiro	Group Manager Audit and Control

Total remuneration top management (thousand euros)	11,458

C.1.17 Name any board members who are also on the boards of companies holding significant interests in the listed company and/or in companies of its group:

Name of director	Name of related controlling shareholder	Position
Isidro Fainé Casas	Caja de Ahorros y Pensiones de Barcelona	Chairman
Isidro Fainé Casas	CaixaBank, S.A.	Chairman
José Manuel Loureda Mantiñán	Valoriza Gestión, S.A (Grupo Sacyr)	Chairman
José Manuel Loureda Mantiñán	Vallehermoso División Promoción, S.A. (Grupo Sacyr)	Director
José Manuel Loureda Mantiñán	Sacyr, S.A.U. (Grupo Sacyr)	Director
José Manuel Loureda Mantiñán	Testa Inmuebles en Renta, S.A. (Grupo Sacyr)	Director
José Manuel Loureda Mantiñán	Somague S.G.P.S., S.A. (Grupo Sacyr)	Director
Manuel Manrique Cecilia	Sacyr, S.A.	Chairman & CEO
Manuel Manrique Cecilia	Somague S.G.P.S., S.A. (Grupo Sacyr)	Director
Manuel Manrique Cecilia	Testa Inmuebles en Renta, S.A. (Grupo Sacyr)	Director
Manuel Manrique Cecilia	Valoriza Gestión, S.A (Grupo Sacyr)	Director
Manuel Manrique Cecilia	Sacyr Construcción, S.A.U. (Grupo Sacyr)	Director
Manuel Manrique Cecilia	Sacyr Concesiones S.L. (Grupo Sacyr)	Director
Manuel Manrique Cecilia	Inchisacyr, S.A. (Grupo Sacyr)	Director
Juan María Nin Génova	CaixaBank, S.A.	Deputy Chairman & CEO

Describe the significant relationships other than those contemplated above of the board members with the controlling shareholders and/or companies in their group:

Name of related director	Name of related controlling shareholder	Description of relationship
Juan María Nin Génova	Caja de Ahorros y Pensiones de Barcelona	General Manager
Luis Carlos Croissier Batista	Sacyr , S.A.	Director of Testa Inmuebles en Renta, S.A.
José Manuel Loureda Mantiñán	Sacyr , S.A.	Indirect holder of 8.42% of the capital of Sacyr,

		S.A. through Prilou, S.L. and Prilomi, S.L.
José Manuel Loureda Mantiñán	Sacyr , S.A.	Representative of Prilou, S.L. on the board of Sacyr Vallehermoso, S.A.
Manuel Manrique Cecilia	Sacyr , S.A.	Indirect holder of 5.75% of the capital of Sacyr Vallehermoso, S.A. through Cymofag, S.L.U.
Manuel Manrique Cecilia	Sacyr Vallehermoso Participaciones Mobiliarias, S.L.	Sole Director and representative of Sacyr, S.A.
Manuel Manrique Cecilia	Sacyr Gestión de Activos,S.L.	Sole Director and representative of Sacyr, S.A.
Arturo F. Henríquez Autrey	Pemex Procurement International Inc.	Chairman and General Director

C.1.18 State whether any modifications have been made during the year to the Regulations of the Board:

Yes [X] No [ ]

Description of modifications
On 24 July 2013, the Board of Directors resolved to alter Article 31 of the Regulations of the Board to adapt the composition of the Executive Committee to Article 38 of the Articles of Association, in turn altered by virtue of the resolution adopted at the General Shareholders' Meeting held on 31 May.

C.1.19 Describe the procedures for selection, appointment, re-election, assessment and removal of directors. Indicate the competent bodies, the formalities and the criteria to be followed in each of these procedures.

Selection

The Nomination and Remuneration Committee, by virtue of its power to select Directors, assesses the knowledge, expertise and experience required on the Board and defines accordingly the duties and skills required in the candidates who are to fill each vacancy and assess the time and dedication necessary for them to perform their duties adequately.

In turn, that committee must ensure that, whenever new vacancies arise or when appointing new directors, the selection procedures are not implicitly biased and involve no discrimination whatsoever, and that a conscious effort is made to include women with the target profile among the candidates, reporting to the Board on the initiatives taken in this respect and the results obtained.

Appointment

Board members are appointed by the General Meeting, without prejudice to the right of the Board to nominate shareholders to fill any vacancies that arise, up to the next succeeding General Meeting.

No-one who is affected by the prohibitions established in section 213 of the Stock Company Act or who is incompatible under prevailing legislation, particularly under the Senior Central Government Positions (Incompatibilities) Act 5/2006 of April 10 and the Senior Positions in the Madrid Regional Government (Incompatibilities) Act 14/1995 of April 21, may be a director or hold any senior position in the company.

Directors shall be persons who, apart from meeting the requirements stipulated for the position in the law and the Articles of Association, have recognised prestige and sufficient professional experience and expertise to perform their duties as such.

Within its powers of proposal to the General Meeting or appointment by cooptation, the Board may not propose as candidates or appoint as Directors any persons affected by any of the incompatibilities or prohibitions established in law, the Articles of Association or regulations or any persons, companies or entities in a situation of permanent conflict of interest with the company, including competitors of the company or their directors, executives or employees, or any persons related to or proposed by them.

Furthermore, persons may not be nominated or appointed as External Independent directors if they:

a) Have been employees or Executive Directors of Group companies, unless 3 or 5 years, respectively, have passed since the end of that relationship.

b) Receive from the Company, or its Group, any sum of money or benefit whatsoever other than Directors' compensation, unless such sum or benefit is insignificant.

   Dividends and pension supplements received by Directors by virtue of a former professional or employment relationship shall not be counted for the purpose of this section, provided such supplements are unconditional and, therefore, the company paying them cannot suspend, modify or revoke them at its own discretion, unless the director in question has defaulted his obligations.

c) Be or have been in the past 3 years a partner of the External Auditor or person responsible for the auditors' report during that time, of the Company or any other company in its Group.

d) Be Executive Directors or Senior Executive of any other company in which any Executive Director or Senior Executive of the Company is an External Director.

e) Have or have had in the past year any significant business relationship with the Company or with any company in its Group, directly or as a significant shareholder, Director or Senior Executive of an entity having or that has had such a relationship.

   Business relationships shall be those of suppliers of goods or services, including financial services, or of advisers or consultants.

f) Be significant shareholders, Executive Directors or Senior Executives of a company that receives, or has received in the past 3 years, significant donations from the Company or its Group.

   Those who are mere sponsors or trustees of a Foundation receiving donations shall not be considered included in this group.

g) Be the spouse, persons having equivalent emotional ties or relatives up to the second degree of an Executive Director or Senior Executive of the Company.

h) Not have been proposed for appointment or re-election by the Nomination and Compensation Committee.

i) Be in any of the cases contemplated in paragraphs a), e), f) or g) above in respect of any significant shareholder or shareholder represented on the Board. For the blood relationship contemplated in g), the limitation shall be applicable not only to the shareholder, but also to its External Proprietary Directors in the Company.

j) Have remained in office as Director for a period of more than twelve years.

External Proprietary Directors who lose this status when the shareholder they represent sells its shares in the Company may only be re-elected as External Independent Directors when the shareholder they represented up to that time has sold all of its shares in the Company.

A Director who holds a shareholding interest in the Company may be appointed as External Independent Director, provided he meets all the conditions established in this article and does not hold a significant interest.

The Nomination and Compensation Committee, consisting exclusively of External Directors, shall assess candidates' adequate knowledge, experience and expertise to sit on the Board; define, in consequence, the duties and qualifications required of candidates to fill any vacancy and assess the time and dedication required to adequately perform their duties

This Committee shall also ensure that whenever new vacancies are foreseen or on appointing new directors, the selection procedures are not affected by implicit bias that could entail some kind of discrimination and that women who meet the professional profile sought are deliberately sought and included among the potential candidates, informing the board on the initiatives taken in this respect and the results thereof.

Nominations for the appointment of directors submitted by the Board to the General Meeting and appointments made by cooptation must be approved by the Board (i) upon proposal of the Nomination and Compensation Committee, in the case of External Independent Directors, or (ii) subject to a report by said Committee for other directors.

Any Director affected by proposals for appointment, re-election or retirement shall abstain from participating in the discussions and voting of such matters. Voting on proposals for appointment, re-election or retirement shall be by secret ballot.

Re-election

Directors shall hold office for a maximum of four years, after which they shall be eligible for re-election for one or several periods with an equal maximum duration. Directors appointed by cooptation shall hold office up to the first General Meeting following their appointment, at which their appointment shall be subject to ratification.

The Nomination and Compensation Committee shall be responsible for assessing the quality of their work and dedication of the directors proposed during their previous term in office.

Proposals to the General Meeting for the re-election of Directors shall be approved by the Board (i) upon proposal of the Nomination and Compensation Committee, in the case of External Independent Directors, or (ii) subject to a report by said Committee for other directors.

Assessment

At least once a year, the Board of Directors shall assess its functioning and the quality and efficiency of its work. It shall also annually assess the work of its Committees, based on the reports they submit to it.

The Chairman shall organise and coordinate this regular assessment of the Board with the Chairmen of the Committees.

With the frequency it shall determine and at least once every three years, the Board shall commission an external assessment of its performance to an independent specialized firm. This assessment shall include an analysis of the composition, organization and functioning of the Board as a body corporate and an evaluation of the competence and efficiency of each of its Committees and members, particularly including the Chairman.

Cessation

Directors shall retire from office upon expiry of the term for which they were appointed and in all other cases stipulated in law, the Articles of Association and the Regulations of the Board of Directors.

The Board shall not propose the removal of any External Independent Director before the end of the period for which he was appointed, unless it has justified reasons for doing so, based on a report by the Nomination and Compensation Committee. In particular, such a proposal shall be justified if the Director (i) has defaulted the duties corresponding to his position; (ii) is in any of the situations described in section C.1.20 below; or (iii) falls into any of the circumstances described above, by virtue of which he may no longer be considered an External Independent Director.

The removal of External Independent Directors may also be proposed following takeover bids, mergers or other similar corporate operations causing a change in the capital structure of the Company, insofar as may be necessary to establish a reasonable balance between External Proprietary Directors and External Independent Directors, according to the ratio of capital represented by the former to the rest of the capital.

Directors shall also tender their resignations in any of the circumstances defined in section C.1.21.

C.1.20 Indicate whether the board has made any assessment of its activity during the reporting period.

Yes	X	No	

If yes, explain to what extent the self-assessment has given rise to major changes in its internal organisation and the procedures applicable to its activities:

Description of modifications

C.1.21 State the events in which directors are obliged to step down.

Directors shall tender their resignations and step down from the Board, should the latter consider this appropriate, in the following events:

a) If they fall into circumstances of incompatibility or prohibition contemplated in law, the Articles of Association or applicable regulations.

b) If they receive a serious warning from the Nomination and Compensation Committee or the Audit and Control Committee for defaulting their obligations as directors.

c) If, in the opinion of the board, in view of a report by the Nomination and Compensation Committee:

(i) Their remaining on the Board could jeopardise the interests of the company or adversely affect the functioning of the Board or the standing and reputation of the Company; or

(ii) If the reasons why they were appointed disappear. Directors shall find themselves in this position, particularly in the following cases:

- External Proprietary Directors, when the shareholder they represent or that nominated them directors transfers its entire shareholding interest. They shall also offer their resignation and, should the Board deem fit, step down from the Board, in the corresponding proportion, if the shareholder reduces its shareholding interest to a level requiring a reduction in the number of its External Proprietary Directors.

- Executive Directors, when they cease to hold the executive positions outside the board to which their appointment as director was linked.

C.1.22 Explain whether the Chairman of the Board is the highest executive of the company. If so, state what measures have been adopted to limit the risks of any single person having unfettered powers:

Yes [X] No [ ]

Measures for limiting risks
According to Article 25 of the Regulations of the Board of Directors of Repsol, S.A., the Chairman of the Board shall be the Chief Executive Officer of the Company. Notwithstanding this, section 5 of said articles provides also that: "*When the Chairman of the Board of Directors holds the role of CEO, the Board shall appoint, upon proposal by the Appointments and Remuneration Committee, an independent director who, under the name of Lead Independent Director, may perform the following tasks:* *a) Request to the Chairman of the Board, when he deems appropriate, the calling of the Board.* *b) Request the inclusion of items on the Board's meetings agenda according to Article 9.3 of these Regulations.* *c) Coordinate and give voice to the concerns of external directors.* *d) Lead the Board's evaluation of the Chairman.* *e) Call and chair meetings of independent directors as he deems necessary or desirable."* Additionally, Article 9 of the Regulations of the Board of Directors provides that *"The Chairman may call additional Board meetings whenever he deems appropriate. The call shall be mandatory when requested by the Lead Independent Director or by at least one-quarter of the directors, without prejudice to the provision of Article 17.2.e) of these Regulations. The Chairman shall draw up the agenda for meetings, although any of the directors may, prior to call, request the inclusion of any business they consider ought to be transacted at the meeting. Such inclusion is mandatory when the request has been made 48 hours prior to the date specified for the meeting."* On the other hand, said article 25 also stipulates that the Chairman of the Board shall act at all times in accordance with the decisions and criteria established by the General Shareholders' Meeting and the Board of Directors. Article 4 of the Regulations of the Board of Directors reserves the following duties and powers to this corporate body: *"The Board shall approve the company strategy and the organisation needed to put it into practice, and oversee and ensure that Management meets the targets set and respects the company's objects and social interest; approve acquisitions and disposals of assets which are, for whatsoever reason, considered especially important for the company or its subsidiaries; establish its own organisation and procedures and those of the Top Management and, in particular, amend these Regulations; exercise any powers that the General Meeting has granted to the Board -which the Board may delegate solely if expressly so indicated in the resolution adopted by the General Meeting- and any other powers granted to it in these regulations."*

Similarly, Article 5 of the Regulations of the Board reserves to the Board in full the following issues:

1. Submission of the Annual Accounts and Management Report of Repsol, S.A. and consolidated companies, as well as any other proposals which must legally originate with the Company's administrators, to the Ordinary Shareholders Meeting.
2. The general strategies and policies of the Company, such as:
   a) The Strategic Plan of the Group, management objectives and Annual Budgets;
   b) The investment and financing policy;
   c) The corporate governance policy;
   d) The corporate social responsibility policy;
   e) Top Management pay policy;
   f) Risk management and control policy; and
   g) Dividend policy, treasury stock policy and, especially, the limits thereon.
3. The following decisions:
   a) Appointment of Directors in the event of vacancies, up to the next succeeding General Meeting, and acceptance of resignations tendered by Directors;
   b) Appointment and removal of the Chairman, Vice-Chairmen, Secretary and Vice-Secretary of the Board and the Directors who are to sit on the different Committees contemplated in the Regulations of the Board, and the delegation of powers to any of the Board members, on the terms stipulated in the law and Articles of Association, and revocation of such powers;
   c) Directors' compensation and, in the case of executive directors, additional consideration for their management duties and other contract conditions.
4. The annual and half-year financial reports, which Repsol, being a listed company, is obliged to publish.
5. The following investments and transactions, save when approval corresponds to the General Meeting:
   a) Incorporation of companies and entities or initial acquisition of stakes in existing companies or entities of more than six million Euros.

      By exception, decisions on investments provided for in sufficient detail in the Group's annual budgets and/or strategic plan shall be left up to the Chairman.

b) Creation or acquisition of shares in special purpose vehicles whenever they go beyond the ordinary administration of the company.

c) Mergers, takeovers, spin-offs or concentrations of strategic importance of interest for any of the major subsidiaries or investees in which any of the companies in the Repsol group has a direct interest.

d) Sale of shares in companies or other fixed assets with a value of over thirty million euro; the Delegate Committee shall approve such sales valued at between fifteen and thirty million euro, informing the board at the next meeting of all sales authorised.

e) Approval of investment projects with a value of over thirty million euro; the Delegate Committee shall approve projects valued at between fifteen and thirty million euro, informing the Board at the next meeting of all investments approved.

By exception, the Chairman shall decide, after discussion by the Management Committee if necessary, whether to approve the following investment projects

- Those involving the prospecting or working of oil fields in fulfilment of commitments deriving from the corresponding contracts, concessions or licences.
- Those performed in fulfilment of legal provisions binding on the company concerned, concerning environmental protection, safety of installations, product specifications or similar.
- Those provided for in sufficient detail in the group's annual budgets and/or strategic plan.

In these cases, the Chairman shall report on the approval of these investments to the Board or Delegate Committee, depending on their values and as established in the first paragraph of this point e), wherever possible before commencement of the respective projects.

f) Notes, debentures or other issues made by Repsol, S.A. or its majority-owned or controlled subsidiaries.

g) Granting of bonds to secure the obligations of entities not controlled by the group except in the following cases:

- the guarantor, directly or by means of counter guarantees, is finally liable for the debt or obligation in a proportion not higher to the economic participation of the Group in the entity which obligations are secured; and
- the granting of the security is part of the ordinary and usual process of tender, negotiation, management and exploitation of

the Group's businesses. h) Assignment to third entities or persons not controlled by the Group, of rights over the trade name and trade marks, and over any other patents, technology and any form of industrial or intellectual property of economic importance belonging to Repsol, S.A. or group companies. i) Creation, investment and supervision of the management of employee pension schemes and any other commitments to employees involving long-term financial responsibilities for the Company. j) Signing of long-term commercial, industrial or financial agreements of strategic importance for the Repsol Group. Unless a different regime is approved when passing the correspondent resolution, an investment or a transaction shall not need an additional approval if in its execution a deviation not higher than 10% or 30 million euros over the initial amount authorized by the Board of Directors or its Delegate Committee is produced. 6. Any other business or matter reserved in these Regulations for approval by the full Board. The Chairman, or otherwise the Vice-Chairmen, shall implement the resolutions adopted by the Board in accordance with this article, report on any authorisation or approval given where appropriate or issue instructions to carry out the actions required by the resolutions adopted. Should circumstances so require, the powers of the Board contemplated in 3c), 4 and 5 above may be exercised by the Delegate Committee and subsequently ratified by the full Board. Apart from all this, the Chairman of the Board of Directors shall receive reports and proposals from the Audit and Control Committee, the Nomination and Compensation Committee and the Strategy, Investment and Corporate Social Responsibility Committee, on matters within their respective competence. For greater guarantee, all the members of these Committees shall be External Directors.

Indicate and if appropriate explain whether rules have been established authorising one of the independent directors to request the calling of a board meeting or the inclusion of new items on the agenda, to coordinate and echo the concerns of non-executive directors and to direct the assessment by the board.

Yes **X** No ☐

Explanation of the rules
The Board of Directors of Repsol, in its meeting held on February 23, 2011, agreed to amend its regulations to, among other matters, incorporate into Company's

system of corporate governance the figure of Lead Independent Director. According to current Article 25,5 of the Regulations of the Board of Directors: *"When the Chairman of the Board of Directors holds the role of CEO, the Board shall appoint, upon proposal by the Nomination and Compensation Committee, an independent director who, under the name of Lead Independent Director, may perform the following tasks:* *a) Request to the Chairman of the Board, when he deems appropriate, the calling of the Board.* *b) Request the inclusion of items on the Board's meetings agenda according to Article 9.3 of these Regulations.* *c) Coordinate and give voice to the concerns of external directors.* *d) Lead the Board's evaluation of the Chairman.* *e) Call and chair meetings of independent directors as he deems necessary or desirable."* Additionally, Article 9 of the Regulations of the Board of Directors provides that *"The Chairman may call additional Board meetings whenever he deems appropriate. The call shall be mandatory when requested by the Lead Independent Director or by at least one-quarter of the directors, without prejudice to the provision of Article 17.2.e) of these Regulations. The Chairman shall draw up the agenda for meetings, although any of the directors may, prior to call, request the inclusion of any business they consider ought to be transacted at the meeting. Such inclusion is mandatory when the request has been made 48 hours prior to the date specified for the meeting."*

C.1.23 Are special majorities differing from those stipulated in law required for any type of decision?

Yes [X] No [ ]

If yes, describe the differences:

Description of the differences
Alteration of Articles 19 and 22 of the Regulations of the Board regarding the no competition obligation and related party transactions, respectively, requires the favourable vote of three-quarters of the board members. The favourable vote of two-thirds of the members not involved in a conflict of interest is required to authorise the directors to provide counselling or representation services to the company's rivals, subject to a favourable report by the Nomination and Compensation Committee.

The favourable vote of two-thirds of the members not involved in a conflict of interest is also required to release from disqualification due to conflict of interest in respect of a proposal put to the general meeting or an appointment of candidates or directors by cooptation. Finally, the favourable vote of two-thirds of the members not involved in a conflict of interest is also required to authorise related party transactions of the company with directors, controlling shareholders represented on the board or persons related to them for a sum exceeding 5% of the Group's assets according to the latest consolidated annual accounts approved by the general meeting, in respect of strategic assets of the company, involving the transfer of significant technology of the company, intended to establish strategic alliances and which are not mere agreements of action or execution of existing alliances. This is conditional upon the transaction being fair and efficient for the interests of the company, the Nomination and Compensation Committee having issued a favourable report after obtaining the corresponding report from a reputed independent financial expert indicating that the related party transaction will be made on reasonable, arm's length terms and if it is considered unadvisable to wait for the next general meeting to obtain authorisation, for reasons of opportunity.

C.1.24 Are there any specific requirements, other than those established for directors, to be appointed Chairman of the Board of Directors?

Yes ☐ No ☒

Description of requirements

C.1.25 Does the Chairman have a casting vote?

Yes ☒ No ☐

Matters on which there is a casting vote
According to Article 36 of the Articles of Association, save where greater majorities have been specifically established, resolutions of the Board shall be approved by the absolute majority of directors attending, and in the event of a tie, the Chairman or acting chairman shall have the casting vote.

C.1.26 Do the Articles of Association or Regulations of the Board establish an age limit for directors?

Yes ☐ No ☒

Age limit Chairman ☐

Age limit managing director ☐ **Age limit director** ☐

C.1.27 Do the Articles of Association or Regulations of the Board establish a limited term of office for independent directors other than as stipulated in law?

Yes [ ] No [X]

Maximum number of years in office	

C.1.28 Do the Articles of Association or Regulations of the Board establish specific rules for the delegation of votes at board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may hold, and whether it is compulsory to delegate to a director of the same type? If yes, include a brief description.

Without prejudice to the directors' duty to attend the meetings of the bodies they belong to or, if they are unable for justified reasons to attend the meetings to which they have been called, to issue the appropriate instructions to the director who is to represent them, if any, each Board member may grant a proxy to another member, with no limit on the number of proxies that may be held by any director for attendance of Board meetings.

Absent directors may grant proxies by any written means, including telegram, telex or telefax addressed to the Chairman or Secretary of the Board.

C.1.29 State the number of meetings held by the Board of Directors during the year, indicating, if appropriate, how many times the Board has met without the Chairman. Proxies made without specific instructions shall be considered non-attendance:

Number of board meetings	11
Number of board meetings held without the chairman	0

Indicate the number of meetings held by the different Committees of the Board:

Number of meetings of the Executive Committee	7
Number of meetings of the Audit Committee	8
Number of meetings of the Nomination and Remuneration Committee	5

C.1.30 State the number of meetings held by the Board during the period attended by all its members. Proxies made with specific instructions will be considered attendances:

Attendance of directors	10
% attendance over total votes during the year	99.42%

C.1.31 Are the separate and consolidated annual accounts submitted to the Board for approval previously certified?

Yes [X] No [ ]

If yes, name the person(s) who certify the separate or consolidated annual accounts of the company before they are approved by the Board:

Name	Position
Antonio Brufau Niubó	Chairman
Miguel Martínez San Martín	General Manager Economics, Finance and Corporate Development

C.1.32 Explain the mechanisms, if any, established by the Board to avoid a qualified auditors' report on the separate and consolidated accounts laid before the General Meeting.

The Audit and Control Committee, set up on 27 February 1995, has as main duty, the supporting to the Board in its supervisory duties, through regular checking of the preparation of economic and financial reporting, the effectiveness of its executive controls and the independence of the external auditors, as well as supervising the internal audit department, and checking the compliance with all the legal provisions and internal regulations applicable to the Company.

This Committee has the following duties, among others:

- Supervise the integrity and process of preparing the financial information on the company and its group, ensuring compliance with all requirements, adequate definition of the consolidated group and correct application of the accounting principles.

- Regularly check the internal control and risk management systems, ensuring that the principal risks are identified, handled and reported on adequately.

- Prior to their submission to the board, analyse the financial statements of the company and its consolidated group included in the annual, half-year and quarterly reports and any other financial information that the company is obliged to publish regularly by virtue of being a listed company, with the necessary requirements to ensure that they are correct, reliable, adequate and clear. For this purpose it shall have all the necessary information and such degree of aggregation as it may deem fit, assisted as necessary by the top management of the group, particularly its financial management and the company's auditor. It shall, in particular, see that the annual accounts that are to be submitted to the board are certified by the Chairman, the Managing Director(s), if any, and the Chief Finance Officer (CFO) pursuant to the internal or external regulations applicable from time to time.

- Regularly receive information from the external auditors on the audit plan and results of their work, and check that the executives heed their recommendations.

- Regularly require the external auditors, and at least one a year, to assess the quality of the group's internal control procedures and systems.

- Be informed of any situations requiring adjustments that may be detected during the work of the external auditors whenever they are significant, considering this to mean any situations which, per se or in combination with others, may cause a material impact or damage to the net worth, results or reputation of the group. This consideration shall be left to the discretion of the external auditors, who shall, in case of doubt, opt for notification. The Chairman of the Committee shall be notified accordingly as soon as the auditors become aware of the situation in question.

- Oversee the degree of fulfilment by the audited units of the corrective measures recommended by the internal audit department in previous audits.

The committee shall be informed of any significant irregularities, anomalies or defaults detected by the internal audit department in the course of its work.

For this purpose, the members of this Committee shall have the necessary experience, capacity and dedication to perform their duties. Moreover, the Chairman shall have experience in business management and a working knowledge of accounting procedures, and at least one of the members shall have the financial experience that may be required by the regulatory bodies of the stock markets on which the stocks or shares of the company are listed.

C.1.33 Is the Secretary of the Board a Director?

Yes [X] No [ ]

C.1.34 Explain the procedure for appointment and removal of the Secretary of the Board, indicating whether the Nomination Committee has issued a report for such appointment and removal and whether they were approved by the full board.

Appointment and removal procedure
As provided in Article 42 of the Articles of Association, the Board chooses its Secretary and Vice-Secretary, if any, who may or may not be Directors. Moreover, pursuant to Articles 5 and 33 of the Regulations of the Board of Directors, the Board shall appoint or remove its Secretary and Vice-Secretary, subject to a report by the Nomination and Compensation Committee.

	Yes	**No**
Does the Nomination Committee issue a report on the appointment?	X	
Does the Nomination Committee issue a report on the removal?	X	
Does the full Board approve the appointment?	X	

Does the full Board approve the removal?	X	

Is the Secretary of the Board responsible especially for overseeing compliance with the recommendations on good governance?

Yes **X** No

Comments
Article 42 of the Articles of Association establishes that the Secretary will ensure that the Board actions comply in form and substance with the law and that the company's procedures and rules of governance are respected. Furthermore, in pursuance of Article 27 of the Regulations of the Board of Directors, the Secretary of the Board is commissioned to ensure compliance with any provisions issued by regulatory bodies and heeding of their recommendations, if any, and to ensure that the corporate governance principles of the company are observed.

C.1.35 Describe any mechanisms established by the company to preserve the independence of the external auditor, financial analysts, investment banks and rating agencies.

One of the powers of the Audit and Control Committee contemplated in Article 39 of the Articles of Association is that of receiving information on any issues that may jeopardise the independence of the External Auditors.

In development of this provision of the Articles of Association, the Regulations of the Audit and Control Committee establish, as one of its duties, ensuring the independence of the External Auditors, in two ways:

a) Avoiding any factors that may compromise the warnings, opinions and recommendations of the External Auditors, and

b) Establishing and overseeing any incompatibilities between auditing and consultancy services and any others, the limits on concentration of the External Auditor's business and, in general, all other rules established to guarantee the independence of the auditor.

According to these duties, in 2003 the Audit and Control Committee agreed on a procedure to approve previously all the services, auditing or otherwise, provided by the External Auditor, whatever their extent, scope and nature. This procedure is regulated in an Internal Rule mandatory for the whole of the Repsol Group.

In addition, article 32 of the Regulations of the Board of Directors (the Audit and Control Committee) provides that the Committee shall receive, annually, from the External Auditor written confirmation of its independence towards the Company or entities related to the same directly or indirectly, as well as the information of the additional services of any type provided to these entities by said Auditors or companies, or by the people or entities linked to the latter, in accordance with that established in the regulations governing the activity of auditors. The Committee shall issue annually, prior to the delivery of the Auditing report, a report stating an opinion on the independence of the Auditors. In any case, this report must make a declaration on the additional services provided and referred to.

Furthermore, Repsol Group has the Investor Relation Division whose responsibilities include ensuring that the information supplied by the Company to the market (financial analysts and investment banks, amount other) is transmitted fairly, commensurate and in useful time and, according with the Repsol Group Internal Conduct Regulations Regarding the Securities Market, that such information is accurate, clear, complete and, when required by the nature of the information, quantified, and shall by no means be misleading or confusing.

C.1.36 Indicate whether the external auditors have changed during the year. If so, name the incoming and outgoing auditors:

Yes [ ] No [X]

Outgoing auditor	Incoming auditor

Explain any disagreements with the outgoing auditor:

Yes [ ] No [X]

Explanation of disagreements

C.1.37 State whether the firm of auditors does any work for the company and/or its group other than standard audit work and if so, declare the amount of the fees received for such work and the percentage it represents of the total fees invoiced to the company and/or its group:

Yes [X] No [ ]

	Company	Group	Total
Cost of work other than auditing (thousand euro)	1,530	758	2,288
Cost of work other than auditing / Total amount invoiced by the auditors (%)	47.43%	18.99%	31.71%

C.1.38 Indicate whether the auditors' report on the annual accounts of the previous year was qualified. If so, state the reasons given by the Chairman of the Audit Committee to explain the content and scope of the qualifications.

Yes [ ] No [X]

Explanation of reasons

C.1.39 State the number of years in succession that the current firm of auditors has been auditing the annual accounts of the company and/or its group. Indicate the ratio of the number of years audited by the current auditors to the total number of years that the annual accounts have been audited:

	Company	**Group**
Number of years in succession	12	12

	Company	**Group**
Number of years audited by current auditors / Number of years that the company has been audited (%)	54.5%	54.5%

C.1.40 Indicate, giving details if appropriate, whether a procedure has been established for directors to receive external counselling:

Yes [X] No [ ]

Details of procedure
The Regulations of the Board of Repsol, S.A. expressly recognise the directors' right to advisory services. Article 23 provides as follows: - The Directors shall likewise have the power to propose to the Board, by majority vote, the contracting at the Company's expense of legal advisers, accountants, technical, financial, and commercial experts, and experts of any other kind they consider necessary to the Company's interests, to provide assistance in the performance of the Directors' functions in regard to concrete problems of some magnitude and complexity relating to their positions. - Said proposals must be submitted to the Chairman of the Company through the Secretary of the Board. The Board of Directors may veto their approval on the grounds that they are unnecessary to the performance of the assigned functions, or that the number is disproportionate to the importance of the problem and to the Company's assets and income, or that the technical assistance in question could be adequately provided by experts within the Company. Furthermore, the Regulations of the Board of Directors establish that the Audit and Control Committee, the Nomination and Compensation Committee and the Strategy, Investment and Corporate Social Responsibility Committee may obtain counselling from lawyers or other independent professionals, in which case the Secretary of the Board shall, at the request of the Chairman of the Committee, take whatever action may be necessary to engage the services of such lawyers or other professionals, which shall be provided directly to the corresponding

Committee.

C.1.41 Indicate, with details if appropriate, whether there is an established procedure for directors to obtain sufficiently in advance any information they may need to prepare the meetings of the governing bodies:

Yes **X** No

Details of procedure
The Regulations of the Board of Directors of Repsol, S.A. establish that the notice of call to Board meetings shall be sent to each director at least 48 hours prior to the date specified for the meeting, and shall include the agenda. The minutes of the previous meeting shall be enclosed, regardless of whether they have been approved, and any information considered necessary and that is available. The Regulations of the Board of Directors of Repsol, S.A. contemplate procedures to ensure that directors have the necessary information sufficiently in advance to prepare Board meetings. In this regard, Article 23 provides as follows: The Directors shall have access to all the Company's services and may obtain, with the broadest possible powers, the information and advising they need on any aspect of the Company provided they request it in connection with the performance of their functions. The right to information extends to the subsidiaries, whether national or foreign, and shall be channelled through the Chairman or the Secretary of the Board of Directors or of the appropriate Board Committee, who shall respond to Directors' requests and directly furnish them the information, offering them access to appropriate sources or taking all necessary measures to answer questions.

C.1.42 Indicate, with details if appropriate, whether the company has established any rules obliging Directors to report and, if necessary, retire in any situations that could be detrimental to the prestige and reputation of the company:

Yes **X** No

Explain the rules
According to Article 16 of the Regulations of the Board of Directors, Directors shall offer their resignation and, should the board deem fit, step down as directors if, in the opinion of the Board, in view of a report by the Nomination and Compensation Committee, their remaining on the board could jeopardise the interests of the company or adversely affect the functioning of the board or the standing and reputation of the company. In this regard, Article 17 of the Regulations of the Board of Directors provides that Directors shall notify the board as soon as possible and keep it up to date on any situations in which they may be involved and that could be detrimental to

the standing and reputation of the company, to enable the board to assess the circumstances, particularly in pursuance of the preceding paragraph.

C.1.43 Has any member of the Board informed the company that he/she has been sued or brought to trial for any of the offences contemplated in article 213 of the Companies Act?

Yes [ ] No [X]

Name of Director	Prosecution	Comments

Has the Board studied the case? If so, indicate and explain the decision made as to whether or not the director should remain in office or, if appropriate, describe the actions taken by the board up to the date of this report, or which it plans to take.

Yes [ ] No [ ]

Decision made / action taken	Reasoned explanation

C.1.44 Describe any significant agreements entered into by the company which enter into force, are modified or terminated in the event of a takeover of the company following a takeover bid, and the effects thereof.

The company participates in the exploration and exploitation of hydrocarbons through consortiums or joint ventures with other oil companies, both public and private. The agreements regulating the relations among partners of the joint ventures commonly grant the other partners a right of pre-emption over the share of the partner affected by a takeover when the value of that share is significant in relation to the total assets of the transaction or when other conditions stipulated in the agreements are met.

The laws regulating the oil and gas industry in several countries in which the company operates also submit to prior authorisation by the competent government of any transfer of all or part of licences for hydrocarbon exploration and exploitation concessions, and such authorisation is sometimes also required for takeovers of the concessionary company or companies, especially the one that operates the mining business.

In addition, the agreements signed between Repsol and Caja de Ahorros y Pensiones de Barcelona in respect of Gas Natural SDG, S.A., announced in regulatory filings with the National Securities Market Commission, the Industrial Action Agreement between Repsol and Gas Natural SDG, S.A. contemplated therein and announced in a CNMV filing on 29 April 2005 contemplate any change in the ownership structure of any of the parties as ground for termination.

C.1.45 Indicate globally and describe in detail any agreements made between the company and its directors, executives or employees contemplating golden handshake clauses in the event of resignation or unfair dismissal or termination of employment following a takeover bid or any other type of transaction.

Number of beneficiaries	296
Type of beneficiary	**Description of the agreement**
Directors: 7 members of the Management Committee (excluding the Executive Directors) and 287 Directors	The company has established a single statute for executives, defined in the Executive Contract, regulating the severance pay applicable in cases of termination of their employment, contemplating the grounds for compensation stipulated in law. For members of the Management Committee they include resignation by the Executive as a result of takeover of the company or a major change in its ownership, leading to a renewal of its governing bodies or the content of and approach to its main business activity. The amount of severance pay of the current members of the Management Committee is calculated according to the age, seniority and salary of each executive. Further compensation is set to pledge not post-contractual competition of an annuity of total annual remuneration.
Executive Directors	A deferred economic compensation is contemplated for executive directors in the event of termination of their relationship with the company, provided it does not occur as a result of default of their obligations or at their own will without one of the justifying causes contemplated in their contract. The details of such compensation are set out in the Remuneration Policy Report to be laid before the shareholders at the AGM 2014.

State whether these contracts have to be notified to and/or approved by the governing bodies of the company/group companies:

	Board of Directors	**General Meeting**
Body authorising the clauses	YES	NO

Is the General Meeting informed on the clauses?	YES

C.2. Committees of the Board

C.2.1 Give details of the different committees, their members and the proportion of proprietary and independent directors in each committee:

EXECUTIVE COMMITTEE

Name	Position	Type
Antonio Brufau Niubó	Chairman	Executive
Isidro Fainé Casas	Member	Proprietary
Manuel Manrique Cecilia	Member	Proprietary
Rene Dahan	Member	Proprietary
Javier Echenique Landiríbar	Member	Independent
Artur Carulla Font	Member	Independent
Pemex Internacional España, S.A.,	Member	Proprietary
Henri Philippe Reichstul	Member	Independent
Luis Suárez de Lezo Mantilla	Member & Secretary	Executive

% executive directors	22.22%
% proprietary directors	44.44%
% independent directors	33%
% other non-executive directors	-

AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Type
Ángel Durández Adeva	Chairman	Independent
Paulina Beato Blanco	Member	Independent
Luis Carlos Croissier Batista	Member	Independent
Javier Echenique Landiríbar	Member	Independent

% executive directors	-
% proprietary directors	-
% independent directors	100%
% other non-executive directors	-

NOMINATION AND COMPENSATION COMMITTEE

Name	Position	Type
Artur Carulla Font	Chairman	Independent
María Isabel Gabarró Miquel	Member	Independent
Mario Fernández Pelaz	Member	Independent
José Manuel Loureda Mantiñán	Member	Proprietary
Juan María Nin Génova	Member	Proprietary

% executive directors	-
% proprietary directors	40%
% independent directors	60%
% other non-executive directors	-

STRATEGY, INVESTMENT AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Name	Position	Type
Juan María Nin Génova	Chairman	Proprietary
Luis Carlos Croissier Batista	Member	Independent
María Isabel Gabarró Miquel	Member	Independent
José Manuel Loureda Mantiñán	Member	Proprietary
Pemex Internacional España, S.A.	Member	Proprietary

% executive directors	-
% proprietary directors	60%
% independent directors	40%
% other non-executive directors	-

C.2.2 Complete the following table with information on the number of female directors on the board committees over the past four years:

	Number of female directors			
	Year t Number - %	Year t-1 Number - %	Year t-2 Number - %	Year t-3 Number - %
Executive Committee	-	-	-	-
Audit and Compliance Committee	1 – 25%	1 – 33.33%	1 – 33.33%	1 – 25%
Nomination and Compensation Committee	1 – 20%	1 – 20%	1 – 20%	1 – 25%
Strategy, Investment and Corporate Social Responsibility Committee	1 – 20%	1 – 16.67%	1 – 16.67%	1 – 16.67%

C.2.3 State whether the Audit Committee has the following duties:

	Yes	No
Oversee the preparation and integrity of the company's, and where appropriate the group's, financial reporting, checking compliance with the legal requirements, adequate definition of the consolidated group and correct application of accounting principles	X	
Regularly check the internal control and risk management systems, ensuring that the principal risks are adequately identified, managed and reported	X	

Ensure the independence and efficacy of the internal audit duties; propose the nomination, appointment, re-appointment and removal of the chief audit officer; propose the budget for this department; receive regular information on its activities; and check that the top management heeds the conclusions and recommendations set out in its reports	X	
Establish and supervise a "whistle-blowing" procedure so employees can confidentially and, where appropriate, even anonymously report any potentially important irregularities they observe within the company, particularly in financial and accounting aspects	X	
Submit to the Board proposals for nomination, appointment, re-appointment and replacement of external auditor, and terms of engagement	X	
Receive regularly from the external auditor information on the audit plan and the outcome of its fulfilment and see that top management heeds its recommendations	X	
Guarantee the independence of the external auditor	X	

C.2.4 Describe the rules of organisation and procedure and the responsibilities attributed to each Committee.

<u>Delegate Committee</u>

The Delegate Committee consists of the Chairman of the Board and up to a maximum of seven directors from the three existing categories (executive, proprietary and independent), endeavouring to maintain a similar proportion to that existing on the Board of Directors. Its members shall be appointed with a majority of at least two-thirds of the current Board members.

All the powers of the Board are permanently delegated to the Delegate Committee, except those that may not be lawfully delegated and those considered as such by the Articles of Association or the Regulations of the Board of Directors.

The Chairman of the Delegate Committee shall be the Chairman of the Board and the Secretary shall be the Secretary of the Board, who may be assisted by the Vice-Secretary.

Whenever the business is sufficiently important, in the opinion of the Chairman or three members of the Delegate Committee, the resolutions adopted by the Delegate Committee shall be submitted to the full Board for ratification. The same shall be applicable in any business referred by the Board to be studied by the Delegate Committee, while reserving the ultimate decision thereon. In all other cases, the resolutions adopted by the Delegate Committee shall be valid and binding with no need for subsequent ratification by the Board.

At the end of the meeting, the Secretary issues the minutes of the resolutions adopted, that will be reported to the Board at the following full Board meeting, and makes available to the Board members a copy of the minutes. Seven meetings were held in 2013.

Audit and Control Committee

The Audit and Control Committee consists exclusively of Independent External Directors, no fewer than three in number, appointed by the Board on the basis of their experience and expertise in accounting, auditing or risk management.

The Board shall appoint the members of this Committee for a term of four years. Without prejudice to one or several re-elections, they shall retire at the end of that term, when they retire from the Board, in case they cease to be considered as External Independent Directors or whenever so resolved by the Board, subject to a prior report by the Nomination and Compensation Committee. The chairman shall hold office as such for a maximum of four years, after which he shall not be eligible for re-election until one year has passed, without prejudice to his continuation or re-election as member of the Committee.

This Committee, set up on 27 February 1995, supports the Board in its supervisory duties, through regular checking of the preparation of economic and financial reporting, executive controls, supervision of the systems for recording and controlling the company's hydrocarbon reserves, the internal audit department and the independence of the external auditors, as well as checking compliance with all the legal provisions and internal regulations applicable to the company. This Committee is competent to submit proposals to the Board regarding the appointment of external auditors, extension of their appointment, their removal and the terms of their engagement. It shall also inform the General Meeting, through its Chairman, on any issues raised by shareholders regarding matters within its competence.

Its duties shall also include knowing and guiding the company's environmental and safety policies, objectives and guidelines and drawing up an Annual Report on its activities, on which it shall report to the Board.

The Committee shall appoint one of its members to be Chairman and the Secretary shall be the Secretary of the Board.

The Committee shall meet as often as necessary, in the opinion of the Chairman, to perform the duties commissioned to it, although an annual calendar of meetings shall be drawn up before the end of each year for the following year, as well as an Action Plan for each year, informing the Board accordingly. Meetings shall be called whenever so requested by any two of its members. Eight meetings were held in 2013.

The Chairman of the Committee shall regularly report to the Board on the actions taken by the Committee.

At least once a year, the Committee shall assess its functioning and the quality and efficiency of its work, reporting to the full Board.

The Secretary of the Committee shall issue minutes of the resolutions adopted at each meeting, which shall be made available to Board members.

Nomination and Compensation Committee

This Committee consists of no fewer than three directors, which shall not be executive Directors, appointed by the Board, taking account of the expertise, skills and experience of the directors and the duties of the Committee. Most of its members shall be External Independent Directors.

The Board shall appoint the members of this Committee for a term of four years. Without prejudice to one or several re-elections, they shall retire at the end of that term, when they retire from the Board or whenever so resolved by the Board, subject to a prior report by the Audit and Control Committee.

This Committee, which was set up on 27 February 1995, has the duties of proposing and reporting to the Board on the selection, appointment, re-election and removal of Directors, Managing Director, Chairman, Vice-Chairman, Secretary, Vice-Secretary and the Directors who are to sit on the different Committees of the Board; proposing the Board compensation policy and, in the case of Executive Directors, the additional consideration for their management duties and other contract conditions; reporting on the appointment of Senior Executives of the Company and their general pay policy and incentives; reporting on the compliance by Directors of the corporate governance principles or the obligations established in the Articles of Association or the Regulations of the Board; and, in general, proposing and informing on any other business related with the above at the request of the Chairman or the Board of Directors.

The Chairman of this Committee shall be one of its members, who shall necessarily be an External Independent Director, and the Secretary shall be the Secretary of the Board.

The Committee shall meet whenever the Board or Chairman of the Board requests reports or proposals within the scope of its duties, and whenever called by the Chairman of the Committee, requested by two Committee members or when reports are required to be able to adopt the corresponding resolutions. Five meetings were held in 2013.

The Chairman of the Committee shall regularly report to the Board on the actions taken by the Committee.

At least once a year, the Committee shall assess its functioning and the quality and efficiency of its work, reporting to the full Board.

The Secretary of the Committee shall issue minutes of the resolutions adopted at each meeting, which shall be made available to Board members.

Strategy, Investment and Corporate Social Responsibility Committee

On December 2007, the Board of Directors of Repsol, S.A. resolved, within the modification of its Regulations, to change the name of the Strategy, Investment and Competition Committee, set up on 25 September 2002, to Strategy, Investment and Corporate Social Responsibility Committee.

The Strategy, Investment and Corporate Social Responsibility Committee consists of no fewer than three directors appointed by the Board, taking account of the expertise, skills and experience of the directors and the duties of the Committee. Most of its members shall be External or Non-Executive Directors.

The Board shall appoint the members of this Committee for a term of four years. Without prejudice to one or several re-elections, they shall retire at the end of that term, when they retire from the Board or whenever so resolved by the Board, subject to a prior report by the Nomination and Compensation Committee.

This Committee has the duties of reporting on the principal highlights, landmarks and reviews of the Group's strategic plan; major strategic decisions for the Repsol Group; and investments or divestments in assets which, by virtue of their value or strategic nature, the Executive Chairman believes should be first considered by the Committee.

It must also be familiar with and steer the policy, objectives and guidelines of the Repsol Group on Corporate Social Responsibility and inform the Board thereon; check and report on the Corporate Responsibility Report of the Repsol Group before it is submitted to the Board; and, in general, perform any other duties related with the matters within its competence and requested by the Board or its Chairman.

One of the members of this Committee shall be appointed Chairman and the secretary shall be the Secretary of the Board.

The Committee shall meet with the established frequency or whenever called by its Chairman or requested by two of its members. One meeting was held in 2013.

The Chairman of the Committee shall regularly report to the Board on the actions taken by the Committee.

At least once a year, the Committee shall assess its functioning and the quality and efficiency of its work, reporting to the full Board.

The Secretary of the Committee shall issue minutes of the resolutions adopted at each meeting, which shall be made available to Board members.

C.2.5 Indicate the existence, if appropriate, of regulations of the board committees, where they are available for consultation and any modifications made during the year. State whether an annual report has been issued voluntarily on the activities of each committee.

Delegate Committee

The internal regulation of the Delegate Committee is currently set out in the Articles of Association and the Regulations of the Board of Directors.

The Articles of Association and the Regulations of the Board of Directors are entered in the Madrid Trade Registry and accessible to the public through the company's web site (www.repsol.com).

Audit and Control Committee

The internal regulation of the Audit and Control Committee is currently set out in the Articles of Association and the Regulations of the Board of Directors.

The Articles of Association and the Regulations of the Board of Directors are entered in the Madrid Trade Registry and accessible to the public through the company's web site (www.repsol.com).

The Audit and Control Committee has drawn up a Report of its activities during 2013.

Strategy, Investment and Corporate Social Responsibility Committee

The internal regulation of the Strategy, Investment and Corporate Social Responsibility Committee is currently set out in the Regulations of the Board of Directors.

The Regulations of the Board of Directors are entered in the Madrid Trade Registry and accessible to the public through the company's web site (www.repsol.com).

Nomination and Compensation Committee

The internal regulation of the Compensation Committee is currently set out in the Regulations of the Board of Directors.

The Regulations of the Board of Directors are entered in the Madrid Trade Registry and accessible to the public through the company's web site (www.repsol.com).

In addition, the Nomination and Compensation Committee has developed a Voluntary Report on the Remuneration Policy of the Board of Directors of Repsol corresponding to 2013

C.2.6 Does the composition of the Executive Committee reflect the participation on the Board of the different types of Director?

Yes [X] No [ ]

If no, explain the composition of the executive committee

D RELATED PARTY AND INTER-COMPANY TRANSACTIONS

D.1 Name the competent body and explain the procedure, if any, for approving related party and inter-company transactions:

Body competent for approving related party transactions
The General Meeting is responsible for authorising, according to the procedure and requirements set out below, any related party transactions with directors, controlling shareholders or persons related thereto which: (i) are for a sum exceeding 5% of the Group's assets according to the latest consolidated annual accounts approved by the general meeting; (ii) involve strategic assets of the company; (iii) involve the transfer of significant technology of the company; or (iv) are intended to establish strategic alliances and are not mere agreements of action or execution of existing alliances. Other related party transactions must be authorised by the Board of Directors, after obtaining a report from the Nomination and Remuneration Committee, unless they meet all of the following three conditions: i. the transaction is made under contracts or agreements with standard terms and conditions which are applied across the board to clients contracting the type of product or service in question; ii. it is made at prices or rates generally established by the person acting as supplier of the good or provider of the service in question or, if the transaction refers to goods or services for which there are no prices established, on arm's length terms, similar to those applied in commercial relations with clients of a similar nature; and iii. the amount of the transaction does not exceed 1% of the company's annual income. The board's authorisation is not needed either in transactions made on arm's length terms and for a small amount within the normal course of business of the company.

Procedure for approving related party transactions
According to Article 22A of the Articles of Association, any transaction that the company makes directly or indirectly with directors, controlling shareholders represented on the board or persons related thereto which (i) are for a sum exceeding 5% of the Group's assets according to the latest consolidated annual accounts approved by the general meeting; (ii) involve strategic assets of the company; (iii) involve the transfer of significant technology of the company; or (iv) are intended to establish strategic alliances and are not mere agreements of action or execution of existing alliances, can only be made if they meet the following conditions: a) the transaction is fair and efficient for the interests of the company; b) after obtaining the corresponding report from a reputed independent financial expert indicating that the related party transaction will be made on reasonable, arm's length terms, the Nomination and Compensation Committee will issue a report assessing fulfilment of the requirement of (a) above; and c) the General Meeting authorises the related party transaction with a favourable vote of seventy-five per cent (75%) of the capital present and represented at the general meeting. This notwithstanding, if it is considered unadvisable to wait for the next general meeting to obtain authorisation, for reasons of opportunity, the transaction may be approved by the board, provided (i) the report by the Nomination and Compensation Committee contemplated in (b) above is favourable for the transaction, and (ii) the resolution is adopted with the favourable vote of at least two-thirds of the board members not affected by a conflict of interest. In this case, the board shall inform shareholders at the next general meeting on the terms and conditions of the transaction. When calling the general meeting to discuss or be informed on the authorisation of the related party transaction, the board shall make available to shareholders the reports issued by the Nomination and Remuneration Committee and the independent expert contemplated in (b) above and, should it so deem fit, its own report on the matter. Pursuant to Article 22 of the Regulations of the Board, any related party transactions other than those described above will only require authorisation by the board, subject to a report by the Nomination and Remuneration Committee. Related party transactions are assessed from the point of view of equal treatment and arm's length terms and are described in the Annual Corporate Governance Report and the regular public information on the terms set out in the applicable laws and regulations.

Explain whether the power to approve related party transactions has been delegated, if so indicating the person or body to whom it has been delegated.

Pursuant to Article 22 of the Regulations of the Board, the related party transactions to be authorised by the board may, in extraordinary circumstances, be authorised by the Executive Committee, subject to prior ratification by the full board, whenever so required in cases of emergency.

D.2 List any transactions for a significant amount or object between the company and/or companies in its group and controlling shareholders of the company:

Name of controlling shareholder	Name of company or group company	Relationship	Type of transaction	Amount (thousand euros)
SACYR, S.A.	REPSOL GROUP	Contractual	Leases	1,518
SACYR, S.A.	REPSOL GROUP	Commercial	Receipt of services	3,236
SACYR, S.A.	REPSOL GROUP	Contractual	Purchase of goods (finished or otherwise)	7,125
SACYR, S.A.	REPSOL GROUP	Contractual	Financial Income	(9)
SACYR, S.A.	REPSOL GROUP	Commercial	Rendering of services	(5,069)
SACYR, S.A.	REPSOL GROUP	Commercial	Sale of goods (finished or otherwise)	(17,258)
SACYR, S.A.	REPSOL GROUP	Commercial	Other revenues	(245)
SACYR, S.A.	REPSOL GROUP	Commercial	Purchase of tangible, intangible or other assets	246
SACYR, S.A.	REPSOL GROUP	Contractual	Guarantees & bonds received	12,847
SACYR, S.A.	REPSOL GROUP	Contractual	Guarantees & bonds given	2,324
SACYR, S.A.	REPSOL GROUP	Contractual	Commitments acquired	(2)
SACYR, S.A.	REPSOL GROUP	Corporate	Dividends and other distributed profits	149,973
CAIXABANK ,S.A.	REPSOL GROUP	Commercial	Financial expenses	29,544
CAIXABANK ,S.A.	REPSOL GROUP	Contractual	Leases	(1,009)
CAIXABANK ,S.A.	REPSOL	Commercial	Receipt of services	2,998

	GROUP			
CAIXABANK ,S.A.	REPSOL GROUP	Commercial	Other expenses	26,066
CAIXABANK ,S.A.	REPSOL GROUP	Contractual	Financial income	(12,641)
CAIXABANK ,S.A.	REPSOL GROUP	Commercial	Rendering of services	(605)
CAIXABANK ,S.A.	REPSOL GROUP	Commercial	Sale of goods (finished or otherwise)	1,440
CAIXABANK ,S.A.	REPSOL GROUP	Commercial	Other revenues	(241)
CAIXABANK ,S.A.	REPSOL GROUP	Commercial	Purchase of tangible, intangible or other assets	3,150
CAIXABANK ,S.A.	REPSOL GROUP	Commercial	Sale of tangible, intangible or other assets	211,763
CAIXABANK ,S.A.	REPSOL GROUP	Contractual	Financing agreements: loans and injections of capital (borrower)	612,614
CAIXABANK ,S.A.	REPSOL GROUP	Contractual	Guarantees & bonds given	33,056
CAIXABANK ,S.A.	REPSOL GROUP	Contractual	Guarantees & bonds received	41,292
CAIXABANK ,S.A.	REPSOL GROUP	Contractual	Commitments/Guarantees cancelled	951
CAIXABANK ,S.A.	REPSOL GROUP	Corporate	Dividends and other distributed profits	210,390
CAIXABANK ,S.A.	REPSOL GROUP	Contractual	Other operations	1,124,490
PETRÓLEOS MEXICANOS	REPSOL GROUP	Contractual	Purchase of goods (finished or otherwise)	3,794,962
PETRÓLEOS MEXICANOS	REPSOL GROUP	Commercial	Other expenses	541
PETRÓLEOS MEXICANOS	REPSOL GROUP	Contractual	Financial income	(188)
PETRÓLEOS MEXICANOS	REPSOL GROUP	Commercial	Rendering of services	(21,242)
PETRÓLEOS MEXICANOS	REPSOL GROUP	Commercial	Sale of goods (finished or otherwise)	(29,821)
PETRÓLEOS MEXICANOS	REPSOL GROUP	Commercial	Other revenue	(4,805)
PETRÓLEOS MEXICANOS	REPSOL GROUP	Contractual	Guarantees & bonds given	92,435
PETRÓLEOS MEXICANOS	REPSOL GROUP	Contractual	Commitments acquired	1,022
PETRÓLEOS MEXICANOS	REPSOL GROUP	Contractual	Commitments/Guarantees cancelled	9
PETRÓLEOS MEXICANOS	REPSOL GROUP	Corporate	Dividends and other distributed profits	30,919
TEMASEK	REPSOL	Contractual	Other operations	39,924

HOLDINGS (PRIVATE) LIMITED	GROUP			

D.3 List any significant transactions for a significant amount or object between the company and/or companies in its group and the directors or executives of the company:

Name of directors or executives	Name of related party	Relationship	Nature of the transaction	Amount (thousand euros)
Company executives	Repsol Group	Contractual	Financing agreements: loans and capital contributions (lender)	186

D.4 Report any significant transactions with other companies in the group that are not eliminated in the consolidated financial statements and which do not, by virtue of their object or terms, correspond to the normal business of the Company:

In any case, inform on any inter-company transaction with companies established in countries or territories considered tax havens:

Name of group company	Brief description of the transaction	Amount (thousand euros)
Repsol Exploración Liberia, B.V. (sucursal)	Rendering technology services	25
Repsol International Capital, Ltd.	Guarantees & bonds given	183,618
Oleoducto de Crudos Pesados, Ltd.	Guarantees & bonds given	22,332

D.5 State the amount of transactions made with other related parties.

D.6 Describe the mechanisms established to detect, define and resolve possible conflicts of interest between the company and/or its group, and its directors, executives or controlling shareholders:

The Regulations of the Board of Directors require directors to avoid any direct or indirect conflicts of interest with the Company's interests, notifying the Board whenever any such conflicts inevitably exist. In the event of a conflict, the director affected shall abstain in the discussion and decision dealing with the issues giving rise to the conflict.

Any directors affected by proposals for appointment, re-election or removal shall abstain in the discussions and voting dealing with those matters. Ballots shall be secret.

Directors shall inform the Nomination and Compensation Committee of any other professional obligations they may have and any material change in their professional situation, as well as any affecting the nature or condition by virtue of which they have been appointed Director.

Finally, directors shall tender their resignations and step down from the Board, should the latter deem fit, whenever they incur in any of the events of incompatibility or disqualification established in law, the Articles of Association or Regulations.

In this regard, Articles 19-22 of the Regulations of the Board of Directors set out the obligations to be met by Directors in respect of non-competition, use of corporate information and assets and taking advantage of business opportunities, and the requirements established in respect of related party transactions between the Company and the Directors, significant shareholders represented on the Board or persons related to them.

Similarly, the Repsol Group Internal Conduct Regulations regarding the Securities Market, applicable to directors, top management and the executives of certain departments and divisions with access to privileged information of the company or its group and who carry out tasks related with the Securities Market, contemplate the preclusion and solving of conflicts of interest in Articles 8.3. and 8.4., as follows:

"To control potential conflicts of interest, the executives and employees of Repsol Group must inform the person responsible for their respective Area, sufficiently in advance for timely decisions to be made and before conducting the transaction or concluding the business in question, of any situation which may potentially involve, and in each concrete circumstance that actually involves, the appearance of a conflict of interest with Repsol, S.A. or any company of its Group.

If the person affected is a member of the Board of Directors, the conflict must be reported to the Board of Directors, which, if it considers fit, will apply for the opinion of the Audit and Control Committee.

In case of a doubt about the existence of a conflict of interest, the executives and employees of Repsol Group must act prudently and inform the person responsible for their respective Area or the Board of Directors, as the case may be, about the specific circumstances of the case, for the appropriate consideration of the situation by the latter.

The general principle to be considered in the resolution of all kind of conflicts of interest is abstention. Therefore, persons subject to conflicts of interest must refrain from making decisions that could affect the individuals or legal entities with which said conflict is posed. They must likewise refrain from exerting any influence on said decision-making and must act with full loyalty to the Repsol Group in all cases. In any situation of conflict of interest *between the executives and employees of Repsol Group and Repsol or any company within the Group, the former must act in all moments with loyalty to the Repsol Group, giving preference to the interest of the Repsol Group over its own interests."*

Finally, the Ethics and Conduct Regulation for Repsol Employees which applies to all employees of Repsol including its executives and its Directors, has been reviewed and updated on December 19, 2012 and provides in its Article 3.6, the following:

"Conflicts of interest appear when the personal interests of the employees, directly or indirectly, are contrary to or could potentially be a conflict with the interests of the Company, interfere with the proper fulfilment of their duties and professional responsibilities or involve them in a personal way in any transaction or economic operation of the Company.

Repsol recognises and respects the participation of its employees in financial and corporate activities other than those which they carry out for the Company, provided they are legal and ethical and do not collude with their responsibilities as employees of Repsol.

Repsol employees shall avoid situations that could give rise to a conflict between their personal interests and those of the Company; they shall refrain from representing it and from intervening or influencing in the decision taking in any situation in which, directly or indirectly, they personally or the persons related with them, have a personal interest. They shall always act loyally in fulfilling their responsibilities, and in defence of the interests of Repsol. To these effects, related persons shall be understood to be the spouse or persons with analogous relationship, the ascendants, descendants and brothers and sisters of the employee and of his/her spouse; the spouses of the ascendants, descendants and brothers and sisters of the employee and the companies directly or indirectly controlled by the employee or by an intermediary.

Furthermore, Executive Directors and individuals in an employment relationship with Repsol shall not either personally or for another party, carry out tasks, work or provide services in benefit of companies in the sector or companies that develop activities liable to compete directly or indirectly with those of Repsol or which could eventually do so.

When faced with a situation of possible conflict of interest the Repsol employees shall observe the following general working principles:

a) Communication: they shall inform the hierarchical superiors in writing about the conflicts of interest in which they are involved, before undertaking the operation or concluding the business in question, in order to adopt the appropriate decisions in each specific circumstance, and thus avoid the possibility of compromising their impartial action.

b) Abstention: they shall refrain from intervening or influencing, directly or indirectly, in the decision making that could affect the entities of Repsol with which there is conflict of *interest. They shall refrain from participating in meetings at which such decisions are raised and of accessing confidential information that affects such conflict.*

c) Independence: they shall act at all times with professionalism, with loyalty to Repsol and its shareholders and independently of their own or third party interests. They shall consequently refrain in all events from giving priority to their own or third party interests at the expense of those of Repsol."

D.7 Is more than one company of the Group listed in Spain?

Yes [ ] No [X]

Name the subsidiaries listed in Spain:

Listed subsidiaries

Indicate whether the respective areas of activity and possible business relations between them have been precisely defined publicly and those of the listed subsidiary with other companies in the group:

Yes [ ] No [ ]

Define any business relations between the parent company and listed subsidiary, and between the latter and other group companies

Describe the mechanisms established to solve any conflicts of interest between the listed subsidiary and other group companies:

Mechanisms to solve conflicts of interest

E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the company's Risk Management System.

The Repsol Group operates in numerous countries under a variety of regulatory frameworks and in all phases of the oil & gas business value chain.

The company's operations and results are, therefore, exposed to long-term risks (strategic), short and medium-term risks (operational) and financial risks. Any of these risks could cause a negative impact on the financial position, business or operating income of the Group, hampering the achievement of its goals.

For this reason, the company has an organisation, procedures and system that enable it to manage these risks to a reasonable extent. Risk management is an integral element of the Group's decision-making processes, both within the corporate governance bodies and in business management.

The Repsol risk management has been bolstered in recent years by specialised units (such as safety, environment, financial, among others).

In this context, Repsol has undertaken to step up its progress towards an integrated risk management model (ERM, Enterprise Risk Management) to anticipate, manage and control as far as possible the risks to which the Group is exposed, with an overall vision. With this aim in mind, the Risk Management unit was set up in early 2013 within the General Management of Strategy and Control. The mission of this unit is to coordinate and enhance the existing risk management, giving it a more integrated focus by implementing the Repsol Integrated Risk Management System (IRMS).

The IRMS is aligned with benchmark international standards in risk management, namely: ISO 31000 and COSO ERM(1), regarding the use of effective methods for the analysis and integrated management of risk in organisations, and the Three Lines of Defence model(2), regarding the assignment of responsibilities in risk management and control.

A more integrated management of risks must enable the company to obtain a more complete vision of the risks in all its activities and the interactions and strategies for their mitigation, while at the same time permitting a more efficient use of the resources assigned to this task.

During 2013 the Repsol board of directors passed a new Risk Management Policy, which establishes the integrated risk management commitment which helps to develop the Vision and Values of the company, based on the following principles:

- Management leadership
- Integration in management processes
- Differentiated responsibility
- Global, harmonised management
- Continuous improvement

(1) Enterprise Risk Management Model – Integrated Framework defined by COSO (*Committee of Sponsoring Organizations of the Treadway Commission*)

(2) Recommended by FERMA (Federation of European Risk Management Associations) and ECIIA (European Confederation of Institutes of Internal Auditors.

E.2 Name the corporate bodies responsible for preparing and implementing the Risk Management System.

Board of Directors

The full Board of Directors reserves the right to approve the risk management policy.

Audit and Control Committee of the Board of Directors

According to the Regulations of the Board of Directors of Repsol, the Audit and Control Committee regularly checks the efficiency of the internal control and risk management systems to ensure that the principal risks are identified, managed and reported adequately.

Management Committee

The Management Committee approves the governance elements required within the area of risk management, oversees their correct application and monitors the company's performance in respect of risks.

Repsol's Integrated Risk Management System is aligned with the Three Lines of Defence Model on the assignment of responsibilities in risk management and control. In this regard, Repsol is organised as follows:

Risk Management Units (1st Line of Defence)

These units are responsible for direct management of the risk in day-to-day operations, which encompasses tasks of identification, analysis, evaluation and mitigation of risks.

Risk Supervision Units (2nd Line of Defence)

As governance units specialising in the management of certain types of risks, they have the mission of furthering and overseeing the implementation of effective risk management practices in the Management Units and providing counselling for continuous improvement in risk management.

Risk Management

Risk Management governs the function of integrated risk management and ensures that it is global, homogenous, exhaustive and effectively influential in decision-making processes.

Risk Audit Units (3rd Line of Defence)

These units are responsible for evaluating the design and functioning of the Group's risk management systems to ensure that the risks are adequately identified, measured, prioritised and controlled according to the laws and regulations in place and good practice in the industry.

E.3 Define the main risks that could have a bearing on achievement of the company's business goals.

The transactions and earnings of the Company are exposed to strategic, operational and financial risks. The main risks to which the Repsol Group is exposed are described below:

Strategic and Operational Risks:

- Uncertainty in the current economic climate
- Possible fluctuations in international prices of crude oil and reference products and in demand, due to factors beyond Repsol's control
- Tax and regulatory framework of Repsol's business activities
- Application to Repsol of exhaustive safety and environmental risks and laws
- Operating risks inherent in the exploration and exploitation of hydrocarbons and dependence on the acquisition or discovery of reserves at a reasonable cost and subsequent development of new oil and gas reserves
- Localization of reserves
- Estimates of oil and gas reserves
- Projects and operations developed through joint ventures and associates
- Repsol may make acquisitions, investments and divestments as part of its strategy
- The insurance cover might not be sufficient for all the operational risks to which Repsol is exposed
- Exposure of activities in the gas sector to certain operational and market risks
- Cyclical nature of the petrochemical industry
- The strategy of the Repsol Group is exposed to continuous efficiency and innovation on a highly competitive market
- The Repsol Group is exposed to administrative, judicial and arbitration proceedings
- Undue conduct or infringement of the applicable laws and regulations by our employees may damage the reputation of the Repsol Group
- Information technology and its reliability and strength are an essential factor in the maintenance of our operations
- Expropriation of the shares held by the Repsol Group in YPF S.A. and YPF Gas S.A.

Financial Risks:

- Liquidity Risk
- Credit Risk
- Market Risk:
    - Exchange rate fluctuation risk
    - Commodities price risk
    - Interest rate risk
    - Credit rating risk

For more information: Chapter 2: Our Company, 2.6. Risk Management (point 2.6.2. Risk factors) of the Repsol Consolidated Management Report 2013.

E.4 State whether the company has a risk tolerance level.

The company has established tolerance levels which, depending on each type of risk, can be expressed on the basis of a numeric indicator (e.g. for market, credit, etc. risks) or as a management guideline establishing obligations or limits on activities or behaviour (e.g. in operational risks).

Repsol has a risk evaluation process based on common, homogenous methodology for the identification and assessment of risks by all areas responsible. The assessment is based on common scales of impact and probability.

The scales of impact used in 2013 contemplated the following dimensions: Economic or Operational, Reliability of financial reporting and compliance with laws and standards, Reputation or Corporate Image, Safeguarding of assets and resources, and People.

A corporate risk map is thus obtained, which is presented regularly to the Management Committee and the Audit and Control Committee of the Board of Directors.

E.5 What risks have occurred during the year?

On 25 February 2014, the Board of Directors of Repsol, S.A. approved an agreement with the Government of the Argentine Republic regarding compensation for the expropriation of shares representing 51% of the capital of YPF, S.A. and YPF Gas, S.A., which were expropriated from the Repsol Group by the Argentine Government in 2012. This agreement recognises a debt of USD 5 billion (approximately 3.6 billion euros) payable by the Government of the Argentine Republic to Repsol. At year-end 2013, in view of the prospects of reaching an agreement regarding the compensation receivable for the expropriated shares, the recoverable value of YPF was adjusted to USD 5 billion, which has had a net impact on the income statement of -1,279 million euros, as reflected in the item income from discontinued operations.

Furthermore, risks deriving from the Company's business materialised during the year. Nevertheless, the control systems established by the company worked properly, enabling adequate handling of those risks.

E.6 Explain the response and supervision plans for the main risks to which the company is exposed.

Repsol has an organisation, procedures and system that enable it to identify, measure, evaluate, prioritise, control and reasonably manage the risks to which the group is exposed, and decide to what extent those risks are accepted, mitigated, hedged or avoided as far as possible.

The response plans are adapted to the peculiarities of each risk. The principal measures taken by the company include:

- Establishment of targets, strategic lines and internal regulations (policy, rules,

procedures, manuals and guidelines)
- Analysis and measurement of different variables associated mainly with financial risks (VaR, CFaR) and analysis of sensitivity to risk factors.
- Definition, monitoring and continuous assessment of the design and functioning of the internal control and compliance systems: Financial Reporting Internal Control System, Compliance Programme for the formal legal obligations of legal persons belonging to the Repsol Group to Entities; Crime Prevention Model in the Group's Spanish companies.
- Taking out insurance cover.

The company also has several independent analysis, supervision and control units and response units specialising in different areas of risk management, such as:

- Management and Control of Financial Risks
- Safety and Environment
- Corporate Security
- Corporate Responsibility
- Information Systems Risks and Continuity
- Reporting and Control of Tax Risks
- Control of Reserves
- Insurance

Finally, the company has an Internal Audit Unit which evaluates and enhances existing controls to make sure that the potential risks (strategic, operational and financial) that may hamper achievement of the Repsol Group goals are reasonably identified, measured and controlled. The Group also has another two audit units: Safety and Environment, and Reserves.

F SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

Describe the mechanisms comprising the system of internal control over financial reporting (ICFR) of your company

F.1 Control environment

Report on at least the following, describing their principal features:

F.1.1. What bodies and/or duties are responsible for: (i) the existence and maintenance of an adequate and effective ICFR system; (ii) its implementation; and (iii) its oversight?

As indicated in its Articles of Association, the Board of Directors of Repsol, S.A. is responsible for the governance, management and administration of the Company's businesses and interests save insofar as is reserved for the General Shareholders' Meeting. It focuses on the general function of oversight and the consideration of especially important issues for the Company.

The Regulations of the Board of Directors define the powers reserved for the Board, such as laying the individual and consolidated Annual Financial Statements and Directors' Report before the Ordinary (Annual) General Shareholders' Meeting. The Board must draw these documents up in clear, precise terms. It must also make sure they give a true and fair view of the net worth, financial position and results of the company and the group, as stipulated in law. Approval of the risks management and control policy and the annual and half-year financial reports which, as a listed company, the Company is obliged to publish regularly, is also reserved for the Board of Directors. The Board is ultimately responsible for supervising the Repsol Group's Financial Reporting Internal Control System.

The Regulations also establish the Board's responsibility for approving the company's codes of conduct and ethics, its own organisation and functioning and that of the Senior Management, as well as specific duties referring to the company's activity on the securities market.

The Board of Directors has a direct relationship with the members of the Senior Management and the company's auditors, respecting their independence at all times.

In pursuance of Article 31 of the Articles of Association, at 31 December 2013 the Repsol Board of Directors has sixteen members, two of whom are executive directors, six are institutional outside directors and the remaining are independent outside directors.

The Board of Directors has appointed members to sit on several Committees, such as the Audit and Control Committee, whose main purpose according to the Regulations of the Board of Directors is to support the Board in its supervisory duties, through regular checking of the financial reporting process, the effectiveness of its executive controls and the independence of the external auditors, as well as checking fulfilment of all applicable laws and internal regulations.

All the members of the Audit and Control Committee are independent outside directors, with accounting and auditing expertise and experience. The Committee Chairman also has vast experience in business, risk and financial management and a sound knowledge of accounting procedures.

The Board appoints the members of this Committee for a term of four years. Although eligible for reappointment on one or several occasions, they must step down from the Committee on expiry of their term of office, on ceasing to be independent outside directors or whenever so decided by the Board of Directors based on a report by the Nomination and Compensation Committee. The Chairman holds office as such for a maximum of four years, at the end of which he is not eligible for reappointment until one year after leaving office, although he may continue or be reappointed as a member of the Committee.

According to the aforesaid Regulations, the duties of the Audit and Control Committee related with the financial reporting process include the following:

- Supervise the preparation and presentation of regulated financial reporting on the Company and the Group and its integrity, compliance with legal requirements, adequate definition of the consolidated group and correct application of the accounting principles.

- Protect the independence and efficacy of internal auditing; analyse and approve, if appropriate, the annual planning of the Internal Audit Department and obtain information on the extent to which the audited units have implemented the corrective measures recommended by the Internal Audit Department in previous inspections. The Audit and Control Committee reports to the Board any situations that may entail a substantial risk for the Group.

- Before they are presented to the Board and with the necessary requirements to check that they are correct, reliable, sufficient and clear, analyse the Financial Statements of the Company and its consolidated Group contained in the annual, half-year and quarterly reports, and any other financial information which, as a listed company, the Company is obliged to publish regularly, obtaining all the necessary information with the level of aggregation it considers appropriate, for which it will receive the necessary support from the Group's Senior Management, especially the ED Finance and Corporate Development (CFO), and the opinion or recommendations of the Auditor.

- Take care that the Annual Financial Statements to be presented to the Board of Directors to be authorised for issue are certified by the Chairman/CEO and the ED Finance and Corporate Development, as required by the internal or external regulations applicable from time to time.

- Check all significant changes in the accounting principles used and the presentation of the financial statements and make sure they are adequately publicised, expressly stating that the Committee has checked these aspects.

- Examine draft Codes of Conduct and Ethics and modifications thereto, as prepared by the corresponding department of the Group, and issue its prior opinion on the proposals that are to be put to the corporate bodies.

- Ensure especially compliance with the applicable market conduct regulations and oversee the actions of the Company's Internal Transparency Committee.

- Make sure that the internal control and recording procedures and systems are sufficient, adequate and effective in the measurement, valuation, classification and accounting of the Group's hydrocarbon reserves, so that their inclusion in the periodical financial reporting complies at all times with the sector standards and applicable legislation.

Moreover, as established in the Regulations of the Board of Directors regarding internal control and reporting systems, the Audit and Control Committee is responsible, among other duties, for regularly checking the efficacy of the risk management and internal control systems, ensuring that the principal risks are identified, managed and reported adequately.

F.1.2. State whether the following elements exist, especially in respect of the financial reporting process:

- **Departments and/or mechanisms responsible for: (i) designing and reviewing the organisational structure; (ii) clearly defining the lines of responsibility and authority, with an adequate distribution of tasks and duties; and (iii) ensuring that there are sufficient procedures for adequately informing the company**

The internal regulations assign to the People and Organisation Direction the duties and responsibilities associated with the proposal, study, approval, informing on and implementation of organisational structures and sizing in the company.

According to those regulations, the organisational structure establishes an hierarchical and functional level for the normal operation of the different business areas within the Group and determining the levels of responsibility, decision-making and duties of each of the business units.

The People and Organisation Direction is responsible for assessing and approving the structure and sizing defined, according to the levels established in the internal regulations. The organisational structure is set out in an organisation chart.

There is also an organisational unit responsible for inputting the approved organisational changes in the computer system, according to the implementation plan defined.

- **Code of conduct, body that approves it, degree of publicity and instruction, principles and values included (stating whether there is any specific mention of the operations register and preparation of financial reporting), body responsible for analysing default and proposing remedial action and penalties**

In addition to the internal regulations, such as the Articles of Association, the Regulations of the Board of Directors, the Regulations of the Internal Transparency Committee and other internal rules, the Group also has the Repsol Code of Ethics and Conduct for Employees, approved by the Board of Directors based on a favourable report by the Audit and Control Committee. This Code is applicable to all Group employees, including all the directors, executives and employees of Repsol, S.A. and the companies within its group, regardless of the type of employment contract they have, their rank and position and where they work, and anyone transferred temporarily to Repsol to provide professional services (*secondees*). This code develops the values of the Group (integrity, responsibility, transparency, flexibility and innovation), the minimum patterns of conduct that should guide all employees in how they act when performing their professional work and the provisions applicable for any breach of the code. Among other aspects, it contemplates the basic principles for action in respect of transparency, reliable information and control of records, as well as the processing of confidential, information, establishing specific obligations regarding the recording of transactions and preparation of financial reporting.

In general, new employees are informed of the existence of the Code of Ethics and Conduct, which is put at their disposal, and sign an undertaking to comply with it. Employees are also regularly offered information and training courses on the Code of Conduct and Ethics, to boost their knowledge and understanding of it.

The Company also has a Welcome Manual, undergoing progressive introduction, which is given to people joining the company, setting out the basic rules that should be known and respected by all employees from their incorporation, regardless of the division or business in which they are working or going to work, including direct access to each one. The first set of rules is the Code of Ethics and Conduct.

Company executives also agree to comply with the Executive Personnel Regulations, as an annex to their contracts. These regulations refer to the principles on which their professional actions should be based and the Company's values and rules.

There is a communication channel for the Repsol Code of Ethics and Conduct for Employees, which provides an effective medium for submitting consultations or informing of possible infringements of the conduct regulated in the Code. It can be consulted by Group employees or third parties through the corresponding applications on the Group website and the internal portal.

The Ethics Committee ensures supervision and compliance with the Code by all Group employees and deals with all notifications received through the communication channel. The Secretary of this Committee is responsible for processing confidentially the notifications received through this channel.

As established in the Regulations of the Repsol Ethics Committee, the committee consists of the General Counsel and Secretary of the Board of Directors, the Managing Director of People and Organisation, the Chief Audit Officer, the Executive Director of Legal Services and the Executive Director of Labour Relations, Legal Labour Management and Safety at Work.

The Group also has an "Anti-Corruption Policy" defining the commitment and principles guiding the actions of Repsol and all its employees in combating corruption. This Policy is developed in the "Repsol Code of Ethics and Conduct for Employees".

The Group also has an "Internal Regulation on Conduct regarding the Securities Market", approved by the Board of Directors following a favourable report by the Audit and Control Committee, which responds to the requirements of Spanish law and develops aspects such as the rules of conduct for dealing in securities and financial instruments issued by the Group that are traded on securities markets, treatment of insider information, reporting of relevant information, trading in own shares, the prohibition to manipulate share prices and the handling and management of conflicts of interest. The Company has formally established mechanisms that promote the publicising and fulfilment of its provisions within the organisation. For this purpose, as stipulated in those Regulations, the Audit and Control Committee shall supervise the obligations established therein and any breach of its provisions will be considered a labour fault, the degree of seriousness of which shall be determined in the ensuing proceedings, pursuant to applicable provisions. An offence may also be considered to exist if the security market regulations are infringed and the infringer may be sued for civil or criminal liability.

- **Whistleblowing channel, through which the audit committee can be informed of any financial or accounting irregularities, any breaches of the code of conduct and irregular activities within the organisation, indicating whether this channel is confidential**

According to the Regulations of the Board of Directors, the Audit and Control Committee is responsible for receiving confidentially and anonymously any communications expressing concern on questionable accounting or auditing practices. The Audit and Control Committee has established a specific whistleblowing channel, through which it may be informed on issues relating to accounting, internal control and auditing that affect the Group. The channel is available to employees and third parties through the corresponding applications on the corporate website and on the internal portal.

- **Training programmes and regular refresher courses for personnel involved in the preparation and review of financial reporting and ICFR system assessment, covering at least accounting standards, auditing, internal control and risk management**

Training in Repsol is geared towards developing the professional capacities required for effective performance of the employees' work, supplemented with further training to support and foster progression in their careers. It is based on initiatives intended to structure knowledge, develop skills and foster employees' commitment to the Company's plans, culture and values throughout their careers.

To achieve this, the Company has a broad selection of training activities covering issues ranging from technical aspects, organised specifically for given groups, to other more general aspects, such as management, safety awareness, etc.

Through collaboration between the Repsol Training Centre and each of the units of the Group, Repsol ensures the acquisition and updating of essential knowledge to perform the Economic Administrative, Risk Management and Internal Audit and Control duties. The training needs are planned to meet both short and long-term needs and the corresponding annual plan is drawn up, identifying and paying attention not only to the form of training best suited to each group while at the same time enabling the Company to monitor attendance level and the quality of training given to each employee.

These needs are met by both internal resources, with training designed and given by its own staff with experience and references in their respective fields, and by reputed firms contracted for their quality and specialization. Other resources are also used, such as conferences, talks, discussion forums, workshops and virtual libraries.

F.2 Evaluation of financial reporting risks

Report at least on the following:

F.2.1. What are the main features of the risk identification process, including risks of error or fraud, indicating:

- **Whether the process exists and is documented;**
- **Whether the process covers all the financial reporting objectives (existence and occurrence; integrity; valuation; presentation, breakdown & comparison; and rights & obligations), whether it is updated and how often;**
- **Whether there is a process for identifying the scope of consolidation, taking into account, among other aspects, the possible existence of complex corporate structures or special purpose vehicles;**
- **Whether the process takes account of the effects of other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the financial statements;**
- **Which governing body supervises the process.**

The Group has a system of internal control over financial reporting (ICFR) model, enabling it to meet the requirements stipulated in the Securities Market Act 24/1988 of 28 July, amended by the Sustainable Economy Act 2/2011 of 4 March, Order ECC/461/2013 of 20 March defining the contents and structure of the annual corporate governance report, and the National Securities Market Commission (CNMV) Circular 5/2013 of 12 June, which establishes the model annual corporate governance reports for listed public limited companies.

The Group has a system of internal control over financial reporting model based on the methodological framework of COSO (*Committee of Sponsoring Organizations of the Treadway Commission*) included in the internal report of Control-Integrated Framework (1992), which aims to ensure that transactions are recorded accurately, in accordance with the corresponding accounting framework, providing reasonable security as to the prevention or detecting of errors which could have a material impact on the information contained in the consolidated annual financial statements. This internal control model is structured around five components through an integrated process:

1. The existence of an adequate **control environment**.

2. The identification, analysis and **assessment of risks**.

3. The definition and implementation of **control activities** to moderate the risks identified.

4. The **information and communication** required to know and accept the different responsibilities in respect of control.

5. **Supervision of the system**, to assess its design, performance quality, adaptation, implementation and effectiveness.

The main risks that could affect the financial reporting objectives related with the existence and occurrence of operations, rights and obligations, the integrity, valuation and presentation thereof and their breakdown and comparability and which, therefore, could produce a material impact on the reliability of the financial reporting are identified by drawing up a financial reporting risk inventory, classified into the following categories:

- Definition of the general control environment
- Monitoring of regulatory changes
- Making of estimates and subjective calculations
- Identification and recording of business transactions
- Preparation of consolidated financial statements
- Financial reporting

This inventory covers the main risks associated with the preparation of individual and consolidated financial statements and other types of risks (operational, financial, tax compliance, labour, regulatory, etc.) insofar as they could affect the financial reporting.

Each of the above-mentioned risk categories consists in turn of one or several specific risks, associated with the corresponding items on the financial statements, the respective processes and the different companies in the Group covered by the system of internal control over financial reporting. In this regard, as mentioned in point F.3.1, there is a process for the identification, determination and regular quarterly updating of the inventories of the different companies in the Repsol Group, from which the consolidation perimeter is determined

The financial reporting fraud factor is also analysed specifically for each and all of these risks, since this is an important element in the design, implementation and evaluation of the internal control model. This analysis is made taking account mainly of the references to consideration of fraud in risk assessment established within COSO ("Assesses Fraud Risk" Principle 8) and by the AICPA (*American Institute of Certified Public Accountants*) in its document "*Consideration of Fraud in a Financial Statement Audit*", Section 316 (Standard Auditing Statement 99).

Finally, the potential impact and probably of occurrence is assessed for each and all of the financial reporting risks. The severity of each risk is determined as a result of both of these considerations.

The risks inventory is reviewed annually according to the integrated risks management process of the Repsol Group, as indicated in section E.1. of the Annual Corporate Governance Report.

F.3 Control activities

State whether the company has at least the following, indicating their main features:

F.3.1. Procedures for review and authorisation of financial information to be published in the securities markets and description of the ICFR system, naming the persons responsible, and documentation describing the flows of activities and controls (including those concerning fraud risk) of the different types of transaction that might have a material effect on the financial statements, including the procedure for closing accounts and specific review of significant value judgments, estimates, valuations and projections.

The system of internal control over financial reporting (ICFR) is fully integrated in the organisation through the establishment of structure of roles and responsibilities for the different bodies and functions, which are duly approved and distributed within the Group. In addition to the indications in F.1.1 regarding the processes for checking and authorisation of financial reporting by the Board of Directors and the Audit and Control Committee, below are detailed those others processes, that in this topic are performed by governing bodies and organisational units of the Group:

Chairman/CEO and Executive Director Finance and Corporate Development (CFO):

At year end, all owners of the controls comprising the ICFR system issue a certificate on the validity and effectiveness of the processes and controls within their area of responsibility. These are annual certificates which, through a hierarchical process rising up through the organisational structure, conclude with a certificate issued by the Chairman/CEO and ED Finance and Corporate Development (CFO).

Internal Transparency Committee:

The mission of the Internal Transparency Committee is to promote and bolster the necessary policies to ensure that the information provided for shareholders, markets and regulatory authorities is true and complete, adequately reflects the Company's financial position and the results of its operations and is presented within the times and in accordance with the other requirements established in the standards and general principles for markets and good governance applied by the Company. This Committee provides support and assistance to the Chairman/CEO and the CFO.

According to the Regulations of the Internal Transparency Committee, it has assigned the following duties, among others:

- Supervise the establishment and maintenance of procedures for compiling the information to be published by the Company according to the applicable laws and regulations or which it reports generally to the markets, and all controls and procedures established to make sure that (i) the information is promptly and accurately recorded, processed, summarised and reported, and (ii) the information is compiled and reported to the Senior Management, including the Chairman/CEO and CFO, enabling them to decide in advance on the information to be published, proposing such improvements as they may deem fit.

- Check and assess the accuracy, reliability, adequacy and clarity of the information contained in the documents to be presented publicly, especially any disclosures to be made to the regulating authorities and brokers on the securities markets in which the Company's shares are listed.

The Internal Transparency Committee is made up of the heads of the units responsible for the economic, tax, legal, communication, strategy, audit & control, investor relations, corporate governance, reserves control, management control & planning, people & organisation and business areas.

Business Units and Corporate Areas identified as "owners of the controls":

Within the Group, the different Business Units and Corporate Areas identified as "owners of the controls" are those responsible for ensuring the adequate design and validity of the processes and the validity, execution and adequate functioning of the controls associated therewith. Of these, the Units with an especially important role in the development, maintenance and functioning of the ICFR system are:

- The Unit that prepares the financial statements and financial reporting and defines the inventory of controls and processes of the ICFR system required to guarantee the reliability of the financial information, coordinating with the Audit and Control Committee, as a result of its process of defining and assessing the Group ICFR system.

- The Unit that guarantees fulfilment of tax obligations, tax counselling, monitoring, evaluation and implementation of changes in law and regulations, identification, control, monitoring and assessment of tax risks, management of tax disputes and conflicts and tax information for the financial statements. Moreover, according to the Code of Good Tax Practice, it reports annually to the Audit and Control Committee on the tax policies applied by the Company.

- The Unit that monitors, analyses, reviews and interprets the accounting standards contained in the different regulatory frameworks applicable to the Group.

- The Unit that assures the continuity and development of business plans, guaranteeing the efficient use of financial resources, optimisation of financial earnings and an adequate monitoring and control of financial, market and credit risks.

- The Unit that defines the Annual Training Plan, sets the guidelines and criteria governing development of the regulatory framework and establishes the criteria for defining the organisational structure and sizing of the Group.

- The Unit that ensures that the estimates of the Group's proven reserves of hydrocarbons conform to the regulations issued by the different securities markets on which the Company's shares are listed, makes the internal audits of reserves, coordinates the certificates of the external auditors of reserves and assesses the quality controls regarding information on reserves, making any appropriate suggestions, within a process of continuous improvement and application of the best practices.

- The Units responsible for legal affairs in the Group, which provide legal counselling, legal defence and handling of its legal affairs in all contentious proceedings and processes, providing legal support for the Group's actions, rights and expectations with a view to giving them legal security and efficacy and minimizing possible legal risks.

Activities and Controls

The ICFR system documents are essentially:

- Manual of internal control over financial information
- Corporate Internal Regulations
- Financial reporting risk map
- Model of scopes
- Flow charts of processes through ICFR system
- Inventory of controls identified in the different processes
- Outcome of control design and functioning tests
- Certificates of validity and effectiveness issued for each year

The control activities related with existing policies and procedures are designed and implemented based on the risk inventory. These activities are intended to reduce the risks identified and prevent and detect errors and fraud.

After identifying and drawing up an inventory of the financial reporting risks, the scope model of the financial reporting internal control system is established to determine the items on the financial statements that are affected and the relevant processes and companies. Both qualitative and quantitative criteria are taken into account in this process.

There is a process to identify, determine and update the consolidation scope for the preparation of consolidated financial statements. Controls have been defined in that process to identify and monitor any changes in shareholding interests in the Group companies, establish which companies are included within the consolidation and define the accounting criteria for their adequate classification, registration and presentation, ensuring the integrity, reliability and validity of the financial reporting.

The determination of companies included within the scope of the Group ICFR system takes into account those in which control is exercised directly or indirectly, considering this to mean capacity to direct their operating and financial policies in order to obtain a gain on their activities. Therefore, control over the significant processes of companies in which there is ***joint control*** is not included in the model, since the strategic decisions regarding operational and financial activities require the unanimous consent of the parties sharing control, so the Group does not have an exclusive power to implement its own control system, alter the existing controls in those companies or assess their effectiveness. However, controls designed to guarantee homogeneity, validity and reliability of the financial information provided by joint ventures for incorporation in the consolidated financial statements are included.

A list of the most significant companies over which the Group has an overall control at 31 December 2013 and their contributions to the principal consolidated accounting items can be found in Note 24 "Joint Ventures" to the Consolidated Annual Financial Statements.

The aggregate amounts on the balance sheet and income statement contributed by the interests held by the Repsol Group in joint ventures at 31 December 2013 are broken down below 2013:

	31 December 2013 (million euros)	
	Joint ventures	Total Group
Current assets	7,738	22,504
Non-current assets	15,352	42,582
Current liabilities	4,149	14,819
Non-current liabilities	8,372	22,347
Operating income	9,783	56,298
Operating expenses	(8,166)	(53,727)
Earnings attributed to the parent company in continuing operations	808	879

The ICFR system model is structured into cycles, defined as a set of transaction flows whose operations are systematized and documented. Transactional business cycles are identified for each of the major companies and cross cycles, which operate in the same way, for all companies included within the scope. The combination of all these cycles covers all the processes established for preparation, review and subsequent distribution of the Group's financial information. Each cycle in turn consists of processes which are assigned a critical factor and a set of control targets to mitigate the risks associated with potential errors related with the identification, recording, valuation, presentation and breakdown of the transactions during preparation of the financial information. Once that assignment has been made, controls are established to cover the risks involved in the process.

The following types of controls are distinguished in the ICFR system:

- Controls implemented on a cycle, process and company level, established to guarantee achievement of the control targets for each process.

- Controls implemented on a global level for the entire Group, including those controls aimed at the risks related with the company's control environment, information systems and other processes operating across the board for all the companies managed by the Group.

The financial reporting process requires assumptions and estimates to be made, which may affect the amount of assets and liabilities recognised, the presentation of contingent assets and liabilities and the recognised income and expense. These estimates may be affected, among other causes, by changes in competitive, economic, political, legal, regulatory, social, industrial, business and financial conditions.

In this regard, the Group has methods to identify the areas responsible and establish homogenous criteria for estimates and value judgments in the processes considered important for the preparation of financial reporting, namely those concerning reserves of crude and gas, provisions for litigation and other contingencies, calculation of income tax and deferred tax assets and liabilities, impairment tests of the value of assets and the valuation of financial instruments. The results of these estimates are reported to the management and governing bodies of the Group.

The Group's Senior Management is regularly informed of any business affecting its business development and which could have a material effect on the Group's financial statements. It also regularly monitors the principal environmental variables which have or may affect, directly or through estimates and value judgments, on the quantification of assets and liabilities, income or expense of the Group.

F.3.2. Reporting system policies and procedures for internal control (including, among others, access security, control of changes, operation, operating continuity and separation of duties) of the significant processes in the company referring to the preparation and publication of financial information

The Repsol Group has a specific body of regulations in its IT Systems area based on ISO 27001, laying down the general principles for the different processes in that area.

Considering that the Group's transaction flows are mainly made through IT Systems, some general computer controls have been established which reasonably guarantee the trustworthiness, integrity, availability and confidentiality of the information contained in the relevant applications for financial reporting. The systems linked to the process of preparing financial information conform to the security standards established in the regulations and are audited within the general computer controls.

These general computer controls grouped in the areas of: access security, life cycle systems development and assurance operations, help to guarantee the achievement of several control targets within the ICFR system assessment, since they:

- Contribute towards ensuring the precision, accuracy and validity of the transactions executed in the applications, since they are integrated in the logics of those applications in order to prevent and/or detect unauthorised transactions.

- Are applied to the interfaces with other systems, in order to check that information input is complete and precise, and output is correct.

The scope of the general computer controls reached covers applications and infrastructure elements that serve these applications (e.g. technical platforms, servers, databases, data processing centres, etc.).

The Repsol Group has developed a segregation of duties model in the systems to prevent and reduce the risk of errors (intentional or otherwise), especially the fraud factor in the financial reporting process.

Incompatibility matrices have been installed in the applications used by the relevant processes covered by the ICFR system, with which it is possible to monitor conflicts continuously and detect cases in which the functions are not exercised according to defined profiles.

F.3.3. Internal control policies and procedures to supervise management of the activities subcontracted to third parties and any aspects of assessment, calculation or valuation outsourced to independent experts that may produce a material effect on the financial statements

Within the general computer controls described in point F.3.2. above, the Repsol Group has a specific control to respond to this question. The purpose of this control is to "extend" the Group's control model to all suppliers which have subcontracting services that process information contemplated in the ICFR system model.

According to this control, the Group IT Systems division must monitor the services outsourced to third parties following the guidelines marked out in the general computer controls, in order to reasonably guarantee that the suppliers of the service have an environment similar to that existing in the Repsol Group or able to comply with the international standards on which those control models are based.

With regard to aspects of assessment, calculation or valuation outsourced to independent experts that may produce a material effect on the financial information, the Reserves Control Unit reviews the valuation based on the estimates of reserves made by the Group's operating units, through audits contracted to external firms. The significant aspects identified in those audits are taken as the basis for determining the results, according to the Group's Reserves Manual, which are presented to the Management Committee and the Audit and Control Committee.

F.4 Information and communication

State whether the company has at least the following, indicating their main features:

F.4.1. A specific function to define and keep the accounting policies up to date (accounting policy department or division) and solve any queries or conflicts deriving from their interpretation, maintaining fluent communication with those responsible for operations in the organisation, and an updated accounting policy manual distributed among the units through which the company operates

The Group has a Unit responsible for monitoring, analysing and reviewing the accounting principles and policies established in the different regulatory frameworks applied in the preparation of financial statements, analysing and answering consultations on their interpretation and adequate application. The organisational units involved in preparing financial information are informed on any new aspects in accounting techniques and regulations and the outcome of the different analyses made.

The accounting principles manuals establish the accounting standards, policies and principles applied by the Group. Those manuals are revised and updated every six months and whenever there is a material change in the applicable regulations. The manuals are distributed throughout the organisation through the internal communication network.

F.4.2. Mechanisms for collecting and preparing financial information with homogenous formats, application and use by all units of the company or group, covering the principal financial statements and notes and the information given on the ICFR system

The Group has integrated IT systems for both recognising transactions in the accounts and preparing the individual and consolidated financial statements. It also has processes for centralised coding and parameterizing processes which, together with the accounting principles manuals, guarantee the integrity and homogeneity of the information. Finally, there area also tools used for processing the information in order to obtain and prepare the breakdowns provided in the notes to the financial statements. The systems linked to the preparation and reporting of financial information meet the security standards established by the general computer controls defined for IT systems. (See section F.3.2.)

F.5 Supervision of the functioning of the system

State whether the company has at least the following, indicating their main features:

F.5.1. ICFR system supervisory activities performed by the audit committee and whether the company has an internal audit department which, among other duties, assists the committee in its supervision of the internal control system, including the ICFR system. Indicate the scope of assessment of the ICFR system made in the year and the procedure through which the person

responsible for making the assessment reports on its outcome, whether the company has an action plan describing possible corrective measures and whether its impact on financial reporting has been considered

According to the Regulations of the Board, the Audit and Control Committee is responsible for supervising the assessment and presentation, as well as the integrity of the regulated financial information on the Company and the Group, checking compliance with legal provisions, adequate definition of the consolidated group and correct application of the accounting principles, and regularly checking the effectiveness of the internal control and risk management systems, ensuring that the principal risks are identified, managed and reported adequately.

The Audit and Control Committee also analyses and approves, where appropriate, the annual planning of the Internal Audit Department and other occasional or specific additional plans required as a result of changes in legislation or the needs of the Group's business organisation.

The annual planning of the Internal Audit Department is structured to assess and supervise the correct functioning and adequacy of the control systems established and ensure that they permit identification, management and/or mitigation of operating, financial and reputational risks of the Group.

The Audit and Control Direction reports to the Audit and Control Committee and performs the audit and control duties established in international standards in line with the best market practices, as well as the requirements of the different regulatory frameworks applicable in the countries in which the Repsol Group has businesses and activities. It has a "Quality Assurance and Enhancement Plan", assessed regularly, to assure quality in its duties, the results of which are reported to the Audit and Control Committee.

The Audit and Control Division is responsible for seeing that the design and functioning of the Internal Control and Risk Management Systems in the Group are reasonable and adequate, contributing towards their improvement and covering the following control objectives:

- Any risks that may affect the organisation are adequately identified, measured, prioritised and controlled
- Transactions are efficient and effective
- Transactions are made in compliance of applicable laws, regulations and contracts and prevailing policies, rules or procedures
- The assets are adequately protected and reasonably controlled
- The most significant financial, management and operating information is prepared and reported adequately

The Audit and Control Direction supports the supervisory work of the Board of Directors, Audit and Control Committee and Internal Transparency Committee over the Financial Reporting Internal Control System (ICFR).

The Audit and Control Direction reports to the Audit and Control Committee on the conclusions of all work done, the corrective measures proposed and the degree of fulfilment of each one. This Department provides support to detect any significant irregularities, anomalies or defaults committed by the audited units, reporting to the Board any cases that may entail a major risk for the Group.

The Audit and Control Direction reports any weakness or incident detected in the updating or assessment of the ICFR system to the owners of the controls.

After year-end, the Audit and Control Direction informs the Internal Transparency Committee, the Audit and Control Committee and the Board of Directors on the outcome of the ICFR system assessment and any defects found during the assessment of ICFR system effectiveness.

The Group Management has assessed the effectiveness of the ICFR system corresponding to 2013 and did not find any material defects, concluding that it is effective, based on the criteria established by COSO.

F.5.2. Whether it has a discussion procedure through which the auditor (as established in the technical audit standards), the internal audit department and other experts can inform the senior management and audit committee or company directors on any significant weaknesses in internal control detected during their checking of the annual financial statements or such others commissioned to them. State also whether it has an action plan to correct or mitigate the weaknesses observed

As mentioned in point F.5.1, the Audit and Control Division reports to the Audit and Control Committee on the conclusions of all work done, the corrective measures proposed and the degree of fulfilment of each one.

One of the duties of the Audit and Control Committee is to establish appropriate relations with the External Auditor to receive regular information on the audit plan and results of its implementation, and on any other issues concerning the audit process and corresponding rules and regulations. It also verifies that the management team bears in mind the recommendations made by the External Auditor.

The Audit and Control Committee also requires the External Auditor periodically, at least once a year, to assess the quality of the internal control procedures and systems and discuss with it any significant weaknesses detected during audit, and requests the External Auditor's opinion on the effectiveness of the ICFR system.

F.6 Other relevant information

F.7 External Auditor's report

Report on:

F.7.1. Whether the ICFR system information remitted to the markets has been checked by the external auditor, in which case the Company should include the latter's report in an annex hereto. Otherwise, state reasons.

The Group has requested the External Audit to check the effectiveness of the system of internal control over financial reporting (ICFR) in respect of the financial information contained in the consolidated annual financial statements of the Repsol Group as at 31 December 2013.

G EXTENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of compliance by the company with the recommendations of the Unified Good Governance Code.

If any recommendation is not followed or is only partly followed, include a detailed explanation of the reasons so that shareholders, investors and the market in general have sufficient information to assess the company's actions. General explanations are not acceptable.

1. **The Articles of Association of listed companies should not limit the maximum number of votes that may be cast by an individual shareholder or impose other restrictions hampering takeover of the company via the market acquisition of its shares.**

   See sections: A.10, B.1, B.2, C.1.23 and C.1.24

   Complies [X] Explanation [ ]

2. **When both the parent company and a subsidiary are listed, they should both publish a document specifying exactly:**

   a) **The types of activity they are respectively engaged in and any business dealings between them, and between the listed subsidiary and other group companies;**

   b) **The mechanisms in place to solve any conflicts of interest.**

   See sections: D.4 and D.7

Complies [ ] Partial compliance [ ] Explanation [ ] Not applicable [X]

3. Although not expressly required in company law, any operations involving a structural alteration of the company should be submitted to the General Meeting for approval, especially the following:

a) Conversion of listed companies into holdings, through spin-off or "subsidiarisation", i.e. reallocating to subsidiaries of core activities thereunto performed by the company, even though the latter may retain full ownership of its subsidiaries;

b) Acquisition or disposal of key operating assets, if this involves an effective alteration of its objects;

c) Any operations producing effects equivalent to liquidation of the company.

See section: B.6

Complies [X] Partial compliance [ ] Explanation [ ]

4. Detailed proposals of the resolutions to be adopted at a General Meeting, including the information contemplated in Recommendation 27, should be published simultaneously with the notice of call to the General Meeting.

Complies [X] Explanation [ ]

5. Substantially independent items shall be voted separately at General Meetings to enable shareholders to express their preferences separately. This rule is particularly applicable:

a) To the appointment or ratification of directors, which should be voted individually;

b) In the case of alterations to the Articles of Association, to each article or substantially independent group of articles.

Complies [X] Partial compliance [ ] Explanation [ ]

6. Companies should allow split votes, so that financial intermediaries on record as shareholders but acting on behalf of different clients can vote according to the latters' instructions.

Complies [X] Explanation [ ]

7. The Board should perform its duties with unity in proposal and independent criteria, affording all shareholders the same treatment and guided by corporate interests, which shall mean maximising the value of the company over time.

It shall also ensure that the company complies with the applicable laws and regulations in its relations with stakeholders; fulfils its contracts and obligations in good faith; respects good customs and practice in the sectors and territories in which

it operates; and upholds any other social responsibility principles that it may have subscribed to voluntarily.

Complies [X] Partial compliance [ ] Explanation [ ]

8. **The Board should undertake, as its principal mission, to approve the company's strategy and the organisation required to put it into practice, and to oversee and ensure that Management meets the targets marked out and respects the objects and corporate interest of the company. For this purpose, the full Board shall approve the following:**

   a) **General policies and strategies of the Company, particularly:**

      i) **The strategic or business plan, management objectives and annual budgets;**

      ii) **Investment and financing policy;**

      iii) **Definition of the structure of the corporate group;**

      iv) **Corporate governance policy;**

      v) **Corporate social responsibility policy;**

      vi) **Policy on the remuneration and performance assessment of senior officers;**

      vii) **Risk management and control policy and the regular monitoring of internal information and control systems;**

      viii) **The dividend policy and treasury stock policy, particularly regarding limits.**

      See sections: C.1.14, C.1.16 and E.2

   b) **The following decisions:**

      i) **Upon recommendation by the chief executive, the appointment and possible removal of senior officers, and corresponding severance clauses;**

      ii) **Directors' emoluments and, for executive directors, supplementary remuneration for their executive duties and any other terms and conditions to be included in their contracts;**

      iii) **The financial information that listed companies are obliged to disclose periodically;**

      iv) **Any investments or transactions considered strategic by virtue of their amount or special characteristics, unless approval corresponds to the General Meeting;**

      v) **Creation or acquisition of shares in special purpose vehicles or companies domiciled in countries or territories considered tax havens, and any**

transactions or operations of a similar nature which could, by virtue of their complex structure, impair the group's transparency.

c) Transactions between the company and its directors, significant shareholders or shareholders with representatives on the Board, or persons related thereto ("related-party transactions").

This authorisation will not be necessary for related-party transactions that meet all of the following three conditions:

1. Made under contracts with standard terms and conditions applied across the board to large numbers of clients;

2. Made at the general prices or rates established by the person supplying the good or service;

3. Made for a sum not exceeding 1% of the company's annual earnings.

The Board is recommended to make approval of related-party transactions dependent on a favourable report by the Audit Committee, or such other committee as may be assigned this duty. Apart from not exercising or delegating their vote, the affected Directors shall leave the room during the corresponding discussion and voting by the Board.

It is recommended that these competences of the Board be non-delegable, except those contemplated in paragraphs b) and c), which may be adopted by the Executive Committee in an emergency, subject to subsequent ratification by the full Board.

See sections: D.1 and D.6

Complies ☐ Partial compliance ☒ Explanation ☐

The company complies with this recommendation except the following paragraphs:

- a.iii) Owing to the complexity and large number of companies currently forming the Repsol Group, it has not been considered convenient to expressly include the contents of this recommendation in the internal strategies and policies of the company.

- b.i) The Regulations of the Board do not reserve for the board decisions on the removal of senior officers, considering that this power should be reserved for the chief executive since they are positions falling within his trust and responsibility, although the board is duly informed. Moreover, the board reserves the right to approve the guarantee or "golden handshake" clauses for the senior officers of the company in cases of dismissal or takeovers, when their terms exceed normal market conditions.

9. **The Board should have an adequate size to secure efficient, participative performance of its duties. The recommended size is between five and fifteen members.**

See section: C.1.2

Complies [ ] Explanation [X]

The general meeting has considered it convenient for the company, considering the structure of its capital and its representation n the governing body, to include persons of professional repute from the sectors of auditing, finance, accounting, industrial and stock market, to increase the board's decision´-making capacity and enrich its points of view.

For this purpose, the board put a motion to the shareholders at the AGM of 31 May 2013, within the maximum and minimum limits established in the Articles of Association (9 - 16) to set the number of directors at 16.

10. **Non-executive proprietary and independent directors should have an ample majority on the board, while the number of executive directors should be kept to a minimum, taking account of their equity ownership and the complexity of the corporate group.**

See sections: A.3 and C.1.3

Complies [X] Partial compliance [ ] Explanation [ ]

11. **Among the non-executive directors, the ratio of proprietary to independent directors should reflect the proportion between capital represented and not represented on the Board.**

    This strictly proportional distribution may be relaxed so that proprietary directors have a greater weight than that corresponding to the total percentage of capital they represent:

    1. **In companies with a high capitalisation with few or no shareholdings considered significant by law, but in which certain shareholders have interests with a high absolute value.**
    2. **In companies with a plurality of unrelated shareholders represented on the Board.**

See sections: A.2, A.3 and C.1.3

Complies [X] Explanation [ ]

12. **The total number of Independent Directors should represent at least one-third of the total Directors.**

See section: C.1.3

Complies [X] Explanation [ ]

13. **The Board should explain the nature of each Director at the General Meeting at which an appointment is to be made or ratified. The type of director should be confirmed or**

altered, as the case may be, in the Annual Corporate Governance Report, following verification by the Nomination Committee. The reasons why Proprietary Directors have been appointed at the request of shareholders with an interest of less than 5% in the capital shall be explained in that Report, as well as the reasons, where appropriate, for not meeting formal requests for presence on the Board from shareholders with an interest equal or greater than others at whose request proprietary directors have been appointed.

See sections: C.1.3 and C.1.8

Complies [X] Partial compliance [ ] Explanation [ ]

14. **When there are few or no female directors, the Board should explain the reasons for this situation and the steps taken to correct it. In particular, when vacancies arise on the Board, the Nomination Committee should ensure that:**

    a) **There is no hidden bias against women candidates in the selection procedures;**

    b) **A conscious effort is made to include women with the target profile among the candidates.**

See sections: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4

Complies [X] Partial compliance [ ] Explanation [ ] Not applicable [ ]

15. **The Chairman, being responsible for the effective operation of the Board, should make sure that directors receive sufficient information in advance; stimulate debate and active participation by directors at all Board meetings, protecting their free stand and expression of opinion on any issues; and organise and coordinate periodic assessment of the Board, and the Managing Director or CEO, if any, with the chairmen of the principal committees.**

See section: C.1.19 and C.1.41

Complies [X] Partial compliance [ ] Explanation [ ]

16. **When the Chairman of the Board is also the chief executive officer of the company, one of the independent directors should be authorised to request the calling of a board meeting or the inclusion of new items on the agenda; coordinate and express the concerns of the non-executive directors; and direct the assessment by the Board of its Chairman.**

See section: C.1.22

Complies [X] Partial compliance [ ] Explanation [ ] Not applicable [ ]

17. **The Secretary of the Board should especially ensure that the Board's actions:**

    a) **Conform to the text and spirit of the laws and regulations, including those adopted by the market watchdogs;**

b) Conform to the company's Articles of Association and the Regulations of the General Meeting, the Board and any other internal regulations of the Company;

c) Take account of the good governance recommendations contained in this Unified Code endorsed by the company.

To guarantee the independence, impartiality and professionalism of the Secretary, his/her appointment and removal should require a report by the Nomination Committee and approval by the full Board; and the procedure for appointment and removal should be set down in the Regulations of the Board.

See section: C.1.34

Complies [X] Partial compliance [ ] Explanation [ ]

18. The Board should meet as often as may be necessary to secure efficient performance of its duties, following the calendar and business established at the beginning of the year, although any director may propose other items not initially contemplated to be included on the agenda.

See section: C.1.29

Complies [X] Partial compliance [ ] Explanation [ ]

19. Non-attendance of Board meetings should be limited to inevitable cases and stated in the Annual Corporate Governance Report. If a director is forced to grant a proxy for any Board meeting, the appropriate instructions should be issued.

See sections: C.1.28, C.1.29 and C.1.30

Complies [X] Partial compliance [ ] Explanation [ ]

20. When the Directors or the Secretary express concern over a proposal, or, in the case of Directors, the company's performance, and those concerns are not settled by the board, they should be put on record, at the request of those expressing them.

Complies [ ] Partial compliance [ ] Explanation [ ] Not applicable [X]

21. The full Board should assess once a year:

a) The quality and effectiveness of the Board's actions;

b) Based on the report issued by the Nomination Committee, the performance by the Chairman of the Board and Chief Executive Officer of their respective duties;

c) The performance of its Committees, based on the reports issued by each one

See section: C.1.19 and C.1.20

Complies [X] Partial compliance [ ] Explanation [ ]

22. **All the Directors should be entitled to obtain such supplementary information as they may consider necessary on business within the competence of the Board. Save otherwise stipulated in the Articles of Association or Board Regulations, their requests should be addressed to the Chairman or Secretary of the Board.**

See section: C.1.41

Complies [X] Explanation [ ]

23. **All Directors should be entitled to call on the company for specific guidance in the performance of their duties, and the company should provide adequate means for exercising this right, which in special circumstances may include external assistance, at the company's expense.**

See section: C.1.40

Complies [X] Explanation [ ]

24. **Companies should establish an induction programme to give new Directors a rapid, sufficient insight into the company and its rules on corporate governance. Directors should also be offered refresher courses in the appropriate circumstances.**

Complies [X] Partial compliance [ ] Explanation [ ]

25. **Companies should require Directors to devote the necessary time and efforts to perform their duties efficiently. Accordingly:**

    a) **Directors should inform the Nomination Committee of any other professional obligations they may have, in case they may interfere with the required dedication;**

    b) **Companies should limit the number of directorships that its Directors may hold.**

See sections: C.1.12, C.1.13 and C.1.17

Complies [X] Partial compliance [ ] Explanation [ ]

26. **Proposals for the appointment or re-appointment of directors submitted by the Board to the General Meeting and the provisional appointment of directors by cooptation should be approved by the Board:**

    a) **At the proposal of the Nomination Committee, in the case of independent directors;**

    b) **Subject to a report by the Nomination Committee for other directors.**

See section: C.1.3

Complies [X] Partial compliance [ ] Explanation [ ]

27. **Companies should publish on their websites and regularly update the following information on their directors:**

    a) **Professional and biographical profile;**

    b) **Other directorships held, in listed or unlisted companies;**

    c) **Type of director, indicating in the case of proprietary directors the shareholders they represent or are related with.**

    d) **Date of first and subsequent appointments as company director; and**

    e) **Company shares and stock options held.**

Complies [X] Partial compliance [ ] Explanation [ ]

28. **Proprietary directors should resign when the shareholder they represent disposes of its entire shareholding in the company. They should also resign in the corresponding number when the shareholder disposes of part of its shares to an extent requiring a reduction in the number of proprietary directors.**

See sections : A.2, A.3 and C.1.2

Complies [X] Partial compliance [ ] Explanation [ ]

29. **The Board should not propose the removal of any independent director before the end of the period for which he or she was appointed, unless there are just grounds for doing so, as appreciated by the Board subject to a report by the Nomination Committee. Just grounds are deemed to exist when the director has acted in breach of his/her duties or when he or she falls into any of the circumstances by virtue of which he/she would no longer be considered independent, according to the provisions of Order ECC/461/2013.**

    The removal of independent directors may also be proposed as a result of takeover bids, mergers or similar corporate operations producing a change in the capital structure of the company, whenever those changes in the structure of the Board correspond to the principle of proportionality established in Recommendation 11.

See sections: C.1.2, C.1.9, C.1.19 and C.1.27

Complies [X] Explanation [ ]

30. **Companies should establish rules obliging directors to report and, if necessary, resign in any cases that may jeopardise the company's reputation. In particular, directors should be obliged to inform the Board of any criminal proceedings brought against them and the subsequent development of the proceedings.**

    If a director is tried for any of the offences contemplated in section 213 of the Corporate Enterprises Act, the Board should study the case as soon as possible and, in view of the specific circumstances, decide whether or not the director should remain in office. A reasoned account should be included in the Annual Corporate Governance Report.

See sections: C.1.42 and C.1.43

Complies [X] Partial compliance [ ] Explanation [ ]

31. **All the directors should clearly express their opposition whenever they consider that any proposed decision submitted to the Board may go against corporate interests. The independent and other directors not affected by the potential conflict of interest should also do so when the decisions may be detrimental to shareholders not represented on the Board.**

    And when the Board adopts significant or reiterated decisions regarding which a director has expressed serious reservations, the latter should reach the appropriate conclusions and, if he or she opts to resign, explain the reasons in the letter contemplated in the following recommendation.

    This recommendation also affects the Secretary of the Board, even if he or she is not a director.

Complies [ ] Partial compliance [ ] Explanation [ ] Not applicable [X]

32. **If a director resigns or retires from office on whatsoever other grounds before the end of his or her term of office, he or she should explain the reasons in a letter sent to all the Board members. Regardless of whether the retirement is announced as a regulatory disclosure, the reason shall be indicated in the Annual Corporate Governance Report.**

See section: C.1.9

Complies [ ] Partial compliance [ ] Explanation [ ] Not applicable [X]

33. **Remunerations in the form of shares in the company or group companies, stock options or instruments linked to the value of the share and any variable remuneration linked to the company's performance or welfare schemes should be limited to executive directors.**

    This recommendation shall not be applicable to the delivery of shares when subject to the condition that the directors keep them up to their retirement from the Board.

Complies [X] Explanation [ ]

34. **The remuneration of non-executive directors should be sufficient to remunerate their dedication, qualifications and responsibilities, but not so high as to compromise their independence.**

Complies [X] Explanation [ ]

35. **Earnings-linked remuneration should take account of any qualifications in the external auditor's report that may reduce such earnings.**

Complies [X] Explanation [ ] Not applicable [ ]

36. **In the case of variable remuneration, the pay policies should establish such limits and the precautions as may be necessary to ensure that such remuneration is related to the professional performance of its beneficiaries, not merely deriving from general trends on the markets or in the company's sector of business or other similar circumstances.**

Complies [X] Explanation [ ] Not applicable [ ]

37. **When there is an Executive Committee, the balance between the different types of director should roughly mirror that of the Board and its secretary should be the Secretary of the Board.**

See sections: C.2.1 and C.2.6

Complies [X] Partial compliance [ ] Explanation [ ] Not applicable [ ]

38. **The Board should be informed at all times of the business transacted and decisions made by the Executive Committee and all Board members should receive a copy of the minutes of Executive Committee meetings.**

Complies [X] Explanation [ ] Not applicable [ ]

39. **In addition to the Audit Committee which is mandatory under the Securities Market Act, the Board shall set up a Nomination and Remuneration Committee, or two separate Committees.**

The rules on composition and procedure of the Audit Committee and the Nomination and Remuneration Committee or Committees should be set out in the Regulations of the Board, including the following:

a) **The Board should appoint the members of these Committees, taking account of the directors' knowledge, expertise and experience and the duties corresponding to each Committee and discuss their proposals and reports. The Committees should report to the Board on their actions at the first full Board meeting after each Committee meeting, being accountable for the work done.**

b) **These Committees should have a minimum of three members, who should be exclusively non-executive directors. This notwithstanding, executive directors or senior officers may attend their meetings when expressly so decided by the Committee members.**

c) **The Committees should be chaired by Independent Directors.**

d) **They may obtain external assistance whenever this is considered necessary for the performance of their duties.**

e) **Minutes should be issued of Committee meetings and a copy sent to all members of the Board.**

See sections: C.2.1 and C.2.4

Complies [X] Partial compliance [ ] Explanation [ ]

40. **The Audit Committee, Nomination Committee or, if separate, the Compliance or Corporate Governance Committee(s) should be responsible for overseeing compliance with internal codes of conduct and corporate governance rules and regulations.**

See sections: C.2.3 and C.2.4

Complies [X] Explanation [ ]

41. **All members of the Audit Committee, particularly its Chairman, should be appointed in view of their knowledge of and experience in accounting, auditing or risk management.**

Complies [X] Explanation [ ]

42. **Listed companies should have an internal audit department, supervised by the Audit Committee, to guarantee the effectiveness and efficiency of the internal reporting and control systems.**

See section: C.2.3

Complies [X] Explanation [ ]

43. **The chief audit officer should submit an annual work programme to the Audit Committee, reporting directly on any irregularities arising during its implementation and submitting an activity report at each year end.**

Complies [X] Partial compliance [ ] Explanation [ ]

44. **The risk management and control policy should define at least:**

    a) The different types of risk (operating, technological, financial, legal, reputational…) to which the company is exposed, including under financial or economic risks any contingent liabilities or other off-balance-sheet exposure;

    b) The level of risk that the company considers acceptable;

    c) The measures envisaged to soften the effects of the risks identified, should they materialise;

    d) The internal reporting and control systems to be used to control and manage those risks, including contingent liabilities or off-balance-sheet risks.

See section: E

Complies [X] Partial compliance [ ] Explanation [ ]

45. **The Audit Committee should:**

1. In connection with the internal reporting and control systems:

a) Ensure that the principal risks identified through supervision of the effective internal control of the company and internal auditing are adequately managed and disclosed.

b) Oversee the independence and effectiveness of the internal audit department; propose the nomination, appointment, reappointment and removal of the chief audit officer; propose the budget for this department; receive periodical information on its activities; and check that the top management heeds the conclusions and recommendations set out in its reports.

c) Establish and supervise a "whistle-blowing" procedure so employees can confidentially and, if considered appropriate, anonymously report any potentially important irregularities they may observe in the company's conduct, especially in financial and accounting aspects.

2. In connection with the external auditor:

a) Receive regular information from the external auditor on the audit plan and findings and make sure the senior management acts on its recommendations.

b) Guarantee the independence of the external auditor, and for this purpose:

i) The company should inform the CNMV as a significant event whenever the auditor is changed, attaching a declaration on any disagreements that may have arisen with the outgoing auditor and their content.

ii) Investigate the circumstances giving rise to resignation of any external auditor.

See sections: C.1.36, C.2.3, C.2.4 and E.2

Complies [X] Partial compliance [ ] Explanation [ ]

46. The Audit Committee may call any employee or executive of the company into its meetings, even ordering their appearance without the presence of any other senior officer.

Complies [X] Explanation [ ]

47. The Audit Committee should report to the Board on the following matters from Recommendation 8 before the latter adopts the corresponding decisions:

a) The financial information that listed companies are obliged to disclose periodically. The Committee shall ensure that interim financial statements are drawn up under the same accounting principles as the annual statements, requesting a limited external audit if necessary.

b) Creation or acquisition of shares in special purpose vehicles or companies

domiciled in countries or territories which are considered tax havens, and any transactions or operations of a similar nature which could, by virtue of their complex structure, impair the group's transparency.

c) Related-party transactions, unless this prior reporting duty has been assigned to another supervision and control committee.

See sections: C.2.3 and C.2.4

Complies [X] Partial compliance [ ] Explanation [ ]

48. The Board should endeavour to avoid a qualified auditor's report on the accounts laid before the General Meeting, and in exceptional circumstances when such qualifications exist, both the Chairman of the Audit Committee and the auditors shall clearly explain to the shareholders their content and scope.

See section: C.1.38

Complies [X] Partial compliance [ ] Explanation [ ]

49. The majority of the members of the Nomination Committee – or Nomination and Remuneration Committee if there is just one – should be independent directors.

See section: C.2.1

Complies [X] Explanation [ ] Not applicable [ ]

50. Apart from the duties specified in preceding Recommendations, the Nomination Committee should:

a) Assess the expertise, knowledge and experience of Board members; define the duties and skills required of candidates to fill vacancies; and determine the time and dedication considered necessary for them to adequately perform their duties.

b) Study or organise as appropriate the succession of the Chairman or Chief Executive Officer and, if necessary, make recommendations to the Board to secure an orderly, well-planned handover.

c) Report on any appointments and removals of senior officers proposed by the Chief Executive Officer.

d) Report to the Board on the gender issues contemplated in Recommendation 14.

See section: C.2.4

Complies [ ] Partial compliance [X] Explanation [ ] Not applicable [ ]

As mentioned in Recommendation 8, the company considers that the power to remove senior officers of the company should correspond to the chief executive, being positions within his trust and responsibility.

51. **The Nomination Committee should consult the Chairman and Chief Executive Officer, especially on matters concerning Executive Directors.**

    Any director may request the Nomination Committee to consider potential candidates they consider suitable to fill vacancies on the Board.

    Complies [X] Partial compliance [ ] Explanation [ ] Not applicable [ ]

52. **Apart from the duties indicated in the preceding Recommendations, the Remuneration Committee should:**

    a) Submit proposals to the Board on:

    i) The remuneration policy for directors and senior officers;

    ii) The individual remuneration of executive directors and other terms of contract;

    iii) The basic conditions of senior executive contracts.

    b) Ensure compliance with the remuneration policy established by the company.

    See sections: C.2.4

    Complies [X] Partial compliance [ ] Explanation [ ] Not applicable [ ]

53. **The Remuneration Committee should consult the Chairman and Chief Executive Officer, especially on matters concerning executive directors and senior officers.**

    Complies [X] Explanation [ ] Not applicable [ ]

H OTHER INFORMATION OF INTEREST

1. **If you consider there to be any important aspect regarding the corporate governance practices applied by your company or other companies in the group that have not been mentioned in this report, but which should be included to obtain more complete, reasoned information on the corporate governance practices and structure in the company or group, describe them below and give a brief explanation.**

It is noted that the data contained in this report relate to the ended December 31, 2013 financial year, except in those matters in which reference other date specifically stated.

1. Note to A.1.

On January 10, 2014 the Delegated Committee, exercising the powers granted to Repsol’s Board of Directors by the General Shareholders Meeting on May 31, 2013 under resolution seventh, and in accordance with the substitution of said powers made by the Board of Directors in favour of the Delegated Committee on said date, has agreed to complete and execute the free-of-charge capital increase of Repsol so that the current share capital of the company is 1,324,516,020 euros and it is represented by 1,324,516,020 shares and 1,324,516,020 voting rights.

2. Note to A.2.

The details set out in this section, as of December 31, 2013, are obtained from the last information supplied by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, Sociedad Anónima Unipersonal (IBERCLEAR), and from the information sent by shareholders to the Company and to the Comisión Nacional del Mercado de Valores (CNMV).

Petróleos Mexicanos (Pemex) holds its stake through Pemex Internacional España, S.A., PMI Holdings B.V. and through several swap instruments (equity swaps) with certain financial entities which enable Pemex to exercise the economic and political rights of a percentage of up to 9.34% of the share capital of the Company as of December 31, 2013.

Furthermore, it is noted that according to the latest information by the Company, the relevant shareholdings are as it follows:

<table>
<tr><th rowspan="2">Name of shareholder</th><th rowspan="2">Number of direct voting rights</th><th colspan="2">Indirect voting rights</th><th rowspan="2">Interest / total voting rights (%)</th></tr>
<tr><th>Direct holder of the interest</th><th>Number of voting rights</th></tr>
<tr><td>Sacyr , S.A.</td><td>0</td><td>Sacyr Vallehermoso Participaciones Mobiliarias, S.L.</td><td>122,208,433</td><td>9.23</td></tr>
<tr><td>CaixaBank, S.A.</td><td>156,594,317</td><td></td><td></td><td>11.82</td></tr>
<tr><td>Temasek Holdings (Private) Limited</td><td>0</td><td>Chembra Investments Pte. Ltd</td><td>82,949,191</td><td>6.26</td></tr>
<tr><td rowspan="3">Petróleos Mexicanos</td><td rowspan="3">0</td><td>Financial institutions</td><td>67,969,767</td><td rowspan="3">9.30</td></tr>
<tr><td>PMI Holdings BV</td><td>55,155,370</td></tr>
<tr><td>Pemex Internacional España, S.A.</td><td>1</td></tr>
</table>

3. Note on section A.8

The 0.11% treasury stock percentage indicated as of December 31, 2013 has been calculated considering the shares issued on the free-of-charge capital increase that, within the framework of the shareholders' pay-out programme "Repsol Flexible Dividend", was recorded on the Madrid Commercial Registry on January 14, 2014 and that for accounting effects has been recorded on the financial statements of the Group as of December 31, 2013. As a result of said capital increase and in relation to the referred calculation, the Group received the proportional amount of new shares corresponding to the shares held as treasury stock before said capital increase.

4. Note on section A.10

With regard to the legal restrictions on the purchase or sale of shares in the capital, under Supplementary Provision 11th to the Hydrocarbons Act 34/1998, as drafted in Royal Decree-Law 4/2006 of February 24, prior administrative authorisation by the Comisión Nacional de Energía must be sought for certain acquisitions or investments in companies that engage in regulated activities or activities subject to significant oversight by administrative bodies that implies special regulation.

On July 28, 2008, the European Court of Justice determined that Spain had, through the imposition of this requirement of administrative authorisation by the Comisión Nacional de Energía, failed to fulfil its obligations under Articles 43 and 56 of the EC Treaty.

5. <u>Note on section C.1.15</u>

According to the instructions for this Report, the total amount indicated corresponds to the amount declared as total accrued compensation in point D.1.c) "Summary of compensations" of the Report on Directors' Compensations of the Repsol Group.
All these items are indicated separately for each director in Note 33 to the Consolidated Annual Report of the Group.

Furthermore, the cumulative vested rights of the Director-Secretary Luis Suárez de Lezo in the pension scheme at 31 December 2013 amount to 1,805 thousand euros, with a contribution of 203 thousand euros in 2013.

By virtue of a resolution adopted by the Board of Directors on 27 February 2013 at the express request of the Executive Chairman, Antonio Brufau, Repsol stopped making contributions to his pension scheme as of 12 March 2013, whereupon the commitment undertaken by Repsol S.A. in respect of his retirement expired. The cost incurred by the Company for 2013 up to the date of cancellation of the commitment, including the corresponding payments on account, was 494 thousand euros.

The Company has no pension commitments to other members of the Board of Directors.

6. <u>Note on section C.1.16</u>

The item "Total remuneration senior executives" includes:
a) Non-variable remuneration and payment in kind of Senior Executives in 2013.
b) The annual variable remuneration of the Senior Executives accrued in 2013 and the multi-year remuneration corresponding to the Medium-Term Incentive Programme 2010-2013.
The cumulative vested rights of existing Senior Executives in the pension scheme total 19,038 thousand euros, of which 1,768 thousand euros were contributed in 2013.

7. <u>Note on section D.2.</u>

In the case of Sacyr, S.A., Petroleos Mexicanos and Caixabank, S.A. commitments acquired correspond to volume of purchases commitments in force at December 31, 2013 net of volume of sales commitments.

The lease data refer to those leasings in which the Group acts as lessee net from those in which it acts as lesser.

Additionally to the related party transactions mentioned above, at December 31, 2013 the Group has another transactions with “la Caixa” Group, totalled EUR 1,124 million, which include short term investments and deposits in a sum of EUR 500 million and interest rate hedging tools in a sum of 133 million.

8. <u>Note on section D.4.</u>

For related party transactions with group companies established in tax havens or territories considered tax havens parties are informed of all transactions that the Group companies can be made with these companies by amounts corresponding to the individual companies, without considering eliminations for consolidation.

We have considered those transactions with Group companies whose tax domicile is established within any of the territories the list of tax havens dating from 1991 (RD 1080/1991), excluding those who, according to this rule, there is an agreement signed to avoid double taxation or an agreement for the exchange of information.

2. **This section may be used to include any other information, clarification or qualification relating to the previous sections of the report, provided it is relevant and not repetitive. In particular, state whether the company is subject to any laws other than the laws of Spain on corporate governance and, if this is the case, include whatever information the company may be obliged to supply that differs from the information included in this report.**

3. **The company may also state whether it has voluntarily applied any international, sector-based or other codes of ethical principles or good practices. If so, it should name the code in question and the date of its accession.**

Repsol adhesion to the Code of Best Tax Practices (Codigo de Buenas Practicas Tributarias) as of 23 September 2010, this Code was approved by the Forum of Large Enterprises and in the wording proposed by the State Tax Administration Agency (AEAT) and the Company complies with the provisions thereof.

This annual report on corporate governance has been approved by the Company’s Board of Directors on 25th February 2014

Indicate whether any board members have voted against or abstained with respect to the approval of this report.

NO

Repsol, S.A.

Auditors' Report on the System of Internal Control over Financial Reporting

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

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AUDITORS' REPORT ON THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

To the Board of Directors of Repsol, S.A.:

We have examined the information relating to the system of internal control over financial reporting (ICFR) of Repsol, S.A. and Subsidiaries (the Repsol Group) contained in the accompanying Note F of the Annual Corporate Governance Report for the year ended 31 December 2013. This examination includes an evaluation of the effectiveness of the system of ICFR in relation to the financial information contained in the Repsol Group's consolidated financial statements at 31 December 2013, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Repsol Group. The objective of this system is to contribute to the transactions performed being presented fairly under the aforementioned accounting framework and to provide reasonable assurance in relation to the prevention or detection of any errors that might have a material effect on the consolidated financial statements. The aforementioned system is based on the rules and policies defined by Repsol Group management in accordance with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its report "Internal Control-Integrated Framework (1992)".

A system of internal control over financial reporting is a process designed to provide reasonable assurance on the reliability of financial information in accordance with the accounting principles and standards applicable to it. A system of internal control over financial reporting includes policies and procedures that: (i) enable the records reflecting the transactions performed to be kept accurately and with a reasonable level of detail; (ii) guarantee that these transactions are only performed in accordance with the authorisations established; (iii) provide reasonable assurance as to the proper recognition of transactions to make it possible to prepare the financial information in accordance with the accounting principles and standards applicable to it; and (iv) provide reasonable assurance in relation to the prevention or timely detection of unauthorised acquisitions, uses or sales of the Group's assets which could have a material effect on the financial information. The limitations inherent to any system of internal control over financial reporting might give rise to errors, irregularities or fraud that might not be detected. Also, the projection to future periods of an evaluation of internal control is subject to risks, including the risk that the internal controls are rendered inadequate as a result of future changes in the applicable conditions or that there is a reduction in the future in the degree of compliance with the policies or procedures established.

Repsol Group management is responsible for maintaining the system of internal control over the financial information included in the consolidated financial statements and for evaluating its effectiveness. Our responsibility is limited to expressing an opinion on its effectiveness, based on the work performed by us in accordance with the requirements established in Standard ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) for the issuance of reasonable assurance reports.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

A reasonable assurance engagement includes understanding the system of internal control over the financial information contained in the consolidated financial statements, evaluating the risk of there being material errors therein, performing tests and evaluations of the design and operating effectiveness of the system, and performing such other procedures as we consider appropriate. We consider that our examination provides a reasonable basis for our opinion.

In our opinion, at 31 December 2013, the Repsol Group maintained, in all material respects, an effective system of internal control over the financial information contained in its consolidated financial statements, and this internal control system is based on the rules and policies defined by Repsol Group management in accordance with the guidance established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its report "Internal Control-Integrated Framework (1992)". Also, the disclosures contained in the information relating to the system of ICFR which is included in Note F of the Repsol Group's Annual Corporate Governance Report at 31 December 2013 comply, in all material respects, with the requirements established by Securities Market Law 24/1988, of 28 July, as amended by Sustainable Economy Law 2/2011, of 4 March, Spanish National Securities Market Commission Circular 5/2013, of 12 June, and other legislation in force.

As described in the accompanying Note F of the Annual Corporate Governance Report, the system of ICFR does not include controls on companies that are proportionately consolidated in the consolidated financial statements, since the Repsol Group does not have exclusive power to implement its own system, to change the existing controls at the aforementioned companies or to assess the effectiveness thereof. The contribution of the companies under the joint control of the Repsol Group to the main consolidated aggregates at 31 December 2013 is detailed in section 3.1 of Note F of the accompanying Annual Corporate Governance Report. Consequently, our work did not include an examination of the effectiveness of the system of internal control over the generation of the financial information of the aforementioned companies included in the consolidated financial statements of the Repsol Group.

This examination does not constitute an audit of financial statements and is not subject to the Consolidated Audit Law approved by Legislative Royal Decree 1/2011, of 1 July, and, therefore, we do not express an audit opinion on the terms provided for in the aforementioned legislation. However, we have audited, in accordance with the audit regulations in force in Spain, the consolidated financial statements of Repsol, S.A. and Subsidiaries prepared by the directors of Repsol, S.A. in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Repsol Group, and our report dated 25 February 2014 expresses an unqualified opinion on the aforementioned consolidated financial statements.

DELOITTE, S.L.

Javier Ares San Miguel

25 February 2014

E) INFORMATION ON OIL AND GAS EXPLORATION AND PRODUCTION ACTIVITIES AT 31 DECEMBER 2014 (unaudited information)

SUPPLEMENTARY INFORMATION ON OIL AND GAS EXPLORATION AND PRODUCTION ACTIVITIES (Unaudited information)

Below is presented the information on Repsol Group's (*) oil and gas exploration and production activities.

This information includes the following disclosures:

- Capitalised cost, in relation with capitalized historical costs;
- Cost incurred: which represent the amounts capitalized or charged to profit during the year;
- Results of oil and gas exploration and production activities, including revenue and expenses associated directly to this activity;
- Estimated proved net developed and undeveloped oil and gas reserves;
- Standardized measure of discounted future net cash flows relating to proved oil and gas reserves, which represent the estimate of future net cash flows from proven reserves on the basis of a standardized measure criteria.
- Changes in Standardized measure of discounted future net cash flows relating to proved oil and gas reserves with respect to those presented for the previous year.

This information, which the Group performs and publishes annually, is prepared in accordance with the general accepted principles applied in the oil and gas industry, specifically those principles laid down by the U.S. Financial Accounting Standards Board (FASB) and the guidelines and framework established for the industry by the U.S. Securities and Exchange Commission (SEC), which govern financial information practices in the U.S.A. Proved reserves are also estimated in accordance with the criteria established by the Petroleum Reserves Management System of the Society of Petroleum Engineers (PRMS-SPE).

The Group has applied IFRS 11 *Joint Arrangements* from January 1, 2014; first-time application of this new standard has entailed accounting for the Group's interests in joint ventures using the equity method (see Note 2 "Basis of preparation" of the 2014 consolidated annual financial statements).

The benchmark principles used to prepare the information herein (FASB, Topic 932) require separate disclosures for the companies accounted using the equity method. Accordingly, the information provided below is broken down so as to distinguish between fully-consolidated entities and equity-accounted investees. The corresponding information for 2012 and 2013 has been restated accordingly.

(*) As a result of the expropriation of the shares of YPF, S.A. and YPF Gas, S.A. (formerly Repsol YPF Gas, S.A.) owned at the time by the Group, Repsol lost control of YPF and YPF Gas (see Note 4.1. "Disposal of shares of YPF S.A. and YPF GAS S.A." of the 2014 consolidated annual financial statements). In the tables that follow the information corresponding to YPF at December 31, 2011 has been left unchanged.

Capitalised costs

Capitalised costs represent the historical costs capitalised related to oil and gas exploration and production activities, including auxiliary equipment and facilities, and the related accumulated depreciation and accumulated impairment losses.

	Millions of euros								
	Total	Europe	Trinidad & Tobago	Venezuela	Peru	Rest of South America	North America	Africa	Asia
At December 31st, 2012									
Fully-consolidated entities									
Capitalised costs of proved oil and gas properties………………	6,184	462	232	19	679	1,325	2,249	1,218	-
Capitalised costs of unproved oil and gas properties……………..	2,057	15	-	7	189	36	1,516	230	64
	8,241	**477**	**232**	**26**	**868**	**1,361**	**3,765**	**1,448**	**64**
Auxiliary equipment and facilities………………………………	991	172	71	13	-	30	459	246	-
Total capitalised costs	**9,232**	**649**	**303**	**39**	**868**	**1,391**	**4,224**	**1,694**	**64**
Accumulated depreciation and impairment losses	(3,457)	(383)	(144)	(7)	(66)	(878)	(1,186)	(793)	-
Net amount (1)...	**5,775**	**266**	**159**	**32**	**802**	**513**	**3,038**	**901**	**64**
Equity-accounted investees									
Capitalised costs of proved oil and gas properties………………	3,256	-	1,318	706	-	1,068	-	-	164
Capitalised costs of unproved oil and gas properties……………	981	-	376	48	-	491	-	22	44
	4,237	**-**	**1,694**	**754**	**-**	**1,559**	**-**	**22**	**208**
Auxiliary equipment and facilities……………………………...	1,229	-	809	151	-	269	-	-	-
Total capitalised costs	**5,466**	**-**	**2,503**	**905**	**-**	**1,828**	**-**	**22**	**208**
Accumulated depreciation and impairment losses	(2,267)	-	(1,276)	(263)	-	(717)	-	-	(11)
Net amount (1)...	**3,199**	**-**	**1,227**	**642**	**-**	**1,111**	**-**	**22**	**197**

	Millions of euros								
	Total	Europe	Trinidad & Tobago	Venezuela	Peru	Rest of South America	North America	Africa	Asia
At December 31st, 2013									
Fully-consolidated entities									
Capitalised costs of proved oil and gas properties………………	6,350	342	222	47	786	1,323	2,421	1,209	-
Capitalised costs of unproved oil and gas properties…………….	2,623	25	5	-	154	4	2,090	257	88
	8,973	**367**	**227**	**47**	**940**	**1,327**	**4,511**	**1,466**	**88**
Auxiliary equipment and facilities………………………………	1,049	285	95	10	-	33	386	240	-
Total capitalised costs	**10,022**	**652**	**322**	**57**	**940**	**1,360**	**4,897**	**1,706**	**88**
Accumulated depreciation and impairment losses	(3,852)	(501)	(165)	(12)	(83)	(859)	(1,428)	(804)	-
Net amount (1)...	**6,170**	**151**	**157**	**45**	**857**	**501**	**3,469**	**902**	**88**
Equity-accounted investees									
Capitalised costs of proved oil and gas properties………………	3,804	-	1,434	768	-	1,351	-	-	251
Capitalised costs of unproved oil and gas properties……………..	957	-	348	-	-	512	-	22	75
	4,761	**-**	**1,782**	**768**	**-**	**1,863**	**-**	**22**	**326**
Auxiliary equipment and facilities………………………………	1,300	-	781	246	-	273	-	-	-
Total capitalised costs	**6,061**	**-**	**2,563**	**1,014**	**-**	**2,136**	**-**	**22**	**326**
Accumulated depreciation and impairment losses	(2,489)	-	(1,364)	(290)	-	(796)	-	-	(39)
Net amount (1)...	**3,572**	**-**	**1,199**	**724**	**-**	**1,340**	**-**	**22**	**287**

	Total	Europe	Trinidad & Tobago	Venezuela	Peru	Rest of South America	North America	Africa	Asia
	Millions of euros								
At December 31st, 2014									
Fully-consolidated entities									
Capitalised costs of proved oil and gas properties	7,500	360	326	61	950	1,433	2,954	1,416	-
Capitalised costs of unproved oil and gas properties	3,139	73	22	-	42	48	2,484	391	79
	10,639	**433**	**348**	**61**	**992**	**1,481**	**5,438**	**1,807**	**79**
Auxiliary equipment and facilities	1,542	290	122	11	-	57	769	293	-
Total capitalised costs	**12,181**	**723**	**470**	**72**	**992**	**1,538**	**6,207**	**2,100**	**79**
Accumulated depreciation and impairment losses	(5,266)	(560)	(222)	(13)	(135)	(934)	(2,413)	(989)	-
Net amount (1)	**6,915**	**163**	**248**	**59**	**857**	**604**	**3,794**	**1,111**	**79**
Equity-accounted investees									
Capitalised costs of proved oil and gas properties	5,328	-	1,868	811	-	2,477	-	-	172
Capitalised costs of unproved oil and gas properties	873	-	395	-	-	403	-	24	51
	6,201	**-**	**2,263**	**811**	**-**	**2,880**	**-**	**24**	**223**
Auxiliary equipment and facilities	1,699	-	912	670	-	117	-	-	-
Total capitalised costs	**7,900**	**-**	**3,175**	**1,481**	**-**	**2,997**	**-**	**24**	**223**
Accumulated depreciation and impairment losses	(3,348)	-	(1,744)	(374)	-	(1,175)	-	-	(55)
Net amount (1)	**4,552**	**-**	**1,431**	**1,107**	**-**	**1,822**	**-**	**24**	**168**

(1) Does not include capitalised costs regarding non-current assets held for sale in 2014, 2013 and 2012 amounting to €293, €155 and €266 million, respectively.

Cost incurred

The costs incurred represent amounts capitalised or charged to profit during the year relating to acquisitions of properties and for exploration and development activities.

Millones de euros

At December 31st, 2012	Total	Europe	Trinidad & Tobago	Venezuela	Peru	Rest of South America	North America	Africa	Asia	Australia
Fully-consolidated entities										
Acquisition of proved properties……….	-	-	-	-	-	-	-	-	-	-
Acquisition of unproved properties…….	309	-	-	-	-	-	199	110	-	-
Exploration costs………………………..	647	80	1	-	97	79	228	119	43	-
Development costs………………………	892	96	25	10	115	128	466	52	-	-
TOTAL	**1,848**	**176**	**26**	**10**	**212**	**207**	**893**	**281**	**43**	**-**
Equity-accounted investees										
Acquisition of proved properties……….	154	-	-	-	-	-	-	-	154	-
Acquisition of unproved properties…….	79	-	-	-	-	-	-	-	79	-
Exploration costs………………………..	159	-	-	-	-	147	-	12	-	-
Development costs………………………	531	-	160	165	-	199	-	-	7	-
TOTAL	**923**	**-**	**160**	**165**	**-**	**346**	**-**	**12**	**240**	**-**

Millions of euros

At December 31st, 2013	Total	Europe	Trinidad & Tobago	Venezuela	Peru	Rest of South America	North America	Africa	Asia (1)	Australia
Fully-consolidated entities										
Acquisition of proved properties……….	28	-	-	-	-	-	28	-	-	-
Acquisition of unproved properties…….	371	-	-	-	-	-	371	-	-	-
Exploration costs………………………..	770	164	6	-	34	52	299	89	104	22
Development costs………………………	569	1	4	15	87	124	290	48	-	-
TOTAL	**1,738**	**165**	**10**	**15**	**121**	**176**	**988**	**137**	**104**	**22**
Equity-accounted investees										
Acquisition of proved properties……….	29	-	-	-	-	-	-	-	29	-
Acquisition of unproved properties…….	78	-	-	-	-	-	-	-	78	-
Exploration costs………………………..	213	-	-	-	-	209	-	4	-	-
Development costs………………………	780	-	175	277	-	262	-	-	66	-
TOTAL	**1,100**	**-**	**175**	**277**	**-**	**471**	**-**	**4**	**173**	**-**

(1) Includes, at December 31, 2013 ,the acquisition cost of assets which in previous year, as required by accounting regulations, were classified as non-current assets held for sale, at the percentage finally withheld by Repsol.

At December 31st, 2014	Total	Europe	Trinidad & Tobago	Venezuela	Peru	Rest of South America	North America	Africa	Asia	Australia
	Millions of euros									
Fully-consolidated entities										
Acquisition of proved properties……….	34	-	-	-	-	-	34	-	-	-
Acquisition of unproved properties…….	20	-	-	-	-	-	20	-	-	-
Exploration costs………………………..	1,346	211	32	-	67	127	450	306	145	8
Development costs………………………	567	30	83	15	(34)	106	305	62	-	-
TOTAL	**1,967**	**241**	**115**	**15**	**33**	**233**	**809**	**368**	**145**	**8**
Equity-accounted investees										
Acquisition of proved properties……….	-	-	-	-	-	-	-	-	-	-
Acquisition of unproved properties…….	-	-	-	-	-	-	-	-	-	-
Exploration costs………………………..	95	-	-	-	-	93	-	1	1	-
Development costs………………………	980	-	245	366	-	347	-	-	22	-
TOTAL	**1,075**	**-**	**245**	**366**	**-**	**440**	**-**	**1**	**23**	**-**

Results of oil and gas exploration and production activities

The following table shows the revenues and expenses associated directly with the Group's oil and gas exploration and production activities. It does not include any allocation of the finance costs or general expenses and, therefore, is not necessarily indicative of the contribution to consolidated net profit of the oil and gas activities.

	Millions of euros									
	Total	Europe	Trinidad & Tobago	Venezuela	Peru	Rest of South America	North America	Africa	Asia	Australia
2,012										
Fully-consolidated entities										
. Income										
Sales to non-Group companies	386	-	6	6	168	147	21	38	-	-
Sales between business segments and to Group Companies	2,066	81	273	-	111	204	820	577	-	-
Other income	999	-	-	-	-	17	-	982	-	-
Total income	**3,451**	**81**	**279**	**6**	**279**	**368**	**841**	**1,597**	**-**	**-**
Production costs (1)	(694)	(20)	(190)	(28)	(133)	(124)	(7)	(192)	-	-
Exploration expenses	(495)	(84)	(1)	-	(62)	(75)	(141)	(89)	(43)	-
Other operating expenses	(40)	(4)	(3)	-	-	(29)	(3)	(1)	-	-
Depreciation and amortisation charge	(577)	(37)	(27)	(2)	(20)	(101)	(313)	(77)	-	-
Profit (Loss) before taxes and charges	**1,645**	**(64)**	**58**	**(24)**	**64**	**39**	**377**	**1,238**	**(43)**	**-**
Taxes and charges	(1,032)	38	(28)	0	(19)	(6)	(137)	(893)	13	-
Results of oil and gas production activities (2)	**613**	**(26)**	**29**	**(24)**	**45**	**33**	**240**	**345**	**(30)**	**-**
Equity-accounted investees										
. Income										
Sales to non-Group companies	1,088	-	289	482	-	278	-	-	39	-
Sales between business segments and to Group Companies	472	-	356	-	-	116	-	-	-	-
Other income	3	-	-	-	-	3	-	-	-	-
Total income	**1,563**	**-**	**645**	**482**	**-**	**397**	**-**	**-**	**39**	**-**
Production costs (1)	(534)	-	(194)	(227)	-	(89)	-	-	(24)	-
Exploration expenses	(56)	-	-	-	-	(53)	-	(3)	-	-
Other operating expenses	(35)		(1)	(1)	-	(33)	-	-	-	-
Depreciation and amortisation charge	(294)	-	(156)	(42)	-	(85)	-	-	(11)	-
Profit (Loss) before taxes and charges	**643**	**-**	**294**	**212**	**-**	**137**	**-**	**(3)**	**4**	**-**
Taxes and charges	(258)	-	(164)	(22)	-	(72)	-	1	(1)	-
Results of oil and gas production activities (2)	**385**	**-**	**130**	**190**	**-**	**65**	**-**	**(2)**	**3**	**-**
Total results of oil and gas production activities	**998**	**(26)**	**159**	**166**	**45**	**98**	**240**	**343**	**(27)**	**-**

	Millions of euros									
	Total	Europe	Trinidad & Tobago	Venezuela	Peru	Rest of South America	North America	Africa	Asia	Australia
2,013										
Fully-consolidated entities										
. Income										
Sales to non-Group companies	503	-	5	8	203	218	39	30	-	-
Sales between business segments and to Group Companies	1,722	197	258	-	105	118	729	315	-	-
Other income	620	-	-	-	-	27	-	593	-	-
Total income	**2,845**	**197**	**263**	**8**	**308**	**363**	**768**	**938**	**-**	**-**
Production costs (1)	(584)	(22)	(183)	(22)	(137)	(78)	(37)	(105)	-	-
Exploration expenses	(433)	(152)	(1)	-	(6)	(52)	(114)	(58)	(28)	(22)
Other operating expenses	(34)	(5)	(2)	-	-	(24)	(1)	(2)	-	-
Depreciation and amortisation charge	(581)	(120)	(28)	(2)	(21)	(58)	(305)	(46)	(1)	-
Profit (Loss) before taxes and charges	**1,213**	**(102)**	**49**	**(16)**	**144**	**151**	**311**	**727**	**(29)**	**(22)**
Taxes and charges	(722)	62	(27)	(11)	(43)	(28)	(145)	(529)	(2)	1
Results of oil and gas production activities (2)	**491**	**(40)**	**22**	**(27)**	**101**	**123**	**166**	**198**	**(31)**	**(21)**
Equity-accounted investees										
. Income										
Sales to non-Group companies	1,410	-	376	452	-	395	-	-	187	-
Sales between business segments and to Group Companies	469	-	369	-	-	100	-	-	-	-
Other income	7	-	-	-	-	7	-	-	-	-
Total income	**1,886**	**-**	**745**	**452**	**-**	**502**	**-**	**-**	**187**	**-**
Production costs (1)	(689)	-	(212)	(200)	-	(160)	-	-	(117)	-
Exploration expenses	(186)	-	-	-	-	(183)	-	(3)	-	-
Other operating expenses	8	-	(2)	(2)	-	12	-	-	-	-
Depreciation and amortisation charge	(317)	-	(144)	(42)	-	(100)	-	-	(31)	-
Profit (Loss) before taxes and charges	**702**	**-**	**387**	**208**	**-**	**71**	**-**	**(3)**	**39**	**-**
Taxes and charges	(371)	-	(216)	(73)	-	(73)	-	1	(10)	-
Results of oil and gas production activities (2)	**331**	**-**	**171**	**135**	**-**	**(2)**	**-**	**(2)**	**29**	**-**
Total results of oil and gas production activities	**822**	**(40)**	**193**	**108**	**101**	**121**	**166**	**196**	**(2)**	**(21)**

	Millions of euros									
	Total	Europe	Trinidad & Tobago	Venezuela	Peru	Rest of South America	North America	Africa	Asia	Australia
2,014										
Fully-consolidated entities										
. Income										
Sales to non-Group companies..	662	-	5	10	260	272	90	25	-	-
Sales between business segments and to Group Companies.............	1,356	148	223	-	39	100	675	171	-	-
Other income...	260	-	-	-	-	-	-	260	-	-
Total income..	**2,278**	**148**	**228**	**10**	**299**	**372**	**765**	**456**	**-**	**-**
Production costs (1)………………………………………………..	(524)	(27)	(160)	(34)	(128)	(66)	(20)	(89)	-	-
Exploration expenses	(811)	(228)	(27)	-	(21)	(80)	(139)	(214)	(120)	18
Other operating expenses...	(16)	(7)	(3)	-	(1)	(2)	(1)	(2)	-	-
Depreciation and amortisation charge	(634)	(60)	(33)	(2)	(38)	(69)	(404)	(27)	(1)	-
Profit (Loss) before taxes and charges	**293**	**(174)**	**5**	**(26)**	**111**	**155**	**201**	**124**	**(121)**	**18**
Taxes and charges	(215)	65	(9)	6	(38)	(23)	(75)	(176)	41	(6)
Results of oil and gas production activities (2)...............................	**78**	**(109)**	**(4)**	**(20)**	**73**	**132**	**126**	**(52)**	**(80)**	**12**
Equity-accounted investees										
. Income										
Sales to non-Group companies..	1,705	-	735	409	-	401	-	-	160	-
Sales between business segments and to Group Companies.............	229	-	-	-	-	229	-	-	-	-
Other income...	-	-	-	-	-	-	-	-	-	-
Total income..	**1,934**	**-**	**735**	**409**	**-**	**630**	**-**	**-**	**160**	**-**
Production costs (1)………………………………………………..	(683)	-	(222)	(189)	-	(188)	-	-	(84)	-
Exploration expenses	(92)	-	-	-	-	(92)	-	-	-	-
Other operating expenses...	(7)	-	(2)	(2)	-	(2)	-	-	(1)	-
Depreciation and amortisation charge	(413)	-	(179)	(43)	-	(147)	-	-	(44)	-
Profit (Loss) before taxes and charges	**739**	**-**	**332**	**175**	**-**	**201**	**-**	**-**	**31**	**-**
Taxes and charges	(323)	-	(186)	(44)	-	(89)	-	-	(4)	-
Results of oil and gas production activities (2)...............................	**416**	**-**	**146**	**131**	**-**	**112**	**-**	**-**	**27**	**-**
Total results of oil and gas production activities	**494**	**(109)**	**142**	**111**	**73**	**244**	**126**	**(52)**	**(53)**	**12**

(1) Production costs include local taxes, production taxes and other similar payments amounting to €375, €490 and €513 million in 2014, 2013 and 2012 respectively. It also includes transport and other costs totalling €318, €311 and €356 million in 2014, 2013 and 2012 respectively.

(2) The results do not include the income and expenses associated with the impairment provisions, registered as a result of the comparison between market value (discounted cash flows) from oil and gas proved and non-proved reserves (the latter of which are subject to a risk factor) from each field owned by the Company at year-end and the carrying amount of the assets associated therewith, which amounted to a net expense of €525million in 2014, a net expense of €6 million in 2013, and a net expense of €14 million in 2012.

Estimated proved net developed and undeveloped oil and gas reserves

The tables below reflect the net developed and undeveloped proved reserves of crude oil, condensed oil and LPG and natural gas as of December 31, 2014, 2013 and 2012, and the variations therein. Proved reserves shown includes the reserves equivalent to the economic income obtained under certain production sharing contracts entered into as of December 31, 2014, 2013 and 2012.

In determining net reserves, we exclude from our reported reserves royalties due to others, whether payable in cash or in kind, where the royalty owner has a direct interest in the underlying production and is able to make lifting and sales arrangements independently. By contrast, to the extent that royalty payments required to be made to a third party, whether payable in cash or in kind, are a financial obligation, or are substantially equivalent to a production or severance tax, the related reserves are not excluded from our reported reserves despite the fact that such payments are referred to as “royalties” under local rules. We follow the same methodology in reporting our production amounts.

Proved reserves in each year were estimated in accordance with the disclosure requirements and framework established for the petroleum and gas industry by the Securities and Exchange Commission (SEC) and on the basis of the criteria established by the Petroleum Reserves Management System of the Society of Petroleum Engineers (PRMS-SPE). In accordance with these rules, proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible – from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations – prior to the time at which contracts providing the right to operate expire, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonable certain that it will commence the project within a reasonable time.

All of Repsol´s oil and gas reserves have been estimated by the company’s petroleum engineers.

To control the quality of reserves booked, Repsol has established a process that is integrated into Repsol’s internal control system. The process to manage reserves booking is centrally controlled by the Reserve Control Direction which is independent from the upstream activities and it is overseen by the Audit and Control Committee. Furthermore, the volumes booked are submitted to third party engineers for a reserves audit on a periodic basis (100% of the reserves on a three years cycle).

For those areas submitted to third party audit, Repsol´s proved reserves figures have to be within 7% of the third party reserves audit figures for Repsol to declare that the reserves information meets the third party reserves audit standards. In the event that the difference is greater than 7% tolerance, Repsol reestimates its proved reserves to achieve this tolerance level or discloses the third party reserves audit figures.

In 2014, Repsol commissioned an external audit for various areas of South America, North America, Northern Africa, Asia and Spain. The independent engineers' reports will be available on our website: www.repsol.com.

Proved developed and undeveloped reserves of crude oil, condensate GPL:

	Millons of barrels									
Reserves at December 31st, 2011 (1)(2)(3)	Total	Europe	Argentina	Trinidad & Tobago	Venezuela	Peru	Rest of South America	North America	Africa	Asia
Fully-consolidated entities										
Reserves at December 31st, 2011 (1)(2)(3)	**878**	**6**	**584**	**24**	**-**	**63**	**37**	**49**	**115**	**-**
Revisions of previous estimates...................	38	0	-	1	-	-	11	2	23	-
Improved recovery…………………….……………….	-	-	-	-	-	-	-	-	-	-
Extensions and discoveries	10	-	-	-	-	2	(0)	6	3	-
Purchases of minerals in place	-	-	-	-	-	-	-	-	-	-
Sales of minerals in place	(595)	-	(584)	-	-	-	(10)	(1)	-	-
Production (1)	(42)	(1)	-	(3)	-	(3)	(9)	(10)	(16)	-
Reserves at December 31st, 2012 (1)	**290**	**5**	**-**	**22**	**-**	**62**	**29**	**46**	**125**	**-**
Revisions of previous estimates...................	22	1	-	1	-	19	1	2	(1)	-
Improved recovery…………………….……………….	-	-	-	-	-	-	-	-	-	-
Extensions and discoveries	-	-	-	-	-	-	-	-	-	-
Purchases of minerals in place	-	-	-	-	-	-	-	-	-	-
Sales of minerals in place	-	-	-	-	-	-	-	-	-	-
Production (1)	(36)	(2)	-	(3)	-	(4)	(6)	(10)	(11)	-
Reserves at December 31st, 2013 (1)	**276**	**4**	**-**	**20**	**-**	**78**	**24**	**38**	**113**	**-**
Revisions of previous estimates...................	20	1	-	-	-	-	3	18	(2)	-
Improved recovery…………………….……………….	-	-	-	-	-	-	-	-	-	-
Extensions and discoveries	13	-	-	2	-	11	-	-	-	-
Purchases of minerals in place	-	-	-	-	-	-	-	-	-	-
Sales of minerals in place	-	-	-	-	-	-	-	-	-	-
Production (1)	(31)	(2)	-	(3)	-	(4)	(6)	(10)	(6)	-
Reserves at December 31st, 2014 (1)	**278**	**3**	**-**	**19**	**-**	**85**	**21**	**46**	**105**	**-**
Equity-accounted investees										
Reserves at December 31st, 2011 (1)	**100**	**-**	**-**	**8**	**50**	**-**	**42**	**-**	**-**	**-**
Revisions of previous estimates...................	2	-	-	1	(1)	-	2	-	-	-
Improved recovery…………………….……………….	-	-	-	-	-	-	-	-	-	-
Extensions and discoveries	23	-	-	-	-	-	23	-	-	-
Purchases of minerals in place	24	-	-	-	-	-	-	-	-	24
Sales of minerals in place	-	-	-	-	-	-	-	-	-	-
Production (1)	(10)	-	-	(1)	(5)	-	(3)	-	-	(1)
Reserves at December 31st, 2012 (1)	**139**	**-**	**-**	**8**	**44**	**-**	**63**	**-**	**-**	**23**
Revisions of previous estimates...................	13	-	-	0	3	-	3	-	-	6
Improved recovery…………………….……………….	-	-	-	-	-	-	-	-	-	-
Extensions and discoveries	10	-	-	1	1	-	7	-	-	1
Purchases of minerals in place	-	-	-	-	-	-	-	-	-	-
Sales of minerals in place	-	-	-	-	-	-	-	-	-	-
Production (1)	(15)	-	-	(1)	(5)	-	(5)	-	-	(4)
Reserves at December 31st, 2013 (1)	**146**	**-**	**-**	**9**	**44**	**-**	**67**	**-**	**-**	**26**
Revisions of previous estimates...................	22	-	-	1	3	-	10	-	-	8
Improved recovery…………………….……………….	-	-	-	-	-	-	-	-	-	-
Extensions and discoveries	13	-	-	-	-	-	13	-	-	-
Purchases of minerals in place	-	-	-	-	-	-	-	-	-	-
Sales of minerals in place	-	-	-	-	-	-	-	-	-	-
Production (1)	(18)	-	-	(1)	(5)	-	(8)	-	-	(4)
Reserves at December 31st, 2014 (1)	**163**	**-**	**-**	**9**	**42**	**-**	**82**	**-**	**-**	**30**
Total Fully-consolidated entities and Equity-accounted inv	441	3	-	28	42	85	103	46	105	30
Proved developed reserves of crude oil, condensate GPL:										
At December 31st, 2011	**671**	**2**	**438**	**24**	**34**	**45**	**36**	**21**	**71**	**-**
Fully-consolidated entities	619	2	438	22	-	45	21	21	71	-
Equity-accounted investees	52	-	-	3	34	-	15	-	-	-
At December 31st, 2012	**255**	**5**	**-**	**23**	**35**	**42**	**34**	**20**	**80**	**16**
Fully-consolidated entities	187	5	-	20	-	42	20	20	80	-
Equity-accounted investees	68	-	-	3	35	-	14	-	-	16
At December 31st, 2013	**238**	**3**	**-**	**21**	**33**	**39**	**41**	**13**	**68**	**19**
Fully-consolidated entities	162	3	-	18	-	39	20	13	68	-
Equity-accounted investees	76	-	-	3	33	-	21	-	-	19
At December 31st, 2014	**265**	**3**	**-**	**21**	**31**	**52**	**44**	**25**	**65**	**24**
Fully-consolidated entities	181	3	-	18	-	52	18	25	65	-
Equity-accounted investees	84	-	-	3	31	-	26	-	-	24

Note: The aggregated changes in reserves and total reserves at December 31 may differ from the individual values shown because the calculations use more precise figures than those shown in the table

(1) Total proved developed and undeveloped net reserves at December 31, 2014, 2013, 2012 and 2011 include an estimated 46, 44, 39 and 109 million barrels of oil equivalent, respectively, in respect of royalty payments which, as described above, are a financial obligation, or are substantially equivalent to a production or similar tax. Net production in 2014, 2013 and 2012 includes an estimated 4, 4 and 3 million barrels of oil equivalent, respectively, in respect of such types of payments.

(2) Includes 249 million barrels of oil equivalent relating to the participation in the minority interest of YPF, as of December 31, 2011.

(3) At December 31, 2011, proven reserves of crude oil, condensates and LPG relating to YPF stood at 584 million barrels in "Argentina" and less than 1 million barrels of crude oil equivalent in "North America". Similarly, YPF production at December 31, 2011 amounted to 100 million barrels in "Argentina" and 0.5 million barrels in "North America".

Proved developed and undeveloped reserves of natural gas:

	Thousand Millions of Standard Cubic Feet									
	Total	Europe	Argentina	Trinidad & Tobago	Venezuela	Peru	Rest of South America	North America	Africa	Asia
Fully-consolidated entities										
Reserves at December 31^{st}, 2011 (1)(2)(3)	**4,198**	**0**	**2,400**	**72**	**36**	**1,243**	**271**	**11**	**165**	**-**
Revisions of previous estimates..................	109	2	-	(13)	82	-	40	(0)	(1)	-
Improved recovery…………………………………	-	-	-	-	-	-	-	-	-	-
Extensions and discoveries	65	-	-	-	-	31	1	33	-	-
Purchases of minerals in place	-	-	-	-	-	-	-	-	-	-
Sales of minerals in place	(2,400)	-	(2,400)	-	-	-	-	-	-	-
Production (1)	(82)	(2)	-	(4)	(4)	(39)	(16)	(5)	(12)	-
Reserves at December 31^{st}, 2012 (1)	**1,891**	**0**	**-**	**54**	**114**	**1,235**	**295**	**40**	**152**	**-**
Revisions of previous estimates..................	246	1	-	13	(21)	238	(6)	13	7	-
Improved recovery…………………………………	-	-	-	-	-	-	-	-	-	-
Extensions and discoveries	-	-	-	-	-	-	-	-	-	-
Purchases of minerals in place	-	-	-	-	-	-	-	-	-	-
Sales of minerals in place	-	-	-	-	-	-	-	-	-	-
Production (1)	(94)	(1)	-	(4)	(5)	(40)	(24)	(9)	(11)	-
Reserves at December 31^{st}, 2013 (1)	**2,043**	**0**	**-**	**63**	**88**	**1,433**	**266**	**44**	**148**	**-**
Revisions of previous estimates..................	(8)	-	-	(56)	-	-	19	53	(24)	-
Improved recovery…………………………………	-	-	-	-	-	-	-	-	-	-
Extensions and discoveries	174	-	-	1	-	173	-	-	-	-
Purchases of minerals in place	-	-	-	-	-	-	-	-	-	-
Sales of minerals in place	-	-	-	-	-	-	-	-	-	-
Production (1)	(121)	-	-	(4)	(6)	(53)	(33)	(14)	(11)	-
Reserves at December 31^{st}, 2014 (1)	**2,088**	**0**	**-**	**4**	**82**	**1,553**	**252**	**83**	**113**	**-**
Equity-accounted investees										
Reserves at December 31^{st}, 2011 (1)	**2,550**	**-**	**-**	**1,770**	**577**	**-**	**203**	**-**	**-**	**-**
Revisions of previous estimates..................	108	-	-	93	1	-	14	-	-	-
Improved recovery…………………………………	-	-	-	-	-	-	-	-	-	-
Extensions and discoveries	626	-	-	-	452	-	19	-	-	155
Purchases of minerals in place	-	-	-	-	-	-	-	-	-	-
Sales of minerals in place	(6)	-	-	(6)	-	-	-	-	-	-
Production (1)	(309)	-	-	(236)	(44)	-	(30)	-	-	-
Reserves at December 31^{st}, 2012 (1)	**2,969**	**-**	**-**	**1,622**	**986**	**-**	**205**	**-**	**-**	**155**
Revisions of previous estimates..................	253	-	-	81	136	-	30	-	-	5
Improved recovery…………………………………	-	-	-	-	-	-	-	-	-	-
Extensions and discoveries	1,282	-	-	148	1,135	-	-	-	-	-
Purchases of minerals in place	-	-	-	-	-	-	-	-	-	-
Sales of minerals in place	(79)	-	-	-	-	-	-	-	-	(79)
Production (1)	(330)	-	-	(249)	(42)	-	(31)	-	-	(8)
Reserves at December 31^{st}, 2013 (1)	**4,095**	**-**	**-**	**1,602**	**2,216**	**-**	**204**	**-**	**-**	**73**
Revisions of previous estimates..................	316	-	-	246	4	-	70	-	-	(4)
Improved recovery…………………………………	-	-	-	-	-	-	-	-	-	-
Extensions and discoveries	-	-	-	-	-	-	-	-	-	-
Purchases of minerals in place	-	-	-	-	-	-	-	-	-	-
Sales of minerals in place	(2)	-	-	-	-	-	(2)	-	-	-
Production (1)	(333)	-	-	(241)	**(43)**	-	(35)	-	-	(14)
Reserves at December 31^{st}, 2014 (1)	**4,076**	**-**	**-**	**1,607**	**2,177**	**-**	**237**	**-**	**-**	**55**
Total Fully-consolidated entities and Equity-accounted i	6,164	0	-	1,611	2,259	1,553	489	83	113	55

Proved developed reserves of natural gas:

	Total	Europe	Argentina	Trinidad & Tobago	Venezuela	Peru	Rest of South America	North America	Africa	Asia
At December 31^{st}, 2011	**3,856**	**0**	**1,796**	**699**	**305**	**802**	**186**	**8**	**58**	**-**
Fully-consolidated entities	2,776	0	1,796	7	36	802	68	8	58	-
Equity-accounted investees	1,079	-	-	692	269	-	118	-	-	-
At December 31^{st}, 2012	**2,134**	**0**	**-**	**686**	**267**	**764**	**299**	**18**	**46**	**54**
Fully-consolidated entities	1,036	0	-	7	38	764	164	18	46	-
Equity-accounted investees	1,097	-	-	679	229	-	135	-	-	54
At December 31^{st}, 2013	**1,998**	**0**	**-**	**651**	**241**	**691**	**329**	**24**	**41**	**22**
Fully-consolidated entities	997	0	-	5	43	691	194	24	41	-
Equity-accounted investees	1,001	-	-	647	198	-	135	-	-	22
At December 31^{st}, 2014	**2,251**	**-**	**-**	**644**	**195**	**926**	**372**	**49**	**65**	**-**
Fully-consolidated entities	1,262	-	-	2	37	926	216	49	32	-
Equity-accounted investees	989	-	-	642	158	-	156	-	33	-

Note: The aggregated changes in reserves and total reserves at December 31 may differ from the individual values shown because the calculations use more precise figures than those shown in the table.

(1) Total proved developed and undeveloped net reserves at December 31, 2014, 2013, 2012 and 2011 include an estimated 1,144, , 1,052, 767 and 1,026 thousand million standard cubic feet of gas, respectively, in respect of royalty payments which, as described above, are a financial obligation, or are substantially equivalent to a production or similar tax. Net production in 2013, 2012 and 2011 includes an estimated approximately 32, 40 and 26 thousands millions of standard cubic feet of gas, respectively, in respect of such types of payments.

(2) Includes 1,021 thousand million standard cubic feet of gas relating to the participation in the minority interest of YPF, as of December 31, 2011.

(3) At December 31, 2011, proven reserves of natural gas relating to YPF stood at 2,397 billion cubic feet of gas in “Argentina” and 2 million cubic feet of gas in “North America”.

Proved developed and undeveloped reserves of crude oil, condensate, natural gas liquids and natural gas:

	Millions of Barrels of Oil Equivalent									
	Total	Europe	Argentina	Trinidad & Tobago	Venezuela	Peru	Rest of South America	North America	Africa	Asia
Fully-consolidated entities										
Reserves at December 31st, 2011 (1)(2)(3)	**1,626**	**6**	**1,013**	**37**	**6**	**285**	**85**	**50**	**145**	**-**
Revisions of previous estimates..................	58	1	-	(1)	15	-	18	2	23	-
Improved recovery…………………….………….	-	-	-	-	-	-	-	-	-	-
Extensions and discoveries	22	-	-	-	-	7	-	12	3	-
Purchases of minerals in place	-	-	-	-	-	-	-	-	-	-
Sales of minerals in place	(1,023)	-	(1,013)	-	-	-	(10)	-	-	-
Production (1)	(57)	(1)	-	(4)	(1)	(10)	(11)	(11)	(19)	-
Reserves at December 31st, 2012 (1)	**627**	**5**	**-**	**32**	**20**	**282**	**82**	**53**	**152**	**-**
Revisions of previous estimates..................	66	1	-	3	(4)	62	(0)	4	(0)	-
Improved recovery…………………….………….	-	-	-	-	-	-	-	-	-	-
Extensions and discoveries	-	-	-	-	-	-	-	-	-	-
Purchases of minerals in place	-	-	-	-	-	-	-	-	-	-
Sales of minerals in place	-	-	-	-	-	-	-	-	-	-
Production (1)	(53)	(3)	-	(4)	(1)	(11)	(11)	(11)	(13)	-
Reserves at December 31st, 2013 (1)	**639**	**4**	**-**	**31**	**16**	**333**	**71**	**45**	**139**	**-**
Revisions of previous estimates..................	19	1	-	(9)	-	-	6	28	(7)	-
Improved recovery…………………….………….	-	-	-	-	-	-	-	-	-	-
Extensions and discoveries	44	-	-	2	-	42	-	-	-	-
Purchases of minerals in place	-	-	-	-	-	-	-	-	-	-
Sales of minerals in place	-	-	-	-	-	-	-	-	-	-
Production (1)	(52)	(2)	-	(4)	(1)	(14)	(11)	(13)	(7)	-
Reserves at December 31st, 2014 (1)	**650**	**3**	**-**	**20**	**15**	**361**	**66**	**60**	**125**	**-**
Equity-accounted investees										
Reserves at December 31st, 2011 (1)	**554**	**-**	**-**	**323**	**153**	**-**	**78**	**-**	**-**	**-**
Revisions of previous estimates..................	22	-	-	18	(0)	-	4	-	-	-
Improved recovery…………………….………….	-	-	-	-	-	-	-	-	-	-
Extensions and discoveries	134	-	-	-	81	-	26	-	-	28
Purchases of minerals in place	24	-	-	-	-	-	-	-	-	24
Sales of minerals in place	(1)	-	-	(1)	-	-	-	-	-	-
Production (1)	(65)	-	-	(43)	(13)	-	(9)	-	-	(1)
Reserves at December 31st, 2012 (1)	**667**	**-**	**-**	**297**	**221**	**-**	**99**	**-**	**-**	**50**
Revisions of previous estimates..................	58	-	-	15	28	-	8	-	-	7
Improved recovery…………………….………….	-	-	-	-	-	-	-	-	-	-
Extensions and discoveries	238	-	-	28	203	-	7	-	-	1
Purchases of minerals in place	-	-	-	-	-	-	-	-	-	-
Sales of minerals in place	(14)	-	-	-	-	-	-	-	-	(14)
Production (1)	(73)	-	-	(46)	(12)	-	(10)	-	-	(5)
Reserves at December 31st, 2013 (1)	**876**	**-**	**-**	**294**	**438**	**-**	**104**	**-**	**-**	**39**
Revisions of previous estimates..................	78	-	-	45	4	-	22	-	-	7
Improved recovery…………………….………….	-	-	-	-	-	-	-	-	-	-
Extensions and discoveries	13	-	-	-	-	-	13	-	-	-
Purchases of minerals in place	-	-	-	-	-	-	-	-	-	-
Sales of minerals in place	(1)	-	-	-	-	-	(1)	-	-	-
Production (1)	(77)	-	-	(45)	(12)	-	(14)	-	-	(6)
Reserves at December 31st, 2014 (1)	**889**	**-**	**-**	**294**	**430**	**-**	**124**	**-**	**-**	**40**
Total Fully-consolidated entities and Equity-accounted in	1,539	3	-	314	445	361	190	60	125	40

Proved developed reserves of crude oil, condensate, natural gas liquids and natural gas

	Total	Europe	Argentina	Trinidad & Tobago	Venezuela	Peru	Rest of South America	North America	Africa	Asia
At December 31st, 2011	**1,358**	**2**	**759**	**149**	**89**	**188**	**69**	**22**	**82**	**-**
Fully-consolidated entities	1,114	2	759	23	6	188	33	22	82	-
Equity-accounted investees	244	-	-	126	82	-	36	-	-	-
At December 31st, 2012	**635**	**5**	**-**	**145**	**82**	**178**	**88**	**24**	**88**	**25**
Fully-consolidated entities	372	5	-	21	7	178	50	24	88	-
Equity-accounted investees	263	-	-	124	76	-	38	-	-	25
At December 31st, 2013	**594**	**3**	**-**	**137**	**76**	**162**	**99**	**18**	**75**	**22**
Fully-consolidated entities	340	3	-	19	8	162	55	18	75	-
Equity-accounted investees	254	-	-	119	68	-	45	-	-	22
At December 31st, 2014	**666**	**3**	**-**	**135**	**66**	**217**	**110**	**33**	**102**	**-**
Fully-consolidated entities	405	3	-	18	7	217	56	33	71	-
Equity-accounted investees	261	-	-	117	59	-	54	-	31	-

Note: The aggregated changes in reserves and total reserves at December 31 may differ from the individual values shown because the calculations use more precise figures than those shown in the table.

(1) Total proved developed and undeveloped net reserves at December 31, 2014, 2013, 2012 and 2011 include an estimated volume of approximately 250, 231, 176 and 292 million barrels of oil equivalent, respectively, corresponding to royalty payments which, as described above, are a financial obligation, or are substantially equivalent to a production or similar tax. Net production in 2014, 2013 and 2012 includes an estimated volume of 10, 11 and 7 million barrels of oil equivalent, respectively, in connection with such types of payments.

(2) Includes 431 million barrels of oil equivalent relating to the participation in the minority interest of YPF, as of December 31, 2011.

(3) At December 31, 2011, proven reserves of crude oil, condensates, GLP and natural gas relating to YPF stood at 1,011 million barrels of equivalents in "Argentina" and 2 million barrels equivalent in "North America".

Standardized measure of discounted future net cash flows and changes therein relating to proved oil and gas reserves

The estimate of future net cash flows was performed in accordance with the guidelines and framework established for the oil and gas industry by the Securities Exchange Commission (SEC) and the principles laid down by the U.S Financial Accounting Standards Board (FASB), which govern financial information practices in the U.S.A. The method applied is the impartiality or fairness method and is the result of applying the average oil and gas prices in 2014 (considering price changes only by contractual agreement) to estimated future production of proved reserves of oil and gas as of the date of the last balance sheet, less the estimated future costs (based on current costs) to be incurred in the development and production of proved reserves, assuming the continuation of current economic conditions.

Future production costs were estimated on based on a costs structure at the end of the year. Future development costs were calculated on the basis of technical studies conducted by Repsol and by the operators holding joint title with Repsol. The taxes projected for each of the future years were determined under the contractual and tax regime prevailing at the end of the year. The rate used to discount the future net revenues was 10%.

The present value of the future net cash flows estimated on the basis of the aforementioned assumptions, applying the principle of impartiality, is not intended to be interpreted, and should not be interpreted, as the fair value of the Group's oil and gas reserves. An estimation of the fair value of these reserves should also include the future exploitation of reserves not yet classified as proved reserves, possible changes in future prices and costs and a discount rate which represents the time value of money at the calculation date and the uncertainties inherent to estimating the reserves.

The following table shows the present value of the future net revenues relating to proved oil and gas reserves, calculated on the basis of the aforementioned assumptions:

Present value of the future net revenues

	Millons of euros									
	Total	Europe	Argentina	Trinidad & Tobago	Venezuela	Peru	Rest of South America	North America	Africa	Asia
At December 31st, 2012										
Fully-consolidated entities										
Future cash inflows	25,256	449	-	2,013	238	5,087	2,387	3,608	11,474	-
Future production costs	(6,458)	(139)	-	(1,451)	(109)	(2,637)	(495)	(442)	(1,185)	-
Future development and abandoment costs	(2,078)	(229)	-	(216)	(51)	(233)	(269)	(535)	(545)	-
Future income tax expenses	(7,835)	15	-	(178)	(14)	(657)	(335)	(481)	(6,185)	-
Future net cash flows after taxes	8,885	96	-	168	64	1,560	1,288	2,150	3,559	-
10% annual discount for estimated timing of cash flows	(3,241)	65	-	(36)	(46)	(723)	(454)	(629)	(1,418)	-
Standardized measure of discounted future net cash flows	**5,644**	**161**	**-**	**132**	**18**	**837**	**834**	**1,521**	**2,141**	**-**
Equity-accounted investees										
Future cash inflows	18,212	-	-	4,531	6,150	-	6,081	-	-	1,450
Future production costs	(7,885)	-	-	(1,638)	(2,908)	-	(2,424)	-	-	(915)
Future development and abandoment costs	(2,838)	-	-	(1,399)	(627)	-	(637)	-	-	(175)
Future income tax expenses	(2,377)	-	-	(716)	(810)	-	(778)	-	-	(73)
Future net cash flows after taxes	5,112	-	-	778	1,805	-	2,242	-	-	287
10% annual discount for estimated timing of cash flows	(2,226)	-	-	(366)	(981)	-	(740)	-	-	(139)
Standardized measure of discounted future net cash flows	**2,886**	**-**	**-**	**412**	**824**	**-**	**1,502**	**-**	**-**	**148**
Total Standardized measure of discounted future net cash flows	**8,530**	**161**	**-**	**544**	**842**	**837**	**2,336**	**1,521**	**2,141**	**148**

	Millons of euros									
	Total	Europe	Argentina	Trinidad & Tobago	Venezuela	Peru	Rest of South America	North America	Africa	Asia
At December 31st, 2013										
Fully-consolidated entities										
Future cash inflows	24,182	304	-	1,695	181	6,714	1,989	3,626	9,673	-
Future production costs	(7,233)	(146)	-	(1,266)	(69)	(3,678)	(402)	(558)	(1,114)	-
Future development and abandoment costs	(2,040)	(239)	-	(213)	(39)	(322)	(185)	(540)	(502)	-
Future income tax expenses	(6,619)	50	-	(126)	(8)	(825)	(262)	(366)	(5,082)	-
Future net cash flows after taxes	8,290	(31)	-	90	65	1,889	1,140	2,162	2,975	-
10% annual discount for estimated timing of cash flows	(3,438)	124	-	(10)	(38)	(1,044)	(348)	(894)	(1,228)	-
Standardized measure of discounted future net cash flows	**4,852**	**93**	**-**	**80**	**27**	**845**	**792**	**1,268**	**1,747**	**-**
Equity-accounted investees										
Future cash inflows	20,576	-	-	3,515	9,393	-	6,542	-	-	1,126
Future production costs	(8,375)	-	-	(1,194)	(3,604)	-	(3,055)	-	-	(522)
Future development and abandoment costs	(2,798)	-	-	(1,231)	(980)	-	(442)	-	-	(145)
Future income tax expenses	(2,878)	-	-	(419)	(1,622)	-	(735)	-	-	(102)
Future net cash flows after taxes	6,525	-	-	671	3,187	-	2,310	-	-	357
10% annual discount for estimated timing of cash flows	(3,032)	-	-	(288)	(1,953)	-	(630)	-	-	(161)
Standardized measure of discounted future net cash flows	**3,493**	**-**	**-**	**383**	**1,234**	**-**	**1,680**	**-**	**-**	**196**
Total Standardized measure of discounted future net cash flows	**8,345**	**93**	**-**	**463**	**1,261**	**845**	**2,472**	**1,268**	**1,747**	**196**

	Millons of euros									
	Total	Europe	Argentina	Trinidad & Tobago	Venezuela	Peru	Rest of South America	North America	Africa	Asia
At December 31st, 2014										
Fully-consolidated entities										
Future cash inflows	24,601	265	-	1,652	198	7,437	1,903	3,708	9,438	-
Future production costs	(7,358)	(127)	-	(1,363)	(75)	(3,769)	(421)	(593)	(1,010)	-
Future development and abandoment costs	(2,706)	(207)	-	(198)	(25)	(973)	(171)	(661)	(471)	-
Future income tax expenses	(6,529)	22	-	(32)	(9)	(799)	(236)	(563)	(4,912)	-
Future net cash flows after taxes	8,008	(47)	-	59	89	1,896	1,075	1,891	3,045	-
10% annual discount for estimated timing of cash flows	(3,002)	117	-	29	(42)	(1,123)	(293)	(522)	(1,168)	-
Standardized measure of discounted future net cash flows	**5,006**	**70**	**-**	**88**	**47**	**773**	**782**	**1,369**	**1,877**	**-**
Equity-accounted investees										
Future cash inflows	24,360	-	-	4,824	10,364	-	7,336	-	-	1,836
Future production costs	(9,922)	-	-	(1,662)	(3,983)	-	(3,316)	-	-	(961)
Future development and abandoment costs	(3,732)	-	-	(1,804)	(1,009)	-	(830)	-	-	(89)
Future income tax expenses	(3,087)	-	-	(480)	(1,750)	-	(681)	-	-	(176)
Future net cash flows after taxes	7,619	-	-	878	3,622	-	2,509	-	-	610
10% annual discount for estimated timing of cash flows	(3,291)	-	-	(271)	(2,147)	-	(594)	-	-	(279)
Standardized measure of discounted future net cash flows	**4,328**	**-**	**-**	**607**	**1,475**	**-**	**1,915**	**-**	**-**	**331**
Total Standardized measure of discounted future net cash flows	**9,334**	**70**	**-**	**695**	**1,522**	**773**	**2,697**	**1,369**	**1,877**	**331**

Changes in Standardized measure of discounted future net cash flows relating to proved oil and gas reserves

The detail of the changes in the standardized measure of discounted future net cash flows for 2011, 2012 and 2013 is as follows:

Changes in the standardized measure of discounted future net cash flows	Millons of euros									
	Total	Europe	Argentina	Trinidad & Tobago	Venezuela	Peru	Rest of South America	North America	Africa	Asia
Fully-consolidated entities										
Balance at December 31st, 2011 (1)	**12,216**	**157**	**6,437**	**142**	**23**	**945**	**799**	**1,733**	**1,980**	**-**
Changes due to sale or transfer prices of future production costs	(182)	(3)	-	1	(10)	(228)	35	(40)	63	-
Changes in future development costs	(73)	(9)	-	(25)	(14)	59	(35)	(86)	37	-
Oil and gas sales and transfers in the period.......................................	(2,129)	(56)	-	(83)	(5)	(142)	(209)	(654)	(980)	-
Net changes due to extensions, discoveries and improvements in the recovery of reserves...	278	-	-	-	-	28	2	100	148	-
Net changes due to purchases/sales of assets..	(6,438)	-	(6,312)	-	-	-	(110)	(16)	-	-
Net changes due to revisions in quantity estimates	1,053	6	-	39	21	(98)	146	131	808	-
Previously estimated development costs incurred in the year..	521	48	-	56	-	69	141	165	42	-
Efect of discounting to a different date and exchange rate effect......................................	244	11	(125)	11	1	70	57	96	123	-
Other non-specific changes...	-	-	-	-	-	-	-	-	-	-
Changes in income tax………………………………………………………………………	154	7	-	(9)	2	134	8	92	(80)	-
Net change..	(6,572)	4	(6,437)	(10)	(5)	(108)	35	(212)	161	-
Balance at December 31st, 2012	**5,644**	**161**	**-**	**132**	**18**	**837**	**834**	**1,521**	**2,141**	**-**
Changes due to sale or transfer prices of future production costs	(48)	(22)	-	(56)	2	272	(60)	35	(219)	-
Changes in future development costs	(242)	38	-	(12)	(25)	(54)	(32)	(128)	(29)	-
Oil and gas sales and transfers in the period.......................................	(2,327)	(127)	-	(72)	(4)	(230)	(202)	(603)	(1,089)	-
Net changes due to extensions, discoveries and improvements in the recovery of reserves...	-	-	-	-	-	-	-	-	-	-
Net changes due to purchases/sales of assets..	-	-	-	-	-	-	-	-	-	-
Net changes due to revisions in quantity estimates	155	13	-	31	-	(57)	88	162	(82)	-
Previously estimated development costs incurred in the year..	416	14	-	18	29	46	103	140	66	-
Efect of discounting to a different date and exchange rate effect......................................	196	(2)	-	5	4	31	37	42	79	-
Other non-specific changes...	-	-	-	-	-	-	-	-	-	-
Changes in income tax……………………………………………………………………..	1,058	18	-	34	3	-	24	99	880	-
Net change..	(792)	(68)	-	(52)	9	8	(42)	(253)	(394)	-
Balance at December 31st, 2013	**4,852**	**93**	**-**	**80**	**27**	**845**	**792**	**1,268**	**1,747**	**-**
Changes due to sale or transfer prices of future production costs	(774)	4	-	(118)	(1)	11	(79)	(303)	(288)	-
Changes in future development costs	(165)	34	-	26	-	(133)	(14)	(8)	(70)	-
Oil and gas sales and transfers in the period.......................................	(2,248)	(77)	-	(83)	(2)	(162)	(273)	(625)	(1,026)	-
Net changes due to extensions, discoveries and improvements in the recovery of reserves...	112	-	-	44	-	65	3	-	-	-
Net changes due to purchases/sales of assets..	-	-	-	-	-	-	-	-	-	-
Net changes due to revisions in quantity estimates	857	11	-	4	(4)	(147)	54	682	257	-
Previously estimated development costs incurred in the year..	490	13	-	31	16	15	80	193	142	-
Efect of discounting to a different date and exchange rate effect......................................	1,035	12	-	19	9	175	169	264	387	-
Other non-specific changes...	-	-	-	-	-	-	-	-	-	-
Changes in income tax………………………………………………………………………	847	(20)	-	85	2	104	50	(102)	728	-
Net change..	154	(23)	-	8	20	(72)	(10)	101	130	-
Balance at December 31st, 2014	**5,006**	**70**	**-**	**88**	**47**	**773**	**782**	**1,369**	**1,877**	**-**

	Millons of euros									
	Total	Europe	Argentina	Trinidad & Tobago	Venezuela	Peru	Rest of South America	North America	Africa	Asia
Equity-accounted investees										
Balance at December 31st, 2011 (1)	**2,484**	**-**	**-**	**704**	**710**	**-**	**1,070**	**-**	**-**	**-**
Changes due to sale or transfer prices of future production costs	(23)	-	-	(100)	114	-	(37)	-	-	-
Changes in future development costs	(363)	-	-	(124)	(148)	-	(91)	-	-	-
Oil and gas sales and transfers in the period.......................................	(883)	-	-	(381)	(256)	-	(246)	-	-	-
Net changes due to extensions, discoveries and improvements in the recovery of reserves...	875	-	-	-	180	-	615	-	-	80
Net changes due to purchases/sales of assets..	65	-	-	(3)	-	-	-	-	-	68
Net changes due to revisions in quantity estimates	(19)	-	-	(1)	(57)	-	39	-	-	-
Previously estimated development costs incurred in the year..	415	-	-	152	178	-	85	-	-	-
Efect of discounting to a different date and exchange rate effect......................................	148	-	-	46	57	-	45	-	-	-
Other non-specific changes...	-	-	-	-	-	-	-	-	-	-
Changes in income tax……………………………………………………………………..	187	-	-	119	46	-	22	-	-	-
Net change...	402	-	-	(292)	114	-	432	-	-	148
Balance at December 31st, 2012	**2,886**	**-**	**-**	**412**	**824**	**-**	**1,502**	**-**	**-**	**148**
Changes due to sale or transfer prices of future production costs	(203)	-	-	(321)	212	-	(104)	-	-	10
Changes in future development costs	(129)	-	-	26	(111)	-	-	-	-	(44)
Oil and gas sales and transfers in the period.......................................	(796)	-	-	(174)	(242)	-	(319)	-	-	(61)
Net changes due to extensions, discoveries and improvements in the recovery of reserves...	750	-	-	80	509	-	150	-	-	11
Net changes due to purchases/sales of assets..	(5)	-	-	-	-	-	-	-	-	(5)
Net changes due to revisions in quantity estimates	414	-	-	51	153	-	150	-	-	60
Previously estimated development costs incurred in the year..	591	-	-	147	183	-	186	-	-	75
Efect of discounting to a different date and exchange rate effect......................................	138	-	-	23	44	-	61	-	-	10
Other non-specific changes...	-	-	-	-	-	-	-	-	-	-
Changes in income tax……………………………………………………………………..	(153)	-	-	139	(338)	-	54	-	-	(8)
Net change...	607	-	-	(29)	410	-	178	-	-	48
Balance at December 31st, 2013	**3,493**	**-**	**-**	**383**	**1,234**	**-**	**1,680**	**-**	**-**	**196**
Changes due to sale or transfer prices of future production costs	(529)	-	-	307	(148)	-	(710)	-	-	22
Changes in future development costs	(445)	-	-	(228)	(138)	-	(101)	-	-	22
Oil and gas sales and transfers in the period.......................................	(1,185)	-	-	(317)	(239)	-	(560)	-	-	(69)
Net changes due to extensions, discoveries and improvements in the recovery of reserves...	143	-	-	-	-	-	143	-	-	-
Net changes due to purchases/sales of assets..	(4)	-	-	-	-	-	(4)	-	-	-
Net changes due to revisions in quantity estimates	1,091	-	-	112	78	-	823	-	-	78
Previously estimated development costs incurred in the year..	604	-	-	148	265	-	143	-	-	48
Efect of discounting to a different date and exchange rate effect......................................	846	-	-	99	314	-	378	-	-	55
Other non-specific changes...	-	-	-	-	-	-	-	-	-	-
Changes in income tax……………………………………………………………………..	314	-	-	103	109	-	123	-	-	(21)
Net change...	835	-	-	224	241	-	235	-	-	135
Balance at December 31st, 2014	**4,328**	**-**	**-**	**607**	**1,475**	**-**	**1,915**	**-**	**-**	**331**

	Millons of euros									
	Total	Europe	Argentina	Trinidad & Tobago	Venezuela	Peru	Rest of South America	North America	Africa	Asia
Total Fully-consolidated entities and Equity-accounted investees										
Balance at December 31st, 2011 (1)	**14,700**	**157**	**6,437**	**846**	**733**	**945**	**1,869**	**1,733**	**1,980**	**-**
Changes due to sale or transfer prices of future production costs	(205)	(3)	-	(99)	104	(228)	(2)	(40)	63	-
Changes in future development costs	(436)	(9)	-	(149)	(162)	59	(126)	(86)	37	-
Oil and gas sales and transfers in the period.......................................	(3,012)	(56)	-	(464)	(261)	(142)	(455)	(654)	(980)	-
Net changes due to extensions, discoveries and improvements in the recovery of reserves...	1,153	-	-	-	180	28	617	100	148	80
Net changes due to purchases/sales of assets..	(6,373)	-	(6,312)	(3)	-	-	(110)	(16)	-	68
Net changes due to revisions in quantity estimates	1,034	6	-	38	(36)	(98)	185	131	808	-
Previously estimated development costs incurred in the year..	936	48	-	208	178	69	226	165	42	-
Efect of discounting to a different date and exchange rate effect......................................	392	11	(125)	57	58	70	102	96	123	-
Other non-specific changes...	-	-	-	-	-	-	-	-	-	-
Changes in income tax……………………………………………………………………..	341	7	-	110	48	134	30	92	(80)	-
Net change...	(6,170)	4	(6,437)	(302)	109	(108)	467	(212)	161	148
Balance at December 31st, 2012	**8,530**	**161**	**-**	**544**	**842**	**837**	**2,336**	**1,521**	**2,141**	**148**
Changes due to sale or transfer prices of future production costs	(251)	(22)	-	(377)	214	272	(164)	35	(219)	10
Changes in future development costs	(371)	38	-	14	(136)	(54)	(32)	(128)	(29)	(44)
Oil and gas sales and transfers in the period.......................................	(3,123)	(127)	-	(246)	(246)	(230)	(521)	(603)	(1,089)	(61)
Net changes due to extensions, discoveries and improvements in the recovery of reserves...	750	-	-	80	509	-	150	-	-	11
Net changes due to purchases/sales of assets..	(5)	-	-	-	-	-	-	-	-	(5)
Net changes due to revisions in quantity estimates	569	13	-	82	153	(57)	238	162	(82)	60
Previously estimated development costs incurred in the year..	1,007	14	-	165	212	46	289	140	66	75
Efect of discounting to a different date and exchange rate effect......................................	334	(2)	-	28	48	31	98	42	79	10
Other non-specific changes...	-	-	-	-	-	-	-	-	-	-
Changes in income tax……………………………………………………………………..	905	18	-	173	(335)	-	78	99	880	(8)
Net change...	(185)	(68)	-	(81)	419	8	136	(253)	(394)	48
Balance at December 31st, 2013	**8,345**	**93**	**-**	**463**	**1,261**	**845**	**2,472**	**1,268**	**1,747**	**196**
Changes due to sale or transfer prices of future production costs	(1,303)	4	-	189	(149)	11	(789)	(303)	(288)	22
Changes in future development costs	(610)	34	-	(202)	(138)	(133)	(115)	(8)	(70)	22
Oil and gas sales and transfers in the period.......................................	(3,433)	(77)	-	(400)	(241)	(162)	(833)	(625)	(1,026)	(69)
Net changes due to extensions, discoveries and improvements in the recovery of reserves...	255	-	-	44	-	65	146	-	-	-
Net changes due to purchases/sales of assets..	(4)	-	-	-	-	-	(4)	-	-	-
Net changes due to revisions in quantity estimates	1,948	11	-	116	74	(147)	877	682	257	78
Previously estimated development costs incurred in the year..	1,094	13	-	179	281	15	223	193	142	48
Efect of discounting to a different date and exchange rate effect......................................	1,881	12	-	118	323	175	547	264	387	55
Other non-specific changes...	-	-	-	-	-	-	-	-	-	-
Changes in income tax……………………………………………………………………..	1,161	(20)	-	188	111	104	173	(102)	728	(21)
Net change...	989	(23)	-	232	261	(72)	225	101	130	135
Balance at December 31st, 2014	**9,334**	**70**	**-**	**695**	**1,522**	**773**	**2,697**	**1,369**	**1,877**	**331**

(1) Includes €2,741 million relating to the share of minority interest of YPF, as of December 31, 2011.