INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 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 June 30, 2014 and December 31, 2013

		Millions of euros	
ASSETS	Note	**06/30/2014**	**12/31/2013** [(1)]
Intangible Assets:		1,694	1,729
a) Goodwill		486	490
b) Other intangible assets		1,208	1,239
Property, plant and equipment	3	15,982	16,026
Investment property		39	24
Investment accounted for using the equity method	3	10,652	10,340
Non-current assets held for sale subject to expropriation	3	-	3,625
Non-current financial assets	5	520	1,888
Deferred tax assets		4,097	4,079
Other non-current assets		119	60
NON-CURRENT ASSETS		**33,103**	**37,771**
Non current assets held for sale	3	87	1,692
Inventories		5,388	4,938
Trade and other receivables:		6,120	4,935
a) Trade receivables		3,957	3,219
b) Other receivables		1,469	1,330
c) Income tax assets		694	386
Other current assets		151	141
Other current financial assets	5	1,616	354
Cash and cash equivalents	5	6,845	5,716
CURRENT ASSETS		**20,207**	**17,776**
TOTAL ASSETS		**53,310**	**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 (see Note 2 *"Basis of presentation"*).

Notes 1 to 13 are an integral part of the consolidated balance sheet at June 30, 2014.

Repsol, S.A. and investees comprising the Repsol Group
Consolidated balance sheet at June 30, 2014 and December 31, 2013

		Millions of euros	
LIABILITIES AND EQUITY	Note	**06/30/2014**	**12/31/2013** [(1)]
NET EQUITY			
Issued share capital	3	1,350	1,324
Share premium		6,428	6,428
Legal Reserve		259	259
Treasury shares and own equity instruments	3	(3)	(26)
Retained earnings and other reserves		19,550	19,785
Total net income attributable to the parent		1,327	195
Dividends and remunerations		(1,324)	(232)
EQUITY		**27,587**	**27,733**
Financial assets available for sale		(6)	488
Hedge transactions		(87)	(60)
Translation differences		(795)	(954)
ADJUSTMENTS FOR CHANGES IN VALUE		**(888)**	**(526)**
EQUITY ATTRIBUTABLE TO THE PARENT		**26,699**	**27,207**
MINORITY INTERESTS		**255**	**243**
TOTAL EQUITY		**26,954**	**27,450**
Grants		10	10
Non-current provisions		2,710	2,700
Non-current financial liabilities:	5	7,222	8,469
a) Bank borrowings, bonds and other securities		7,153	8,413
b) Other financial liabilities		69	56
Deferred tax liabilities		1,834	1,866
Other non-current liabilities		1,709	1,676
NON-CURRENT LIABILITIES		**13,485**	**14,721**
Liabilities related to non-current assets held for sale	3	-	1,457
Current provisions		168	249
Current financial liabilities:	5	6,206	5,833
a) Bank borrowings, bonds and other securities		6,122	5,780
b) Other financial liabilities		84	53
Trade payables and other payables:		6,497	5,837
a) Trade payables		3,046	2,588
b) Other payables		3,196	3,114
c) Current income tax liabilities		255	135
CURRENT LIABILITIES		**12,871**	**13,376**
TOTAL EQUITY AND LIABILITIES		**53,310**	**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 (see Note 2 *"Basis of presentation"*).

Notes 1 to 13 are an integral part of the consolidated balance sheet at June 30, 2014.

Repsol, S.A. and investees comprising the Repsol Group
Consolidated income statement corresponding to the interim periods ended June 30, 2014 and 2013

	Note	Millions of euros 06/30/2014	Millions of euros 06/30/2013 (1)
Sales	3	23,531	22,907
Services rendered and other income	3	178	487
Changes in inventories of finished goods and work in progress inventories		28	(297)
Income from reversal of impariment losses and gains on disposal of non-current assets		4	8
Allocation of grants on non-financial assets and other grants		-	-
Other operating income	3	515	400
OPERATING REVENUE		**24,256**	**23,505**
Supplies		(19,648)	(18,807)
Personnel expenses		(860)	(829)
Other operating expenses		(2,142)	(2,305)
Depreciation and amortization of non-current assets		(942)	(725)
Impairment losses recognised and losses on disposal of non-current assets	3	(234)	(44)
OPERATING EXPENSES		**(23,826)**	**(22,710)**
OPERATING INCOME		**430**	**795**
Finance income		65	53
Finance expenses		(322)	(368)
Changes in the fair value of financial instruments		27	49
Net exchange gains/ (losses)		72	(55)
Impairment and gains/ (losses) on disposal of financial instruments		368	76
FINANCIAL RESULT		**210**	**(245)**
Share of results of companies accounted for using the equity method-net of tax	3	679	404
NET INCOME BEFORE TAX		**1,319**	**954**
Income tax	7	(250)	(285)
Net income from continuing operations		**1,069**	**669**
Net income from continuing operations attributable to minority interests		(10)	16
NET INCOME FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE PARENT		**1,059**	**685**
Net income from discontinued operations after taxes		**268**	**216**
Net income from discontinued operations attributable to minority interests		-	-
NET INCOME FROM DISCONTINUED OPERATIONS ATRIBUTTABLE TO THE PARENT	3	**268**	**216**
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT		**1,327**	**901**

EARNINGS PER SHARE ATTRIBUTABLE TO THE PARENT		**Euros**	**Euros (2)**
Basic	3	0.98	0.68
Diluted	3	0.98	0.68

(1) Includes the necessary modifications with respect to the interim condensed consolidated financial statements for the six-month period ended June 30, 2013 in relation to the application of IFRS 11 and the sale of part of the LNG assets and businesses (see Note 2 *"Basis of presentation"*).

(2) Includes the necessary modifications with respect to the interim condensed consolidated financial statements for the six-month period ended June 30, 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 section f) of "Equity" within Note 3.

Notes 1 to 13 are an integral part of the consolidated income statement for the six-month period ended June 30, 2014.

Repsol, S.A. and investees comprising the Repsol Group
Consolidated statement of recognised income and expenses corresponding to the interim periods ended June 30, 2014 and 2013

	Millions of euros	
	06/30/2014	**06/30/2013** (2)
CONSOLIDATED NET INCOME FOR THE INTERIM PERIOD (1) **(from the Consolidated Income Statement)**	**1,337**	**885**
INCOME AND EXPENSES RECOGNIZED DIRECTLY IN EQUITY:		
From actuarial gains and losses and other adjustments	-	-
Tax effect	-	-
Total items that will not be reclassified to the income statement	-	-
From measurement of financial assets available for sale	(224)	(1)
From measurement of other financial instruments	(42)	45
From cash flow hedges	(41)	38
Translation differences	120	59
Entities accounted for using the equity method	17	(28)
Tax effect	78	(10)
Total items that may be reclassified to the income statement	**(92)**	**103**
TOTAL	**(92)**	**103**
AMOUNTS TRANSFERRED TO THE CONSOLIDATED INCOME STATEMENT:		
From measurement of financial assets available for sale	(452)	-
From measurement of other financial instruments	42	-
From cash flow hedges	8	1
Translation differences	(5)	94
Entities accounted for using the equity method	8	-
Tax effect	112	(2)
TOTAL	**(287)**	**93**
TOTAL RECOGNIZED INCOME/ (EXPENSES)	**958**	**1,081**
a) Attributable to the parent	947	1,096
b) Attributable to minority interests	11	(15)

(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 discontinued operations after taxes*".

(2) Includes the necessary modifications with respect to the interim condensed consolidated financial statements for the six-month period ended June 30, 2013 in relation to the application of IFRS 11 and the sale of part of the LNG assets and businesses (see Note 2 *"Basis of presentation"*).

The accompanying explanatory Notes 1 to 13 are an integral part of the consolidated statement of recognized income and expenses for the six-month period ended June 30, 2014.

Repsol, S.A. and investees comprising the Repsol Group
Consolidated statement of changes in equity corresponding to the interim periods ended June 30, 2014 and 2013

	Equity attributable to equity holders of the parent							
	Equity							
Millions of euros	Issued share capital	Share premium and reserves	Treasury shares and own equity instruments	Total net income attributable to the parent	Adjustments for changes in value	Total equity attributable to 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)	-	-	-	901	195	1,096	(15)	1,081
Transactions with shareholders or owners						-		-
Increase/ (decrease) of share capital	20	(20)	-	-	-	-	-	-
Dividend payments	-	(51)	-	-	-	(51)	(3)	(54)
Transactions with treasury shares or own equity instruments (net)	-	(206)	1,223	-	-	1,017	-	1,017
Changes in the scope of consolidation	-	-	-	-	-	-	-	-
Other transactions with shareholders and owners	-	(232)	-	-	-	(232)	-	(232)
Other changes in equity						-		-
Share based payments	-	-	-	-	-	-	-	-
Transfers between equity accounts	-	2,060	-	(2,060)	-	-	-	-
Other changes	-	(7)	-	-	3	(4)	-	(4)
Closing balance at 06/30/2013	**1,302**	**26,500**	**(22)**	**901**	**(153)**	**28,528**	**267**	**28,795**
Total recognized income/ (expense)	-	(1)	-	(706)	(375)	(1,082)	(18)	(1,100)
Transactions with shareholders or owners						-		-
Increase/ (decrease) of share capital	22	(22)	-	-	-	-	-	-
Dividend payments	-	-	-	-	-	-	-	-
Transactions with treasury shares or own equity instruments (net)	-	-	(4)	-	-	(4)	-	(4)
Changes in the scope of consolidation	-	-	-	-	-	-	-	-
Other transactions with shareholders and owners	-	(232)	-	-	-	(232)	-	(232)
Other changes in equity						-		-
Share based payments	-	-	-	-	-	-	-	-
Transfers between equity accounts	-	-	-	-	-	-	-	-
Other changes	-	(5)	-	-	2	(3)	(6)	(9)
Closing balance at 12/31/2013	**1,324**	**26,240**	**(26)**	**195**	**(526)**	**27,207**	**243**	**27,450**
Adjustments								
Initial adjusted balance	**1,324**	**26,240**	**(26)**	**195**	**(526)**	**27,207**	**243**	**27,450**
Total recognized income/ (expense)	-	-	-	1,327	(380)	947	11	958
Transactions with shareholders or owners								
Increase/ (decrease) of share capital	26	(26)	-	-	-	-	-	-
Dividend payments	-	(1,324)	-	-	-	(1,324)	-	(1,324)
Transactions with treasury shares or own equity instruments (net)	-	2	23	-	-	25	-	25
Changes in the scope of consolidation	-	-	-	-	-	-	-	-
Other transactions with shareholders and owners	-	(155)	-	-	-	(155)	-	(155)
Other changes in equity								
Share based payments	-	-	-	-	-	-	-	-
Transfers between equity accounts	-	195	-	(195)	-	-	-	-
Other changes	-	(19)	-	-	18	(1)	1	-
Closing balance at 06/30/2014	**1,350**	**24,913**	**(3)**	**1,327**	**(888)**	**26,699**	**255**	**26,954**

[1] Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 and the interim condensed consolidated financial statements for the six-month period ended June 30, 2013 in relation to the application of IFRS 11 (see Note 2 *"Basis of presentation"*).

Notes 1 to 13 are an integral part of the consolidated statement of changes in equity for the six-month period ended June 30, 2014.

Rpsol, S.A. and investees comprising the Repsol Group
Consolidated cash flow statement corresponding to the interim periods ended June 30, 2014 and 2013

	Millions of euros	
	06/30/2014	**06/30/2013 [(1)]**
Net income before tax	**1,319**	**954**
Adjustments to net income:	**240**	**660**
Depreciation and amortization of non-current assets	942	725
Other adjustments to results (net)	(702)	(65)
Changes in working capital	**(466)**	**(72)**
Other cash flows from operating activities:	**(326)**	**(322)**
Dividends received	199	170
Income tax received / (paid)	(394)	(440)
Other proceeds from / (payments for) operating activities	(131)	(52)
Cash flows from operating activities (2)	**767**	**1,220**
Payments for investing activities:	**(2,104)**	**(1,104)**
Group companies, associates and business units	(18)	(130)
Property, plant and equipment, intangible assets and investment properties	(1,171)	(870)
Other financial assets	(915)	(104)
Proceeds from divestments:	**4,725**	**147**
Group companies, associates and business units	109	134
Property, plant and equipment, intangible assets and investment properties	24	13
Other financial assets	4,592	-
Other cash flows	**-**	**-**
Cash flows used in investing activities (2)	**2,621**	**(957)**
Proceeds from/ (payments for) equity instruments:	**22**	**1,025**
Acquisition	(50)	(37)
Disposal	72	1,062
Disposals of ownership interests in subsidiaries without loss of control	-	-
Proceeds from / (payments for) financial liabilities:	**(900)**	**597**
Issues	2,358	2,788
Return and depreciation	(3,258)	(2,191)
Payments for dividends and payments on other equity instruments	**(1,350)**	**(238)**
Other cash flows from financing activities:	**(498)**	**(480)**
Interest payments	(410)	(356)
Other proceeds from/ (payments for) financing activities	(88)	(124)
Cash flows used in financing activities (2)	**(2,726)**	**904**
Effect of changes in exchange rates	**27**	**(12)**
Net increase / (decrease) in cash and cash equivalents	**689**	**1,155**
Cash Flows from operating activities from discontinued operations	(72)	435
Cash Flows from investment activities from discontinued operations	513	16
Cash Flows from financing activities from discontinued operations	(1)	(102)
Effect of changes in exchange rates from discontinued operations	-	(2)
Net increase / (decrease) in cash and discontinued operations	**440**	**347**
Cash and cash equivalents at the beginning of the year	5,716	4,108
Cash and cash equivalents at the end of the year	6,845	5,610

COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**06/30/2014**	**06/30/2013 [(1)]**
(+) Cash and banks	4,882	5,225
(+) Other financial assets	1,963	385
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**6,845**	**5,610**

[(1)] Includes the necessary modifications with respect to the interim condensed consolidated financial statements for the six-month period ended June 30, 2013 in relation to the application of IFRS 11 and the sale of part of the LNG assets and businesses (see Note 2 *"Basis of presentation"*).
[(2)] Includes cash flows from continuing operations.

Notes 1 to 13 are an integral part of the consolidated statement of cash flows for the interim period ended June 30, 2014.

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

Explanatory notes to the interim consolidated financial statements for the six-month period ended June 30, 2014.

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(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, 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 40 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.

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 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). The Company also has a program of American Depositary Shares (ADS), currently traded 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.

At June 30, 2014, the share capital of Repsol amounted to €1,324,516,020 fully subscribed and paid in, consisting of 1,324,516,020 shares with a nominal value of 1 euro each.

The paid-up capital increase approved by the Annual Shareholders' Meeting held on March 28, 2014 under item 5 of the Agenda was closed last July 7 as part of the compensation scheme to shareholders known as the "Repsol Flexible Dividend”. The main terms of the capital increase are described in section f) “*Equity - 1. Share capital and Reserves*” in Note 3. In accordance with applicable accounting regulations, this capital increase was recognized in the financial statements at June 30, 2014.

These interim condensed consolidated financial statements for the six-month period ended June 30, 2014, have been prepared by the Board of Directors of Repsol, S.A. at their meeting on July 23, 2014.

(2) BASIS OF PRESENTATION

The accompanying interim condensed consolidated financial statements are presented in millions of euros (except for any other information in which another currency or parameter is specified), and were prepared based on the accounting records of Repsol, S.A. and its investees. They are presented in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union at June 30, 2014, and particularly, pursuant to the

requirements established in IAS 34 *Interim Financial Reporting* which establishes the accounting principles in relation with interim financial statements, and in conformity with Art. 12 of RD 1362/2007, and the disclosures of information required by the Circular 1/2008, of January 30, issued by the Spanish securities market regulator (abbreviated CNMV in Spanish).
In this regard, the interim financial statements present fairly the Group's consolidated equity and the financial position at June 30, 2014, as well as the results of operations, the changes in consolidated equity and consolidated cash flows that have occurred during the six-month period ended on that date.

Pursuant to the provisions of IAS 34, interim financial information is prepared only with the intention of updating the content of the last annual consolidated financial statements prepared by the Company, emphasizing new activities, events and circumstances that occur during the half-year and not duplicating the information previously published in the consolidated financial statements for the prior financial year. Therefore, for an adequate understanding of the information that is included in these interim financial statements, they must be read in conjunction with the condensed consolidated financial statements of the Repsol Group for the financial year 2013, which were approved by the General Shareholders' Meeting of Repsol, S.A., held on March 28, 2014.

Accounting standards: new standards and interpretations issued or amended

A) With respect to the accounting framework applicable as of December 31, 2013, below is a list of the standards and amendments that have been issued by the International Accounting Standards Board (IASB) and adopted by the European Union and are applicable from January 1, 2014:

- IFRS 10 *Consolidated Financial Statements.*
- IFRS 11 *Joint Arrangements.*
- IFRS 12 *Disclosure of Interests in Other Entities.*
- IAS 27 *Separate Financial Statements.*
- IAS 28 *Investments in Associates and Joint Ventures.*
- Amendments to IFRS 10, IFRS 11 and IFRS 12 - *Transition Guidance.*
- 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.*

Except as indicated below, application of these new and amended standards has not had a significant impact on the Group's interim condensed consolidated financial statements.

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 interim condensed consolidated financial statements. However, the mentioned application has implied important changes in how the Group presents its interim condensed consolidated financial statements since as of December 31, 2013, the Group aplied the proportionate method of accounting to consolidate its interests in joint ventures. This accounting treatment is no longer applicable as of January 1, 2014 (see d section) "*Investments accounted using the equity method*" of Note 3 where the main affected companies by this accounting standard are disclosed.

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.

In this respect, below is a table outlining the impact of the accounting standard change with respect to the consolidated balance sheet at December 31, 2013, the consolidated income statement and the consolidated cash flow Statement as of June 30, 2013:

	Millions of euros		
	Stated (IAS 31)	Restated (IFRS 11)	
Balance sheet	**31/12/2013**	**31/12/2013**	**Change**
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 interest	713	243	(470)
Non-current liabilities	22,347	14,721	(7,626)
Current liabilities	14,819	13,376	(1,443)
TOTAL EQUITY AND LIABILITIES	**65,086**	**55,547**	**(9,539)**

	Millions of euros		
	Stated (IAS 31)	Restated (IFRS 11)	
Income statement	**06/30/2013**	**06/30/2013**	**Change**
Operating revenue	29,244	24,706	(4,538)
Operating expenses	(27,253)	(23,628)	3,625
Financial result	(385)	(262)	123
Share of results of companies accounted for using the equity method-net of tax	74	477	403
Income tax	(717)	(364)	353
Minority interests	(18)	16	34
Net income for the period from continuing operations attributable to the parent	**945**	**945**	**-**

	Millions of euros		
	Stated (IAS 31)	Restated (IFRS 11)	
Cash flow statement	**06/30/2013**	**06/30/2013**	**Change**
Cash flows from operating activities [(1)]	2,579	1,655	924
Cash flows used in investing activities [(1)]	(1,534)	(941)	(593)
Cash flows used in financing activities [(1)]	766	802	(36)
TOTAL CASH AND CASH EQUIVALENTS	**7,693**	**5,610**	**2,083**

(1) Includes cash flows from discontinued operations.

Appendix III to these interim condensed consolidated financial statements presents the consolidated balance sheet at December 31, 2013, the consolidated income statement and cash flow statement for the six-months ended June 30, 2013 restated due to the application of IFRS 11 and the sale of part of LNG assets and businesses (see Note 2, "*Comparison of information*").

B) The standards that have been published by the IASB, adopted by the European Union and that the Group will be obligated to apply in 2015 are listed as follows:

- IFRIC 21 – *Levies.*

The Group believes that application of this interpretation will not have a significant impact on its consolidated financial statements.

C) At the date of issuance of these interim condensed financial statements, the standards and amendments that have been issued by the IASB but not yet approved by the European

Union, are the following:

Mandatory application in 2014

- 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)].
- Amendments to IAS 16 and IAS 38 – *Clarification of acceptable methods of depreciation and amortization*.
- Amendments to IFRS 11 – *Acquisitions of interests in joint operations.*
- Amendments to IAS 16 and IAS 41 – *Agriculture: fruit producing plants.*

Mandatory application in subsequent years

- IFRS 9 *Financial Instruments* [(3)].
- IFRS 15 *Revenue from contracts with customers* [(4)].

(1) The document "*Annual Improvements to IFRSs 2010-2012*" introduces amendments to several IFRSs. 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. At the date of authorizing the accompanying interim financial statements for issue, the most recent tentative decision by the IASB in this regard implies that the date of mandatory first-time application of IFRS 9 will be annual periods beginning on or after January 1, 2018.

(4) This standard was issued by the IASB with the date of first-time application being established as January 1, 2017.

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.

Accounting Policies

As described in Note 2.2 of the notes to the consolidated financial statements for the year 2013, in the preparation of these interim condensed consolidated financial statements, Repsol has applied the same accounting policies applied in 2013, except as indicated in section A) above.

Comparison of information

As a result of application of IFRS 11 from January 1, 2014 (see "*Accounting standards: new standards and interpretations issued or amended*", Note 2) and the sales in October and December 2013 and January 2014 of part of the liquified natural gas (LNG) assets and businesses (see "*Changes in the Group's composition*", Note 2), the comparative information for 2013 has been restated to enable a comparable reading with that presented at June 30, 2014.

The earnings per share figures for the six months ended June 30, 2013 have been restated with respect to the figures presented in the interim condensed consolidated financial statements at June 30, 2013, in accordance with the applicable accounting standard, 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 shareholder remuneration scheme denominated "Repsol Flexible Dividend". This scheme is described in "*f) Equity – 1. Share capital and reserves*" in Note 3 and has been registered as of June 30, 2014.

Changes in accounting estimates and judgments

Management estimates have been used to quantify certain assets, liabilities, income, and expenses that are recorded in the interim condensed consolidated financial statements. These estimates are made based on the best available information and they refer to:

1) Crude and gas reserves;
2) The provision for legal and arbitration proceedings and other contingencies;
3) The expense for income tax, which, pursuant to IAS 34, is recognized in interim periods based on the best estimate of the average weighted tax rate that the Group expects for the annual period as well as deferred tax assets;
4) The evaluation of possible impairment losses on certain assets (see Note 3, section g)); and
5) The market value of certain derivative financial instruments.

Despite the fact that the estimates described above are made based on the best available information on the date on which the facts are analyzed, possible future events might require their revision (upward or downward) at year end 2014 or in subsequent years.

During the six-month period ended June 30, 2014, non-significant changes have been made in the methodology for calculating the estimates made at year end 2013.

Relative importance

When determining the information to be included in these interim condensed consolidated financial statements under the different items in the financial statements or other matters, the Repsol Group, pursuant to IAS 34, has taken into account their relative importance in relation to the interim condensed consolidated financial statements for the six-month period.

Seasonality

Among the activities of the Group, LPG and natural gas businesses are the most affected ones by seasonality due to their connection to weather conditions, with more activity in the winter and less in the summer in the northern hemisphere.

Changes in the Group's composition

Repsol prepares its consolidated financial statements including its investments in all its subsidiaries, associates and joint arrangements. Appendix I of the consolidated financial statements at December 31, 2013 details the main companies that comprise Repsol Group, which were included in the scope of consolidation at that date.

Appendix I to these interim condensed consolidated financial statements details the changes in the scope of consolidation of the Group that have taken place during the first half of 2014.

The principal changes in the scope of consolidation that have taken place during the interim period ended at June 30, 2014 and their impact on the accompanying interim condensed consolidated financial statements are detailed below:

- The last transaction relating to the sale of part of the LNG assets and businesses to Shell completed on January 1, 2014 (see Note 31 of the 2013 consolidated financial statements) 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 (see Note 10 to the consolidated financial statements as of December 31, 2013).

  The carrying amounts of the 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**
Minority interests	
Current liabilities	1,172
Non-current liabilities	284
TOTAL LIABILITIES AND MINORITY INTERESTS	**1,456**
NET ASSETS	**100**

  This transaction generated 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*".

- Additionally, in March, 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.

  The sale implied the derecognition of the carrying amount of this investment, which was recognized under "*Non-current assets held for sale*" in the balance sheet in the amount of €45 million, along with the exchange historic differences recorded under "*Adjustments for changes in value*" in equity in the amount of €7 million. This transaction generated an after-tax gain of €57 million, which is recognized within "*Share of results of entities accounted for using the equity method – net of tax*".

(3) DESCRIPTION OF TRANSACTIONS OF THE PERIOD

The most significant changes recognized in the first six months of 2014 and 2013 under headings in the consolidated balance sheet and the income statement are described below.

a) Property, plant and equipment

The main additions made in the first half of 2014 corresponded to exploration and production assets in United States (€457 million), Peru (€70 million), Trinidad & Tobago (€54 million) and Bolivia (€45 million). In addition, during this period, significant additions were made in refining assets in Spain (€207 million).

The main investments made in the first half of 2013 corresponded to exploration and production assets in United States (€408 million), Peru (€65 million), and Bolivia (€56 million). In addition, during this period, significant additions were made in refining assets in Spain (€172 million).

Exploration and production asset depreciation charges have increased in the first half of 2014 when compared to the first half of 2013 due to higher drilling depreciation charges and higher depreciation associated with the start-up of production at new projects.

b) Assets and liabilities related to the expropriation of the Repsol Group Shares in YPF S.A. and YPF Gas S.A. – Argentina Agreement

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 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.. The Agreement had been approved by the Board of Directors of Repsol on February 25, 2014. 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 USD5,000 million 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 other items contemplated under the Agreement (the "Compensation"). This agreement implies the withdrawal by both parties of all the legal and arbitration proceedings initiated in relation of the expropriation and preservation of the expropriated assets, and a reciprocal undertaking not to file new claims related to the expropriation and management of Repsol in YPF S.A. and YPF Gas S.A., 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 would constitute a method for paying the Compensation awarded to Repsol and would be given to Repsol "*pro solvendo*", which means that 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, either by disposing of the Government Bonds or via repayment of the bond principal at the respective maturity dates.

Any discrepancies that could arise in relation to the Agreement are subject, exclusively, to international arbitration in accordance with the United Nations Commission on International Trade Law Arbitration Rules ("UNCITRAL") and any arbitration proceedings would be heard in Paris, France.

Effectiveness of the Agreement was subject to certain conditions precedent, notable among which ratification of the Agreement at the General Shareholders' Meeting of Repsol, S.A. (the Agreement was ratified by means of the resolution taken at the General Shareholders' Meeting of Repsol, S.A. of March 28, 2014 under agenda item four) and full and unconditional approval of the Agreement by means of a special-purpose law sanctioned by the Argentine National Congress (Law 26,932, was sanctioned by the Congress on April 23, 2014, promulgated on April 24, 2014 and published in the Official Journal of the Republic of Argentine on April 28, 2014).

On May 8, Repsol and the Republic of Argentina verified compliance of the conditions precedent stipulated in the Agreement and carried out the other actions on which its effectiveness and entry into force depended.

- On the one hand, the Argentine Republic delivered to Repsol a portfolio of Government Bonds with a total nominal value of USD5,317 million, made up of:

  BONAR X: USD500 million of nominal value.
  Discount 33: USD1,250 million of nominal value.
  BONAR 2024: USD3,250 million of nominal value.
  BODEN 2015: USD317 million of nominal value.

  In addition, to ensure the payment of the first three interest payments of BONAR 2024, Repsol will be the beneficiary of a specific guarantee provided by the Argentine Central Bank up to a maximum of USD150 million which will be in force for 18 months.

- On the other hand, Repsol delivered to the Republic of Argentina: (i) the documentation needed to transfer the Expropriated Shares, and (ii) the deeds certifying the withdrawal of the judicial, administrative and arbitration proceedings initiated by the Company and its related persons (as defined in the Agreement) in relation to the expropriation and Repsol's position as shareholder of YPF S.A and YPF GAS S.A.

The Settlement Agreement under which Repsol S.A., on the one hand, and YPF S.A. and YPF Gas S.A., on the other, have dropped all legal action and/or claims initiated against the other party and waived the right to present claims or demand responsibilities in the future took effect on May 9, 2014 (see Note 9, "*Contingencies and guarantees*").

On 9, 13 and 22 of May 2014, Repsol agreed with JP Morgan Securities several transactions relating to the sale of the whole portfolio of bonds delivered by the Republic of Argentina as means of payment of the compensation for the expropriation of the controlling stake in YPF and YPF Gas, for a total amount of USD4,997 million. These sales implied the extinguishment of the debt payable by the Argentine Republic.

<u>Accounting treatment</u>

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, upon entry into force and full effectiveness of the Agreement, the shares corresponding to 51% of YPF S.A. and YPF GAS S.A. were derecognized and a pre-tax loss of €42 million, relating to the cumulative effect of the trend in the dollar/euro exchange rate previously registered under "*Adjustments for changes in value*" in equity, was transferred to profit and loss ("*Net income for the period from discontinued operations*").

As of the same date, the Group recognized USD5,000 million within "*Non-current financial assets*" corresponding to the debt collection right awarded by the Argentine Republic as stated in the Agreement. As a result of the sale to JP Morgan Securities of the entire bond portfolio in a series of transactions arranged on May 9, 13 and 22, this collection right has been cancelled, impacting the income statement by €14 million (pre-tax), which is recognized under "*Impairment and gains (losses) on disposal of financial instruments*" and that includes the inherent costs of the operation. In addition, this bond portfolio has generated a pre-tax finance income of €73 million as a result of exchange gains and interest earned during the holding period.

c) *Repsol Group's unexpropriated shares in YPF, S.A. and YPF GAS, S.A.*

At December 31, 2013, the Group held unexpropriated shares in YPF S.A. and YPF Gas S.A., which were carried under "*Non-current financial assets*", in the amount of €1,177 million.

On May 7, Repsol announced the sale of 46,648,538 ordinary Class D shares of YPF, S.A. in the form of American Depositary Shares (ADSs), representing 11.86% of this investee's share capital, to Morgan Stanley & Co for USD1,255 million.

Elsewhere, in relation to the loan which Banco Santander extended to the Petersen group in June 2008 for its acquisition of shares of YPF S.A. and which was guaranteed by Repsol, on May 8, 2014, Repsol executed the pledge over the 1,887,362 ordinary Class D shares, in the form of ADSs and representing 0.48% of YPF S.A. which had been pledged as counter guarantee. These shares were sold to institutional investors, on May 12, 2014 for USD56 million.

Finally, Repsol sold 150,000 ordinary Class D shares on the market in the form of American Depositary Shares (ADSs), for USD 5 million.

The above-listed transactions have generated a pre-tax gain of €453 million, which has been recorded under "*Impairment and gains (losses) on disposal of financial instruments*" of the Financial Result, at the difference between the sale price and the historic value at the expropriation date, previously registered in equity under "*Adjustments for changes in value*".

At June 30, 2014, the Repsol Group owned 155 ordinary Class D YPF S.A. shares and 59,839,034 shares of YPF GAS S.A. with a carrying amount of €11 million.

d) Investments accounted using the equity method

The details of the investments, accounted for using the equity method and the results in each of the periods is as follows:

	Carrying amount of the investment		**Share of profit/(loss) by integration**	
Millions of euros	06/30/2014	31/12/2013	06/30/2014	06/30/2013
Gas Natural Fenosa Group [1]	4,503	4,358	279	234
Repsol Sinopec Brasil [1] [2]	3,724	3,605	84	(38)
Petroquiriquire [1]	723	749	70	42
YPFB Andina [1]	405	434	51	51
BPRY [1]	308	295	75	85
Petrocarabobo	130	115	3	4
Other companies and gain/(losses) on disposals[3]	859	784	117	26
	10,652	**10,340**	**679**	**404**

(1) These jointly controlled entities were accounted for using the proportionate method of consolidation at December 31, 2013.
(2) Includes Repsol Sinopec Brasil, S.A., Repsol Sinopec Brasil B.V., Guará B.V. and Agri Development, B.V.
(3) Includes the gain on the sale of TGP.

e) Non-current assets and liabilities held for sale

Regarding assets and liabilities classified as held for sale at December 31, 2013 and that have been sold during the first half of 2014, see Note 2 "*Changes in the Group's composition*" section.

f) Equity

1. Share capital and reserves

On March 28, 2014, Repsol’s Annual Shareholders’ Meeting under item nineteen on the agenda, authorized the Board of Directors to increase the share capital on one or more occasions and at any time within 5 years, through monetary contributions and a maximum nominal amount of 662 million euros, equivalent to half of the share capital at the date of adoption of the agreement

On March 28, 2014, Repsol’s Annual Shareholders’ Meeting approved, under items five and six of the agenda, two paid-up capital increases for articulation of the shareholder remuneration scheme called “Repsol Flexible Dividend”, in substitution of the traditional payment of the 2013 final dividend and 2014 interim dividend. Under this scheme, shareholders can chose if they prefer to receive their compensation in cash (by selling their free-of-charge allocation rights in the market or to the Company) or in Company shares.

The first paid-up capital increase was executed between June and July. The key characteristics are detailed below:

- The free-of-charge allocation rights were traded on the Spanish Stock Exchanges between and including June 19 and July 4, 2014. The deadline granted to the shareholders to sell their rights to Repsol at a guaranteed price ended on June 27.

- Holders of 75.84% of the free-of-charge allocation rights (a total of 1,004,498,391 rights) chose to receive new-issue shares of Repsol in the proportion of 1 new share for every 39 rights held, resulting in the issuance of 25,756,369 new shares of €1 par value, which meant an increase of 1.94% over the figure of capital prior to the increase.

- On the other hand, the holders of 24.16% of the free-of-charge allocation rights (320,107,594 rights), accepted the irrevocable commitment assumed by Repsol to purchase rights at a fixed price of €0.485 (gross) per right. Accordingly, Repsol acquired the above mentioned rights for a total amount of €155 million and waived the shares corresponding to the free-of-charge allocation rights acquired by virtue of the above mentioned purchase commitment.

- This capital increase was closed on July 7, 2014. The new shares began to trade on the Madrid, Barcelona, Bilbao and Valencia stock exchanges through the Spanish Automated Quotation System (Mercado continuo, by its name in Spanish) on July 16, 2014. Repsol had also applied for the listing of the new shares in the Buenos Aires Stock Exchange.

Subsequent to the capital increase, Repsol, S.A.'s share capital amounted to €1,350,272,389 fully subscribed and paid up, consisting of 1,350,272,389 shares with nominal value of 1 euro each.

This capital increase was registered with the Commercial Registry of Madrid prior to the approval of these interim condensed consolidated financial statements, and, accordingly, was recognized in the Group financial statements with accounting effects June 30, 2014, in compliance with prevailing accounting regulation.

According to the latest information available at the time of issuance of these condensed consolidated interim financial statements, the significant shareholders of Repsol, SA are:

Significant shareholders	% of total share capital Based on latest available reports
Fundación Bancaria Caixa d'Estalvis y Pensions de Barcelona (1)	11.90%
Sacyr, S.A.(2)	9.05%
Temasek Holdings (Private) Limited (3)	6.14%
Blackrock, Inc. (4)	3.09%

(1) Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona holds its interest through CaixaBank, S.A., a company in which it in turn has a 58.844% shareholding.
(2) Sacyr, S.A. holds its shareholding through Sacyr Participaciones Mobiliarias, S.L.
(3) Temasek holds its investment through its subsidiary, Chembra Investment PTE, Ltd.
(4) Blackrock holds its interest through several controlled subsidiaries, all of which are subject to a same voting policy.

On June 3, 2014 Petroleos Mexicanos (PEMEX) ceased to be significant shareholder of the Group as a result of the sale of the shares of Repsol, SA representing 7.86% of the share capital at that date.

2. Treasury shares and own equity instruments

Under the framework of the 2014 Share Acquisition Plan approved at the Annual Shareholders' Meeting held on May 31, 2012, during the first six months of 2014, the Group acquired a total of 199,839 shares, at a cost of €3.7 million. These shares have been delivered to the employees of the Repsol Group participating in the plan. In the same period of the previous year, under the framework of the 2013 Share Acquisition Plan, the Company acquired a total of 205,785 shares, at a cost of €3.5 million. These shares were delivered to the Repsol Group employees participating in the plan.

Aditionally, with respect to the completion of the first cycle Loyalty Plan (2011-2014), 57,146 shares were acquired and delivered to employees of Repsol Group at a cost of €1.2 million.

During the first six months of 2014, the Group acquired 2,338,141 treasury shares amounting to €43.9 million. During the same period, the Group sold 3,034,011 treasury shares amounting to €58.5 million. Lastly, 600,000 treasury shares were disposed of as a consequence of options on treasury shares, amounting to €11 million.

In addition, during the first six months of 2013, the Group acquired 2,579,733 treasury shares amounting to €43 million. During the same period, the Group sold 969,036 treasury shares amounting to €16.7 million. Lastly, 377,500 treasury shares were disposed of as a consequence of options on treasury shares, amounting to €7 million.

In July 2014, due to the capital increase described in section 1. "*Share capital and reserves*", the Group received a total of 7,781 new shares corresponding to the shares held as treasury stock.

At June 30, 2014, the treasury shares held by Repsol and/or other companies within the Group, represented 0.011% of its share capital recognized on that same date.

3. Earnings per share

At June 30, 2014 and 2013 earnings per share were the following:

Millions of euros	2014	2013
Net income attributable to the parent [1]	1,327	901
Weighted average number of outstanding shares at June, 30 (shares)	1,349,453,429	1,327,594,713

Earnings per share attributed to parent *(Euros)*	**2014**	**2013**
Basic EPS [2]	0.98	0.68
Diluted EPS [2]	0.98	0.68

(1) Includes net income from discontinued operations of €268 and €216 million euros in the first six months of 2014 and 2013, respectively.

(2) Includes earnings per share corresponding to income from discontinued operations of €0.20 and €0.16 in the first six months of 2014 and 2013, respectively.

Outstanding issued share capital at June 30, 2013 amounted to 1,282,448,428 shares. However, the weighted average number of shares outstanding at that date had been restated compared to that used to calculate the profit per share in the interim condensed consolidated financial statements at June 30, 2013 to include the effect of the capital increase as part of the compensation scheme to shareholders known as the "Repsol Flexible Dividend" (see section f), "*Equity - 1. Share capital and Reserves*") in accordance with the applicable accounting regulations.

g) Impairment of assets

Repsol performs a valuation of its intangible assets, its property, plant and equipment, and other non-current assets, as well as its goodwill, at least annually, or whenever there are indicators that the assets have become impaired, to determine whether there is an impairment loss.

During the first half of 2014, the field operator reviewed the development plan in place for the non-conventional assets at the Mississippian Lime (Mid-Continent) field located in the states of Kansas and Oklahoma in the US, which are part of the Upstream segment. The Repsol Group, based on the new development plan and applying prudent financial criteria, have adjusted the accounting value of the mentioned assets and recognized a €223 million pre-tax impairment loss under "*Impairment losses recognized and losses on disposal of non-current assets*".

h) Revenue by geographical area

The breakdown of revenue (corresponding to "*Sales*" and "*Services rendered and other income*" in the accompanying income statement), by geographical area based on the destination market, is as follows:

	Millions of euros	
Geographical area	**06/30/2014**	**06/30/2013 [1]**
Spain	12,340	12,242
Other European Union countries	3,655	3,304
Other OECD countries	3,265	2,646
Other countries	4,449	5,202
TOTAL	**23,709**	**23,394**

(1) Includes the necessary modifications with respect to the interim condensed consolidated financial statements for the six-month period ended June 30, 2013 (see Note 2 "*Comparison of information*") in relation to the application of IFRS 11 and the sale of part of the LNG assets and businesses.

i) Other operating income.

On April 1, 2014, Repsol, S.A. and Naturgas 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. USD95 million in two installments. As a result, in the first half of 2014 the Group recognized a pre-tax gain of €69 million under "*Other operating income*". As of June 30, 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 €45 million (see "*Litigation*" section in Note 9 in this document).

j) Net income from discontinued operations

The table below provides a breakdown by nature of "*Net income for the period from discontinued operations after tax"*:

		Millions of euros	
	Note	**06/30/2014**	**06/30/2013**
Operating revenue		-	1,201
Operating expenses		(35)	(979)
Operating income		**(35)**	**222**
Financial result		(2)	(19)
Share of results of companies accounted for using the equity method-net of tax		-	72
Net income from discontinued operations before taxes		**(37)**	**275**
Tax expense corresponding to net income from discontinued operations before tax		4	(59)
Net income from discontinued operations after taxes		**(33)**	**216**
After-tax gain on the sale of the LNG assets	**2**	**329**	**-**
After tax gain/(loss) on the valuation of assets classified as non-current assets held for sale subject to expropriation	**3**	**(28)**	**-**
NET INCOME FROM DISCONTINUED OPERATIONS AFTER TAXES		**268**	**216**
Net income for the period from discontinued operations attributable to minority interests		-	-
NET INCOME FROM DISCONTINUED OPERATIONS ATRIBUTTABLE TO THE PARENT		**268**	**216**

(4) SEGMENT REPORTING

The organizational structure of the Group and its 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.

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, 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 June 30, 2014, the operating segments of the Group are:

- *Upstream,* corresponding to oil and gas exploration and development of crude oil and natural gas reserves.
- *Downstream*, corresponding to (i) refining, sales activities for oil products, chemical products and liquefied petroleum gases, (ii) commercialization, transport and regasification of natural gas and liquefied natural gas (LNG), and (iii) renewable energy generation projects; and
- *Gas Natural Fenosa*, though 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 businesses fully consolidated entities. To this end, all the operating segment disclosures include, in proportion to the Group's respective ownership interest, the figures corresponding to its joint ventures or other companies managed as such.

Repsol Group made the decision in 2014, prompted by the business reality and in order to make its disclosures more comparable with those in the sector, to disclose the recurring net operating profit of continuing operations at current cost of supply (CCS) after tax as a measure of the result of each segment ("Adjusted Net Income"), which excludes both non-recurring net income1 and the inventory effect.

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

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 are only included 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:

Adjusted operating revenue from continuing operations by segment

	Millions of euros					
	Operating revenue from customers		Operating revenue inter segments		Total operating revenue	
Segments	**06/30/2014**	**06/30/2013**	**06/30/2014**	**06/30/2013**	**06/30/2014**	**06/30/2013**
Upstream	1,427	1,723	692	848	2,119	2,571
Downstream	23,196	22,602	3	3	23,199	22,605
Gas Natural Fenosa	-	-	-	-	-	-
Corporate and adjustment	6		9	2	15	2
(-) Inter-segment adjustments and eliminations of operating income [1]	(704)	(853)	-	-	(704)	(853)
TOTAL [2]	**23,925**	**23,472**	**704**	**853**	**24,629**	**24,325**

NOTE: The adjusted operating revenue has been prepared on the basis of the above-mentioned criteria. The figures corresponding to the six-month period ended June 30, 2013 have been modified with respect to the interim condensed 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 the six month periods ended June 30, 2014 and 2013 includes revenue corresponding to other companies operated under equivalent joint control arrangements of €920 and €931 million, respectively.

Adjusted net income by segment

	Millions of euros	
SEGMENTS	**06/30/2014**	**06/30/2013**
Upstream	400	634
Downstream	452	350
Gas Natural Fenosa	282	253
Corporate and adjustments	(212)	(312)
Total operating income pertaining to the reported segments	**922**	**925**
Other results		
Equity effect	(54)	(153)
Non-recurring items	191	(87)
Net income attributable to minority interests	10	(16)
Income Tax		
Income Tax	250	285
NET INCOME BEFORE TAX	**1,319**	**954**

NOTE: The adjusted net income has been calculated on the basis of the above-mentioned criteria. The figures corresponding to the six-month period ended June 30, 2013 have been modified with respect to the interim condensed consolidated financial statements for that period to enable a comparable analysis.

The breakdown of capital employed by operating segment is as follows:

	Millions of euros	
Capital employed	**06/30/2014**	**31/12/2013**
Upstream	10,050	9,526
Downstream	12,435	12,020
Gas Natural Fenosa	4,503	4,357
Corporate and adjustments	2,358	1,711
Total capital employed by segment	**29,346**	**27,614**

NOTE: The 'capital employed' have been prepared on the basis of the above-mentioned criteria and include capital corresponding to joint businesses, the corresponding items in non-current non-financial assets, working capital and other non-financial liability headings.

(5) DISCLOSURES OF FINANCIAL INSTRUMENTS BY NATURE AND CATEGORY

a) Financial assets

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

	Millions of euros	
	06/30/2014	**12/31/2013 [(1)]**
Non-current financial assets	520	1,888
Other current financial assets	1,616	354
Current derivatives on trading transactions [(2)]	59	24
Cash and cash equivalents	6,845	5,716
	9,040	**7,982**

(1) Includes the necessary modifications with respect to the 2013 consolidated financial statements (see Note 2 *"Comparison of information"*) in relation to the application of IFRS 11.
(2) Recognized under the "*Other receivables*" on the balance sheet.

The detail by type of assets of the Group's financial assets by categories as of June 30, 2014 and December 31, 2013, is as follows:

Millions of euros	June 30, 2014						
Nature/Category	**Financial assets held for trading**	**Other financial assets at fair value through profit or loss**	**Financial assets available for sale**	**Loans and receivables [(3)]**	**Held to maturity investments**	**Hedging derivatives**	**Total**
Equity instruments	-	-	60	-	-	-	60
Derivatives	-	-	-	-	-	-	-
Other financial assets	-	86	-	372	2	-	460
Long Term / Non-current	**-**	**86**	**60**	**372**	**2**	**-**	**520**
Derivatives	70	-	-	-	-	-	70
Other financial assets	-	11	-	1,605	6,834	-	8,450
Short term / Current	**70**	**11**	**-**	**1,605**	**6,834**	**-**	**8,520**
TOTAL [(2)]	**70**	**97**	**60**	**1,977**	**6,836**	**-**	**9,040**

	December 31, 2013 [1]						
Nature/Category	**Financial assets held for trading**	**Other financial assets at fair value through profit or loss**	**Financial assets available for sale**	**Loans and receivables [3]**	**Held to maturity investments**	**Hedging derivatives**	**Total**
Equity instruments	-	-	1,223	-	-	-	1,223
Derivatives	-	-	-	-	-	-	-
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 2013 consolidated financial statements (see Note 2 *"Comparison of information"*) in relation to the application of IFRS 11.

[2] The balance sheet headings "*Other non-current assets*", "*Trade receivables*" and "*Other receivables*" include non-current and current trade receivables which have not been included in the financial asset breakdown provided in the table above of €119 million and €5,367 million, respectively in 2014, and €60 million and €4,525 million, respectively in 2013. It does not include.the assets presented under "*Non-current assets held for sale subject to expropriation*" in the balance sheet at December 31, 2013 included in the financial asset disclosures provided in the table above.
[3] The carrying amounts of loans and receivables coincide with their fair value.

The column "*Financial assets available for sale*" under "Equity instruments" at December 31, 2013, includes mainly 6.43% of YPF S.A. shares and 33.997% of YPF Gas S.A. shares held by Repsol and that are not subject to expropriation by the Argentinean government, as well as YPF S.A.´s shares acquired via the execution of the loan pledges granted by the Group and other financial entities to the Petersen Group. As of June 30, 2014, all of the shares in YPF S.A. have been derecognized as a result of the sales described in section c) "*Repsol Group's unexpropriated shares in YPF, S.A. and YPF Gas, S.A.*" of Note 3 "*Description of transactions during the period*".

b) Financial liabilities

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

	Millions of euros	
	06/30/2014	**12/31/2013 [1]**
Non-current financial liabilities	7,222	8,469
Current financial liabilities	6,206	5,833
Current derivatives on trading transactions [2]	146	85
	13,574	**14,387**

[1] Includes the necessary modifications with respect to the 2013 consolidated financial statements (see Note 2 *"Comparison of information"*) in relation to the application of IFRS 11.
[2] Recognized under the heading "*Other payables*" on the balance sheet.

Following is a breakdown of the financial liabilities as of June 30, 2014 and December 31, 2013:

Millions of euros	June 30, 2014				
Nature/Category	**Financial liabilities held for trading**	**Debts and payable items**	**Hedging derivatives**	**Total**	**Fair value**
Bank borrowings	-	1,406	-	1,406	1,406
Bonds and other securities	-	5,747	-	5,747	6,337
Derivatives	-	-	69	69	69
Long term debts / non-current financial liabilities	**-**	**7,153**	**69**	**7,222**	**7,812**
Bank borrowings	-	3,158	-	3,158	3,158
Bonds and other securities	-	2,964	-	2,964	2,975
Derivatives	207	-	23	230	230
Short term debts / current financial liabilites	**207**	**6,122**	**23**	**6,352**	**6,363**
TOTAL [(1)]	**207**	**13,275**	**92**	**13,574**	**14,175**

	December 31, 2013 [(1)]				
Millions of euros	**Financial liabilities held for trading**	**Debts and payable items**	**Hedging derivatives**	**Total**	**Fair value**
Bank borrowings	-	1,282	-	1,282	1,282
Bonds and other securities	-	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	-	2,954	-	2,954	2,954
Bonds and other securities	-	2,826	-	2,826	2,866
Derivatives	136	-	2	138	138
Short term debts / Current financial liabilites	**136**	**5,780**	**2**	**5,918**	**5,958**
TOTAL [(2)]	**136**	**14,193**	**58**	**14,387**	**14,751**

(1) Includes the necessary modifications with respect to the 2013 consolidated financial statements (see Note 2 *"Comparison of information"*) in relation to the application of IFRS 11.

(2) At June 30, 2014 and December 31, 2013 € 1,263 million were shown in the balance sheet under *"Other non-current liabilities"* and €154 million under *"Other payables"* corresponding to finance leases recorded under the amortized cost method and not included in the above table.

b.1) Bank borrowings

During May and June 2014, the Group received funding for three banks totaling €200 million maturing in May and June 2017 (€150 million) and May 2018 (€50 million).The interest rate of this funding is the 3-month Euribor plus a spread of 2.1 for half the nominal and 2.25% for other.

In May 2013, the Group signed a €200 million financing agreement with the European Investment Bank 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.

b.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*") which took place during the interim periods ended June 30, 2014 and 2013:

Millions of euros	Balance at 12/31/2013	(+) Issuances	(-) Repurchases or reimbursement	(+/-) Exchange rate and other adjustment	Balance at 06/30/2014
Bonds and other debt securities issued in the European Union with prospectus	9,957	847	(2,063)	(29)	8,712
Bonds and other debt securities issued outside the European Union.	-	-	-	-	-
TOTAL	**9,957**	**847**	**(2,063)**	**(29)**	**8,712**

Millions of euros	Balance at 12/31/2012	(+) Issuances	(-) Repurchases or reimbursement	(+/-) Exchange rate and other adjustment	Balance at 06/30/2013 [(1)]
Bonds and other debt securities issued in the European union with prospectus	9,875	2,060	(617)	(185)	11,133
Bonds and other debt securities issued outside the European Union	19	-	-	-	19
TOTAL	**9,894**	**2,060**	**(617)**	**(185)**	**11,152**

[(1)] Includes the necessary modifications with respect to the 2013 interim condensed consolidated financial statements and the annual consolidated financial statements (see Note 2 *"Comparison of information"*) in relation to the application of IFRS 11.

Main issues, buybacks and repayments carried out during the first half of 2014

Through its subsidiary Repsol International Finance, B.V. (RIF), the Group has a maximum of €1,500 million Euro Commercial Paper (ECP) Program, arranged on March 26, 2010, which is guaranteed by Repsol S.A. The ECP Program was increased to €2,000 million on October 25, 2010. During the first half of 2014, RIF issued ECP in nominal value by €592 million, USD342 million and GBP5 million, making a total of €847 million. The balance outstanding under this program at June 30, 2014 was €273 million and USD135 million, making a total of €372 million (nominal amounts).

A €1,000 million bond issued by Repsol International Finance, B.V. on March 27, 2009 has matured in March 2014. This bond, which carried a 6.50% coupon, has implied a decline in current financial liabilities and a cash outflow of €1,000 million during the six-month period.

On June 17, 2014, Repsol, S.A. announced the early cancellation of all of the Series I/2013 Simple Bonds issued in 2013 for delivery to the investors accepting its Preference Share Buyback Offer. The cancellation of this liability resulted in the recognition of a €71 million pre-tax loss in the first half of 2014 corresponding to the difference between the bonds' previous carrying amount and their new value as calculated to reflect their early cancellation. In conjunction with payment of the cash due to the holders of the Series I/2013 Simple Bonds, these bonds were derecognized on July 1, 2014, as described in Note 12 "*Subsequent events*".

Main issues, buybacks and repayments carried out during the first half of 2013

On May 28, Repsol International Finance, B.V., with the guarantee of Repsol, S.A. closed a 1,200 million euro 7-year bond at 99.414% issue price, with a coupon of 2.625%, listed on the Luxembourg Stock Exchange. This Bond issue was made under the 10,000,000,000 euro Guaranteed Euro Medium Term Note Program, registered in Luxembourg.

During the first half of 2013, Repsol International Finance B.V. issued €760 million and USD 131 million of commercial paper (ECP) under this program (nominal amounts). The balance outstanding under this program at June 30, 2013 stood at €430 million.

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, linked to the Repurchase Offer (ii) a public Subscription Offer of Series I/2013 Bonds of Repsol, S.A. for those 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 the other shares remain outstanding. The total amount paid by Repsol International Capital Ltd. to those accepting the Repurchase Offer was €2,843 million in cash, €1,458 million were applied to subscribing Repsol's bonds, which were admitted to trading on the AIAF fixedincome market, to be quoted on the Electronic System for Debt Trading (abbreviated SEND in Spanish) on July 2, 2013.

At June 30, 2013, the preference shares whose holders had accepted the Repurchase Offer were recognized at fair value in accordance with the conditions established in the Offers at the amount of €2,766 million, of which €1,385 million, corresponding to the repurchase price not pertaining to the subscription of the bond (475 euros per share) which were reclassified in the short term under “C*urrent bonds and other securities*". As a consequence of this transaction, the effect in the income statement represented a pre-tax profit of €76 million, including the effects related to the hedge transactions.

On July 1, 2013, with the cash disbursement made from those accepting the repurchase price, the repurchased preference shares were derecognized from the balance sheet. Simultaneously, the bonds subscribed by the acceptors of the repurchase were recognized under “*Non-current bonds and other securities*".

The table below details the amounts guaranteed by Group companies in the interim periods ending June 30, 2014 and 2013 for issues, repurchases, or redemptions undertaken by associates, jointly controlled entities (for the percentage not included in the consolidation process) or non-Group companies:

GUARANTEED ISSUES
Millions of euros

	Balance at 12/31/2013	(+) Granted	(-) Cancelled	(+/-) Exchange rate and other	Balance at 06/30/2014
Debt security issues guaranteed by the Group (guaranteed amount)	-	-	-	-	-

	Balance at 12/31/2012	(+) Granted	(-) Cancelled	(+/-) Exchange rate and other	Balance at 06/30/2013
Debt security issues guaranteed by the Group (guaranteed amount)	29	-	(1)	(1)	27

c) Fair Value of financial instruments

The classification of the financial instruments recognized in the financial statements at fair value, at June 30, 2014 and December 31, 2013, is as follows:

Millions of euros

	Level 1		Level 2		Level 3		Total	
Financial assets	**Jun 2014**	**Dec 2013 (1)**	**Jun 2014**	**Dec 2013 (1)**	**Jun 2014**	**Dec 2013 (1)**	**Jun 2014**	**Dec 2013 (1)**
Financial assets held for trading	-	11	70	29	-	-	70	40
Other financial assets at fair value through profit and loss	97	98	-	-	-	-	97	98
Financial assets available for sale (2)	3	1,164	-	-	-	-	3	1,164
Hedging derivatives		-	-	-	-	-	-	-
Total	**100**	**1,273**	**70**	**29**	**-**	**-**	**170**	**1,302**

	Level 1		Level 2		Level 3		Total	
Financial liabilities	**Jun 2014**	**Dec 2013 (1)**	**Jun 2014**	**Dec 2013 (1)**	**Jun 2014**	**Dec 2013 (1)**	**Jun 2014**	**Dec 2013 (1)**
Financial liabilities held for trading	32	34	175	102	-	-	207	136
Hedging derivatives	-	-	92	58	-	-	92	58
Total	**32**	**34**	**267**	**160**	**-**	**-**	**299**	**194**

Financial instruments recognized at fair value were classified at different levels, as described below:
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 2013 consolidated financial statements (see Note 2 *"Comparison of information"*) in relation to the application of IFRS 11.

(2) Does not include €57 and €59 million at June 30, 2014 and December 31, 2013, respectively, corresponding to investments in share of companies accounted at acquisition cost in accordance with IAS 39 or the shares of YPF Gas S.A. not subject to expropriation (see Note 4 "*Expropriation of the Repsol Group's shares in YPF S.A. and YPF Gas S.A."* in the 2013 consolidated annual financial statements).

The valuation techniques used for the instruments classified under level 2, are based on the income approach, in accordance with accounting regulations, which consist of the discount of future cash flows associated with said instruments (implied forward curves offered in the market, are used to estimate said cash flows in derivatives valuation) including adjustments due to 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 volatility of all aforementioned factors. In all cases, market data is obtained from reputed information agencies or correspond to quotes issued by official bodies.

(6) SHAREHOLDER REMUNERATION

The following table details the dividends paid by Repsol, S.A. to its shareholders in the six-month period ended June 30, 2014 and 2013:

	06/30/2014			06/30/2013		
	% of nominal amount	**Euros per share**	**Amount**	**% of nominal amount**	**Euros per share**	**Amount**
Ordinary shares	100%	1.00	1,325	4.00%	0.04	51
Remaining shares (without vote, redeemable, etc)	-	-	-	-	-	-
Total dividends paid				-	-	-
a) Dividends charged to profits	100%	1.00	1,325	4.00%	0.04	51
b) Dividends charged to reserves or share premium issues	-	-	-	-	-	-
c) Dividends in kind	-	-	-	-	-	-

The remuneration received by shareholders in the six-month period ended June 30, 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 remuneration received by shareholders in 2013 includes the payment of a final dividend for 2013 of 0.04 euros per share, paid on June 20, 2013 to each of the outstanding shares of the Company entitled to retribution.

Additionally, the Company's shareholders were also remunerated by means of the denominated "Repsol Flexible Dividend" whose main characteristics are described in section "*f Equity - 1. Share capital and Reserves*" in Note 3 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)
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	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

(7) TAX SITUATION

For the calculation of this period's corporate income tax, the effective tax rate that would be applicable to the total profits expected for the yearly period was used, so that the tax expense for the interim period is the result of applying the estimated average effective tax rate for the year to the result before taxes in the interim period. However, the tax effects derived from occasional events or unique transactions undertaken during the period are fully taken into account in the period.

The effective tax rate for the first half of 2014 applicable to continuing operations was estimated at 39%, which is lower than the estimate for the same period last year (52%), mainly due to a declining business, resulting in a high tax burden on the *Upstream*.

(8) 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. Significant Shareholders: according to the latest information available, the significant shareholders of the Company, deemed related parties of Repsol are:

Significant shareholders	% of share capital at June 30, 2014 (1)
Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona (2)	11.83
Sacyr Vallehermoso, S.A. (3)	9.23
Temasek Holdings (Private) Limited (4)	6.26

(1) Data prior to the close of the paid-up capital increase issue detailed in section *"f) Equity – 1. Share capital and reserves"* of Note 3.
(2) Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona holds its interest through CaixaBank, S.A., a company in which it in turn has a 60.504% shareholding.
(3) Sacyr Vallehermoso, S.A. holds its stake through Sacyr Vallehermoso Participaciones
(4) Temasek holds its stake through Chembra Investment PTE, Ltd.

The data provided in the table above reflect the latest information available to Repsol, S.A. as of June 30, 2014 coming from the most recent information furnished by the "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U." (Securities Registration, Clearing, and Liquidation Systems Management Company, (also referred to as Iberclear) and the information provided by the shareholders to the Company and to the Spanish securities market regulator, the CNMV.

PEMEX ceased to be a significant shareholder on June 3, 2014 as a result of the sale of shares of Repsol, S.A. representing 7.86% of the Company's share capital as of the transaction date. On June 4, 2014, Pemex Internacional 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. Persons, companies or Group entities: includes operations with companies or entities in the Group which have not been eliminated during the consolidation process. These are mainly transactions with integrated companies by the equity method.

Income, expenses and other transactions recorded in six-month period ended June 30, 2014 with related parties were as follows:

EXPENSE AND INCOME Thousands of euros	June 30, 2014			
	Major shareholders	Executive and Directors [1]	Group companies or entities	Total
Financial expenses	16,639	-	16,111	32,750
Transfer of R&D and license agreements	-	-	-	-
Operating leases	699	-	1,085	1,784
Receipts from services	5,342	-	158,109	163,451
Purchase of goods (finished or in progress) [2]	1,514,589	-	3,212,798	4,727,387
Other expenses	4,157	-	399	4,556
EXPENSES	**1,541,426**	**-**	**3,388,502**	**4,929,928**
Financial income	16,283	1	25,161	41,445
Management or cooperation agreements	-	-	2,472	2,472
Transfer of R&D and license agreements	-	-	1	1
Leases	370	-	-	370
Provision of services	4,039	-	982	5,021
Sale of goods (finished or in progress)	47,947	-	346,287	394,234
Other income	232	-	47,344	47,576
INCOME	**68,871**	**1**	**422,247**	**491,119**

OTHER TRANSACTIONS Thousands of euros	June 30, 2014			
	Major shareholders	Executive and Directors[1]	Group companies or entities	Total
Finance agreements: credits and capital contributions (lender)	587	88	1,049,369	1,050,044
Disposal of property, plant and equipment, intangible or other assets	19,413	-	-	19,413
Finance agreements: credits and capital contributions (lessor) [3]	474,867	-	2,386,523	2,861,390
Guarantees given	43,841	-	1,415,349	1,459,190
Guarantees received	30,802	-	106	30,908
Commitments acquired [4]	117,992	-	8,218,403	8,336,395
Cancelled commitments/guarantees	-	-	-	-
Dividends and other profit distributed [5]	552,578	878	-	553,456
Other transactions [6]	1,698,871	-	-	1,698,871

(1) Includes transactions performed with executives and directors not included in Note 11 regarding 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 in the Company.

(2) These purchases include those made under the umbrella of the evergreen oil offtake agreement signed 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.

(3) Includes the drawdown limit of €345 million on credit lines extended by La Caixa.

(4) Corresponds to firm purchase commitments net of firm sales commitments outstanding at the reporting date. Does not include any commitments with PEMEX at June 30, 2014; commitments with PEMEX at June 30, 2013 amounted to €677 million.

(5) The amounts recorded as dividends and other profit distributed to significant shareholders, directors and executives in the table above include the payment of an interim cash dividend of €1 per share against 2014 profit, which was paid out on June 6, 2014, as well as the amounts corresponding to the sale to Repsol, at the guaranteed fixed price, of free-of-charge allocation rights as part of the paid-up capital increase closed in January 2014 under the framework of the remuneration program named "Repsol Flexible Dividend". In contrast, this sub-heading does not include the amounts corresponding to the sale to Repsol, at the guaranteed fixed price, of free-of-charge allocation rights as part of the paid-up capital increase closed in July 2014, which in the case of the significant shareholders amounted to €100 million. Nor does it include the shares acquired as a result of the aforementioned capital increase.

(6) Includes remunerated accounts and deposits in the amount of €1,044 million, exchange rate hedges in the amount of €258 million and interest rate hedges in the amount of €66 million arranged with La Caixa Group.

Income and expenses, as well as other transactions, recorded during the first half of 2013 in respect of transactions with related parties have been as follows:

EXPENSES AND INCOME: Thousands of euros	June 30, 2013 [(1)] Major shareholders	Directors and executives [(3)]	Persons, companies or entities within the Group [(2)]	Total
Finance expenses	19,737	-	21,141	40,878
Transfer of R&D and licenses agreements	-	-	43	43
Operating leases	763	-	1,150	1,913
Receipts from services	5,775	-	219,976	225,751
Purchase of goods (finished or in progress) [(4)]	1,983,587	-	3,806,633	5,790,220
Loss from the removal or sale of assets	-		-	-
Other expenses	4,640	-	7,336	11,976
EXPENSES	**2,014,502**	**-**	**4,056,279**	**6,070,781**
Finance income	13,385	1	18,299	31,685
Management or cooperation agreements	-	-	2,449	2,449
Transfer of R&D and licenses agreements	-		1,725	1,725
Dividends received	-		-	-
Operating leases	670	-	-	670
Services rendered	13,952	-	21,373	35,325
Sale of goods (finished or in progress)	38,248	-	609,497	647,745
Profit from the removal or sale of assets	-	-	115	115
Other income	109	-	71,474	71,583
INCOME	**66,364**	**1**	**724,932**	**791,297**

OTHER TRANSACTIONS Thousands of euros	June 30, 2013 [(1)] Major shareholders	Directors and executives [(3)]	Persons, companies or entities within the Group [(2)]	Total
Finance agreements: credits and capital contribution (lender)	-	46	795,089	795,135
Sale of tangible, intangible or other assets	-	-	-	-
Finance agreements: credits and capital contributions (borrower) [(5)]	430,790	-	2,773,832	3,204,622
Guaranteed given	128,072	-	1,139,616	1,267,688
Guarantees received	15,579	-	46	15,625
Commitments acquired [(6)]	685,453	-	20,264,048	20,949,501
Commitments/ guaranties cancelled	47,418	-	15,385	62,803
Dividends and other distributed profit [(7)]	151,085	30	-	151,115
Other transactions [(8)]	1,071,894	-	-	1,071,894

(1) Includes the necessary modifications with respect to the 2013 interim condensed consolidated financial statements (see Note 2 *"Comparison of information"*) in relation to the application of IFRS 11.

(2) The tables include the transactions performed with the companies forming part of the scope of the sale of the LNG businesses to Shell (see Note 3 of the 2013 consolidated annual financial statements), the most significant of which are: (i) Expenses for services received of €57 million; (ii) Goods purchased for €820 million; (iii) Income from services rendered of €20 million; (iv) Income from the sale of goods of €164 million; and (v) Other income of €21 million.

(3) Includes transactions performed with executives and directors not included in Note 11, 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 in the Company.

(4) These purchases include those made in accordance with the oil purchase agreement signed with the Pemex Group, which amounted to 100,000 barrels per day in 2013.

(5) Includes the drawdown limit of €345 million on credit lines extended by La Caixa.

(6) Corresponds to purchase commitments net of sales commitments outstanding at the reporting date. The column "Persons, companies or entities within the Group" includes commitments with companies forming

part of the scope of the sale of the LNG assets and businesses that were derecognized during the second half of 2013.

(7) The amounts recorded as dividends and other profit distributed to significant shareholders, directors and executives in the table above include the payment of a cash dividend of €0.04 per entitled share (gross), which was paid out on June 20, 2013, as well as the amounts corresponding to the sale to Repsol, at the guaranteed fixed price, of free-of-charge allocation share rights as part of the paid-up capital increase closed in January 2013, under the framework of the remuneration program named "Repsol Flexible Dividend" . In contrast, it does not include the amounts corresponding to the sale to Repsol, at the guaranteed fixed price, of free-of-charge allocation rights as part of the paid-up capital increase closed in July 2013, which in the case of the significant shareholders amounted to €187 million. These rights were recognized as an account payable at June 30, 2013. Nor does it include the shares acquired as a result of the aforementioned paid-up capital increase.

(8) Includes remunerated accounts and deposits in the amount of €411 million, exchange rate hedges in the amount of €374 million and interest rate hedges in the amount of €71 million arranged with La Caixa Group.

(9) CONTINGENCIES AND GUARANTEES

The information herein updates the status of certain legal or arbitration proceedings and guarantees having undergone relevant changes since the preparation of the 2013 consolidated financial statements, in which this information is included under Note 34 "*Contingencies, commitments and guarantees*".

Litigation

Main procedures initiated as a consequence of the expropriation of the Group's shares in YPF S.A. and YPF Gas S.A

In accordance with the commitments assumed by Repsol in the Agreement, Repsol has dismissed, among others, the following legal, administrative and arbitration proceedings, that were described in Note 34 of the audited consolidated financial statements of the Group for the financial year ended 31 December 2013:

- *Arbitration against the Republic of Argentina before the ICSID under the jurisdiction of the Agreement for the Reciprocal Promotion and Protection of Investments between the Spanish kingdom and the Republic of Argentina.*

- *Lawsuit claiming unconstitutionality of the intervention in YPF 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. held by the Repsol Group.*

- *"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.*

- *Lawsuit filed with the New York Southern District Court for the failure of YPF to present form 13D as obliged by the Securities and Exchange Commission (SEC) due to intervention by the Argentinian State.*

Argentina

The following lawsuits to which Repsol is party in Argentina have experienced certain updates, as follows:

- *Claims brought by former YPF employees (Share Ownership Plan) -"Karcz, Miguel Ángel and another against Repsol S.A., YPF S.A.- Argentinian State/Declaratory judgment action".*

  The judge lifted the injunction in place on April 16, 2014. This decision has been appealed by the plaintiff; however, the appeal has not had any effect on the lifting of the injunction as the appeal was granted without suspensory effects.

- *Preliminary injunction filed by López, Osvaldo Federico and others against Repsol, S.A. (Dossier # 4444).*

  On March 18, 2014, the judge dismissed the "amparo" proceedings for the protection of constitutional rights (in the main case) and lifted the injunction stipulating the restriction of any funds which Repsol received as compensation for the expropriation which may have been ordered by the National Court of Appraisals. This decision has been appealed by the plaintiff. On July 7, 2014, the Chamber of Appeals of the Province of Tierra del Fuego rejected the appeal and ratified the Court Of First Instance's decision, dismissing the "Amparo" proceedings, and lifting the injunction.

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

  Currently, the case is set for judicial decision since 10 February 2014, including a motion to render judgment thereon.

Spain

On May 9, 2014, Repsol Butano, S.A. was notified of three sentences issued by the Contentious Administrative Court of the National High Court ("Audiencia Nacional") 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 quarter of 2012 totaling €63.9 million of principal plus the corresponding late payment interest legally due.

In those sentences, the National High Court declares the existence in these cases of the elements that determine the public administration pecuniary liability and also confirms 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.

Even though the State Attorney's Office has announced further appeal in cassation, the fact is that the government did not contend at the National High Court the public administration 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 our claims.

Such reasoning of the National High Court, along with the arguments raised by Repsol Butano to defend its claim, make it highly probable that the abovementioned High Court sentences will be upheld by the Supreme Court.

United States of America

- *The Passaic River / Newark Bay clean up lawsuit.*

  By virtue of the *Settlement Agreement*, the original defendants (except Occidental) obtained some additional protection against future potential litigation. The *Settlement Agreement* was approved by the Court of New Jersey. In January 2014, Occidental appealed the court's ruling approving the aforementioned *Settlement Agreement*; however, this appeal was denied

Guarantees and commitments

In connection with the loan extended by Banco Santander to Grupo Petersen in June 2008, on Repsol enforced on May 8, 2014, in its capacity as guarantor, the pledge over the YPF S.A. shares that had been pledged as counter guarantee (see Note 4 of the 2013 consolidated annual financial statements).

In connection with the sale of the LNG assets to Shell (see Note 2 "*Changes in the Group's composition*"), the Group holds a guarantee given to Gas Natural Fenosa securing performance of its obligations under its supply agreement between Shell Spain LNG SAU (previously Repsol Comercializadora de Gas, S.A.) and Gas Natural SDG.

During the first half of 2014, the Group 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 the use of the drilling unit attributable directly to the Venezuelan government or acts of insurrection or terrorism for up to USD90 million.

During the first half of 2014, the Group committed to invest €254 million to develop the gas production field in Sagari (Block 57), Peru.

(10) AVERAGE HEADCOUNT

The average employee headcount at June 30, 2014 and 2013 was:

	06/30/2014	**06/30/2013** [1]
AVERAGE HEADCOUNT		
Men	16,125	16,094
Women	7,686	7,505
	23,811	**23,599**

[1] Includes the necessary modifications with respect to the 2013 interim condensed consolidated financial statements (see Note 2 "*Comparison of information*") in relation to the application of IFRS 11.

(11) COMPENSATIONS

A) Director and executive compensation

During the first half of 2014 a total of 17 members (16 natural persons and one corporate person) have been, at some point, part of the Board of Directors.

A total of 9 people were members of the Group's Executive Committee during the same period. For reporting purposes, in this section Repsol deems "executive personnel" to be the members of the Executive Committee. This consideration, made purely for reporting purposes, herein, neither substitutes nor sets a benchmark for interpreting other senior management 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 following is a breakdown of compensation paid during the first six months of 2014 to Directors and members of the Executive Committee who at some point during the period held said position. Unless indicated to the contrary, the compensation figures provided for “executives” do not include the compensation accrued in their capacity as directors of Repsol, S.A., as the director compensation disclosures for these individuals is included in the section on “directors”.

The information provided for the interim period of 2013 is prepared using the same criteria for comparative purposes.

DIRECTORS [(1)]

	Thousands of euros	
Compensation:	**06/30/2014**	**06/30/2013**
Fixed compensation	2,017	1,896
Variable compensation	1,350	1,511
Bylaw stipulated remunerations	2,627	2,436
Others [(2)]	333	59
Total	**6,327**	**5,902**

EXECUTIVES

	Thousands of euros	
	06/30/2014	**06/30/2013**
Total compensation received by executives [(2)]	**6,147**	**6,076**

(1) The composition and number of members of the Board of Directors varied between 2013 and 2014.

(2) Includes settlement of the first cycle of the loyalty plan, participation in the share acquisition plans and in-kind benefits received. In-kind benefits include the corresponding payments on account.

In the first half of 2014 the accrued cost of the retirement, disability, and death insurance policies for Board members, including the corresponding tax payments on account, amounts to €206 thousand (€195 thousand in the first half of the previous year); and the contributions to pension plans and long-service bonuses amounts to €149 thousand (€598 thousand for the same period in the previous year).

The contributions made by the Group in the first half of 2014 to the executives' pension plans, the contributions to executives' prevision plans, and insurance policy premiums covering disability and death (in this case including the corresponding tax payments on account) totaled €1,186 thousand (€1,110 thousand in the first half of the previous year).

B) Loyalty plans and share acquisition plans

The following is an update during the first six months of 2014 of Repsol, S.A.'s share plans approved by the Shareholders´ Meeting, and included in the 2013 consolidated financial statements:

i.) “*Loyalty share program*”

Repsol has a “Plan for Delivery of Shares to Beneficiaries of the Pluri-Annual Remuneration Program.”

A total of 218 employees and executives took part in the fourth cycle of the Plan (2014-2017), having acquired a total of 150,271 shares with an average price of €20.7244 per share on May 30, 2014. Consequently, the Group is committed to deliver a maximum of 50,026 shares to those employees who fulfill the Plan requirements after the three year vesting period ends.

During this fourth cycle, the current members of the Executive Committee members had acquired a total of 55,060 shares. Considering the total number of shares acquired during the second cycle (amounted to 131,395 shares) and during the third cycle (amounted to 77,155 shares), Repsol would be committed to delivering 43,795 shares when the second cycle's vesting period ends, 25,716 shares when the third ends and 18,351 shares when the fourth finishes. This commitment is subject to the compliance with the remaining Plan requirements.

At June 30, 2014 personnel expenses totaling €0.7 million in relation to the first, second, third and fourth cycle of the Plan have been recorded, with a balancing entry of *“Retained earnings and other reserves”* in equity. Personnel expenses amounting €0.6 million related to the first three cycles, were recorded in the first half of the prior fiscal year.

Additionally, the first cycle of the plan vested on May 31, 2014. As a result, the rights of 322 beneficiaries to 69,162 shares vested (receiving a total of 57,146 shares net of the payment on account to be paid by the Company). Under the terms of the Plan, the corresponding additional shares, valued at €20.905 per share, were delivered to the beneficiaries on June 5, 2014. In parallel, the rights of the members of the Executive Committee (including those that are also Directors) to 26,537 shares also vested. Net of the withholding retained by the Company, these individuals received a total of 18,594 shares.

ii.) *“Share Acquisition Plan”*

These plans are targeted at executives and employees of the Repsol Group in Spain and are designed to enable those to wishing to receive a portion of their remuneration in Repsol, S.A. shares up to an annual limit equal to the number of shares whose monetary equivalent, in accordance with the current tax legislation in each year and territory, is not considered taxable income for personal income tax purposes.

During the first half of 2014 and 2013, and in accordance with in the information included in Note 3, section *f) “Equity - 2. Share capital and Reserves”*, the Group has purchased 199,839 and 205,785 treasury shares for €3.7 million and €3.5 million respectively, to be delivered to Group employees.

During the first half of 2014, Members of the Executive Committee, in accordance with the terms provided in the Plan, received a total of 290 shares.

The shares to be delivered under both schemes, i) and ii), may consist of directly or indirectly held treasury shares of Repsol, new issuance shares or shares acquired from third parties under agreements entered into to cover the delivery commitments assumed.

(12) SUBSEQUENT EVENTS

On July 1, 2014, the Company redeemed Series I/2013 Simple Bonds ahead of maturity (see section b.2) "*Bonds and other marketable securities*" in Note 5). The bonds were repaid in cash at par, free of charges and in accordance with all the legal terms and conditions stipulated in the Securities Note approved by and registered with the CNMV on June 4, 2013.

Repsol, S.A. paid the bondholders €1,458,191,000 in the form of principal (€500 per bond) and €12,759,171.25 in respect to the ordinary gross coupon (€4.375 per bond).

(13) EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These interim condensed consolidated financial statements are prepared on the basis of IFRSs, as endorsed by the European Union, and Article 12 of Royal Decree 1362/2007 (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 CHANGES IN THE SCOPE OF CONSOLIDATION

a) *Business combinations, other acquisitions and acquisitions of interest in subsidiaries, joint ventures and/or associates*

			(millions of euros)			
Name of the entity (or business activity) acquired/absorbed	**Type of transaction**	**Transaction close date**	**Consideration (net) paid + other costs directly attributable to the business combination**	**Fair value of the equity instruments issued to acquire the acquiree**	**% of voting rights acquired [1]**	**% of total voting rights acquired in the entity post - acquisition**
Repsol Angostura Limited	Constitution	feb-14	-	-	100.0%	100.0%
Repsol Trading Perú S.A.C.	Constitution	mar-14	-	-	100.0%	100.0%
Repsol St. John LNG, S.L.	Constitution	jun-14	-	-	100.0%	100.0%
Repsol Trading Singapore Pte Ltd.	Constitution	jun-14	-	-	100.0%	100.0%
Principle Power Inc.	Increase shareholding	may-14	1	-	0.81%	34.4%

[1] Corresponds to the equity shareholding in the acquired company.

b) *Reduction in interest in subsidiaries, join ventures, and/or associates and other similar transactions [1]*

Name of the entity (or business activity) sold, split or retired	**Type of transaction**	**Effective date of the operation**	**% of voting rights sold or retired**	**% of voting rights acquired in the entity post-acquisition**	**Income / Loss generated (Millions of euros)[3]**
Repsol Comercializadora de Gas, S.A. [2]	Sale	ene-14	100.0%	0.0%	432
Transportadora de Gas del Perú (TGP) [2]	Sale	mar-14	10.0%	0.0%	57
Orisol Corporación Energética, S.A.	Sale	may-14	46.8%	0.0%	-
Algaenergy, S.A.	Sale	jun-14	20.0%	0.0%	-
Kuosol Agrícola S.A.P.I. de C.V.	Sale	ene-14	50.0%	0.0%	-
Repsol YPF Trading y Transporte Singapur, Ltd.	Liquidation	abr-14	100.0%	0.0%	-
Empresa Petrolera Maxus Bolivia, S.A. [4]	Merge	feb-14	100.0%	0.0%	-

NOTE: With respect to the decreases, increases and changes in ownership interests in the Gas Natural Fenosa Group's companies, see this group's consolidated interim financial statements (www.portal.gasnatural.com).

[1] Does not include the companies which are now accounted for using the equity method under IFRS 11.
[2] See Note 2 "Changes in the Group's composition".
[3] Corresponds to pre-tax gains, with the exception of the TGP gain, which is recognized within "*Share of results of entities accounted for using the equity method*" net of taxes.
[4] This company was removed from the consolidation scope in February 2014 in the wake of its merger into Repsol E&P Bolivia, S.A.

APPENDIX II: REGULATORY FRAMEWORK

The information provided in this section constitutes an update designed to reflect significant developments in the regulatory framework applicable to the Group subsequent to authorization of the 2013 consolidated financial statements for issue, as detailed in Appendix III "*Regulatory Framework*".

<u>*Spain*</u>

Liquid hydrocarbons, oil and oil derivatives

The prices of oil derivatives are deregulated, with the exception of LPG which is, under certain circumstances, subject to retail maximum price. The prices of bulk LPG and bottled LPG in cylinders with capacity under 8 kilograms or over 20 kilograms are deregulated.

Spanish Royal Decree-Law 8/2014, of July 4 2014, on urgent measures for growth, competitiveness and efficiency, has had the effect of deregulating the prices of LPG containers with capacity of between 8 kilograms or more and less than 20 kilograms whose tare is no more than 9 kilograms, with the exception of containers holding mixes for LPG fuel purposes.

Under this piece of legislation, the obligation to provide home delivery of containers with loads of between 8 and 20 kilograms incumbent upon the LPG wholesalers with the biggest market shares in the mainland and island territories continues to apply. The list of Bound Operators itemized in the legislation encompasses Repsol Butano, S.A. on the mainland and in the Balearics, DISA in the Canaries and ATLAS in Ceuta y Melilla. In the event that these Operators do not have containers with a tare of over 9 kilograms, the obligation to provide home delivery of LNG at regulated prices will extend to containers with a tare of less than 9 kilograms in the corresponding region.

In addition, the Spanish Royal Decree includes energy efficiency measures including the creation of an Energy Efficiency Fund to which gas and power suppliers, oil product wholesalers and the liquid petroleum gas wholesalers must make an annual contribution, this requirement therefore affecting LPG and fuel.

The retail marketing of LPG can be freely made by any person or entity.

Regulation of the electricity sector in Spain

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, eliminated the financial incentives for new special regime generation plants and for ordinary regime plants using technology akin to the technologies governed by the special regime.

As provided in the Electricity Act, Law 24/2013 of December 26, 2013, enacted on June 6, 2014, the Spanish Cabinet passed 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, cogeneration and waste. The purpose of this legislation is to regulate the legal and financial framework applicable to this business. This new 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.

Lastly, Ministerial Order IET/1045/2014, of June 16, 2014, published in the Official State Journal on June 20, 2014, contains the standard facility remuneration parameters applicable to certain electricity producing facilities that use co-generation, renewable energy sources or waste.

Bolivia

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.

Subsequently, Law No. 466 of December 26, 2013 stipulated that YPFB Andina take the form of a mixed-capital public limited company (abbreviated SAM in Spanish), requiring YPFB to take as many steps as needed to acquire 51% of YPFB Andina, in order to comply with paragraph II of article 363 of the State's Political Constitution.

Given that YPFB currently holds 50.408% of the share capital of YPFB Andina, it will only have to acquire 0.592% of the Company's shares to comply with its obligations under the aforementioned law.

APPENDIX III: RESTATEMENT OF THE 2013 BALANCE SHEET, INCOME STATEMENT AND STATEMENT OF CASH FLOWS

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

Consolidated balance sheet at December 31, 2013

	Millions of euros		
	Stated		Restated [1]
ASSETS	**12/31/2013**	**Change**	**12/31/2013**
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 (see Note 2 *"Basis of presentation"*).

Repsol, S.A. and investees comprising the Repsol Group
Consolidated balance sheet at December 31, 2013

	Millions of euros		
	Stated		Restated [1]
LIABILITIES AND EQUITY	**31/12/2013**	**Change**	**31/12/2013**
NET EQUITY			
Issued share capital	1,324	-	1,324
Share premium	6,428	-	6,428
Legal Reserve	259	-	259
Treasury shares and own equity instruments	(26)	-	(26)
Retained earnings and other reserves	19,785	-	19,785
Total net income attributable to the 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)
ADJUSTMENTS FOR CHANGES IN VALUE	**(526)**	**-**	**(526)**
EQUITY ATTRIBUTABLE TO THE PARENT	**27,207**	**-**	**27,207**
MINORITY INTERESTS	**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 (see Note 2 *"Basis of presentation"*).

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

Consolidated income statement corresponding to the period ended June 30, 2013

	Millions of euros		
	Stated		Restated (1)
	06/30/2013	**Change**	**06/30/2013**
Sales	28,362	(5,455)	22,907
Services rendered and other income	782	(295)	487
Changes in inventories of finished goods and work in progress inventories	(343)	46	(297)
Income from reversal of impariment losses and gains on disposal of noncurrent assets	10	(2)	8
Allocation of grants on non-financial assets and other grants	7	(7)	-
Other operating income	426	(26)	400
OPERATING REVENUE	**29,244**	**(5,739)**	**23,505**
Supplies	(21,904)	3,097	(18,807)
Personnel expenses	(1,018)	189	(829)
Other operating expenses	(3,029)	724	(2,305)
Depreciation and amortization of non-current assets	(1,236)	511	(725)
Impairment losses recognized and losses on disposal of non-current assets	(66)	22	(44)
OPERATING EXPENSES	**(27,253)**	**4,543**	**(22,710)**
OPERATING INCOME	**1,991**	**(1,196)**	**795**
Finance income	69	(16)	53
Finance expenses	(509)	141	(368)
Changes in the fair value of financial instruments	48	1	49
Net exchange gains/ (losses)	(69)	14	(55)
Impairment losses recognized and losses on disposal of financial instruments	76	-	76
FINANCIAL RESULT	**(385)**	**140**	**(245)**
Share of results of companies accounted for using the equity method-net of tax	**74**	**330**	**404**
NET INCOME BEFORE TAX	**1,680**	**(726)**	**954**
Income tax	(717)	(432)	(285)
Net income from continuing operations	**963**	**294**	**669**
Net income from continuing operations attributable to minority	(18)	(34)	16
NET INCOME FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE PARENT	**945**	**(260)**	**685**
Net income for the period from discontinued operations after taxes	**(44)**	**260**	**216**
Net income from discontinued operations attributable to minority interests	-	-	-
NET INCOME FOR THE PERIOD FROM DISCONTINUED OPERATIONS ATRIBUTTABLE TO THE PARENT	**(44)**	**260**	**216**
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT	**901**	**-**	**901**

(1) Includes the necessary modifications with respect to the consolidated condensed interim financial statements for the six-month period ended June 30, 2013 in relation to the application of IFRS 11 and the sale of part of the LNG assets and businesses (see Note 2 *"Basis of presentation"*).

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

Consolidated cash flow statement corresponding to the period ended June 30, 2014

	Millions of euros		
	Stated		Restated [2]
	06/30/2013	**Change**	**06/30/2013**
Net income before tax	**1,680**	**(726)**	**954**
Adjustments to net income:	**1,696**	**(1,036)**	**660**
Depreciation and amortization of non-current assets	1,236	(511)	725
Other adjustments to results (net)	460	(525)	(65)
Changes in working capital	**(158)**	**86**	**(72)**
Other cash flows from operating activities:	**(628)**	**306**	**(322)**
Dividends received	51	119	170
Income tax received / (paid)	(616)	176	(440)
Other proceeds from / (payments for) operating activities	(63)	11	(52)
Cash flows from operating activities [1]	**2,590**	**(1,370)**	**1,220**
Payments for investing activities:	**(1,911)**	**807**	**(1,104)**
Group companies, associates and business units	(157)	27	(130)
Property, plant and equipment, intangible assets and investment properties	(1,553)	683	(870)
Other financial assets	(201)	97	(104)
Proceeds from disvestments:	**377**	**(230)**	**147**
Group companies, associates and business units	137	(3)	134
Property, plant and equipment, intangible assets and investment properties	23	(10)	13
Other financial assets	217	(217)	-
Other cash flows	-	-	-
Cash flows used in investing activities [1]	**(1,534)**	**577**	**(957)**
Proceeds from/ (payments for) equity instruments:	**1,025**	**-**	**1,025**
Acquisition	(37)	-	(37)
Disposal	1,062	-	1,062
Disposals of ownership interests in subsidiaries without loss of control	-	-	-
Proceeds from / (payments for) financial liabilities:	**617**	**(20)**	**597**
Issues	3,950	(1,162)	2,788
Return and depreciation	(3,333)	1,142	(2,191)
Payments for dividends and payments on other equity instruments	**(281)**	**43**	**(238)**
Other cash flows from financing activities:	**(592)**	**112**	**(480)**
Interest payments	(512)	156	(356)
Other proceeds from/ (payments for) financing activities	(80)	(44)	(124)
Cash flows used in financing activities [1]	**769**	**135**	**904**
Effect of changes in exchange rates	(21)	9	(12)
Net increase / (decrease) in cash and cash equivalents	**1,804**	**(649)**	**1,155**
Cash Flows from operating activities from discontinued operations	(11)	446	435
Cash Flows from investment activities from discontinued operations	-	16	16
Cash Flows from financing activities from discontinued operations	(3)	(99)	(102)
Effect of changes in exchange rates from discontinued operations	-	(2)	(2)
Net increase / (decrease) in cash and discontinued operations	**(14)**	**361**	**347**
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	7,693	(2,083)	5,610
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**06/30/2013**		**06/30/2013**
(+) Cash and banks	6,041	(816)	5,225
(+) Other financial assets	1,652	(1,267)	385
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**7,693**	**(2,083)**	**5,610**

(1) Corresponds to cash flows from continuing operations.

(2) Includes the necessary modifications with respect to the consolidated condensed interim financial statements for the six-month period ended June 30, 2013 in relation to the application of IFRS 11 and the sale of part of the LNG assets and businesses (see Note 2 *"Basis of presentation"*).