

Repsol, S.A. and Subsidiaries

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

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

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INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Repsol, S.A.:

Report on the Consolidated Financial Statements

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

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Report on Other Legal and Regulatory Requirements

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

DELOITTE, S.L.

Registered in ROAC under no. S0692



Javier Ares San Miguel

25 February 2015

CONSOLIDATED FINANCIAL STATEMENTS
For the financial year 2014



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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (1) Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 "*Basis of presentation*").
- (2) Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in connection with the paid-up capital increase carried out as part of the shareholder compensation scheme known as the "Repsol Flexible Dividend", detailed in Note 14 "*Equity*" and in accordance with Note 2 "*Basis of preparation*".

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

⁽²⁾ Includes cash flows from continuing operations.

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

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

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APPENDIX

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(1) GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

(2) BASIS OF PRESENTATION

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

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

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

2.1) New standards issued

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

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

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

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

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

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

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

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

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

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

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

⁽¹⁾ Includes cash flows from discontinued operations.

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

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

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

2.2) Comparison of information

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

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

(3) ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Crude oil and gas reserves

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

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

Provisions for litigation and other contingencies

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

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

Calculation of income tax and deferred tax assets

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

Testing assets for impairment and calculating their recoverable amounts

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

⁽¹⁾ US dollar-denominated discount rates.

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

Sensitivity analysis

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

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

(4) CHANGES IN THE GROUP’S COMPOSITION

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

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

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

4.1.1) Expropriated shares

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

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

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

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

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

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

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

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

Accounting treatment

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

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

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

This receivable was cancelled as a result of the sale of the portfolio of bonds with a total price of \$4,997 million delivered to Repsol by the Argentine Republic to settle the Compensation. The interest, expenses and exchange differences associated with the acquisition, holding and sale of these bonds implied a net pre-tax finance gain of €9 million.

4.1.2) *Unexpropriated shares*

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

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

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

4.2) Sale of part of the LNG businesses and assets

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

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

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

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

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

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

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

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

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

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

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

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

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

This transaction generated in 2014 a pre-tax gain of €133 million (amount which includes the exchange historic differences recorded under “*Adjustments for changes in value*” in equity for €3 million) and has been recognized in “*Net income from discontinued operations*” (see Note 25).

4.3) Other divestments

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

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

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

(5) SEGMENT REPORTING

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (1) Investments in equity-accounted investees and the Group's share of these companies' results do not include the figures corresponding to joint ventures and other managed entities operated as such in the amount of €6,237 million (*Upstream*, *Downstream* and Corporation: €6,150, €80 and €7 million, respectively) and €5,599 million (*Upstream*, *Downstream* and Corporation: €5,435, €153 and €1 million, respectively) and €376 million (€377, €2 and -€ million, respectively) and €326 million (€27, €1 and -€ million, respectively) in 2014 and 2013, respectively.
- (2) The adjusted amortization as of December 31, 2014 and 2013 includes charges corresponding to joint ventures and other managed entities operated as such in the amount of €330 million (*Upstream*, *Downstream* and Corporation: €22, €7 and €1 million, respectively) (€488 million; *Upstream* and *Downstream*: €481 and €7 million, respectively in 2013).
- (3) The adjusted net impairment gain/(loss) at December 31, 2013 includes an impairment loss corresponding to joint ventures and other managed entities operated as such of -€7 million, all of which corresponding to in the *Upstream* segment (no adjustment was required under this sub-heading in 2014). In addition, in relation to asset impairment testing, the Group recorded provisions for onerous contracts, as detailed in Notes 8 and 15.
- (4) Includes investments accrued during the period but does not include investments in "Other financial assets". Adjusted operating investments include investments corresponding to joint ventures and other managed entities operated as such in the amount of €1,113 million in 2014 (*Upstream* and *Downstream*: €1,087 and €26 million, respectively) and €1,015 million in 2013 (€1,003 and €12 million, respectively).
- (5) Adjusted income tax includes tax income corresponding to joint ventures and other managed entities operated as such in the negative amount of -€407 million in 2014 (*Upstream* and *Downstream*: €406 and €1 million, respectively) and €376 million in 2013 (all of which corresponding to the *Upstream* segment).
- (6) Includes capital employed corresponding to joint ventures, the non-current, non-financial assets, working capital and other non-financial liability headings. Capital employed does not include discontinued operations in 2013.

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

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

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

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

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

(6) GOODWILL

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

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

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

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

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

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

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

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

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

(7) OTHER INTANGIBLE ASSETS

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

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

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

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

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

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

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

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

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

In 2014 and 2013, intangible assets included €140 million and €17 million, respectively, of asset acquired under finance leases corresponding to service station association rights.

Impairment of “*Other intangible assets*”

In 2014 this heading includes impairment charges recognized against exploratory bonuses in Namibia and the US, allocated to the *Upstream* segment, in the amount of €20 million. In 2013 the Group recognized an impairment loss of €1 million on the assets associated with the North American LNG business under “*Discontinued operations movements*” (see Note 4).

In 2013, the impairment loss recognized on carbon emission allowances in the amount of €6 million as a result of the decline in their value (see Note 30) was offset by the gain recognized as a result of the transfer to profit of deferred income associated with the emission allowances received for no consideration under Spain’s National Allocation Plan.

(8) PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

(4) At December 31, 2014 accumulated impairment charges totaled €1,267 million (€85 million at year-end 2013).

(5) In 2013 this item includes €37 million corresponding to movements in respect of the LNG business operations being sold, mainly the recognition of an impairment loss on the LNG assets in North America (see “*Impairment of Property, plant and equipment*” below).

In 2014, investments were earmarked to the US (€554 million), Spain (€604 million), South America (€116 million), Angola (€181 million) and Russia (€44 million). In 2013, investments were earmarked to the US (€708 million), Spain (€525 million), Central and South America (€326 million), Canada (€62 million) and Norway (€49 million).

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

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

As detailed in Appendix IV, the Repsol Group capitalizes qualifying borrowing costs. In 2014 it capitalized €7 million of borrowing costs at an average capitalization rate of 3.33% (€7 million and 3.70% average capitalized rate in 2013). Capitalized borrowing costs are part of “*Finance expense*” in the accompanying income statement.

The figures corresponding to non-depreciable assets, that is, land and assets under construction, amount, respectively to €26 million and €74 million at December 31, 2014 and €79 million and €77 million at December 31, 2013, respectively.

“*Property, plant and equipment*” includes fully depreciated items with an original carrying amount of €4,412 million and €7,728 million at December 31, 2014 and 2013, respectively.

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

Impairment of “*Property, plant and equipment*”

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

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

- On non-conventional assets at the Mississippian Lime (Mid-Continent) field, located in the states of Kansas and Oklahoma in the US, as a result of the decrease in oil prices and the change in development plans: €19 million (before tax). The discount rate used to calculate the recoverable amount of this asset in 2014 was 7.5%.
- At the Reganne field in Algeria, as a result of the decrease in oil prices: €4 million (before tax). The discount rate used to calculate the recoverable amount of this asset in 2014 was 8.6%.
- In relation to the ongoing Sandía exploratory drill, performed in the Atlantic Ocean off the coasts of Fuerteventura and Lanzarote, where the readings obtained from the prospecting work have revealed an insufficient volume of gas in the area and of insufficient quality for commercially-viable operations: impairment charge against capitalized investments at year-end 2014 of €9 million (before tax).

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

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

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

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

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

(9) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

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

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

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

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

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

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

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

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

⁽²⁾ Corresponds to the net income for the period from continued operations. Does not include "Other comprehensive income" of €60 million (€36 million corresponding to joint ventures and €25 million to associates) and -€405 million (-€16 million corresponding to joint ventures; -€389 million corresponding to associates) in 2014 and 2013, respectively.

Gas Natural Fenosa (GNF) Group

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

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

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

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

Repsol Sinopec Brasil (RSB)

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

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

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

YPFB Andina, S.A.

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

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

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

BPRY Caribbean Ventures, LLC (BPRY)

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

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

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

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

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

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

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

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

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

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

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

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

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

(4) The gain corresponds to goodwill.

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

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

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

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

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

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

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

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

(11) FINANCIAL ASSETS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

⁽²⁾ Does not include €9 million 2014 and 2013, respectively, corresponding to equity investments in companies that are measured at acquisition cost under IAS 39.

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

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

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

11.1) Financial assets held for trading

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

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

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

11.3) Financial assets available for sale

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

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

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

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

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

⁽²⁾ In 2014 this heading corresponds to the sale of all of the unexpropriated shares of YPF S.A. in the amount of €943 million (see Note 4). In 2013 it primarily includes the derecognition upon the sale of the Group’s 3.47% interest in Alliance Oil Company in the amount of €9 million.

⁽³⁾ In 2014 and 2013 this heading mainly reflects the change in the value of the unexpropriated shares of YPF (in 2014, until their sale) and YPF Gas: a loss of €23 million in 2014 and a gain of €607 million in 2013.

11.4) Loans and receivables

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

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

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

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

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

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

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

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

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

11.5) Held to maturity investments

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

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

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

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

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

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

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

(12) INVENTORIES

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

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

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

⁽²⁾ Includes provisions for inventory impairment losses of €25 million at year-end 2014 (year-end 2013: €36 million).

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

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

(13) TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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

(14) EQUITY

14.1) Share capital

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14.2) Share premium

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

14.3) Reserves

Legal reserve

Under the Spanish Companies Act, 10% of net income for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

Other reserves

Includes mainly the transition to IFRS reserve, which comprises the adjustments related to the differences between the previous accounting principles and the IFRS, from events and transactions before the transition date to IFRS (January 1, 2004) and all the results created and not distributed as dividends, which had not been recognized in any of the different reserves previously mentioned.

14.4) Own shares and own equity investments

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

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

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

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

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

⁽⁴⁾ In millions of euros.

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

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

14.5) Adjustments for changes in value

The heading includes:

Financial assets available for sale

It comprises the profits and losses, net of the related tax effect, corresponding to changes in the fair value of non-monetary financial assets classified within the category of financial assets available for sale.

Hedging transactions

It comprises the effective part, net of the related tax effect, of changes in the fair value of derivative instruments defined as cash flow hedges (see section 24 of Appendix IV and Note 18).

Translation differences

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

14.6) Shareholder remuneration

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

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

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

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

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

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

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

14.7) Earnings per share

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

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

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

14.8) Minority interests

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

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

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

(15) CURRENT AND NON CURRENT PROVISIONS

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

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

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

⁽²⁾ Includes €05 million corresponding to the effect of discounting provisions to present value in 2014 (€88 million in 2013). Additionally in 2014 this heading also includes provisions for onerous contracts in Canada, Ecuador and Spain for a total €82 million (see Note 8).

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

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

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

⁽⁶⁾ “Other provisions” include provisions recognized to cover obligations deriving mainly from tax claims, legal and arbitration proceedings, employee incentive awards, insurance policies and provisions corresponding to the Group's interests in other entities. Note 21 “Tax situation” and Note 29 “Contingencies, commitments and guarantees” provides additional information on these matters. In addition, this heading includes environmental provisions (see Note 30.2 “Environmental provisions”), the provisions recognized in respect of carbon emission allowances used (see Note 30.5 “CO₂ emissions”), as well as provisions for pension obligations in the amount of €4 million at December 31, 2014.

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

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

(16) FINANCIAL LIABILITIES

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

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

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

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

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

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

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

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

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

⁽³⁾ At year-end 2014 this heading includes €1,414 million corresponding to “Other non-current liabilities” (year-end 2013: €1,263 million) and €76 million corresponding to “Other payables” (year-end 2013: 154 million) related to finance leases carried at amortized cost that are not included in the table above.

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

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

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

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

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

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

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

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

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

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

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

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

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

16.1) Bank borrowings

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

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

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

16.2) Bonds and other securities

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

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

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

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

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

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

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

Key issues, repurchases and redemptions carried out in 2014

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

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

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

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

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

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

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

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

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

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

Key issues, repurchases and repayments carried out in 2013

The Group completed the following issues in 2013:

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

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

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

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

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

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

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

Guaranteed debt security issues

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

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

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

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

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

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

16.3) Other financial liabilities

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

(17) FINANCIAL RISK AND CAPITAL MANAGEMENT

17.1) Financial risk management

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

17.1.1) Market risk

Market risk is the potential loss faced due to adverse movements in market variables. The Group is exposed to several types of market risks: exchange rate risk, interest rate risk and commodity risk.

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

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

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

a) Exchange rate risk

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

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

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

Effect of fluctuations in the euro against the dollar:

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

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

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

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

b) Interest rate risk

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

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

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

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

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

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

c) Commodity price risk

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

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

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

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

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

17.1.2) Liquidity risk

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

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

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

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

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

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

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

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

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

17.1.3) Credit risk

Credit risk is defined as the possibility of a third party not complying with his contractual obligations, thus creating losses for the Group.

Credit risk in the Group is measured and controlled in relation to the customer or individual third party. The Group has its own systems for the permanent credit evaluation of all its debtors and the determination of risk limits with respect to third parties, in line with best practices.

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

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

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

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

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

The maximum exposure to credit risk of the Group, according to the type of financial instruments and without excluding the amounts covered by guarantees and other arrangements mentioned below, is detailed below at December 31, 2014 and 2013:

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

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

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

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

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

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

As a general rule, the Group establishes a bank guarantee issued by the financial entities as the most suitable instrument of protection from credit risk. In some cases, the Group has contracted insurance credit policies whereby this transfers partially to third parties the credit risk related to the business activity of some of their businesses.

Effective third party guarantees extended to the Group for its commercial activity amounted to €3,616 million at December 31, 2014 and €3,361 million at December 31, 2013. Of this amount, trade payables at December 31, 2014 and 2013 covered by guarantees amounted to €15 million and €35 million, respectively.

During 2014, the Group executed guarantees received for an amount of €8 million. During 2013 this figure was €9 million.

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

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

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

17.2) Capital management

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

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

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

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

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

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

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

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

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

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

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

(18) DERIVATIVE TRANSACTIONS

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

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

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

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

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

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

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

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

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

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

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

Accounting hedges

The most significant transactions correspond to:

- Interest rate financial swaps' cash flow hedging entered during the year 2014 to support future issues of financial instruments (see Note 33). Through this hedging, the Group pays an average interest rate of 1.693% and received EURIBOR 6 months. As of December 31, 2014, the notional of these operations amounted to €1,000 million, maturity in 2015 and a negative fair value of €86 million.
- Interest rate financial swaps' cash flow hedging (in dollars) related to the financing of the investment in GNL's project for Canaport, in Canada. Through these transactions the Group pays an average interest rate of 5.28% and received LIBOR 3 months. As of December 31, 2014, the notional of these operations amounted to €325 million, maturity later than 2019, and presented a negative fair value of €90 million. As of December 31, 2013, the notional amounted to €294 million, and presented a negative fair value of €8 million.
- The commodities prices' hedging arranged in 2014 corresponded to cash flow hedging in dollars. Its purpose was to cover the variability of gas prices during the winter of 2014-2015, and the maturity is less than a year. As of December 31, 2014, the notional of these operations amounted to €62 million (3,050,000 MBtu at an average price of \$25/MBtu), and presented a fair value of €25 million.

Other derivative transactions

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

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

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

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

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

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

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

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

(19) OTHER NON-CURRENT LIABILITIES

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

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

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

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

19.1) Obligations under finance leases

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

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

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

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

- On May 15, 2006 the Group signed an agreement with Emera Brunswick Pipeline Company, Ltd. for the transportation of natural gas through a pipeline that connects the Canaport plant with the US border. The agreement has an initial term of 25 years (renewable for up to an additional 30 years). It came into effect in July 2009. At December 31, 2014 and 2013, the amount recognized in this heading was \$477 million (€393 million) and \$498 million (€361 million), respectively.
- In addition, on April 21, 2006 the Group signed an agreement with Maritimes & North East Pipeline for the transportation of Canadian natural gas from the Canadian border to Dracut for an initial term of 25 years (renewable for up to an additional 30 years). The agreement became effective in March 2009. The corresponding liability recognized in this heading at year end 2014 and 2013 amounted to \$1,212 million (€99 million) and \$1,233 million (€94 million), respectively.

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

19.2) Guarantees and deposits

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

(20) TRADE PAYABLES AND OTHER PAYABLES

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

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

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

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

Information regarding deferrals of payments settled with suppliers.

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

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

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

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

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

(21) TAX SITUATION

Corporate income tax

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

a) In Spain

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

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

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

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

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

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

b) Other countries

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

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

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

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

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

(2) Federal and provincial rate.

(3) Federal rate.

Accrued income tax expense

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

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

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

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

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

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

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

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

This revaluation was eliminated in preparing the 2013 consolidated financial statements under IFRS, giving rise to the recognition of a deferred tax asset of €17 million. The deferred tax asset generated by the increase in the tax base of the affected assets and the one-off 5% tax have been accounted for with a balancing entry of €6 million under "Income tax."

Deferred taxes

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

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

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

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

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

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

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

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

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

Administrative and legal proceedings with tax implications

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

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

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

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

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

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

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

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

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

Bolivia

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

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

Brazil

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

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

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

Canada

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

Ecuador

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

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

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

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

Spain

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

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

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

Trinidad and Tobago

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

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

(22) OPERATING REVENUES AND EXPENSES

Sales and services rendered and other income

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

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

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

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

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

Income includes the following items:

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

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

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

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

Mentioned expenses include the following items:

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

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

Other operating income

On April 1, 2014, Repsol, S.A. and Naturgás Energía Grupo, S.A. agreed the early cancellation of the long-term maritime shipping agreement covering the transport of specific quantities of LNG acquired by Naturgas. In exchange, Naturgás will pay Repsol, S.A. \$95 million in two installments. As a result, the Group recognized a pre-tax gain of €9 million under “Other operating income”. As of December 31, 2014, the amount of €34 million related to the second payment which is expected to be received on April 2015, was outstanding.

In addition, in relation with the application in Spain of bottled LPG regulation, the National High Court recognized Repsol’s entitlement to damages for the losses derived from application of the price formula for the second, third and fourth quarters of 2011 and the first quarter of 2012. This has resulted, in a post-tax gain €3.5 million (see Note 29 “Contingencies, commitments, and guarantees”).

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

Supplies

This heading includes the following items:

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

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

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

Personnel expenses

“Personnel expenses” heading includes the following items:

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

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

Other operating expenses

“Other operating expenses” heading includes the following items:

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

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

Exploration costs amounted to €11 and €133 million in 2014 and 2013, of which €98 and €68 million, respectively, are recognized in the heading “Amortization.”

The expense recognized in the income statement in connection with research and development activities amounted to €7 million in 2014 (€8 million in 2013).

(23) PERSONNEL OBLIGATIONS

a) Defined contribution pension plans

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

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

The annual cost charged to “Personnel expenses” in the consolidated income statement in relation to the defined contribution pension plans detailed above amounted to €4 million in 2014 and €3 million in 2013.

Executives of the Repsol Group in Spain are beneficiaries of an executive pension plan that complements the standard pension plan denominated “Plan de previsión de Directivos” (Management remuneration plan) which covers the participant retirement, disability and death. Repsol makes defined contributions based on a percentage of participants’ salaries. The plan guarantees a fixed return equivalent to 125% the prior year National Consumer Price Index. The plan is instrumented through collective insurances that cover pension obligations, subscribed with an insurance entity. Premiums paid under these policies finance and externalize the Group’s commitments in respect of ordinary contributions, as well as the fixed return mentioned above. The executive (or his/her beneficiaries) becomes entitled to receive the plan benefits in the event of retirement, death or total permanent disability, and under certain other circumstances defined in the plan rules. The cost of this plan recognized under “Personnel expenses” in the 2014 and 2013 consolidated income statement was €4 million, respectively.

b) Defined benefit pension plans

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

c) Medium and long-term incentive plan.

The company has implemented a loyalty building program aimed at senior executives and other persons occupying positions of responsibility in the Group, consisting of medium/long-term incentives as part of their benefit package. The purpose of this program is to strengthen the identification of executives and managers with shareholders' interests, based on the company's medium and long-term earnings sustainability as well as the compliance with the Strategic Plan, while at the same time facilitating the retention by the Group of key personnel.

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

The four plans of this type in force (2011-2014, 2012-2015, 2013-2016 and 2014-2017 incentive plans) are independent of each other but their main characteristics are the same. All four are specific pluri-annual remuneration plans covering the stated years. Each plan is tied to the Group attaining a series of strategic objectives. Fulfillment of the respective objectives entitles the beneficiaries of each plan to receive an amount of variable remuneration at medium term in the first quarter of the year following the last year of the plan. However, in each case, receipt of this incentive payment is tied to the beneficiary remaining in the Group's employ until December 31 of the last year of the plan, except in the special cases envisaged in the terms and conditions of the related plan.

In all cases, the pluri-annual incentive payment, if received, will consist of an amount determined at the time the incentive is granted, to which a first variable coefficient will be applied on the basis of the extent to which the objectives set are achieved, which will be then multiplied by a second variable coefficient tied to the beneficiary's average individual performance under the Target Management scheme during the years used for benchmarking under each incentive program.

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

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

d) Share-based payment plans

i.) "Loyalty Program"

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

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

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

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

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

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

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

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

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

ii.) Share Acquisition Plan

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

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

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

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

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

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

(24) FINANCE INCOME AND EXPENSES

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

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

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

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

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

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

(25) NET INCOME FROM DISCONTINUED OPERATIONS

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

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

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

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

(26) CASH FLOW FROM OPERATING ACTIVITIES

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

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

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

(27) INFORMATION ON RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (7) Corresponds to purchase commitments net of sales commitments outstanding at the reporting date.
- (8) The amounts recorded under "Dividends and other profit distributions" include the amounts corresponding to the sale to Repsol, at the guaranteed fixed price, of bonus share rights as part of the bonus share issues undertaken in January and July 2014 under the framework of the "Repsol Flexible Dividend" scrip dividend program. In contrast, this heading does not include the amounts corresponding to the sale to Repsol, at the guaranteed fixed price, of bonus share rights as part of the bonus share issue closed in January 2015, which in the case of the significant shareholders amounted to €173 million. These rights are recognized as an account payable at December 31, 2014. Nor does it include the Repsol shares subscribed as a result of the aforementioned bonus share issues.
- (9) This heading primarily includes remunerated accounts and deposits in the amount of €1,000 million, exchange rate hedges in the amount of €202 million and interest rate hedges in the amount of €74 million arranged with La Caixa Group.

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

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

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

- (1) Includes the necessary modifications with respect to the consolidated financial statements for the year ended December 31, 2013 in relation to the application of IFRS 11 (see Note 2 “*Basis of presentation*”).
- (2) These tables include the transactions performed with companies luded in the scope of the LNG asset sale agreement with Shell (see Note 4), the most significant amounts being: (i) the purchase of goods in the amount of €1,482 million; (ii) revenue from the sale of goods of €348 million; (iii) expenses incurred in exchange for services received of €17 million; (iv) revenue from provision of services of €40 million; and (v) other income of €40 million.
- (3) Includes transactions performed with executives and directors not included in Note 28, which itemizes the remuneration received by executives and directors, corresponding to the outstanding balance at the reporting date of the loans granted to members of senior management and the corresponding accrued interest, as well as dividend and other remuneration received as a result of holding shares of the Company.
- (4) These purchases include those made under the crude oil purchase contract signed for and indetermined period with the Pemex Group, which amounted to 139,000 barrels per day in 2013. The “*Group, companies or entities within the Group*” column primarily includes goods purchased from the Gas Natural Fenosa (GNF) Group, BPRY Caribbean Ventures, LLC (BPRY) and the Repsol Sinopec Brasil (RSB) Group, joint ventures of the Group (See Note 9), in the amounts of €1,130, €297 and €166 million, respectively.
- (5) This heading includes product sales to the Gas Natural Fenosa (GNF) Group and BPRY Caribbean Ventures, LLC (BPRY), entities consolidated using the equity method (see Note 9), in the amounts of €710 and €28 million, respectively.
- (6) Primarily includes loans extended to Group entities consolidated using the equity method (see Note 11.4), and these entities' undrawn credit lines.
- (7) The “*Significant shareholders*” column includes the drawdown limit of €345 million on credit lines extended by La Caixa. In addition, the “*Group, companies or entities within the Group*” column primarily includes the loan granted by Repsol Sinopec Brasil S.A. to its shareholders (see Note 16.3) and undrawn credit lines with these entities.
- (8) This heading includes €1,385 million corresponding to three guarantees provided by the Group in relation to the lease agreements on three floating platforms entered into by its subsidiary Guar B.V. (see Note 29).
- (9) Corresponds to purchase commitments net of sales commitments outstanding at the reporting date.
- (10) The amounts recorded under “*Dividends and other profit distributions*” include the amounts corresponding to the sale to Repsol, at the guaranteed fixed price, of bonus share rights as part of the bonus share issues undertaken in January and July 2013 under the framework of the “*Repsol Flexible Dividend*” scrip dividend scheme. In contrast, this heading does not include the amounts corresponding to the sale to Repsol, at the guaranteed fixed price, of bonus share rights as part of the bonus share issue closed in January 2014, which in the case of the significant shareholders amounted to €91 million. These rights were recognized as an account payable at December 31, 2013. Nor does it include the Repsol shares subscribed as a result of the aforementioned bonus share issues.
- (11) This heading primarily includes remunerated accounts and deposits in the amount of €500 million, exchange rate hedges in the amount of €99 million and interest rate hedges in the amount of €67 million arranged with La Caixa Group.

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

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

28.1) Remuneration of the members of the Board of Directors

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

a) Due to membership of the Board

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

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

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

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

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

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

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

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

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

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

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

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

Additionally, it should also be noted that:

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

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

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

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

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

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

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

In relation to the abovementioned Loyalty Program, as indicated in Note 23.d) i.), the first cycle of the plan vested on May 31, 2014. Upon vesting, Antonio Brufau became entitled to the receipt of 10,660 shares (before withholdings), valued at a unit price of €20.905 per share, equivalent to the sum of €22,854. Luis Suárez de Lezo became entitled to receive 2,124 shares (before withholdings) at the same valuation, equivalent to a payment of €44,409. Josu Jon Imaz was not a beneficiary of the first cycle of the Loyalty Program and so did not become entitled to any additional shares.

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

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

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

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

d) Due to civil liability insurance premiums

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

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

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

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

28.2) Indemnity payments to executives

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

28.3) Other transactions with directors

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

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

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

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

28.4) Remuneration of executives

a) Scope

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

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

b) Wages and salaries

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

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

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

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

In accordance with the foregoing, total compensation amounted to €2.108 million.

c) Executive welfare plan

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

d) Pension fund and insurance premiums

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

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

e) Advances and loans granted

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

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

28.5) Indemnity payments to executives

The executive officers to which this note is referred to (see Section 4 of this Note) have, in their respective contracts, the right to receive a compensation in the event of termination of their relationship with the company, provided that the termination was not due to a breach of obligations of the such management member, due to retirement, handicap or the employee's voluntary withdrawal not founded in some of the compensable assumptions gathered in the mentioned contracts.

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

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

28.6) Other transactions with executive officers

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

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

(29) CONTINGENCIES, COMMITMENTS, AND GUARANTEES

29.1) Legal and arbitration proceedings

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

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

Argentina

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

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

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

United States of America

The Passaic River and Newark Bay lawsuit.

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

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

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

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

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

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

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

Ecuador

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

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

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

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

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

Spain

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

During 2014, Repsol Butano, S.A. was notified of four sentences issued by the Contentious Administrative Court of the National High Court (Audiencia Nacional) and one issued by the Madrid High Court (Tribunal Superior de Justicia de Madrid) awarding Repsol Butano, S.A. the right of being compensated for the damages caused by the quarterly resolutions issued by the Directorate-General of Energy and Mining Policy determining the maximum retail prices for regulated LPG containers for the second, third and fourth quarters of 2011 and the first, second and third quarter of 2012 totalling €3.5 million of principal plus the corresponding late payment interest legally due.

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

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

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

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

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

29.2) Contractual commitments

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

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

Note: The commitments detailed in the foregoing table are commercial agreements in which fixed total amounts are not stipulated. These commitments were quantified using Repsol's best estimates.

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

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

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

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

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

Note: The commitments detailed in the foregoing table are commercial agreements in which fixed total amounts are not stipulated. These commitments were quantified using Repsol's best estimates.

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

29.3) Guarantees

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

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

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

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

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

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

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

(30) ENVIRONMENTAL INFORMATION

The criteria used to measure environmental costs are established in the “Repsol Safety and Environmental Costs Guide,” which adapts the American Petroleum Institute (API) guidelines to the Group’s operations and technical approach.

It is important to note in this regard that the traditional “bottom-line” solutions for reducing environmental impact are gradually giving way to preventive measures built into processes right from the time the facilities are designed. This sometimes requires the identification of environmental assets through a system of coefficients applied to investment projects and the related property, plant and equipment, per the guidelines expressed in the aforementioned Guide.

30.1) Environmental Assets

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

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

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

The cost includes €91 million of assets under construction at December 31, 2014 and €32 million at December 31, 2013.

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

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

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

It is also worth highlighting the continued progress on two important projects: the comprehensive coastal protection plan in Tarragona (environmental investment amounted to €12 million in 2014) and the fuel quality upgrade project at the La Pampilla refinery in Peru (investment of nearly €4 million).

30.2) Environmental provisions

Repsol recognizes the provisions required to cover the measures aimed at preventing and repairing environmental impact. These provisions are estimated on the basis of technical and economic criteria and are classified under “*Provisions for risks and current and non-current environmental expenses*” under the “Other provisions” column in the table reconciling the movement in provisions in Note 15.

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

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

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

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

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

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

30.3) Environmental Expenses

In 2014 and 2013 environmental expenses amounted to €128 million and €133 million respectively, classified as “Supplies” and “Other operating expenses.” These expenses include €54 million of expenses for the allowances needed to cover CO₂ emissions made in each of 2014 and 2013, although the net impact on the income statement was a net expense of €1 million and €9 million, respectively.

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

30.4) Applicable Framework

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

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

We also continue to highlight the potential impact of:

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

30.5) CO₂ emissions

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

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

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

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

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

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

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

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

(31) STAFF

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

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

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

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

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

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

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

(32) FEES PAID TO THE AUDITORS

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

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

(33) SUBSEQUENT EVENTS

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

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

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

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

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

(34) EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

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

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

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

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

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

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

(1) Consolidation method:

FC: Full consolidation method

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

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

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

(4) Data relating to the consolidated financial statements.

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

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

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

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

(9) This company owns 100% of Repsol Exploration Services, LTD, a company under liquidation domiciled in the Cayman Islands.

(10) This company is the parent of Hunt Pipeline Development Perú, LP, which in turn holds 100% of Hunt Pipeline Company of Peru, Ltd., a dormant company domiciled in the Cayman Islands in the process of liquidation sociedad inactiva

(11) Formerly called SKSOL Lube Base Oils, S.A.

(12) Formerly called Transierra, S.A.

(13) Formerly called Repsol Cuba, S.A.

(14) Formerly called Repsol New Energy Ventures, S.A.

(15) This company holds minority interests in the mutual reinsurance companies Oil Casual Insurance (4.4%) and Oil Insurance, Ltd (1.09%), domiciled in Bermuda.

(16) Investments in joint arrangements that are either not articulated through a financial structure or vehicle that can be separately identified or, being so structured, such vehicle does not limit their rights to the assets or obligations for the liabilities relating to the arrangement.

These investments are held by the Group through investments in fully-consolidated subsidiaries.

(17) Data corresponding to the 2012 annual financial statements duly authorized for issue.

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

Name	Country	Parent Company	Concept	Date	31.12.14			31.12.13		
					Consolidation method ⁽¹⁾	% of Total Ownership		Consolidation method ⁽¹⁾	% of Total Ownership	
						% of Ownership	% of control ⁽²⁾		% equity interest	% of control ⁽²⁾
Repsol Comercializadora de Gas, S.A.	Spain	Repsol Exploración, S.A.	Sale	ene-14	-	-	-	F.C.	100%	100%
Kuosol Agrícola S.A.P.I. de C.V.	Mexico	Kuosol S.A.P.I. de C.V.	Sale	ene-14	-	-	-	(4)	50.00%	100%
Repsol Angostura, Ltd.	Trinidad & Tobago	Repsol Exploración, S.A.	Constitution	feb-14	F.C.	100%	100%	-	-	-
Empresa Petrolera Maxus Bolivia, S.A.	Bolivia	Repsol Bolivia, S.A.	Absorption	feb-14	-	-	-	F.C.	100%	100%
Repsol Trading Perú, S.A.C.	Peru	Repsol Trading, S.A.	Constitution	mar-14	F.C.	100%	100%	-	-	-
Transportadora de Gas del Perú, S.A. (TGP) ⁽³⁾	Peru	Hunt Pipeline Company of Perú, Ltd.	Sale	mar-14	-	-	-	E.M.	10.00%	22.38%
Repsol YPF Trading y Transportes Singapur, Ltd.	Cayman Islands	Repsol Trading, S.A.	Liquidation	abr-14	-	-	-	F.C.	100%	100%
Orisol, Corporación Energética, S.A.	Spain	Repsol Nuevas Energías, S.A.	Sale	may-14	-	-	-	(4)	46.81%	46.81%
Alsugas Gaviota, S.L.	Spain	Repsol Tesorería y Gestión Financiera, S.A.	Acquisition	may-14	F.C.	100%	100%	-	-	-
Repsol St. John LNG, S.L.	Spain	Repsol LNG Holdings, S.A.	Constitution	jun-14	F.C.	100%	100%	-	-	-
Repsol Trading Singapore Pte, Ltd.	Singapur	Repsol Trading, S.A.	Constitution	jun-14	F.C.	100%	100%	-	-	-
Algaenergy, S.A.	Spain	Repsol Nuevas Energías, S.A.	Sale	jun-14	-	-	-	(4)	20.02%	20.02%
Tocado Intemational B.V.	Netherlands	Repsol New Energy Ventures, S.A.	Sale	jul-14	-	-	-	E.M.	20.34%	20.34%
YPFB Andina, S.A.	Bolivia	Repsol Bolivia, S.A.	Decrease shareholding	ago-14	P.C.	48.33%	48.33%	(4)	48.92%	48.92%
Ibilek Car-Sharing Vehículo Eléctrico, S.A.	Spain	Ibil, Gestor de Carga de Vehículo Eléctrico, S.A.	Absorption	sep-14	-	-	-	(4)	50.00%	100%
Saint John Gas Marketing Company	USA	Repsol St. John LNG, S.L.	Constitution	sep-14	F.C.	100%	100%	-	-	-
Repsol Libreville, S.A. avec A.G.	Gabon	Repsol Exploración, S.A.	Constitution	sep-14	F.C.	100%	100%	-	-	-
Saint John LNG Development Company, Ltd.	Canada	Repsol St. John LNG, S.L.	Constitution	sep-14	F.C.	100%	100%	-	-	-
Air Miles España, S.A.	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Decrease shareholding	sep-14	E.M.	24.16%	25.00%	E.M.	25.78%	26.67%
Noroil, S.A.	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Absorption	oct-14	-	-	-	F.C.	96.67%	100%
Repsol Exploración Colombia COL-4, S.A.	Spain	Repsol Exploración, S.A.	Constitution	oct-14	F.C.	100%	100%	-	-	-
Repsol Exploración Nicaragua, S.A.	Spain	Repsol Exploración, S.A.	Constitution	nov-14	F.C.	100%	100%	-	-	-
Calio Holdings, Llc.	USA	Repsol Exploración Venezuela, B.V.	Liquidation	dic-14	-	-	-	F.C.	100%	100%
Societat Catalana de Petrolis, S.A. (PETROCAT)	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Increase shareholding	dic-14	F.C.	87.20%	90.00%	E.M.	43.69%	45.00%
Neol Biosolutions, S.A.	Spain	Repsol New Energy Ventures, S.A.	Sale	dic-14	-	-	-	(4)	50.00%	50.00%
TAPBC Acquisition, Inc.	Canada	Repsol Exploración, S.A.	Constitution	dic-14	F.C.	100%	100%	-	-	-
Windplus, S.A.	Portugal	Principle Power, Inc.	Increase shareholding	dic-14	P.C.	22.56%	91.28%	(4)	23.73%	70.62%
Principle Power, Inc.	USA	Repsol New Energy Ventures, S.A.	Decrease shareholding	dic-14	P.C.	24.71%	24.71%	(4)	33.61%	33.61%
Repsol Lubrificantes e Especialidades Brasil Participações, Ltda.	Brazil	Repsol Lubrificantes y Especialidades, S.A.	Constitution	dic-14	F.C.	100%	100%	-	-	-
Gas Natural Group Companies (several companies)⁽⁵⁾		Gas Natural SDG, S.A.								

(1) Consolidation Method:

F.C. Full consolidation

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

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

(3) See Note 4.

(4) Investments in joint arrangements that are either not articulated through a financial structure or vehicle that can be separately identified or, being so structured, such vehicle does not limit their rights to the assets or obligations for the liabilities relating to the arrangement. These investments are held by the Group through investments in fully-consolidated subsidiaries.

(5) In 2014 the Gas Natural Fenosa Group's scope of consolidation (Note 9) changed as a result of additions, derecognitions and increased and decreased shareholdings in investees (see the 2014 consolidated financial statements of Gas Natural Fenosa).

APPENDIX Ib: MAIN CHANGES IN THE CONSOLIDATION SCOPE FOR THE YEAR ENDED DECEMBER 31, 2013

Name	Country	Parent Company	Concept	Date	31.12.13			31.12.12		
					Consolidation method ⁽³⁾	% of Total Ownership		Consolidation method ⁽³⁾	% of Total Ownership	
						Direct Ownership	% of control ⁽⁴⁾		equity interest	% of control ⁽⁴⁾
Pacific LNG Bolivia, S.A.	Bolivia	Repsol Bolivia, S.A.	Liquidation	ene-13	-	-	-	EM	37.50%	37.50%
Tocado International B.V.	Netherlands	Repsol New Energy Ventures, S.A.	Acquisition	ene-13	EM	20.34%	20.34%	-	-	-
Eurotek	Russia	AR Oil & Gas BV	Decrease shareholding	ene-13	FC	49.01%	100%	FC	100%	100%
MC ALREP, Llc.	Russia	AR Oil & Gas BV	Acquisition	feb-13	FC	49.01%	100%	-	-	-
Kuosol Servicios, S.A. de C.V.	Mexico	Kuosol S.A.P.I. de C.V.	Absorption	feb-13	-	-	-	FC	49.99%	99.98%
Repsol Exploración Gharb, S.A.	Spain	Repsol Exploración, S.A.	Constitution	mar-13	FC	100%	100%	-	-	-
Principle Power Inc.	USA	Repsol New Energy Ventures, S.A.	Acquisition	mar-13	FC	33.61%	33.61%	-	-	-
Principle Power Portugal Unipessoal, Lda.	Portugal	Principle Power Inc.	Acquisition	mar-13	FC	100%	33.61%	-	-	-
Principle Power (Europe), Ltd.	United Kingdom	Principle Power Inc.	Acquisition	mar-13	FC	100%	33.61%	-	-	-
Windplus, S.A.	Portugal	Principle Power Inc.	Decrease shareholding	abr-13	FC	23.73%	70.62%	FC	30.95%	30.95%
Repsol Exploración Guyana, S.A.	Spain	Repsol Exploración, S.A.	Constitution	jun-13	FC	100%	100%	-	-	-
Air Miles España, S.A.	Spain	Repsol Comercial de Productos Petroliferos, S.A.	Increase shareholding	jun-13	EM	25.78%	26.67%	EM	21.75%	22.50%
SC Repsol Targu Jiu SRL	Romania	Repsol Exploración, S.A.	Constitution	jul-13	FC	100%	100%	-	-	-
SC Repsol Baicoi SRL	Romania	Repsol Exploración, S.A.	Constitution	jul-13	FC	100%	100%	-	-	-
SC Repsol Targoviste SRL	Romania	Repsol Exploración, S.A.	Constitution	jul-13	FC	100%	100%	-	-	-
SC Repsol Pitesti SRL	Romania	Repsol Exploración, S.A.	Constitution	jul-13	FC	100%	100%	-	-	-
Repsol Exploración Cendrawasih I, B.V.	Netherlands	Repsol Exploración, S.A.	Constitution	jul-13	FC	100%	100%	-	-	-
Repsol Exploración Gorontalo, B.V.	Netherlands	Repsol Exploración, S.A.	Constitution	jul-13	FC	100%	100%	-	-	-
Repsol Exploración Numfor, B.V.	Netherlands	Repsol Exploración, S.A.	Constitution	jul-13	FC	100%	100%	-	-	-
Algaenergy	Spain	Repsol Nuevas Energías, S.A.	Increase shareholding	jul-13	PC	20.02%	20.02%	FC	20.01%	20.01%
San Andrés Park S.L	Spain	Repsol Comercial de Productos Petroliferos, S.A.	Acquisition	sep-13	FC	96.67%	100%	-	-	-
Bahía Bizkaia Electricidad, S.L. ⁽¹⁾	Spain	Repsol, S.A.	Sale	oct-13	-	-	-	FC	25.00%	25.00%
Albatros S.a.R.L.	Luxembourg	Repsol, S.A.	Constitution	nov-13	FC	100%	100%	-	-	-
Repsol - Gas Natural LNG, S.L.	Spain	Gas Natural SDG, S.A.	Sale	dic-13	-	-	-	FC	65.00%	100%
Perú LNG Company Llc. ⁽¹⁾	USA	LNG Shipping Operation Services Netherland, B.V.	Sale	dic-13	-	-	-	EM	20.00%	20.00%
Perú LNG, S.R.L. ⁽¹⁾	Peru	Perú LNG Company, Llc.	Sale	dic-13	-	-	-	EM	20.00%	20.00%
Atlantic 1 Holdings, Llc. ⁽¹⁾	USA	Repsol LNG Port Spain, B.V.	Sale	dic-13	-	-	-	EM	20.00%	20.00%
Atlantic 2/3 Holdings Llc. ⁽¹⁾	USA	Repsol LNG Port Spain, B.V.	Sale	dic-13	-	-	-	FC	25.00%	25.00%
Atlantic 4 Holdings Llc. ⁽¹⁾	USA	Repsol LNG Port of Spain, B.V.	Sale	dic-13	-	-	-	EM	22.22%	22.22%
Atlantic LNG 2/3 Company of Trinidad&Tobago, Unlimited ⁽¹⁾	Trinidad & Tobago	Atlantic 2/3 Holdings Llc.	Sale	dic-13	-	-	-	FC	25.00%	100%
Atlantic LNG 4 Company of Trinidad&Tobago, Unlimited ⁽¹⁾	Trinidad & Tobago	Atlantic 4 Holdings Llc.	Sale	dic-13	-	-	-	EM	22.22%	100%
Atlantic LNG Co. of Trinidad&Tobago ⁽¹⁾	Trinidad & Tobago	Atlantic 1 Holdings, Llc.	Sale	dic-13	-	-	-	EM	20.00%	100%
Repsol LNG T&T, Ltd. ⁽¹⁾	Trinidad & Tobago	Repsol LNG Port Spain, B.V.	Sale	dic-13	-	-	-	FC	100%	100%
Repsol LNG Port of Spain, B.V. ⁽¹⁾	Netherlands	Netherlands ALNG Holding Company, B.V.	Sale	dic-13	-	-	-	FC	100%	100%
LNG Shipping operation services netherlands B.V. ⁽¹⁾	Netherlands	Repsol Exploración, S.A.	Sale	dic-13	-	-	-	FC	100%	100%
Netherlands ALNG Holding Company B.V. ⁽¹⁾	Netherlands	Repsol International Finance, B.V.	Sale	dic-13	-	-	-	FC	100%	100%
Gas Natural Group companies (several companies) ⁽²⁾		Gas Natural SDG, S.A.								

(1) Companies forming part of the scope of the sale to Shell of the Group's LNG assets and businesses. Bahía Bizkaia Electricidad, S.L. was ultimately sold to BP (Note 31)

(2) The consolidation scope of the Gas Natural Fenosa group changed in 2013, with new companies consolidated, others deconsolidated and increases and decreases in existing shareholdings; none of these changes has a significant impact on the Group's financial statements.

(3) Consolidation Method:

F.C. Full consolidation

P.C. Proportionate Consolidation

E.M. Equity Method

(4) Percentage corresponding to the Parent Company's ownership in the subsidiary.

APPENDIX II: Joint Operations for the year ended December 31, 2014

Name	% Ownership interest ⁽¹⁾	Operator	Activity
Angola			
Block 22	42.86%	Repsol Angola 22 B.V. (sucursal)	Exploration
Block 35	35.71%	ENI West Africa SPA	Exploration
Block 37	28.57%	ConocoPhillips Angola 37 Ltd	Exploration
Algeria			
TFT	30.00%	Groupement TFT	Exploration and Production
Issaouane (TFR)	59.50%	Repsol Exploration Argelia - Sonatrach	Exploration and Production
Reggane	26.25%	Groupement Reggane	Exploration and Production
Sud Est Illizi	52.50%	Repsol Exploration Argelia S.A.	Exploration and Production
Aruba			
Aruba offshore block	35.00%	Repsol Aruba, B.V.	Exploration
Australia			
Block WA48	55.00%	BHP BP	Exploration
Bolivia			
Block San Alberto (2)	50.00%	Petrobras Bolivia S.A.	Exploration and Production
Block San Antonio (2)	50.00%	Petrobras Bolivia S.A.	Exploration and Production
Block Monteagudo (2)	20.00%	Repsol E&P Bolivia S.A.	Exploration and Production
Planta de Compresión de Gas Rio Grande (2)	50.00%	YPFB Andina S.A.	Exploration and Production
Block Charagua	30.00%	Repsol E&P Bolivia S.A.	Exploration
Block Caipipendi	37.50%	Repsol E&P Bolivia S.A.	Exploration and Production
Block Monteagudo	30.00%	Repsol E&P Bolivia S.A.	Exploration and Production
Brazil (3)			
Albacora Leste	10.00%	Petrobras	Production
BM-C-33	35.00%	Repsol Sinopec Brasil S.A.	Exploration
BM-ES-21	10.00%	Petrobras	Exploration
BM-S-50	20.00%	Petrobras	Exploration
BM-S-51	20.00%	Petrobras	Exploration
BM-S-7	37.00%	Petrobras	Exploration
BM-S-9	25.00%	Petrobras	Exploration
Cabiunas	15.00%	Petrobras	Exploration and Production
Floating LNG	16.33%	Petrobras	Exploration and Production
Bulgaria			
Han Asparuh	30.00%	TOTAL	Exploration
Canada			
Canaport LNG Limited Partnership	75.00%	Repsol Canadá Ltd	LNG Regasification
Colombia			
Cravo Norte (4)	22.50%	OXYCOL	Production
Cosecha (4)	70.00%	OXYCOL	Production
Chipirón (4)	35.00%	OXYCOL	Production
Rondón (4)	25.00%	OXYCOL	Production
Capachos	50.00%	Repsol Exploration Colombia Sucursal	Abandoned
El Queso	50.00%	Repsol Exploration Colombia Sucursal	Abandoned
Guaajira OFF-1	50.00%	Repsol Exploration Colombia Sucursal	Exploration
Cebucan	20.00%	Petrobras	Exploration
Catleya	50.00%	Ecopetrol	Exploration
Tayrona	30.00%	Petrobras	Exploration
RC11	50.00%	Repsol Exploration Colombia Sucursal	Exploration
RC12	50.00%	Repsol Exploration Colombia Sucursal	Exploration
Guadual	20.00%	Petrobras	Abandoned
Orquidea	40.00%	Hocol	Abandoned
COL-4	34.34%	Repsol	Exploration
Cuba			
Block 25-29 y 35*36	40.00%	Repsol Cuba Sucursal	Exploration
Ecuador			
Block 16	35.00%	Repsol Ecuador S.A.	Exploration and Production
Block Tivacuno	35.00%	Repsol Ecuador S.A.	Exploration and Production
USA			
Midcontinent	13.44%	Sandridge	Development
Midcontinent	6.38%	Cummings Oil	Development
Midcontinent	5.92%	Empire	Development
Midcontinent	4.75%	Veritas Energy	Development
Midcontinent	4.69%	PetroQuest	Development
Midcontinent	4.43%	Chesapeake	Development
Midcontinent	4.00%	Coffeyville Resources	Development
Midcontinent	3.80%	Fairway Resources	Development

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

Name	% Ownership ⁽¹⁾	Operator	Activity
Midcontinent	3.56%	Red Fork	Development
Midcontinent	3.32%	Eagle Exploration	Development
Midcontinent	3.22%	Plymouth	Development
Midcontinent	2.96%	Range Resources	Development
Midcontinent	2.37%	Chaparral	Development
Midcontinent	2.20%	Atlas Resource	Development
Midcontinent	2.03%	Primexx	Development
Midcontinent	1.76%	D & J Oil	Development
Midcontinent	1.30%	HighMount	Development
Midcontinent	1.29%	Enervest Operating	Development
Midcontinent	1.03%	Midstates	Development
Midcontinent	0.70%	Devon	Development
Midcontinent	0.60%	Comanche	Development
Midcontinent	0.08%	Equal Energy	Development
Midcontinent	0.07%	Wicklund	Development
Midcontinent	0.04%	Triad Energy	Development
Midcontinent	0.01%	Cisco	Development
Alaska	70.00%	Repsol E&P USA Inc	Exploration
Shenzi GOM	28.00%	BHPBilliton	Development
Buckskin GOM	12.50%	Chevron	Exploration
Key Largo	40.00%	Marathon	Exploration
Leon	60.00%	Repsol E&P USA Inc	Exploration
Tiger	12.50%	Chervron USA Inc.	Exploration
Iowa	75.00%	Repsol Louisina Corporation	Exploration
Spain			
Albatros	82.00%	Repsol Investigaciones Petrolíferas, S.A.	Development
Angula	54.00%	Repsol Investigaciones Petrolíferas, S.A.	Development
Barracuda	60.00%	Repsol Investigaciones Petrolíferas, S.A.	Production
Boquerón	62.00%	Repsol Investigaciones Petrolíferas, S.A.	Production
Casablanca	67.00%	Repsol Investigaciones Petrolíferas, S.A.	Development
Casablanca Unit	69.00%	Repsol Investigaciones Petrolíferas, S.A.	Development and Production
Chipirón	98.00%	Repsol Investigaciones Petrolíferas, S.A.	Production
Fulmar	84.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Gaviota I y II	82.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Montanazo	75.00%	Repsol Investigaciones Petrolíferas, S.A.	Production
Rodaballo	69.00%	Repsol Investigaciones Petrolíferas, S.A.	Production
Siroco	60.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Bezana Bigüenzo	40.00%	Petroleum Oil & Gas España, S.A.	Exploration
Rodaballo Concesión	65.00%	Repsol Investigaciones Petrolíferas, S.A.	Development
Canarias	50.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Indonesia			
Seram PSC	45.00%	Black Gold Indonesia LLC	Exploration and Production
East Bula PSC	45.00%	Black Gold East Bula LLC	Exploration and Production
Cendrawasih Bay III	50.00%	NIKO Resources (Cendrawasih Bay III) Limited	Exploration and Production
Cendrawasih Bay IV	50.00%	NIKO Resources (Cendrawasih Bay IV) Limited	Exploration and Production
Cendrawasih I bay block	30.00%	Black Gold Cendrawasih L.L.C.	Exploration
Iraq			
Piramağrun and Qala Dze Blocks	50.00%	Repsol Oriente Medio SA (Suc Kurdistan)	Exploration
Qala Dze	50.00%	Repsol Oriente Medio SA (Suc Kurdistan)	Exploration
Ireland			
Dunquin	25.00%	Exxon	Exploration
Newgrange	40.00%	Repsol Exploration Irlanda SA	Exploration
Liberia			
Block 10	10.00%	Anadarko	Exploration
Libya			
Epsa IV NC115	25.20%	Akakus Oil Operations	Exploration and Production
Epsa IV NC186	19.84%	Akakus Oil Operations	Exploration and Production
Epsa IV NC115 Exploration	40.00%	Repsol Exploracion Murzuq, S.A.	Exploration and Production
Epsa IV NC186 Exploration	32.00%	Repsol Exploracion Murzuq, S.A.	Exploration and Production
Pack 1	60.00%	Repsol Exploracion Murzuq, S.A.	Exploration and Production
Pack 3	35.00%	GDF	Exploration and Production
Area 137	50.00%	Sancor	Exploration and Production
Morocco			
Tánger Larrache	48.00%	Repsol Exploration Marruecos S.A.	Exploration
Mauritania			
TA09	70.00%	Repsol Exploration S.A.	Exploration
TA10	70.00%	Repsol Exploration S.A.	Exploration

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Name	% Ownership interest ⁽¹⁾	Operator	Activity
Namibia			
Block 10	44.00%	Repsol Exploration Namibia PTY Ltd.	Exploration
Nicaragua			
Tyra	20.00%	Noble Energy Nicaragua LTD	Exploration
Isabel	20.00%	Noble Energy Nicaragua LTD	Exploration
Norway			
Licence PL528	6.00%	Centrica	Exploration
Licence PL529	10.00%	ENI Norge	Exploration
Licence PL541	35.00%	Repsol Exploration Norge	Exploration
Licence PL557	40.00%	OMV (Norge)	Exploration
Licence PL589	30.00%	Wintershall Norge	Exploration
Licence PL628	20.00%	Statoil	Exploration
Licence PL640	40.00%	Talisman	Exploration
Licence PL642	40.00%	Repsol Exploration Norge	Exploration
Licence PL644	20.00%	OMV (Norge)	Exploration
Licence PL656	20.00%	E.ON Ruhrgas	Exploration
Licence PL658	50.00%	Dong	Exploration
Licence PL692	40.00%	Repsol Exploration Norge	Exploration
Licence PL704	30.00%	E.ON Ruhrgas	Exploration
Licence PL705	40.00%	Repsol Exploration Norge	Exploration
Licence PL711	40.00%	Repsol Exploration Norge	Exploration
Licence PL721	20.00%	RWE Dea Norge	Exploration
Licence PL750	40.00%	RWE Dea Norge	Exploration
Licence PL763	40.00%	Repsol Exploration Norge	Exploration
Oman			
Zad-2	50.00%	RAK Petroleum	Exploration
Peru			
Batch 57	53.84%	Repsol Exploration Perú Sucursal del Perú	Exploration and Development
Batch 90	50.50%	Repsol Exploration Perú Sucursal del Perú	Exploration
Batch 56	10.00%	Pluspetrol Perú Corporation	Production
Batch 88	10.00%	Pluspetrol Perú Corporation	Production
Batch 76	35.00%	Hunt Oil Company of Perú LLC Sucursal del Perú	Exploration
Batch 103	30.00%	Talisman Petrolera del Perú LLC Sucursal del Perú	Exploration
Batch 109	70.00%	Repsol Exploration Perú Sucursal del Perú	Exploration
Batch 101	30.00%	Talisman Petrolera del Perú LLC Sucursal del Perú	Abandoned
Portugal			
Lagosta	90.00%	Repsol Exploration S.A. (sucursal Portugal)	Exploration
Lagostim	90.00%	Repsol Exploration S.A. (sucursal Portugal)	Exploration
Ostra	65.00%	Repsol Exploration S.A. (sucursal Portugal)	Exploration
Mexilhão	65.00%	Repsol Exploration S.A. (sucursal Portugal)	Exploration
Ameijoa	65.00%	Repsol Exploration S.A. (sucursal Portugal)	Exploration
Camarão	65.00%	Repsol Exploration S.A. (sucursal Portugal)	Exploration
Licence	70.00%	Repsol Exploration S.A. (sucursal Portugal)	Exploration
Romania			
Block 13 Targu Jiu	49.00%	OMV Petrom	Exploration
Baicoi 6000	49.00%	OMV Petrom	Exploration
Targoviste Piscuri Deep	49.00%	OMV Petrom	Exploration
Block 12 Pitesti	49.00%	OMV Petrom	Exploration
Sierra Leone			
SL6	25.00%	Anadarko S.L.	Exploration
SL7	25.00%	Anadarko S.L.	Exploration
Trinidad			
Block 5B	30.00%	BP	Exploration
Venezuela			
Yucal Placer	15.00%	Ypergas	Exploration and Production

NOTE: Does not include the joint ventures managed through the Gas Natural Fenosa Group. That information can be found in that Group's consolidated annual financial statements (www.portal.gasnatural.com)

(1) Corresponds to the shareholding that the ownership company holds of the asset involved in the operation.

(2) Activities or assets operated through YPFB Andina, S.A., joint control company with a participation of the 48.33%.

(3) Activities or assets operated through Repsol Sinopec Brasil, S.A., joint control company with a participation of the 60%.

(4) Activities or assets operated through Occidente de Colombia L.L.C., joint control company with a participation of the 25%.

APPENDIX II: Joint Operations for the year ended December 31, 2013

Name	% Ownership interest (1)	Operator	Activity
Angola			
Block 22	42.86%	Repsol Angola 22 B.V. (sucursal)	Exploration
Block 35	35.71%	ENI West Africa SPA	Exploration
Block 37	28.57%	ConocoPhillips Angola 37 Ltd	Exploration
Algeria			
TFT	30.00%	Groupement TFT	Exploration and production
Issaouane (TFR)	59.50%	Repsol Exploración Argelia - Sonatrach	Exploration and production
Reggane	26.25%	Groupement Reggane	Exploration and production
Sud Est Illizi	52.50%	Repsol Exploración Argelia S.A.	Exploration and production
Bolivia			
Block San Alberto (2)	50.00%	Petrobras Bolivia S.A.	Exploration, development and pr
Block San Antonio (2)	50.00%	Petrobras Bolivia S.A.	Exploration, development and pr
Block Monteagudo (2)	20.00%	Petrobras Bolivia S.A.	Exploration, development and pr
Planta de Compresión de Gas Río Grande (2)	50.00%	YPFB Andina S.A.	Exploration, development and pr
Block Charagua	30.00%	Repsol E&P Bolivia S.A.	Exploration
Block Caipipendi	37.50%	Repsol E&P Bolivia S.A.	Exploration, development and pr
Block Monteagudo	30.00%	Repsol E&P Bolivia S.A.	Exploration, development and pr
Brazil (3)			
Albacora Leste	10.00%	Petrobras	Production
BM-C-33	35.00%	Repsol Sinopec Brasil S.A.	Exploration
BM-ES-21	10.00%	Petrobras	Exploration
BM-S-50	20.00%	Petrobras	Exploration
BM-S-51	20.00%	Petrobras	Exploration
BM-S-7	37.00%	Petrobras	Exploration
BM-S-9	25.00%	Petrobras	Exploration
Cabiunas	15.00%	Petrobras	Gas
Floating LNG	16.33%	Petrobras	Gas
Bulgaria			
Han Asparuh	30.00%	OMV Offshore	Exploration
Canada			
Canaport LNG Limited Partnership	75.00%	Repsol Canadá Ltd	LNG Regasification
Colombia			
Cravo Norte (4)	22.50%	OXYCOL	Production
Cosecha (4)	70.00%	OXYCOL	Production
Chipirón (4)	35.00%	OXYCOL	Production
Rondon (4)	35.00%	OXYCOL	Production
Capachos	50.00%	Repsol Exploración Colombia Sucursal	Abandoned
El Queso	50.00%	Repsol Exploración Colombia Sucursal	Abandoned
Guajira OFF-1	50.00%	Repsol Exploración Colombia Sucursal	Exploration
Cebucan	20.00%	PETROBRAS	Exploration
Catkeya	50.00%	ECOPETROL	Exploration
Tayrona	30.00%	PETROBRAS	Exploration
RC11	50.00%	Repsol Exploración Colombia Sucursal	Exploration
RC12	50.00%	Repsol Exploración Colombia Sucursal	Exploration
Guadual	20.00%	PETROBRAS	Abandoned
Orquidea	40.00%	HOCOL	Abandoned
Cuba			
Block 25-29 y 35*36	40.00%	Repsol YPF Cuba S.A.	Exploration
Ecuador			
Block 16	35.00%	Repsol Ecuador S.A.	Exploration and production
Block Tivacuno	35.00%	Repsol Ecuador S.A.	Exploration and production
Spain			
Albatros	82.00%	Repsol Investigaciones Petrolíferas S.A.	Development
Angula	53.85%	Repsol Investigaciones Petrolíferas S.A.	Development
Barracuda	60.21%	Repsol Investigaciones Petrolíferas S.A.	Producción
Bezana Bigüenzo (6)	100.00%	Petroleum Oil & Gas España S.A.	Exploration
Boquerón (5)	66.45%	Repsol Investigaciones Petrolíferas S.A.	Production
Canarias	50.00%	Repsol Investigaciones Petrolíferas S.A.	Exploration
Casablanca (5)	76.85%	Repsol Investigaciones Petrolíferas S.A.	Exploration and production
Casablanca Unit	68.67%	Repsol Investigaciones Petrolíferas S.A.	Development / Production
Chipirón (5)	100.00%	Repsol Investigaciones Petrolíferas S.A.	Production

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Name	% Ownership interest (1)	Operator	Activity
Fulmar	84.23%	Repsol Investigaciones Petrolíferas S.A.	Exploration
Gaviota I y II	82.00%	Repsol Investigaciones Petrolíferas S.A.	Exploration
Montanazo (5)	92.10%	Repsol Investigaciones Petrolíferas	Production
Rodaballo (5)	73.42%	Repsol Investigaciones Petrolíferas S.A.	Exploration and production
Rodaballo Concesión	65.42%	Repsol Investigaciones Petrolíferas S.A.	Development
Siroco	60.00%	Repsol Investigaciones Petrolíferas S.A.	Exploration
Indonesia			
Seram PSC	45.00%	Black Gold Indonesia LLC	Exploration and production
East Bula PSC	45.00%	Black Gold East Bula LLC	Exploration and production
Cendrawasih Bay II	50.00%	Repsol Exploracion Cendrawasih II B.V.	Exploration and production
Cendrawasih Bay III	50.00%	NIKO Resources (Cendrawasih Bay III) Limited	Exploration and production
Cendrawasih Bay IV	50.00%	NIKO Resources (Cendrawasih Bay IV) Limited	Exploration and production
Cendrawasih I bay block	30.00%	Black Gold Cendrawasih L.L.C.	Exploration
Iraq			
Piramaqun and Qala Dze Blocks	50.00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration and production
Ireland			
Dunquin	25.00%	Exxon	Exploration
Newgrange	40.00%	Repsol Exploración Irlanda SA	Exploration
Kenya			
L5	20.00%	Woodside Energy N.A.	Exploration
L7	20.00%	Woodside Energy N.A.	Exploration
Liberia			
Block 10	10.00%	Anadarko	Exploration
Block 15	27.50%	Anadarko	Exploration
Libya			
Epsa IV NC115	25.20%	Akakus Oil Operations	Exploración y Producción
Epsa IV NC186	19.84%	Akakus Oil Operations	Exploración y Producción
Epsa IV NC115 Exploración	40.00%	Repsol Exploracion Murzuq, S.A.	Exploración y Producción
Epsa IV NC186 Exploración	32.00%	Repsol Exploracion Murzuq, S.A.	Exploración y Producción
Pack 1	60.00%	Repsol Exploracion Murzuq, S.A.	Exploración y Producción
Pack 3	35.00%	GDF	Exploración y Producción
Area 137	50.00%	Sancor	Exploración y Producción
Morocco			
Tánger Larrache (5)	88.00%	Repsol Exploración Marruecos S.A.	Exploration
Mauritania			
TA09	70.00%	Repsol Exploración S.A.	Exploration
TA10	70.00%	Repsol Exploración S.A.	Exploration
Namibia			
Block 10	44.00%	Repsol Exploration Namibia PTY Ltd.	Exploration
Norway			
Licence PL512	25.00%	Det Norske	Exploration
Licence PL541	35.00%	Repsol Exploration Norge	Exploration
Licence PL557	40.00%	OMV (Norge)	Exploration
Licence PL356	40.00%	Det Norske	Exploration
Licence PL529	10.00%	ENI Norge	Exploration
Licence PL589	30.00%	Wintershall Norge	Exploration
Licence PL530	10.00%	GDF Suez E&P Norge	Exploration
Licence PL531	20.00%	Repsol Exploration Norge	Exploration
Licence PL642	40.00%	Repsol Exploration Norge	Exploration
Licence PL644	20.00%	OMV (Norge)	Exploration
Licence PL640	40.00%	Talisman	Exploration
Licence PL656	20.00%	E.ON Ruhrgas	Exploration
Licence PL658	50.00%	Dong	Exploration
Licence PL692	40.00%	Repsol Exploration Norge	Exploration
Licence PL705	40.00%	Repsol Exploration Norge	Exploration
Licence PL711	40.00%	Repsol Exploration Norge	Exploration
Licence PL704	30.00%	E.ON Ruhrgas	Exploration
Licence PL721	20.00%	RWE Dea Norge	Exploration

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Name	% Ownership interest (1)	Operator	Activity
Oman			
Zad-2	50.00%	RAK Petroleum	Exploration
Peru			
Batch 57	53.84%	Repsol Exploración Perú Sucursal del Perú	Exploration and development of F
Batch 39	55.00%	Repsol Exploración Perú Sucursal del Perú	Exploration of Hydrocarbons
Batch 90	50.50%	Repsol Exploración Perú Sucursal del Perú	Exploration of Hydrocarbons
Batch 56	10.00%	Pluspetrol Perú Corporation	Production of Hydrocarbons
Batch 88	10.00%	Pluspetrol Perú Corporation	Production of Hydrocarbons
Batch 76	50.00%	Hunt Oil Company of Perú LLC Sucursal del Perú	Exploration of Hydrocarbons
Batch 103	30.00%	Talisman Petrolera del Perú LLC Sucursal del Perú	Exploration of Hydrocarbons
Batch 109	70.00%	Repsol Exploración Perú Sucursal del Perú	Exploration of Hydrocarbons
Batch 101	30.00%	Talisman Petrolera del Perú LLC Sucursal del Perú	Exploration of Hydrocarbons (ab
Portugal			
Lagosta	90.00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Lagostim	90.00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Ostra	65.00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Mexilhão	65.00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Ameijoa	65.00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Camarão	65.00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Licence	70.00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Romania			
Block 13 Targu Jiu	49.00%	OMV Petrom	Exploration
Block 5 Baicoi	49.00%	OMV Petrom	Exploration
Block 6 Targoviste	49.00%	OMV Petrom	Exploration
Block 12 Pitesti	49.00%	OMV Petrom	Exploration
Sierra Leone			
SL6	25.00%	Anadarko S.L.	Exploration
SL7	25.00%	Anadarko S.L.	Exploration
Trinidad			
Block 5B	30.00%	BP	Exploration
Venezuela			
Yucal Placer	15.00%	Ypergas	Exploration and Production

NOTE: does not include the joint ventures managed by the Gas Natural Fenosa Group. This information can be found in the consolidated annual financial statements of that Group (www.portal.gasnatural.com).

- (1) Corresponds to the shareholding that the ownership company holds of the asset involved in the operation.
- (2) Activities or assets operated through YPFB Andina, S.A., joint control company with a participation of the 48.92%.
- (3) Activities or assets operated through Repsol Sinopec Brasil, S.A., joint control company with a participation of the 60%.
- (4) Activities or assets operated through Occidente de Colombia L.L.C., joint control company with a participation of the 25%.
- (5) Part of the participation over the activity or asset is operated by Gas Natural SDG S.A., joint control company with a participation of the 30.001%.

APPENDIX III: REGULATORY FRAMEWORK

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

Spain

Spain currently has a legislation which implements a liberalization of the Oil Industry, an example of which is the Hydrocarbons Sector Law 34/1998 of October 7, which has been amended by several legislative acts, including the Law 12/2007 of July 2, and implemented through numerous royal decrees and ministerial orders. This Law establishes the criteria for allocating competencies among the General State and Regional Public Administrations.

Law 2/2011, of March 4, on Sustainable Economy, modified the Hydrocarbons Sector Law, establishing binding guidelines for energy planning under criteria designed to contribute to the creation of a safe, cost-effective, economically-sustainable, and environmentally-friendly energy system. It further establishes measures for cutting greenhouse gas emissions and provides for the creation of a carbon allowance trading fund as well as a broad spectrum of measures affecting nearly all segments of the energy sector.

On June 5, 2013 the Official State Gazette (BOE – “Boletín Oficial del Estado,” in Spanish) published Law 3/2013 of June 4, regarding the creation of the National Markets and Competition Commission (CNMC – “Comisión Nacional de los Mercados y la Competencia,” in Spanish) as an overseeing body, charged with the specific duties and tasks relating to supervision and control of regulated markets, which were previously supervised by various National Commissions, amongst them the National Energy Commission and the National Competition Commission.

The aforementioned Law 3/2013 substantially modified the regime controlling corporate transactions in the energy sector. The control function had formerly been part of what was known as the CNE’s public duty no. 14 (“Duty 14”). Law/2013 repeals this duty and assigns it to the Ministry of Industry Energy and Tourism (hereinafter, “Minetur”). The new law devises a new ex post regime with respect to certain transactions by either requiring the buyer to notify Minetur of the execution of certain transactions or by means of the ministry’s power to impose conditions on the business operations of the companies acquired, in so far as energy supply in Spain is deemed threatened.

A novelty of this new control regime is the assimilation of the liquid hydrocarbons sector with the sectors that previously fell under a control regime (electricity and gas). Where the liquid hydrocarbons sector is concerned, its scope encompasses companies that pursue refining activities, pipeline transportation, and storage of petroleum products (related activities), or companies that hold title to said assets. Such assets acquire the condition of strategic assets.

This control regime shall extend to both: (i) active transactions, in which the active subject of the transaction (the acquirer) is an entity from the above-listed energy sectors that is regulated directly or by assimilation, insofar as the transaction has a relevant impact or significant influence on the development of the business activities of the company notifying the transaction; and (ii) passive transactions in which the object or acquiree is an energy company that is regulated directly or by assimilation insofar as the transaction in question delivers “significant influence” over the acquiree’s management.

Within the sector’s regulation, the figures of ‘principal operators’ and ‘dominant operators’ are significant. Under Royal Decree-Law 5/2005, of March 11, the CNE is obliged to publish not only the list of principal operators but also the dominant operators in each market or sector. This duty has been vested in the newly-created CNMC.

Dominant operators are defined as those commanding a share of more than 10% of the corresponding

benchmark market. A principal operator, on the other hand, is the operator ranked among the top five players by market share in the following markets or sectors. Designation as a dominant operator, as far as prevailing legislation is concerned, implies certain regulatory restrictions in the Electricity Sector.

As for the principal operators, Article 34 of Royal Decree-Law 6/2000, of June 23, establishes a series of limitations related to the acquisition of voting rights in the equity of companies qualifying as principal operators and serving on their boards of directors. Specifically, it stipulates that any natural or legal person holding an equity interest of 3% or more in two or more companies that qualify as principal operators in a given market may not exercise the voting rights corresponding to their equity interests in excess of this threshold at more than one company. Nor may such persons appoint, directly or indirectly, members of the board of directors of another principal operator

Liquid hydrocarbons, oil, and petroleum derivatives

Hydrocarbon deposits and underground storage existing on Spanish territory and in the territorial marine subsoil and ocean bottoms which are under Spanish sovereignty are considered public properties.

Research permits are granted by national or regional governments, depending on whether autonomous areas are affected, and exclusive investigation rights are granted for periods lasting six years.

A concession for exploiting hydrocarbon reserves grants the owners exclusive exploration rights for 30 years, renewable for two successive ten-year periods, as well as the right to continue exploration activities in these areas and obtain authorization for stipulated activities, as well as to freely sell the hydrocarbon products they obtain.

Several of the activities falling within the scope of Law 34/1998 may be subject to prior authorizations, permits, and/or concessions. Law 25/2009, of December 22, modifies the Hydrocarbon Act, Law 34/1998 of October 7; this requires, among other aspects, the elimination of the need to obtain prior authorization for natural gas suppliers, LPG wholesalers, bulk LPG retailers, or petroleum product wholesalers, and also establishes the obligation for interested parties to sign a responsibility declaration and issue a notification prior to commencing business operations.

The construction and operation of refining, transportation, and fixed storage facilities is subject to receiving prior authorization, the granting of which requires meeting the relevant technical, financial, environmental, and safety requirements.

Third parties may access transportation and fixed storage facilities of oil products, such as the facilities of Compañía Logística de Hidrocarburos S.A. ("CLH"), on conditions agreed on an objective and non-discriminatory basis.

No physical or legal person may hold, directly or indirectly, ownership of more than 25% of the capital stock of CLH. The aggregate ownership interest in CLH of entities with refining capacity in Spain may not exceed 45% of CLH's capital.

Law 11/2013 of July 26, regarding measures to support entrepreneurs and to stimulate growth and job creation, introduces a number of measures in the wholesale and retail markets for petroleum products intended to increase effective competition in the sector.

In the retail side of the business, Law 11/2013 introduces certain changes to exclusive supply agreements for the distribution of vehicle fuel. Specifically, the term of these agreements is now limited to one year (from five years previously); they can be automatically rolled over for additional one-year periods, for a maximum of three years, if and only if the distributor so desires. The new legislation similarly bans clauses that set, recommend or influence, directly or indirectly, the price at which fuel is sold to the

public.

Lastly, Spanish Law 11/2013 limits growth in the number of fuel supply facilities on the part of wholesalers with provincial markets shares, measured by number of points of sale, of over 30% for a period of five years; the Spanish government may, however, revise this percentage or lift this ban when market trends or the sector business structure so warrants.

Petroleum derivative prices have been liberalized, with the exception of LPG, which is subject, in some cases, to maximum retail prices. The prices of bulk LPG and bottled LPG in cylinders with capacity of under 8 kilograms or over 20 kilograms are deregulated; Royal Decree-Law 8/2014 of July 4, and thereafter Lay 18/2014 of October 15, has also deregulated the prices of containers with a tare weight of no more than 9 kilograms other than containers of LPG mixes intended for use for fuel purposes.

Additionally, this legislation also consolidates users' right to home delivery of containers weighing between 8 and 20 kilograms by obliging the LPG wholesalers with the biggest market shares in the corresponding mainland and island territories to perform this home delivery service. The list of LPG wholesalers so obliged is determined by a resolution issued by the General Directorate of Energy Policy and Mining every three years. The Spanish government is entitled to revise the terms of this obligation every five years and has the power to remove it. The current list of mandatory home suppliers is as follows: Repsol Butano on the mainland and in the Balearics, DISA in the Canaries and Atlas in Ceuta y Melilla.

In the event that the LPG wholesalers subject to this supply obligation do not have containers with a tare weight of over 9 kilograms, the obligation to provide home delivery of LPG at maximum sales prices will extend to containers with a weight of less than 9 kilograms in the corresponding region.

The retail marketing of LPG cylinders may be carried out freely by any natural or legal person.

Natural Gas

Law 12/2007 of July 2, which amended Law 34/1998 on the hydrocarbon sector, and incorporated into Spanish Law the European Parliament Directive 2003/55, incorporates measures for achieving a completely liberalized market. This legislation establishes the framework for eliminating the tariff system and creates the role of the supplier of last resort with ultimate liability for supplying customers lacking sufficient bargaining power. Moreover, these suppliers are subject to a price cap ("last resort tariff"), which is set by Minetur. Business operations in the natural gas sector can be classified into: (i) regulated activities: essentially the transport (including storage, regasification and transport per se) and distribution of natural gas; and (ii) deregulated activities: production, acquisition and retailing of natural gas. The first require prior administrative authorization, their remuneration is regulated and are subject to specific obligations. On the contrary, the latter activities are not regulated, and are therefore not subject to administrative intervention.

Prevailing legislation stipulates functional unbundling (separation) obligations which imply accounting unbundling, in order to prevent cross subsidies and increase toll royalty and tariff calculation transparency, legal unbundling, by means of separate companies, and also separation of regulated activities by requiring them to operate independently of the other companies in their consolidated groups.

In accordance with European Union directives, the distribution of natural gas is fully deregulated in Spain, which means that all Spanish consumers are qualified consumers and are accordingly free to choose their natural gas provider since January 1, 2003. The construction, operation, modification and closing of basic network and carrier network facilities require prior government authorizations.

Enagás, S.A., the Natural Gas System Operator, is responsible for the coordinating and ensuring that the

system works properly. Law 12/2007 limits equity ownership interests in Enagás, S.A. to 5%, caps voting rights at 3% as a general rule, although this cap falls to 1% in the case of companies carrying out business activities related to the gas sector and; in any case, the aggregate ownership interest of shareholders whose business activities relate to the gas sector cannot exceed 40%.

Royal Decree Law 13/2012, of March 30, transposes into Spanish legislation Directive 2009/73/EC of the Parliament and of the Council of July 13, 2009, introduces the concept of separation of ownership of assets, which is understood to be a situation in which the network owner is appointed network controller and is separate from any company with interests in its production and supply.

The abovementioned Royal Decree Law also implements Directive 2009/28/EC of the Parliament and of the Council, of April 23, 2009, on the promotion of the use of energy from renewable sources and amends and repeals Directives 2001/77/EC and 2003/30/EC.

Minimum stock for security

Royal Decree 1766/2007, partially amending Royal Decree 1716/2004, regulates the obligation to maintain a minimum stock in the oil and natural gas sectors, the obligation to diversify the natural gas provisions and the activities of the Corporation of Strategic Reserves of Petroleum Products (CORES for its acronym in Spanish).

The obligation to maintain minimum stocks of oil and gas products for security reasons, excluding LPG, currently requires storing at all times an amount equivalent to 92 days of sales based on the sales during the previous 12 months. Repsol was obliged to maintain a stock corresponding to 50 days of sales, while the remaining stocks required to make up the difference with the abovementioned safety stock requirement are held by CORES on behalf of the various operators (strategic reserves).

Royal Decree-Law 15/2013, of December 13, introduces an amendment to the Hydrocarbon Sector Act, Law 34/1998, of October 7, bringing Spanish legislation into line with Council Directive 2009/119/EC of September 14, 2009. It also provides that, via regulation, administrative procedures and obligations needed to ensure, on an ongoing basis, a minimum safety buffer equivalent, at least, to the higher of the volume corresponding to 90 days of average net daily imports and 61 days of average internal daily consumption corresponding to the year of reference and measured in oil equivalent.

Spanish legislation does not require these reserves to be handled, measured or stored in any specific manner; indeed any products accounted for by the operators as part of their inventories in the ordinary course of their business operations qualify as strategic reserves to this end.

Electricity sector regulation in Spain

Deregulation of the Spanish electricity sector began in 1997 with the passage of Law 54/1997, of November 27, the Electricity Sector Act, which is implemented in Spanish Law Directive 96/92/EC concerning common rules for the internal market in electricity, as fleshed out by enacting regulations. The Electricity Sector Act was amended by Law 17/2007, of July 4, and more recently overhauled by the new Electricity Sector Act, Law 24/2013, of December 26 (the “New Electricity Sector Act”). The New Electricity Sector Act took effect on December 28, 2013.

Although the new sector Act contains many new provisions, the electricity system it regulates is broadly similar, insofar as generation and supply activities continue to be deregulated competitive businesses, while transmission, distribution and the system’s technical and financial management remain regulated activities. Power supply, for its part, is classified as a service of general economic interest.

More specifically, the commercialization business is based on the principles of the freedom of contract and choice of supplier by the end customer. As a deregulated activity, the commercialization of electricity is remunerated at amounts freely agreed among the parties. Power transmission and distribution and technical and economic system management continue to qualify as regulated activities insofar as pursuit thereof is subject to specific obligations and requires authorization from the authorities, while remuneration is regulated.

As regards power generation, Law 24/2013 eliminates the distinction between ‘ordinary’ and ‘special’ (aka renewable-CHP) regime generation. All electricity production facilities are now regulated as a whole, with certain idiosyncratic provisions for renewable facilities.

The electricity system has not been self-sufficient for several years; this phenomenon has given rise to an annual tariff deficit that has had to be financed by the sector players. Against this backdrop, Royal Decree-Law 6/2009, of April 30, established a series of measures designed to address the tariff deficit by creating a state-guaranteed securitization fund and introducing price reductions for household consumers meeting certain requirements in respect of consumption and purchasing power to be financed by the generators. However, these measures, intended to reduce and even eliminate the tariff deficit, failed, so that the deficit has increased in the meantime. The New Electricity Sector Act attempts to address this situation and provide the regulatory stability the sector needs, articulated around the principle of the economic and financial sustainability of the electricity system.

The System Operator in Spain is Red Eléctrica de España, S.A. (REE). REE’s key function is to guarantee electricity supply continuity and safety as well as the correct coordination of the generation and transmission system. Spanish Law 17/2007 generally caps interests in REE at 3% of share capital or voting; this limit falls to 1% in the case of parties engaged in electricity sector business activities. Moreover, the aggregate interests held by shareholders engaged in electricity sector business activities may not exceed 40%.

In recent years, the Spanish government has passed a series of laws with the aim of modifying and reducing the premium remuneration awarded to certain classes of power generation assets.

Spanish Royal Decree Law 1/2012, of January 27, 2012, eliminates the financial incentives for new generation plants under the special regime and for ordinary regime plants using technology akin to the technologies governed by the special regime.

Elsewhere, as foreshadowed by Law 24/2013, on June 6, 2014, the Spanish Cabinet approved Royal Decree 413/2014 (published in the Official State Journal, or BOE for its acronym in Spanish, on June 10) regulating the generation of electricity from renewable energy sources, co-generation and waste. The purpose of this piece of legislation is to regulate the legal and economic regime governing the generation of electricity from renewable energy sources. This regime affects the Repsol Group’s co-generation facilities, part of the now defunct ‘special’ regime and assimilated ordinary regime. The new regime is based on the necessary participation of these facilities in the market, complimenting the market-driven revenue with a specific regulated payment designed to enable them to compete on an even footing with the rest of the technologies in the marketplace, compensating owners for the costs that, unlike conventional generation technologies, cannot be recouped in the market in order to enable them to earn an adequate return on their investment by using metrics that are tailored for the various standard facilities.

To finalize the electricity sector reform work the Ministry of Industry, Energy and Tourism issued the Ministerial Order IET/1045/2014, of June 16 (published in the Official State Journal on June 20, 2014), enacting the standard facility remuneration parameters applicable to certain electricity-producing facilities that use co-generation, renewable energy sources or waste.

Bolivia

Bolivia's New Constitution took effect on February 7, 2009. It affected several aspects of the oil and gas sector, notably among which the designation of hydrocarbons as the inalienable and imprescriptible property of the Bolivian people, so that title to Bolivia's natural resources cannot be listed on securities markets or used to secure or securitize financial transactions. In addition, the New Constitution makes state-owned Bolivian company Yacimientos Petrolíferos Fiscales Bolivianos (YPFB) solely responsible for controlling and managing the hydrocarbon production chain and the sale of these products, stipulating that it may not transfer its rights or obligations in any way but empowering it to enter into service agreements with public, mixed-ownership or private companies, whether Bolivian or foreign, engaging such companies to perform certain production chain activities on its behalf in exchange for remuneration or payment for their services. YPFB may also form associations or mixed-ownership enterprises to carry out oil and gas related business activities, but must retain at least 51% of these companies' share capital.

The Bolivian oil and gas industry is regulated by Law 3,058 of May 19, 2005 (the "Hydrocarbons Law").

On May 1, 2006, Supreme Decree 28,701 (the "Nationalization Decree") was published, which nationalized the country's hydrocarbons and transferred ownership and control to the Bolivian state company Yacimientos Petrolíferos Fiscales Bolivianos (YPFB). Furthermore, the shares required to enable YPFB to control at least 50% plus one vote in different companies, among them Empresa Petrolera Andina, S.A., currently known as YPFB Andina S.A. (YPFB Andina), were nationalized.

Subsequently, Law No. 466 of December 26, 2013 established that YPFB Andina take the legal form thereafter of a mixed-capital public limited company (SAM for its acronym in Spanish), to which end YPFB acquired 79,557 shares from Repsol Bolivia S.A. on August 4, 2014. YPFB currently holds 51% of the share capital of YPFB Andina, thereby complying with Law No. 466 and paragraph II of article 363 of the State's Political Constitution.

At the date of authorizing these financial statements for issue, Repsol Bolivia S.A.'s shareholding in YPFB stood at 48.33%.

Operating contracts

According to the Hydrocarbons Law and the Nationalization Decree, Repsol E&P Bolivia S.A. and its subsidiary YPFB Andina S.A. signed with YPFB the Operating Contracts establishing the conditions for the prospecting and production of hydrocarbons in Bolivia, effective as of May 2, 2007.

Regarding these Operating Contracts, significant legislation was issued in 2008 and 2009, which had the effect of: setting the conditions and parameters for the recognition and approval by YPFB of the Recoverable Costs within the framework of the Operating Contracts; amending the regulations governing the settlement of royalties and investments with the Bolivian Treasury; and regulating the tendering, contracting and purchase of materials, works, goods and/or services by Operating Contract Holders.

Further, in compliance with what is established in Ministerial Order 101/2009, the amended Development Plan corresponding to the Operating Contract governing the Caipipendi Area, and the Margarita and Huacaya Fields was presented. This Development Plan was approved by YPFB on March 8, 2010.

In respect of the Delivery Agreements, the Second Addendum to the Natural Gas Delivery Agreement corresponding to the Operating Agreement in Caipipendi was executed with YPFB on November 28, 2014, which has the effect of increasing the volume of natural gas to be supplied from the Margarita and Huacaya fields to the export markets of Brazil and Argentina, thereby enabling implementation of Phase III of the Caipipendi development with the corresponding increase in production.

Under prevailing Bolivian law, the allocation of oil and gas produced by YPFB must be made by field and market in conformity with the volumes committed to in the Delivery Agreements arranged with YPFB in accordance with the following order of priority: Gas Natural: (1) Domestic Market; and (2) Export Markets, in keeping with the chronological order established in the respective Natural Gas Sale-Purchase Agreements arranged by YPFB. Liquid Hydrocarbons: (1) Domestic Market; and (2) Export Market.

Brazil

Exploration and Production

The Constitution of the Federative Republic of Brazil states that the Federal Government is the holding company (state monopoly) devoted to the exploration, development, and production of oil, gas, and other liquid hydrocarbons, as well as their refining, importation, exportation, and transportation, and is able to engage private or government corporations to assume the above functions, in accordance with the conditions established in legislation.

Law 9,478/97, known as the Oil Act, introduced the first contractual model for exercising exploration activities and encompasses the following:

- It confirms the Brazilian government as the oil and gas monopoly and it creates: (i) the National Council on Energy Policy (CNPE), a body entrusted with establishing energy policies, which is subordinate to the President of the Republic, and (ii) the National Agency of Petroleum, Natural Gas and Biofuel (ANP), an independent regulatory agency which falls under the Mines and Energy Ministry and which is in charge of establishing upstream and downstream activity guidelines.
- It stipulates that concession contracts must be awarded through specific tenders, and sets minimum bid requirements.
- It also establishes minimum terms and conditions to be included in concession contracts covering the exploration, development, and production of hydrocarbons.
- It provides for the payment of the following amounts: (i) signature bonuses (paid at the signing of the contract); (ii) royalties (paid on a monthly basis, in amounts ranging from 5% to 10% of the oil and/ or natural gas production, depending on the terms set forth in the tender); (iii) a special participation (paid in situations involving a large volume of production); and (iv) occupation or retention payments.

Under the Concession Agreement, the Federal Government grants its concessionaires the right to explore, develop, and produce hydrocarbons in a certain area during a determined period of time established in the agreement; the exploration stage may last between three to eight years, and the production phase may last twenty-seven years, commencing on the date commercial viability is declared (and can be extended by obtaining ANP authorization).

The main rights of the concessionaires are as follows: (i) exclusive exploration, development, and production rights in a granted area; (ii) ownership of produced hydrocarbons; (iii) the right to commercialize the production; and (iv) the right to export hydrocarbons, taking into account the obligation to supply domestic production in the case of a state of emergency.

Concessionaires assume the following obligations as part of the agreement: (i) all the risks and costs related to the exploration, development, and production of hydrocarbons; (ii) compliance with the relative local content and demands; (iii) compliance with the demands related to the execution of minimal work; and (iv) payment of government take.

The production allocation regime for pre-salt areas for which concessions have not yet been awarded and areas of strategic potential, to be defined by the executive branch, was introduced in 2010 under Brazilian

Law 12,351/10. The aforementioned piece of legislation further establishes that:

- The exploration and production in areas contemplated in the above regimes (production allocation) must be directly granted to Petrobras, the company controlled by the Federal Government, in exclusive contractual terms, without the necessity of undergoing a bidding process;
- Should a tender protocol exist, Petrobras will always have a 30% minimum share of the winning consortium, and must be designated block operator;
- A new public company, Empresa Brasileira de Administração de Petróleo e Gás Natural S.A. – Pré-Sal Petróleo S.A. (PPSA), created by virtue of Law 12,304 in 2010 will manage the production sharing contracts, and in principle, participate in the consortium agreement signed with Petrobras or other entities involved, without assuming the risks or investments involved in exploration, evaluation, development, production, and installation dismantlement;
- Should oil reserves be found, the successful bidders will be allowed to recover in hydrocarbons the costs incurred during the above-mentioned stages (known as oil cost), and will also be entitled to the final production minus the cost of crude, royalties, and the participation of the Federal Government in the production (known as crude oil surplus);
- The winner of this regime's bid process will be the company or companies able to provide the largest oil reserves to the Federal Government;
- In relation with the financial compensation, the distribution regime of the production foresees the payment by the successful bidders in the form of: (i) royalties, and (ii) signature bonuses.

Natural Gas

In 2009, Law 11,909/09 (the Gas Act) was approved; it regulates certain activities within the natural gas industry, including transportation and commercialization (excluding the distribution of piped natural gas, which is the exclusive domain of state governments). The ANP continues to regulate the above activities while also granting concessions and authorizations, as applicable.

Ecuador

In accordance with the Constitution of 2008 and the Hydrocarbons Law of Ecuador, the nation's hydrocarbon fields and the associated substances are the inalienable, imprescriptible and unattachable property of the State. The State explores and operates the oil and gas fields directly through Petroecuador. Petroecuador, in turn, can perform this activity sub-contracting with third parties. It is also possible to incorporate mixed-ownership enterprises between local companies and renowned expert foreign companies that are legally established in Ecuador.

In accordance with the provisions set down in the amended legislation of the Hydrocarbons Law and the Internal Tax Regime Law, of July 27, 2010, the agreements for the exploration and exploitation of hydrocarbons under the various contractual forms must be modified to reflect the amended hydrocarbons exploration and exploitation services agreement model provided for in article 16 of the Hydrocarbons Law under which the contractor is obliged to perform, using its own financial resources, oil and gas exploration and exploitation services in the indicated areas, investing the capital and using the equipment and technology needed to this end. When there are, or the service provider discovers, commercially viable hydrocarbon reserves, it is entitled to payment of a set price per net barrel of oil produced and delivered to the state. This price, which constitutes the contractor's gross revenue, is contractually stipulated based on estimated depreciation schedules, cost/expense schedules and a reasonable profit in light of the risk incurred.

Repsol Ecuador, S.A. (Ecuador Branch), as the contractor and operator of Block 16, entered into a hydrocarbons (crude oil) exploration and exploitation service agreement covering Block 16 in the Ecuadorian Amazon region. The agreement was filed with the Hydrocarbons Register on December 23, 2010 and took effect on January 1, 2011.

In addition, on January 22, 2011, Repsol signed an agreement with the Ecuadorian State amending the services agreement covering the Tivacuno Block. This contract was filed with the Hydrocarbons Register on February 21, 2011.

The United States

Exploration y Production

The two government agencies responsible for offshore exploration and production are the Bureau of Ocean Energy Management (BOEM) and the Bureau of Safety and Environmental Enforcement (BSEE - previously called the Minerals Management Service, for its acronym "MMS") of the U.S. Department of the Interior.

- i. The BOEM is in charge of responsibly ensuring the economic and environmental development of US offshore resources. Its functions include: offshore leasing, resources evaluation, review and administration of oil and gas exploration, development plans, renewable energies development, National Environmental Policy Act (NEPA) analyses, and environmental studies.
- ii. The BSEE is responsible for safety and environmental oversight of offshore oil and gas operations, including permitting and inspections of offshore oil and gas operations. Its functions include the development and enforcement of safety and environmental regulations, permitting offshore exploration, development, and offshore production, inspections, offshore regulatory programs, oil spill response and newly formed training and environmental compliance programs.

With regards to U.S. onshore exploration and production activities, the oil and gas industry is primarily regulated by the laws of the individual states. Oil and Gas production are considered mining activities, and therefore, cannot be governed by federal law.

Federal authorities have exclusive jurisdiction over the sale and transportation of gas and oil in interstate commerce for resale. The power to regulate the production or gathering of natural gas, which involves the physical acts of drawing gas from the earth and preparing it for the first stages of distribution, is reserved exclusively to the states.

At present, Repsol E&P USA Inc. has operations in Alaska, Kansas, Oklahoma and Louisiana and is therefore subject to the laws of those States. In Alaska, exploration and production activities are controlled by the Alaska Department of Natural Resources, Division of Oil and Gas. The Bureau of Safety and Environmental Enforcement is the body responsible for fully reviewing the environmental impact of a given project (whether exploration or development work) under the National Environmental Policy Act (NEPA).

Liquid Natural Gas

As for the Group's LNG business activities in the United States, under the Natural Gas Act, the Federal Energy Regulatory Commission (FERC) has the exclusive power to authorize the establishment of LNG import or export operations.

LNG imports and exports into and out of the United States require the approval of the federal

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

Peru

Regulation of the hydrocarbons market in Peru is included in its Constitution. The Constitution states that the government promotes the private initiatives, recognizing the economic pluralism, and having the state a subsidiary role in terms of business concerns. The Constitution establishes that private and public business activity must be treated equally under the law, and those national and foreign investments are subject to the same conditions.

The Constitution also states that natural resources are National heritage and by Organic Law establishes the conditions of their use and concession to private entities.

Exploration and Production

The Organic Law of Hydrocarbons (OLH), regulates this natural resource. To provide legal assurance to investors, it states that the contracts entered into under it shall be considered Contract-Law, and therefore can only be modified by written agreement between the two parties. To achieve these goals the OLH created PERUPETRO, a state-owned Limited Company organized in accordance with the General Corporate Law, to which the state, as owner of the hydrocarbons located in its territory, grants the right of ownership over the hydrocarbons, so that PERUPETRO can negotiate, execute and monitor exploration and/or exploitation contracts, with a licensee (Contractor) by means of License Agreements, Service Agreements and other forms of contracts authorized by the Peruvian Ministry of Energy and Mining.

The License Agreements grant Contractors the authorization to explore and exploit hydrocarbons within a determined area. The contractor has ownership over the extracted hydrocarbons and can commercialize them freely. By virtue of the Services Agreements, PERUPETRO grants the Contractor the right to perform hydrocarbon exploration and exploitation activities within the contracted area, and the Contractor receives retribution based on the final certified output. Under this type of agreement, PERUPETRO retains ownership over the extracted hydrocarbons, and therefore is free to arrange for its exportation or its refining and commercialization in the national market.

Article 14 of OLH states that national or foreign individuals or legal entities interested in entering into hydrocarbon exploration and/or exploitation contracts must receive prior authorization from PERUPETRO, which is granted based on their legal, technical, economic, and financial capacity to comply with all its contractual obligations.

Refining and commercialization of hydrocarbons

The OLH stipulates that any national or foreign individuals or legal entities may install, operate, and maintain petroleum refineries, plants for processing natural gas and condensed, natural asphalt, greases, lubricants, and petrochemicals, subject to the norms specifically established by The Mines and Energy Ministry. The OLH does not have established requirements for each activity, and therefore, it is necessary to refer to the Regulations for each of the abovementioned activities.

In Peru, the commercialization of hydrocarbon-derived products is subject to supply and demand, however, by virtue of Urgency Decree No. 010-2004, the Fuel Price Stabilization Fund ("The Fund") was created to cushion Peruvian consumers from the high volatility of prices of in the national oil markets. The Fund's equity is comprised of the contributions and discounts made by Producers and Importers on the price of each product, depending on whether the Export Parity Prices (EPP) are over or under the price range. Law No. 29552 made this Fund a permanent mechanism.

Law No. 28694 also regulated the sulphur content of diesel fuel, stipulating that from January 1, 2010 it is forbidden to sell diesel for domestic use with a sulphur content of over 50ppm, further banning the import of Diesel No. 1 and Diesel No. 2 fuel with a sulphur content of over 2500 ppm. This Law empowered the Ministry for Energy and Mining to establish, exceptionally, geographic regions in the interior of the country in which the sale of diesel with a higher sulphur content is permitted.

Law No. 29852 creates the Hydrocarbon Energy Safety System (SISE for its acronym in Spanish) and the Energy Social Inclusion Fund (FISE). The safety system, or SISE, encompasses the infrastructure required to ensure the safety of the energy system, and is therefore made up of networks of pipeline and storage facilities deemed strategic by the Peruvian state (infrastructure) and is remunerated by means of a tariff levied on the infrastructure comprising the national network of liquid oil and gas transportation and supply pipelines. The FISE sets up a Social Compensation and Universal Service scheme focused on the more vulnerable members of society, being remunerated by a series of surcharges levied on: i) deregulated users of interconnected electricity systems; ii) the supply of liquid products deriving from hydrocarbons and liquid natural gas, by levying every primary sale made by Producers and Importers, to be passed on to liquid hydrocarbons end prices; and iii) the monthly invoicing of tariff charges levied on users of the system for transporting natural gas by pipeline or ducts.

Regarding applicable law and jurisdiction regulating hydrocarbons in general, national or foreign individuals or legal entities that carry out hydrocarbon-related activities will be expressly subject to the laws of the Republic of Peru and waive all diplomatic claims. Claims arising during execution, compliance, and in general, all other hydrocarbons-related activities encompassed by this Law are subject to judicial authority or national or international arbitration.

The bodies in charge of supervising hydrocarbons are: the MINEM, which prepares, approves, proposes, and implements sector policies while establishing regulations complementary to those already in existence to keep them updated; the Dirección General de Hidrocarburos of the Ministry of Energy and Mines, which is in charge of monitoring regulatory compliance and application; the Organismo Superior de la Inversión en Energía y Minería (OSINERGMIN), which inspects and sanctions individuals or legal entities which perform activities related to electrical / hydrocarbon sub-sectors when they are not in compliance with MINEM and Perupetro's legal and technical obligations.

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

Venezuela

The Constitution of the Bolivarian Republic of Venezuela stipulates that the mines and oil and gas fields, irrespective of their nature, located on national territory, under the territorial sea, in the exclusive economic zone or on the continental platform, belong to the Republic, are public-domain goods and are, therefore, inalienable and imprescriptible.

By virtue of organic law and to protect national interests, the Venezuelan State has reserved the Venezuelan oil and gas activities for itself. For reasons of economic and political sovereignty and for national strategic purposes, the State holds all of the shares of Petróleos de Venezuela, S.A. (or the entity that may be set up to run the oil and gas industry).

Venezuela's Hydrocarbons Organic Law regulates all matters regarding the exploration, operation, refining, industrialization, transportation, storage, sale and conservation of hydrocarbons, including related refined products and the works required to perform these activities.

Exploration and Production

The performance of the activities relating to exploration for hydrocarbon fields, the extraction of hydrocarbons in their natural form, and their collection, transportation and initial storage is reserved to the State, either conducted directly by the National Executive Power or by wholly-owned State companies. The State may also conduct these activities through mixed owned companies whose equity interest is over 50%.

The incorporation of Mixed Companies and the terms governing the performance of primary activities require prior approval from the National Assembly. Any subsequent amendment to these terms also requires the National Assembly approval. Accordingly, Mixed Companies are governed by law and specifically by the terms and conditions established by the Agreement approval of the National Assembly. These companies are also subject to the rules established in the Code of Commerce and other applicable regulations. Mixed Companies can be functioning for a maximum term of 25 years; this term can be extended for a period agreed upon by the parties of no more than 15 years.

The State is entitled to a thirty per cent (30%) participation in the hydrocarbon volumes extracted from any of its fields, notwithstanding the companies' requirement to pay all other applicable taxes.

The commercialization activities of natural hydrocarbons and of any derivative products indicated by the National Executive Power by Decree, may only be performed by wholly-owned State companies. As a result, the Mixed Companies that engage in primary activities may only sell the natural hydrocarbons they produce to companies that are wholly-owned by the State.

Pursuant to the Organic Gaseous Hydrocarbons Law, the following activities may be carried out by the state either directly or through state-owned entities or by private national or foreign bodies, with or without state ownership: (i) activities consisting of exploration for non-associated gaseous hydrocarbons and operation of these fields; (ii) the extraction, storage and use of the non-associated natural gas found at these fields and the gas produced in association with oil or other fossil fuels; and (iii) the processing, industrialization, transportation, distribution and domestic and foreign trading of such gases.

Activities to be carried out by private national or foreign bodies, with or without state ownership, does require a license or permit and must be associated with specific projects or uses linked to national development objectives.

A single party may not simultaneously perform or control in a given region two or more production, transportation or distribution activities.

The Mixed Companies agreements referred to in the Organic Hydrocarbon Act do not impose restrictions on this legal form of company in terms of transferring funds in the form of cash dividends, loan repayments or the redemption of shareholder advances in foreign currency (USD). A similar consideration applies to the permits awarded in conjunction with the Organic Gaseous Hydrocarbons Act to the extent as the licensee receives payment in currency in conjunction with the performance of its activities, whereas the funds received in Bolivares are subject to the exchange control regime.

In accordance with the prevailing exchange agreements both the Mixed Companies referred to in the Organic Hydrocarbon Act and license holders under the Organic Gaseous Hydrocarbons Act, may hold accounts overseas with banks and similar financial institutions for the purpose of making the payments they need to make outside the Bolivarian Republic of Venezuela. All sums of money from these accounts brought into the country have to be sold to the Venezuelan central bank at the official exchange rate.

Other countries

Repsol's operations are subject to an extensive variety of legislation and regulatory frameworks in the other countries in which it operates. All aspects of the activities performed, including among others, land occupancy, production rates, royalties, price-setting, environmental protection, export rates, exchange rates, etc., are covered by such legislation and regulatory frameworks. The terms of the concessions, licenses, permits and agreements governing the Group's interests vary from one country to another. These concessions, licenses, permits and agreements are generally awarded or jointly carried out with government bodies or state companies and occasionally with private sector organizations.

APPENDIX IV: ACCOUNTING POLICIES

1. *New standards issued for mandatory application in future years*

- A) The standards and amendments to standards that have been issued by the IASB and endorsed by the European Union and which will be mandatory in future reporting periods are listed below:

Mandatory application in 2015:

- IFRIC 21 *Levies*⁽¹⁾
- Improvements to IFRSs 2011-2013.

Mandatory application in 2016:

- Improvements to IFRSs 2010-2012⁽²⁾
- Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*⁽³⁾

⁽¹⁾ Interpretation of IFRIC 21 *Levies* was issued by the IASB with effect in annual periods beginning on or after January 1, 2014. This document was endorsed by means of Regulation (EU) 2014/634, effective in the EU for annual periods beginning on or after June 17, 2014, which, in the case of the Group, implies first-time application from January 1, 2015.

⁽²⁾ *Improvements to IFRSs 2010-2012* introduces amendments to several IFRSs. Some of these amendments have been issued by the IASB with effect from July 1, 2014, while others have been issued by the IASB effective for annual periods beginning on or after July 1, 2014. This document was endorsed by means of Regulation (EU) 2015/28, effective in the EU for annual periods beginning on or after February 1, 2015, which, in the case of the Group, implies first-time application from January 1, 2016.

⁽³⁾ *Amendments to IAS 19 Defined Benefit Plans: Employee Contributions* was issued by the IASB with effect for annual periods beginning on or after July 1, 2014. This document was endorsed by means of Regulation (EU) 2015/29, effective in the EU for annual periods beginning on or after February 1, 2015, which, in the case of the Group, implies first-time application from January 1, 2016.

The Group believes that application of the amended standards outlined in section A) above will not have a significant impact on its consolidated financial statements, with the exception of certain additional disclosure requirements.

- B) At the date of issuance of these consolidated financial statements, the standards and amendments that have been issued by the IASB but not yet endorsed by the European Union are the following:

Mandatory application in 2016:

- IFRS 14 *Regulatory Deferral Accounts*⁽¹⁾.
- Improvements to IFRSs 2012-2014.
- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*.
- Amendments to IAS 27 *Equity Method in Separate Financial Statements*.
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*.
- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortization*.
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*.
- Amendments to IAS 1 *Disclosure Initiative*.

Mandatory application in 2017:

- IFRS 15 *Revenue from Contracts with Customers*.

Mandatory application in 2018:

- IFRS 9 *Financial Instruments*

⁽¹⁾ This standard only applies to entities that carry out regulated activities and are applying IFRSs for the first time.

With regard to the other standards, interpretations and amendments outlined in the current section B), the Group is currently assessing the impact their application may have on the consolidated financial statements.

2. *Basis of consolidation*

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

Subsidiaries, which are those companies over which Repsol exercises direct or indirect control, are fully consolidated. The power to exercise control is generally evidenced by direct or indirect ownership of at least 50% of an investee's voting rights, giving the Group the current ability to direct its relevant activities and influence the amount of variable returns to which the Group is exposed as a result of its involvement with the investee.

The share of the non-controlling interests in the equity and profit of the Repsol Group's consolidated subsidiaries is presented under "*Minority interests*" within "*Equity*" in the consolidated balance sheet and "*Net income from continuing operations attributable to minority interests*" and "*Net income from discontinuing operations attributable to minority interests*" in the consolidated income statement.

The interests in arrangements over which Repsol has joint control by virtue of a shareholder agreement with third parties are structured as follows:

- Interest in joint operations that are structured through a Joint Operating Agreement (JOA) either via a consortium arrangement (UTE for its acronym in Spanish) or a similar separate vehicle that does not limit its rights to the assets and obligations for the liabilities relating to the arrangement. The Group has classified as joint operations certain joint arrangements structured through holding companies or similar vehicles in which, despite their legal form, the parties in the arrangement retain the rights to substantially all of the economic benefits of the assets held by the vehicle and the vehicle depends on the parties on a continuous basis for settling the liabilities related with the activity performed under the arrangement. All of these investments in joint operations are held by the Group through investments in fully-consolidated subsidiaries.
- Investments in joint arrangements in which Repsol has rights to the net assets of the arrangement (joint ventures) are accounted for using the equity method. The equity method consists of recognizing the Group's share of the joint venture's net assets and goodwill, if any, in a single consolidated balance sheet line item called "*Investments accounted for using the equity method*". The Group's share of the net profit or loss of these investees every year is recognized in the consolidated income statement within "*Share of results of entities accounted for using the equity method - after taxes*".

Repsol's investments in associates, investees over which it has significant influence (presumed to exist in the case of shareholdings of 20% or more), are also accounted for using the equity method described above.

Appendix I contains a list of the main consolidated subsidiaries, associates and most significant joint ventures in which Repsol, S.A. as of December 31, 2014, has direct and indirect ownership interests, which were included in the scope of consolidation, as well as the changes in the consolidation scope in 2014 and 2013.

The balances, transactions and profit or loss generated between the fully consolidated companies were eliminated on consolidation. The profit or loss on transactions between Group companies and joint ventures or associates was eliminated in proportion to the Group's share in these investees.

The accounting policies used by the Group's companies have been adjusted so that they are consistent with those applied by the parent and so that the consolidated financial statements are presented using uniform accounting policies for like transactions.

The financial statements of the investees whose functional currency differs from the presentation currency (see section 5) are translated as follows:

- The assets and liabilities in each of the balance sheets presented are translated applying the closing exchange rate on the balance sheet date.
- For practical reasons, income and expense are generally translated applying the average exchange rate for the period in which the transactions were performed. However, the transaction-date exchange rate is used to translate significant transactions or when exchange rates have fluctuated significantly during the reporting period.
- Any exchange differences arising as a result of the foregoing are recognized as "*Translation Differences*" under the caption "*Adjustments for changes in value*" of "*Equity*" heading.

The exchange rates against the euro of the main currencies used by the Group companies at December 31, 2014 and 2013 were as follows:

	December 31, 2014		December 31, 2013	
	Year - end rate	Cumulative Average Rate	Year - end rate	Cumulative Average Rate
American Dollar	1.21	1.33	1.38	1.33
Brazilian Real	3.22	3.12	3.23	2.87

3. *Classification of assets and liabilities into current and non-current*

In the consolidated balance sheet, assets and liabilities maturing within twelve months are classified as current items and those maturing within more than twelve months as non-current items.

4. *Offsetting of balances and transactions*

As a general rule, in the consolidated financial statements neither assets and liabilities nor income and expenses are offset, except when offsetting is required or permitted by a given standard or interpretation and when offsetting better reflects the substance of the transaction.

5. *Functional currency and foreign currency transactions*

a) Functional currency

The items included in these consolidated financial statements relating to the Group companies are measured using their functional currency, which is the currency in the main economic environment in which they operate. The consolidated financial statements are presented in euros, which is the functional currency of the Repsol Group's parent company and presentation currency of consolidated financial statements.

b) Foreign currency

Transactions in currencies other than the functional currency of an entity are deemed to be 'foreign currency transactions' and are translated to the functional currency by applying the exchange rates prevailing at the date of the transaction. At each year end, the foreign currency monetary items on the balance sheet are measured applying the exchange rate prevailing at that date and the exchange rate differences arising from such measurement are recorded as "*Net exchange gains/(losses)*" within "*Financial result*" in the consolidated income statement in the year incurred. This does not apply to the accounting treatment of monetary items that qualify as hedging instruments (see section 24).

6. *Goodwill*

Goodwill represents the excess of the cost of a business combination over the acquirer's interest in the net fair value of the assets acquired and the liabilities assumed at the date of acquisition that meet the pertinent recognition criteria. Goodwill is recognized as a non-current asset in the corresponding intangible asset caption on the consolidated balance sheet on the date of acquisition.

Because goodwill has an indefinite useful life, it is not depreciated. Subsequent to initial recognition, it is measured at cost less any accumulated impairment losses (see Note 3).

7. *Other intangible assets*

The Repsol Group initially recognizes intangible assets at acquisition or production cost, except in the case of the emission allowances received for no consideration as described in section c) below. This cost is amortized on a straight-line basis over the assets' useful lives, except for assets with indefinite useful lives described below, which are not amortized but are tested for impairment at least annually, and whenever indicators of impairment are detected. At closing balance sheet date, these assets are measured at cost less accumulated amortization and any accumulated impairment losses.

The main intangible assets of the Repsol Group are as follows:

a) Service/Gas stations association rights and other rights

This heading primarily includes the costs associated with the various forms of agreements for acquiring service station association rights, reflagging rights and image rights of publicity and the associated exclusive supply agreements. These costs are amortized over the related contract terms, which range from 1 to 50 years.

b) Exploration permits

The costs incurred to acquire stakes in exploration permits for a given period of time are capitalized under this heading at their purchase price. During the exploration and evaluation phase, these costs are not amortized, although they are tested for impairment at least once a year and whenever indications of

impairment are detected, in accordance with the guidelines set forth in IFRS 6 *Exploration for and evaluation of mineral resources*. Any impairment losses detected are recognized- or reversed -in profit or loss in accordance with the general rules established -IAS 36 *Impairment of Assets*. Once the exploration and evaluation phase is completed, if no reserves are found, the amounts previously capitalized are recognized as an expense in the consolidated income statement. If the exploration work does yield positive results, giving rise to commercially exploitable wells, costs are reclassified to “*Investment in areas with reserves*” (see section 8 c) at their carrying amount when this determination is made.

c) Carbon emission allowances

Emission allowances are recognized as an intangible asset and are initially recognized at acquisition cost.

Allowances received for no consideration under the emissions trading system for the period 2013-2020, are initially recognized at the market price prevailing at the beginning of the year in which they are issued, and a balancing item is recognized as a grant for the same amount as deferred income. As the corresponding tons of CO₂ are issued, the deferred income is reclassified to profit or loss.

The allowance rights are not amortized as their carrying amount equals their residual value and, therefore, the depreciable basis is zero. Emission allowances are subject to an impairment test (see Note 3). The fair value of the emission allowances is measured based on price of the benchmark contract in the futures market provided by the ECX-European Climate Exchange.

The Group records an expense under “*Other operating expenses*” in the income statement for the CO₂ emissions released during the year, recognizing a provision calculated based on the tons of CO₂ emitted, measured at: (i) their carrying amount in the case of the allowances of which the Group is in possession at year end; and (ii) the closing list price in the case of allowances of which it is not in possession at year end.

When the emissions allowances for the CO₂ tons emitted are delivered to the authorities, the intangible assets as well as their corresponding provision are derecognized from the balance sheet without any effect on the income statement.

When carbon emission allowances are actively managed to take advantage of market trading opportunities (see Note 30), the trading allowances portfolio is classified as trading inventories.

d) Other intangible assets

This heading primarily includes the following items:

- i. Concessions and others: these are initially recognized at acquisition cost if they are acquired directly from a government or other public sector body, or at the fair value attributable to the concession if they are acquired as part of a business combination. They are subsequently measured at acquisition cost less accumulated amortization and impairment loss, if any. These concessions are amortized on a straight-line basis over the term of the concession agreements.
- ii. Development costs are capitalized only if all the conditions stipulated in the applicable accounting standard are met. Research costs incurred by the Group are expensed in the income statement as costs of the year.
- iii. Other costs, including those relating to software and industrial property, are amortized on a straight-line basis over their useful lives (which range between 3 and 20 years).

Trademarks and analogous intangible assets internally developed by the Group are not capitalized; and the related expenses are recognized in the consolidated income statement in the period in which they are incurred.

8. *Property, plant and equipment*

The Repsol Group uses the cost model by which items of property, plant and equipment are measured initially at acquisition cost.

a) Cost

The cost of property, plant and equipment includes their acquisition cost, all the costs directly related to the location of assets and all the costs to make them operational.

Additionally, if applicable, the costs “Property Plant and Equipment” elements would include the present value of the expected disbursements necessary for any costs of dismantling and removing the item or restoring the site on which it is located, when such obligations are incurred under certain conditions. Subsequent changes to the measurement of the dismantling obligations and related liabilities resulting from changes in the estimated cash flows and/or in the discount rate are added to or deducted from the asset’s carrying amount in the period in which they are incurred, except where the lower corrected value of the liability is greater than the carrying amount of the associated asset, in which case the surplus is recognized in the income statement.

Borrowing costs that are directly attributable to the acquisition or construction of assets that require more than one year to be ready for use are capitalized as part of the cost of these assets, in accordance with the limits established in the applicable accounting rules.

The costs of expansion, modernization or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalized, as long as the general capitalization criteria are met.

Repair, upkeep and maintenance expenses are recognized in the income statement as incurred. Furthermore, certain facilities require periodic reviews. In this respect, the assets subject to replacement are recognized specifically and are depreciated over the average term remaining until the next repairs are carried out.

This heading also includes investments relating to oil and gas exploration and production activities (see section c below) and the cost of assets held under finance leases (see section 21).

b) Depreciation

Property, plant and equipment, other than those items relating to oil and gas exploration and production activities (see section c below), are depreciated using the straight-line method on the basis of the acquisition cost of the assets less their estimated residual value, over the years of estimated useful life of the assets. Estimated useful life of the main assets classified as Property, Plant and Equipment are as follows:

	Years of estimated Useful Life
Buildings and other structures	20-50
Machinery and plant:	
Machinery, fixtures and tools	8-25
Specialized complex plants:	
Units	8-25
Storage tanks	20-40
Pipelines and networks	12-25
Gas and electricity infrastructure and distribution facilities	12-40
Transport equipment	5-20
Other PP&E:	
Furniture and other PP&E	9-15

Depreciation of these assets starts when the assets become available for use.

Land is classified separately from the buildings or facilities that might be located on it and is deemed to have an indefinite useful life. Therefore, it is not depreciated.

c) Recognition of oil and gas exploration and production transactions

Repsol recognizes oil and gas exploration and production transactions using accounting policies based on the “*successful-efforts*” method, whereby the accounting treatment of the various costs incurred is as follows:

- i. The costs incurred in the acquisition of new interests in areas with proved and unproved reserves (including bonds, legal costs, etc.) are capitalized as incurred under “*Investments in areas with reserves*” associated with proven reserves or non-proven reserves, as appropriate when incurred.
- ii. *Exploration costs* (mainly geological and geophysical expenditures), excluding exploratory drilling expenditures, are registered in the income statement as incurred.
- iii. *Exploratory drilling costs*, including those relating to stratigraphic exploration wells, are recognized as assets under the heading “*Other exploration costs*” until it is determined whether proven reserves justifying their commercial development have been found. If no proven reserves are found, the capitalized drilling costs are registered in the income statement. In the event that reserves are found but remain under evaluation for classification as proven, their recognition depends on the following:
 - If the area requires additional investments prior to that start of production, the drilling costs remain capitalized only during the period in which the following conditions are met: (i) the amount of proven reserves found justifies the completion of a productive well if the required investment is made; and (ii) the drilling of additional exploratory or stratigraphic wells is underway or planned for the near future. If either of the aforementioned conditions is not met, the drilling costs or the cost of the stratigraphic wells are recorded in the income statement.
 - In all other circumstances, the existence of reserves that can be classified as proven have to be determined within one year from the completion of the prospection work. Otherwise, the related drilling costs are recorded in the income statement.

Costs incurred in exploratory drilling work that has yielded a commercially exploitable reserve finding are reclassified to “*Investments in areas with reserves.*”

- iv. Development expenditure incurred in lifting proven reserves and in processing and storing oil and gas (including costs incurred in drilling relating to productive wells and dry wells under development, oil rigs, recovery improvement systems, etc.) are recognized as assets under “*Investments in areas with reserves*”.
- v. Future field abandonment and dismantling costs (environmental, safety, etc.) are estimated, on a field-by-field basis, and are capitalized at their present value when they are initially recognized under “*Investments in areas with reserves*” in assets in the balance sheet. This capitalization is recorded against the caption dismantling provision (see Note 15).

The investments capitalized as described above are depreciated as follows:

- i. Investments in the acquisition of proven reserves and certain associated items of property, plant and equipment are depreciated over the estimated commercial life of the field on the basis of the production for the period as a proportion of the proven reserves of the field at the beginning of the depreciation period.
- ii. Investments relating to non-proven reserves or fields under evaluation are not depreciated. These investments are tested for impairment at least once a year and whenever indications of impairment are detected.
- iii. Cost incurred in drilling work and subsequent investments to develop and lift oil and gas reserves are depreciated over the estimated commercial life of the field on the basis of the production for the period as a proportion of the developed proven reserves of the field at the beginning of the depreciation period.

The changes in estimated reserves are considered on a prospective basis in calculating depreciation.

At closing balance sheet date or whenever there are indications that the assets might have become impaired, their recoverable amount is compared to their carrying amount. Any impairment loss or reversal arising as a result of this comparison is recognized under “*Impairment losses and losses on disposal of non-current assets*” or, if applicable, “*Income from reversal of impairment losses and gains on disposal of non-current assets*” on the consolidated income statement (see Notes 3, 7, 8 and 22).

d) Environmental property, plant and equipment

Property, plant and equipment of an environmental nature, the purpose of which is to minimize environmental impact and to protect and improve the environment, are identified on the basis of the nature of the business activities carried on, based on the Group’s technical criteria, which are based on the guidelines relating to these matters issued by the American Petroleum Institute (API).

Environmental property, plant and equipment and the related accumulated depreciation are recognized in the balance sheet together with other property, plant and equipment, classified by their nature for accounting purposes.

Their cost, depreciation methods and the valuation adjustments to be performed are determined in accordance with the rules relating to these asset items, as explained in sections 8.a) and 8.b) of this heading.

9. *Non-current assets and liabilities held for sale and discontinued operations*

The Group classifies a non-current asset (or group of assets) as held for sale if the carrying amount of the asset(s) and associated liabilities will be recovered through a sale transaction rather than through

continuing use.

This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. The sale should be expected to be completed within one year from the date of classification although this could take longer depending on regulatory requirements or similar circumstances.

These assets or group of assets are presented at the lower of carrying amount and fair value less costs to sell and, except for the ones mentioned in the paragraph below, are not depreciated as long as they are classified as held for sale or form part of a group of assets classified as held for sale.

In the specific case of financial assets, deferred tax assets, investment properties, and assets related to employee benefits, even when classified as "held for sale" these assets are measured according to their nature, irrespective of the fact that they are presented under this heading.

In addition, the Group classifies as discontinued operations any component (a cash-generating unit or a group of cash-generating units) that represents a separate major line of business or geographical area of operations, or has been sold or disposed of by other means, or that qualifies for classification as held for sale.

Non-current assets held for sale are presented in the consolidated balance sheet separately from other assets under the heading "*Non-current assets held for sale*", while the liabilities associated with assets qualifying for this classification are presented under "*Liabilities related to non-current assets held for sale*" described in the previous paragraphs. The after-tax profits or losses generated by discontinued operations are presented in a single heading "*Net income for the year from discontinued operations after taxes*".

The equity investment in shares of YPF S.A and YPF Gas S.A. subject to expropriation by Argentina's government was recognized under "*Non-current assets held for sale subject to expropriation*" at December 31, 2013 (further information on the measurement bases is provided in Note 4).

10. *Investments accounted for using the equity method*

See section 2 of this Appendix for a description of how these investments are initially recognized.

To determine whether it is necessary to recognize any impairment losses on investments in associates and joint ventures, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 as a single asset, including any goodwill that may be implicit within the investment, by comparing its recoverable amount with its carrying amount. The recoverable amount of an investment in an associate or a joint venture is evaluated individually, unless it does not generate cash inflows from continuing use that are largely independent of those generated by other Group assets or cash-generating units.

11. *Financial assets*

The Group classifies its investments in financial assets when they are initially recognized and reviews their classification at period end date. The assets are classified on the basis of the nature of the financial assets and the purpose for which those assets were acquired.

This category has, in turn, the following sub-categories:

- a) Financial assets at fair value with changes through profit or loss
 - a.1) Financial assets held for trading: this category comprises derivatives not designated as hedging

instruments.

a.2) Other financial assets at fair value with changes in profit and loss: this category comprises those financial assets acquired for trading or sale which are not derivatives.

b) Financial assets available for sale

Financial assets available for sale are financial assets that have either been designated as available for sale or have not been classified in any other financial asset category.

c) Loans and receivables

There are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for whose the Group does not intend to sell immediately or in the near term. They arise when the Group delivers goods or provides services or financing directly to a third party.

d) Held to maturity investments

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to the date of maturity.

A financial asset is initially recognized at fair value (see section 24). Transaction costs that are directly attributable to the acquisition or issuance of a financial asset are capitalized upon initial recognition of the asset, except in relation to assets designated as financial assets at fair value through profit or loss that are recognized in the income statement, as incurred.

Subsequent to initial recognition, all financial assets, except for “Loans and receivables” and “Held to maturity investments” are measured at fair value. Equity investments in unlisted prices whose fair value cannot be measured reliably are measured at cost.

In the case of “Other financial assets at fair value with changes in profit and loss,” gains and losses from changes in fair value are recognized in the net profit or loss for the year. In the case of “Financial assets available for sale,” the gains and losses from changes in fair value are recognized directly in equity until the asset is disposed of or it is determined that it has become impaired, at which time the cumulative gains or losses previously recognized in equity are recognized in the profit or loss for the year.

“*Loans and receivables*” and “Held to maturity investments” are measured at amortized cost, and the accrued interest income is recognized in profit or loss using the corresponding effective interest rate.

Accounts receivables which do not bear explicit interest are recognized at their face value whenever the effect of not discounting the related cash flows is not significant. In this instance, these assets are subsequently measured at face value also.

An impairment loss on financial assets at amortized cost is recognized when there is objective evidence that the Group will not be capable of collecting all the related amounts under the original terms of the accounts receivable. The amount of the impairment loss is recognized in the consolidated income statement. The carrying amount of the asset is reduced through an allowance account.

If, in subsequent periods, the value of the financial asset is recovered, the previously recognized impairment loss shall be reversed. The reversal shall not exceed the carrying amount the financial asset prior to the initial recognition of the impairment loss. The amount of the reversal shall be recognized in the income statement for the period.

The Group derecognizes financial assets when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition.

12. *Inventories*

Inventories acquired for our own use are stated at the lower of cost and net realizable value. Cost, basically calculated as the average cost, includes acquisition costs (less trade discounts, rebates and other similar items), transformation and other costs which have been incurred in bringing the inventories to their present location and condition.

In the case of refinery products, the costs are allocated to income in proportion to the selling price of the related products (isomargin method) due to the existing difficulty to recognize the conversion costs of every product.

The Group assesses the net realizable value of inventories at the end of each period and recognizes the appropriate write-down in profit or loss to the extent the carrying amount of inventories exceeds their net realizable value. When the circumstances that previously caused the impairment no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed.

Net realizable value is the estimated selling price at year end less the estimated costs of completion and costs to be incurred in marketing, selling and distribution.

In the case of commodities and similar products, it is not necessary to write down their carrying amount below cost as long as management expects to recuperate its value through the sale of the finished goods in which they will be incorporated when it will be sold above cost.

“Commodities” inventories for trading activities are measured at fair value less costs to sell and changes in fair value are recognized in income statement.

13. *Cash and Cash equivalents*

Repsol classifies under "Cash and cash equivalents" liquid financial assets, deposits or liquid investments needed to meet payment obligations in the short term that can be converted into a known amount of cash within three months and that are subject to an insignificant risk of changes in value.

14. *Earnings per share*

Basic earnings per share are calculated by dividing the profit for the period attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the period taking into account, where appropriate, any treasury shares held by the Group (see Notes 2. and 14).

15. *Treasury shares*

Treasury shares are measured at acquisition cost and are presented as a deduction from equity. Any related gains or losses are recognized directly in equity.

16. *Financial liabilities*

Unless they are part of a transaction qualifying for hedge accounting, non-derivative financial liabilities are initially recognized at fair value and are subsequently measured at amortized cost. Any difference between the financing proceeds received (net of transaction costs) and the repayment value is recognized in the consolidated income statement over the life of the debt instrument in question, using the effective

interest rate method.

Preference shares, which are detailed in Note 16 correspond to this liability category.

Trade payables and other payables are financial liabilities which do not bear explicit interest and which, are recognized at face value, when the effect of not discounting them is not material.

The Group derecognizes financial liabilities when the obligations are cancelled or expire.

17. *Provisions and contingent liabilities*

The Group makes a distinction between:

- a) Provisions: present obligations, either legal or assumed by the Group, arising from past events, the settlement of which is probable to give rise to an outflow of resources the amount and timing of which are uncertain; and
- b) Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group, or present obligations arising from past events, the amount of which cannot be measured with sufficient reliability or whose cancellation is not likely to give rise to an outflow of resources embodying future economic benefits.

Contingent liabilities are not recognized as provisions in the consolidated financial statements. Notwithstanding the above, whenever it is deemed as non-remote that settlement of such a liability will give rise to an outflow of resources, the existence of these liabilities is disclosed (see Note 29).

18. *Loyalty programs aimed at beneficiaries of the pluri-annual incentive plan and share acquisition plans*

Repsol holds loyalty programs and share acquisition plans (see detailed disclosures in Note 23).

The estimated cost of the shares to be delivered under those loyalty plans is recognized under the captions “*Personnel expenses*” and “*Other reserves*” to the extent that the plan beneficiaries’ rights to receive the shares vest.

19. *Defined contribution pension plans*

Repsol has recognized defined contribution pension plans for certain employee groups (see Note 23).

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

20. *Grants*

- a) Grants related to assets

These are grants related to non-current assets and are measured at either: (i) the amount granted or face value; or (ii) the fair value of the assets received, if they have been transferred for no consideration. They are classified on the liability side of the balance sheet as deferred income when it is certain that they will be received.

These grants are recognized in profit or loss income statement on straight line basis over the useful life of the assets they are financing. The consolidated financial statements present the assets and the grants received separately.

b) Grants related to income

These are grants not related to non-current assets that become receivable by the entity and are recognized as income for the period in which they become receivable.

This heading also includes as deferred income the amounts associated with carbon emission allowances received free of charge (section 7c)).

21. *Leases*

Determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires, at inception date, the evaluation of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

The agreements classified as leases for accounting purposes include the following categories:

a) Finance leases

Leases are classified as finance leases whenever the lessor transfers substantially all the risks and rewards of ownership to the lessee. The ownership of the asset may or may not be transferred to leaseholder at the end of the lease term.

Leased assets are presented in the consolidated balance sheet according to the nature of the leased asset, and, simultaneously, recognize a financial liability within “*Other non-current liabilities*” of the balance sheet for the same amount. These assets are depreciated according to criteria applied to the items of property, plant and equipment that are owned or are depreciated over the lease term, whichever is lower, provided there is no reasonable certainty that the lessee shall be granted the ownership at the end of the lease term.

The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The resulting finance expense is charged to the heading “*Financial result*” in the consolidated income statement.

b) Operating leases

Leases in which the ownership of the leased asset and substantially all the risks and rewards incidental to ownership of the leased assets remain with the lessor are classified as operating leases.

Lease costs are recognized under “*Other operating expense*” in the consolidated income statement as incurred.

When the Group acts as lessor, the resulting income is recognized under “*Other operating income*” in the consolidated income statement, as accrued.

22. *Income tax*

Repsol recognizes in the income statement for the year the accrued tax on the companies’ income, which is calculated taking into account the differences between the timing of recognition for accounting purposes and tax purposes of the transactions and other events in the current year recognized in the

financial statements, giving rise to temporary differences and, therefore, to the recognition of certain deferred tax assets and liabilities in the balance sheet. These amounts are recognized by applying to the temporary differences the tax rate that is expected to apply in the period when the asset is realized or the liability is settled.

Deferred tax liabilities are recognized for all taxable temporary differences, unless the temporary difference arises from the initial recognition of goodwill for which amortization is not deductible for tax purposes or unless the exception to the deferred tax liabilities is applicable in cases of taxable temporary differences related to investments in subsidiaries, branches and associates.

Deferred tax assets recognized for temporary differences and other deferred tax assets (tax losses and tax deductions carry forwards) are recognized when it is considered probable that the consolidated companies will have sufficient taxable profits in the future against which the deferred tax asset can be utilized. Additionally, deferred tax assets recognized for temporary differences can only be recorded to the extent that they will reverse in the near future.

The accrued income tax expense includes both the deferred income tax expense and the current income tax expense, which is taken to be the amount payable (or refundable) in relation to the taxable net income for the year (see Note 21).

“*Income tax*” in the accompanying consolidated income statement includes both the accrued income tax expense and the net provisions recognized in the year for income tax contingencies, insofar as latter relate to income tax.

Current and deferred taxes are recognized outside profit or loss account if they are related to items that are recognized outside profit or loss account. Those entries related to items recognized under “*Adjustments for changes in value*” are recognized under that heading and those recognized directly in equity are recognized within the equity heading in which the impact of the transaction was recognized.

23. *Revenues and expenses recognition*

Revenues are measured at fair value of the consideration received or receivable and represent the amounts receivable for the goods and services provided in the normal course of business, net of discounts and any amounts received on account of third parties, such as the Valued added tax.

In sales in which the Group acts as an agent, the Group does not recognize all the income and expenses associated with the transaction, recognizing as revenue only the margin received or pending to receive.

In order to minimize transport costs and optimize the Group's logistics chain, the Group arranges swaps of oil products of similar nature with other companies in a number of geographical locations. These transactions are not recognized in the income statement as separate purchases and sales (being recognized for the net amount).

Sales of goods are recognized when substantially all the risks and rewards have been transferred. Revenue associated with the rendering of services is also recognized by reference to the stage of completion of the transaction at the balance sheet date, provided the outcome of the transaction can be estimated reliably. Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable. Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

An expense is recognized when there is a decrease of economic benefits associated to a reduction of an asset, or an increase in a liability, which can be measured reliably.

As a result of the legislation on oil and gas retailing in force in the countries in which the Group operates, Repsol reflects as both revenue and expenses the excise and analogous duties levied specifically on consumption related to the production and/or sale of oil and gas products.

Work relating to water management, atmospheric protection, waste management, remediation of soil and subsoil water and the development of environmental management systems are deemed to be environmental expenses and they are recognized for accounting purposes in accordance with the criteria indicated above.

24. *Financial Instruments-derivatives*

The Group arranges derivatives to hedge its exposure to financial and commercial risks due to interest rate and exchange rate fluctuations and to changes in the prices of certain “commodities.” All financial derivative instruments are initially recognized at fair value at the contract date and are subsequently measured at fair value. The derivatives are recognized as an asset when their fair value is positive and as a liability when it is negative. The differences in fair value are recognized in the income statement, except for specific hedge accounting treatment, where applicable.

Long-term oil and gas sale and purchase firm commitments are analyzed with the aim to determine whether they correspond to the supply or marketing needs of the normal business activities of the Group or whether, on the contrary, these should be considered as a derivative instrument and be recognized in accordance with the criteria set forth in IAS 39 *Financial Instruments - Recognition and Measurement*.

The valuation methods and inputs used are detailed in Note 11 “*Financial assets*” and Note 16 “*Financial liabilities*”.

The valuation and recognition of derivative financial instruments in keeping with specific hedge accounting criteria are as follows:

a) Fair value hedges

These are hedges of the exposure to changes in the fair value of an asset or a liability recognized for accounting purposes, an unrecognized firm commitment or an identified portion of the aforementioned asset, liability or firm commitment that can be attributed to a particular risk and could affect the profit or loss for the period.

The changes in the fair value of hedging derivatives and the changes in the fair value of the hedged items attributable to the hedged risk, are recognized in the income statement.

b) Cash flow hedges

These are hedges of the exposure to changes in cash flows that: (i) are attributed to a particular risk associated with a recognized asset or liability, a highly probable forecasted transaction or a firm commitment, if the risk hedged is foreign currency related; and (ii) could affect profit or loss for the period.

The portion of the changes in the fair value of the hedging instruments that is determined to be an effective hedge is recognized in equity and the ineffective portion of the gain or loss on the hedging instrument (corresponding to the excess, in absolute terms, between the cumulative change in the fair value of the hedging instrument with respect to the change in the fair value of the hedged item) is recognized in profit or loss. The gains or losses accumulated in equity are transferred to profit or loss in the periods in which the hedged items affect profit or loss or, when the transaction hedge results in the recognition of a non-financial asset or liability, are included in the cost of the related asset or liability.

c) Hedges of net investments

These are hedges of the exposure to foreign exchange rate changes in relation to investments in the net assets of foreign operations.

Hedges of net investments in a foreign operation are accounted for in a similar way to cash flow hedges, although the exchange rate differences resulting from these transactions are recognized in “*Translation differences*” within equity in the accompanying consolidated balance sheet.

The cumulative amount of the translation differences are reclassified to the income statement, when the foreign operation subject to the hedge is sold or disposed of in any other way.

APPENDIX V: RESTATEMENT OF THE 2013 CONSOLIDATED FINANCIAL STATEMENTS

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

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

ASSETS	Millions of euros			
	Stated		Restated ⁽¹⁾	
	31/12/2013	variation	31/12/2013	Initial balance ⁽¹⁾ 01/01/2013
Intangible Assets:	5,325	(3,596)	1,729	1,759
a) Goodwill	2,648	(2,158)	490	490
b) Other intangible assets	2,677	(1,438)	1,239	1,269
Property, plant and equipment	26,244	(10,218)	16,026	17,832
Investment property	24	-	24	25
Investment accounted for using the equity method	412	9,928	10,340	11,230
Non-current assets held for sale subject to expropriation	3,625	-	3,625	5,392
Non-current financial assets	1,802	86	1,888	1,505
Deferred tax assets	4,897	(818)	4,079	2,506
Other non-current assets	253	(193)	60	50
NON-CURRENT ASSETS	42,582	(4,811)	37,771	40,299
Non current assets held for sale	1,851	(159)	1,692	288
Inventories	5,256	(318)	4,938	5,175
Trade and other receivables	7,726	(2,791)	4,935	4,932
a) Trade receivables	5,621	(2,402)	3,219	3,556
b) Other receivables	1,634	(304)	1,330	1,043
c) Income tax assets	471	(85)	386	333
Other current assets	144	(3)	141	222
Other current financial assets	93	261	354	200
Cash and cash equivalents	7,434	(1,718)	5,716	4,108
CURRENT ASSETS	22,504	(4,728)	17,776	14,925
TOTAL ASSETS	65,086	(9,539)	55,547	55,224

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

Repsol, S.A. and investees comprising the Repsol Group
Consolidated balance sheet at December 31, 2013 and January 1, 2013

	Millions of euros			
	Stated		Restated ⁽¹⁾	Initial balance ⁽¹⁾
	31/12/2013	variation	31/12/2013	01/01/2013
LIABILITIES AND EQUITY				
NET EQUITY				
Issued share capital	1,324	-	1,324	1,282
Share premium	6,428	-	6,428	6,428
Reserves	259	-	259	247
Treasury shares and own equity instruments	(26)	-	(26)	(1,245)
Retained earnings and other reserves	19,785	-	19,785	20,526
Profit attributable to the equity holders of the parent	195	-	195	-
Dividends and remunerations	(232)	-	(232)	(184)
EQUITY	27,733	-	27,733	27,054
Financial assets available for sale	488	-	488	57
Other financial instruments	-	-	-	-
Hedge transactions	(60)	-	(60)	(210)
Translation differences	(954)	-	(954)	(199)
ADJUSTMENTS FOR CHANGES IN VALUE	(526)	-	(526)	(352)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	27,207	-	27,207	26,702
MINORITY INTERESTS	713	(470)	243	285
TOTAL EQUITY	27,920	(470)	27,450	26,987
Grants	66	(56)	10	10
Non-current provisions	3,625	(925)	2,700	1,367
Non-current financial liabilities:	13,125	(4,656)	8,469	9,877
a) Bank borrowings, bonds and other securities	13,053	(4,640)	8,413	9,675
b) Other financial liabilities	72	(16)	56	202
Deferred tax liabilities	3,352	(1,486)	1,866	1,509
Other non-current liabilities	2,179	(503)	1,676	2,981
NON-CURRENT LIABILITIES	22,347	(7,626)	14,721	15,744
Liabilities related to non-current assets held for sale	1,533	(76)	1,457	20
Current provisions	303	(54)	249	212
Current financial liabilities:	4,519	1,314	5,833	5,688
a) Bank borrowings, bonds and other securities	4,464	1,316	5,780	5,620
b) Other financial liabilities	55	(2)	53	68
Trade payables and other payables:	8,464	(2,627)	5,837	6,573
a) Trade payables	4,115	(1,527)	2,588	2,702
b) Other payables	4,056	(942)	3,114	3,724
c) Current income tax liabilities	293	(158)	135	147
CURRENT LIABILITIES	14,819	(1,443)	13,376	12,493
TOTAL EQUITY AND LIABILITIES	65,086	(9,539)	55,547	55,224

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

REPSOL, S.A. AND INVESTEEES COMPRISING THE REPSOL GROUP
Consolidated income statement for December 31, 2013 and January 1, 2013

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

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

REPSOL, S.A. AND INVESTEEES COMPRISING THE REPSOL GROUP
Consolidated cash flow statement

	Millions of euros		
	Stated	Re-stated ⁽¹⁾	
	31/12/2013	variation	31/12/2013
Net income before tax	1,864	(582)	1,282
Adjustments to net income:	3,639	(2,172)	1,467
Depreciation and amortization of non-current assets	2,559	(1,039)	1,520
Other adjustments to results (net)	1,080	(1,133)	(53)
Changes in working capital	(502)	227	(275)
Other cash flows from operating activities:	(1,005)	1,097	92
Dividends received	33	595	628
Income tax received / (paid)	(893)	468	(425)
Other proceeds from / (payments for) operating activities	(145)	34	(111)
Cash flows from operating activities ⁽¹⁾	3,996	(1,430)	2,566
Payments for investing activities:	(3,971)	1,636	(2,335)
Group companies, associates and business units	(183)	40	(143)
Property, plant and equipment, intangible assets and investment properties	(3,438)	1,446	(1,992)
Other financial assets	(350)	150	(200)
Proceeds from divestments:	683	(415)	268
Group companies, associates and business units	155	(11)	144
Property, plant and equipment, intangible assets and investment properties	102	(20)	82
Other financial assets	426	(384)	42
Otros flujos de efectivo	-	-	-
Cash flows used in investing activities ⁽¹⁾	(3,288)	1,221	(2,067)
Proceeds from/ (payments for) equity instruments:	1,014	-	1,014
Acquisition	(106)	-	(106)
Disposal	1,120	-	1,120
Proceeds from / (payments for) financial liabilities:	(1,325)	199	(1,126)
Issues	8,876	(1,735)	7,141
Return and depreciation	(10,201)	1,934	(8,267)
Payments for dividends and payments on other equity instruments	(528)	58	(470)
Other cash flows from financing activities:	(974)	(52)	(1,026)
Interest payments	(827)	236	(591)
Other proceeds from/ (payments for) financing activities	(147)	(288)	(435)
Cash flows used in financing activities ⁽¹⁾	(1,813)	205	(1,608)
Effect of changes in exchange rates	(54)	36	(18)
Net increase / (decrease) in cash and cash equivalents	(1,159)	32	(1,127)
Cash Flows from operating activities from discontinued operations	129	(19)	110
Cash Flows from investment activities from discontinued operations	2,319	59	2,378
Cash Flows from financing activities from discontinued operations	246	3	249
Effect of changes in exchange rates from discontinued operations	(4)	2	(2)
Net increase / (decrease) in cash and discontinued operations	2,690	45	2,735
Cash and cash equivalents at the beginning of the year	5,903	(1,795)	4,108
Cash and cash equivalents at the end of the year	7,434	(1,718)	5,716
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	31/12/2013	31/12/2013	
Cash and banks	4,650	(739)	3,911
Other financial assets	2,784	(979)	1,805
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7,434	(1,718)	5,716

⁽¹⁾ Corresponds to cash flows from continuing operations.

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