CONSOLIDATED MANAGEMENT REPORT
For the financial year 2015

REPSOL S.A. and Investees comprising the Repsol Group

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

APPENDIX

1. MAIN EVENTS DURING THE PERIOD 3
2. OUR COMPANY 8
2.1. BUSINESS MODEL 8
2.2. CORPORATE GOVERNANCE 13
2.3. STRATEGIC PLAN 2016-2020 16
3. MACROECONOMIC ENVIRONMENT 20
4. RESULTS, FINANCIAL OVERVIEW, AND SHAREHOLDER REMUNERATION 24
4.1 RESULTS 24
4.2. FINANCIAL OVERVIEW 30
4.3. SHAREHOLDER REMUNERATION 32
5. PERFORMANCE BY BUSINESS AREAS 36
5.1. UPSTREAM 36
5.2. DOWNSTREAM 54
6. OTHER WAYS OF CREATING VALUE 66
6.1. PEOPLE 66
6.2. SAFETY AND ENVIRONMENT 76
6.3. TAXATION 83
6.4. RESEARCH, DEVELOPMENT, AND INNOVATION (R+D+i) 88
6.5. EMERGING BUSINESSES 90
6.6. SOCIETY 91
7. OUTLOOK AND PROSPECTS 95
8. RISKS 99

APPENDIX I: INDICATORS, ALTERNATIVE MAGNITUDES AND RECONCILIATION WITH IFRS . 110
APPENDIX II: ANNUAL CORPORATE GOVERNANCE REPORT 116

1. MAIN EVENTS DURING THE PERIOD

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

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

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

Hereafter, these events are developed:

ACQUISITION OF TALISMAN ENERGY

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

Talisman is a Canadian company based in Alberta (Canada), incorporated under the Canada Business Corporation Act, and whose shares were listed on the Toronto and New York Stock Exchanges.

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

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

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

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

NEW ORGANIZATIONAL STRUCTURE

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

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

For further information, see section 2.2 in this report.

STRATEGIC PLAN 2016-2020

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

Key Strategic lines were summarised as follows:

For more information, see section 2.3 of this report.

RESULTS FOR THE PERIOD

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

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

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

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

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

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

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

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

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

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

For further information, see section 4.1 in this report.

OTHER EVENTS DURING THE PERIOD

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

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

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

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

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

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

MAIN FIGURES AND INDICATORS[1]

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

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

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

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

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

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

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

2. OUR COMPANY

2.1. BUSINESS MODEL

Vision and values

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

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

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

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

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

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

Activities

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

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

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

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

Value chain of our business

Upstream

Exploration → Development → Production

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

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

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

Downstream

Storage and transportation → Industrial activities → Marketing

Crude oil	Oil products	Chemicals	LPG	Chemicals	Marketing
Trading and transportation of crude oil and products to refineries for processing	Refining and crude oil transformation into oil products	Elaboration of a wide variety of petrochemical products	Processing and distribution of LPG	Distribution and sale of the petrochemical products elaborated	Distribution and sale of the oil products obtained

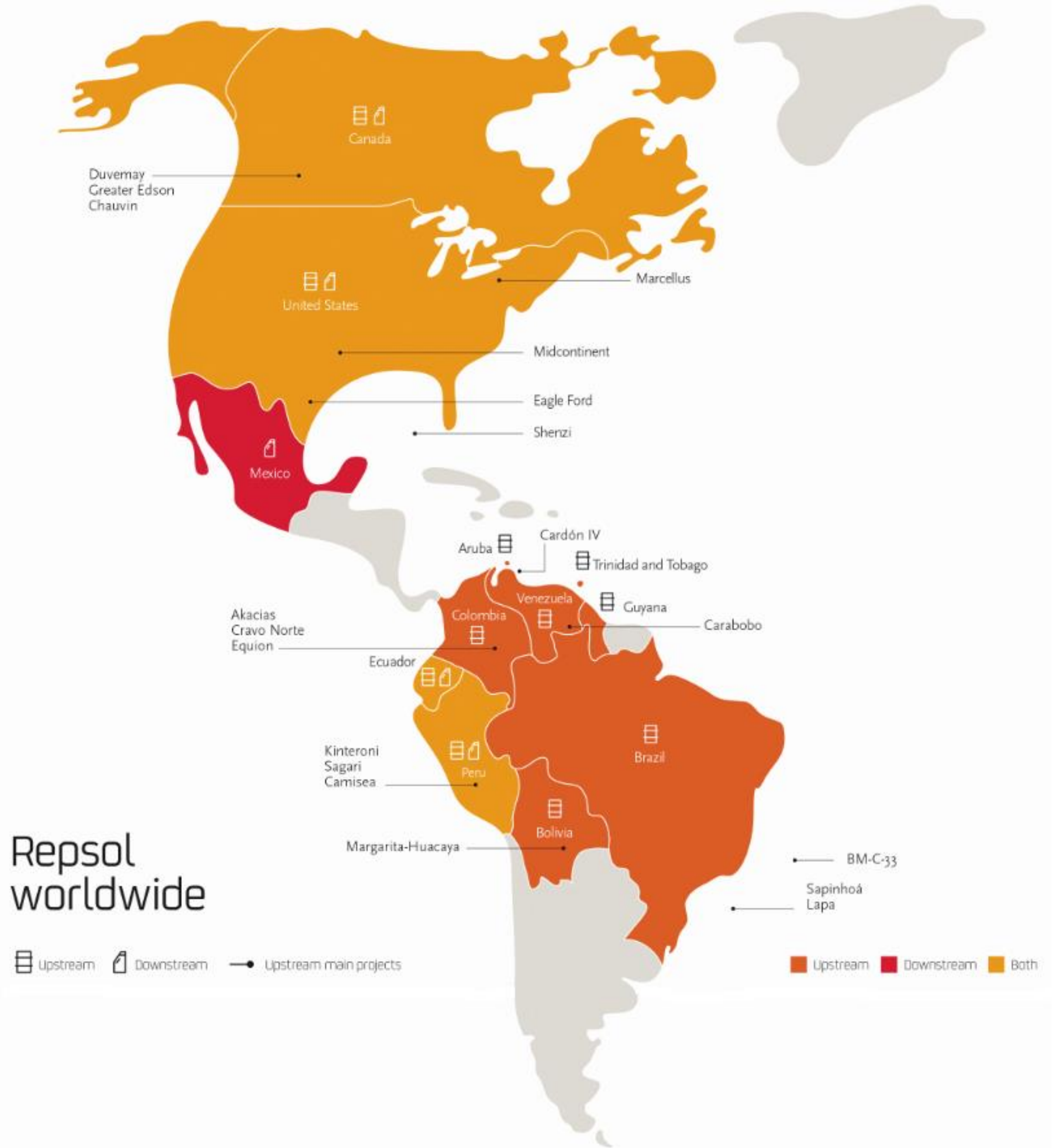
Processed crude in 2015:	Refining capacity:	Gross petrochemical capacity:	Sale of LPG:	Sale of petrochemical products:	Number of service stations:
43.3 Million t	**998** kbbl/d Sale of oil products: **47,605** kt	**4,838** kt	**2,260** kt	**2,822** kt	**4,716**

Gas & Power

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

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

Our operating markets



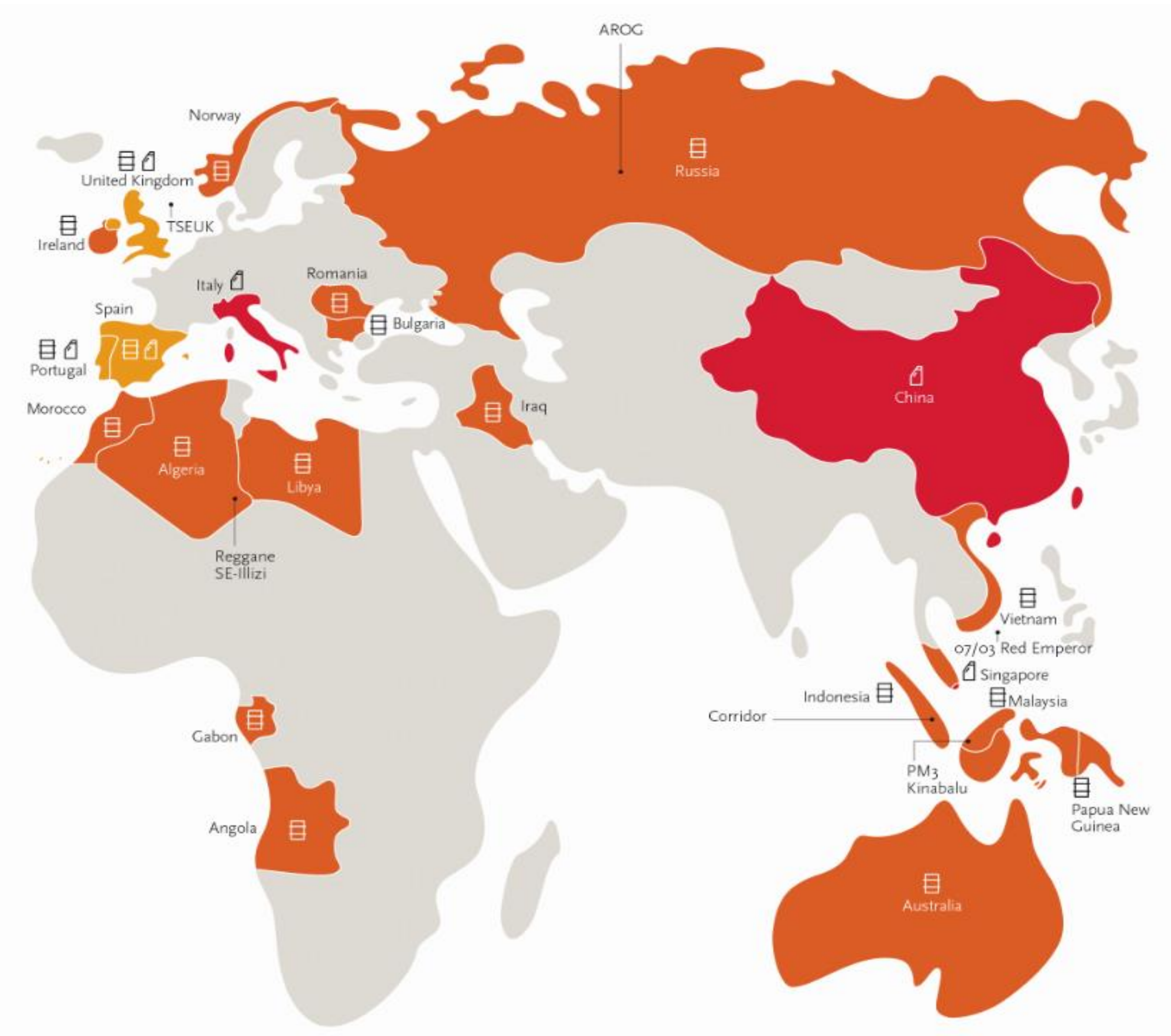
UPSTREAM

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

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

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

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



DOWNSTREAM

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

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

REFINING capacity	Primary distillation (kbbl/d)	Conversion index (%)
Spain		
Cartagena	220	76
A Coruña	120	66
Puertollano	150	66
Tarragona	186	44
Bilbao	220	63
Peru		
La Pampilla	102	24

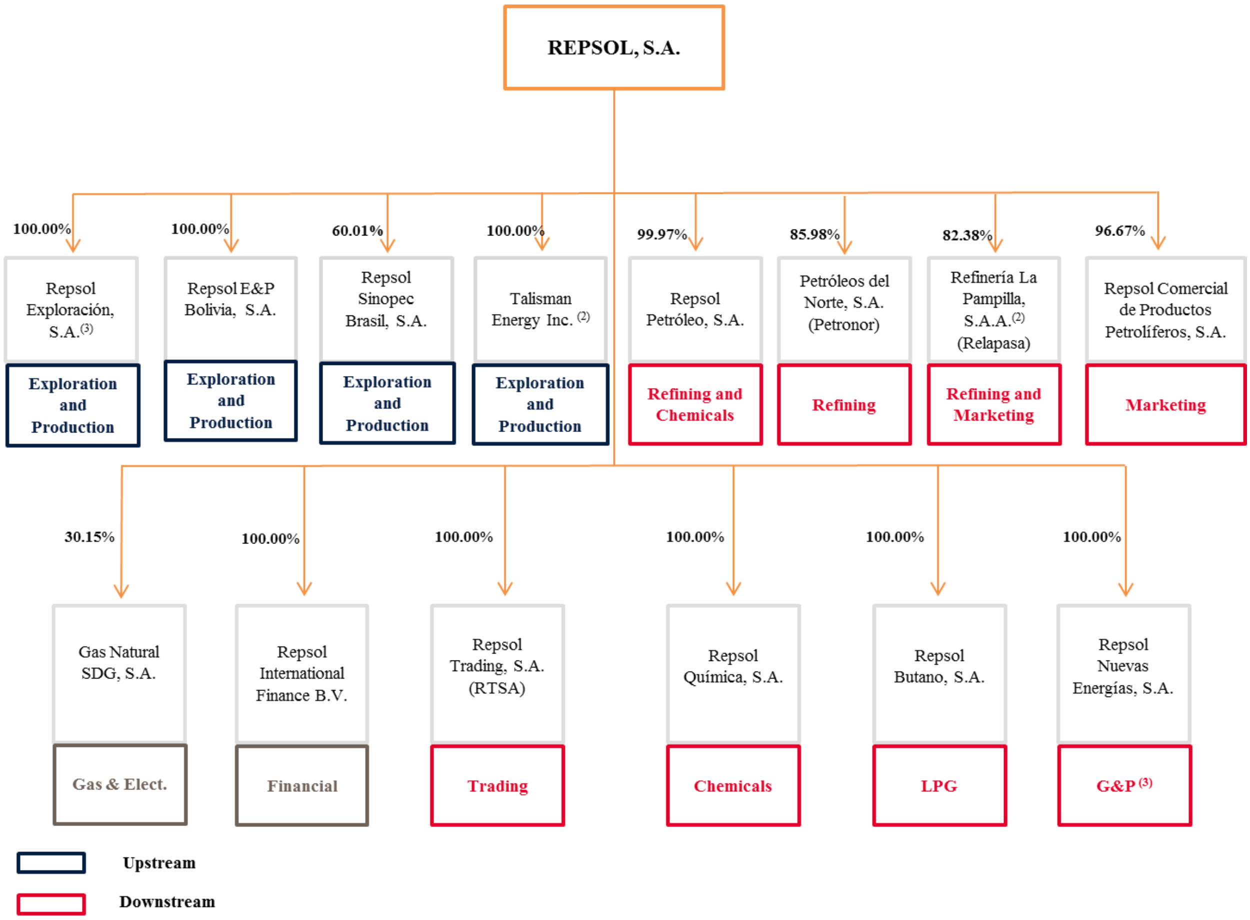
Service Stations	Total
Spain	3,544
Portugal	446
Peru	406
Italy	320

Repsol Refineries in Spain

● Repsol refineries
— Repsol crude oil pipelines
= Repsol refined products pipeline

CORPORATE STRUCTURE

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



(1) There is no difference between the percentage share capital owned and voting rights in the various companies

(2) Indirect Participation.

(3) The Gas & Power activities corresponding to transport, commercialization, trading and re-gasification of liquefied natural gas are performed through Repsol Exploración, S.A. subsidiaries and those corresponding to renewable generation via Repsol Nuevas Energías, S.A.

For more information on the main companies that make up the Repsol Group and the key changes during the year, see Appendix I and Ib of the 2015 consolidated financial statements.

2.2. CORPORATE GOVERNANCE

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

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

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

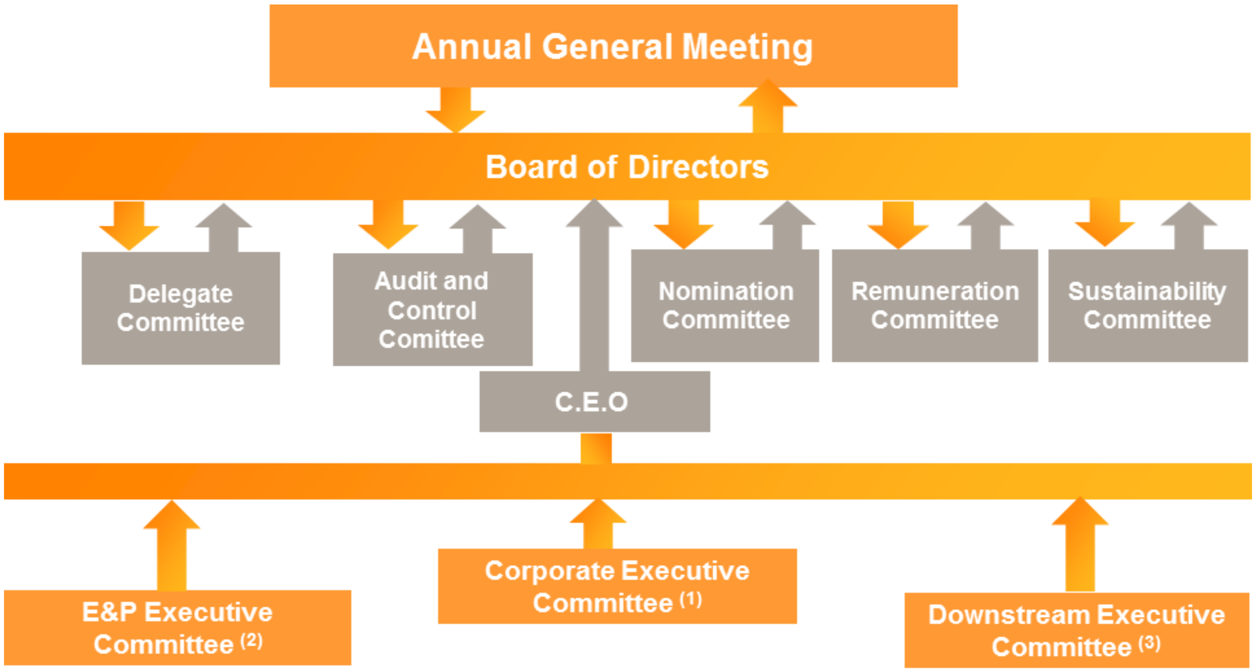
On April 29, 2015 Juan María Nin Genova resigned from the Board of Directors of Repsol. On April 30, 2015, the Board of Directors approved as a proposal from CaixaBank, SA, the appointment of Mr. Gonzalo Gortázar Rotaeche as Director of the Company to fill the vacancy caused by the resignation of Mr.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

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

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

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

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



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

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

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

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

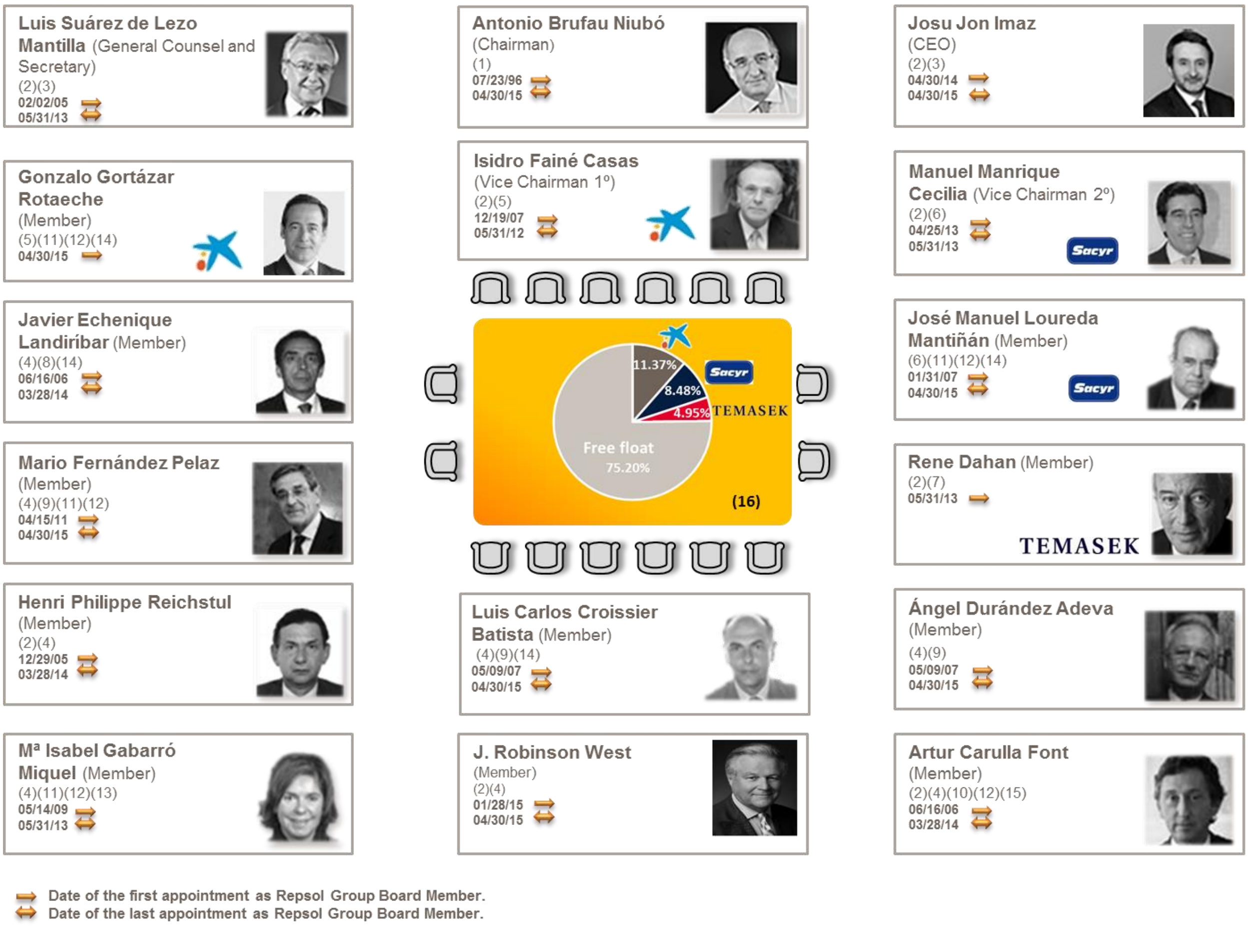
The new organizational structure´s aims include, among other objectives:

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

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

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

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



NOTE: Updated information related to the profile of the Board of Directors members can be found at www.repsol.es/es_es/corporacion/accionistas-inversores/gobierno-corporativo/. Further information regarding to the Remuneration Policy, see *"Annual Remuneration Policy Report of the Directors"* and Note 26 "*Remuneration of the members of the Board of Directors and Executives*" of the consolidated financial statements for 2015.

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

2.3. STRATEGIC PLAN 2016-2020

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

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

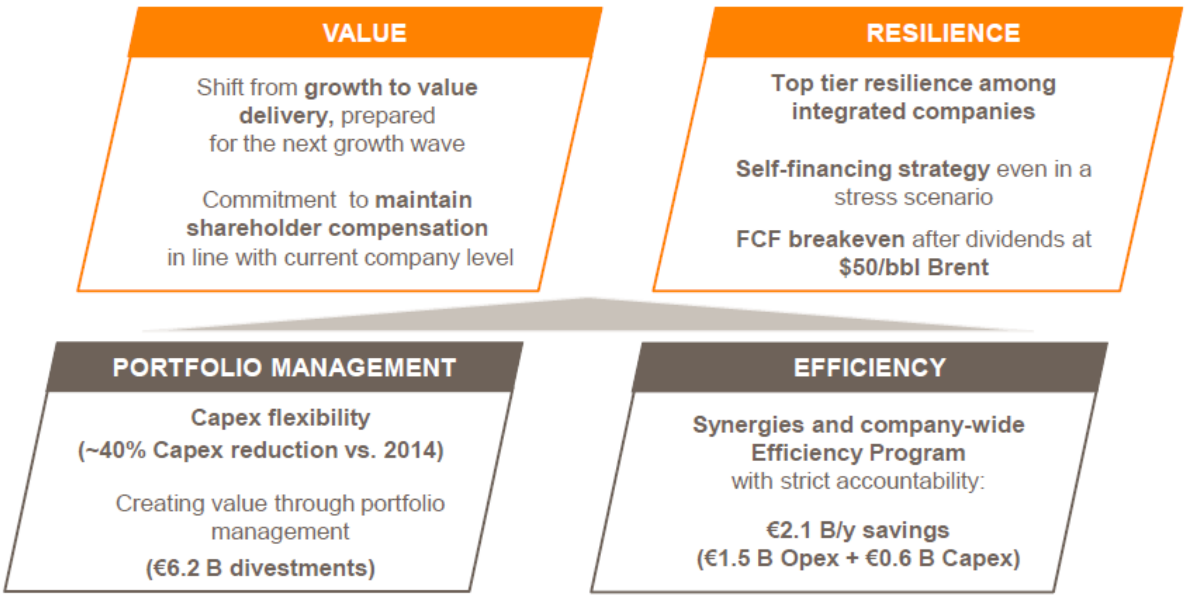
[1] 25% of the analysed compound growth (CAGR) based on 2015 output of 650 kbed (average daily production of Talisman integrated for the overall year). ~7% organic growth of CAGR, excluding the impact of Libya (3% when included).

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

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

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

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



Upstream Strategy

The key elements of the strategy in *Upstream* business are, as follows:

- Lower investment intensity and value improvement:
  - Flexibility in CAPEX: 40% reduction for the period 2016-2020.
  - Efficiency Programme, totalling $1,200 million per year in 2018.
- Greater resilience: the Brent price necessary for generating positive *Upstream* cash flow dropped to $60/bbl in 2018-2020.
- Geographic focus by type of play[1]: North America, Latin America, and Southeast Asia are key regions (overall they represent nearly 90% of production).
- Active management of the portfolio from its current potential, higher than 900,000 boe. to 750,000 boe of the Plan's final objective.

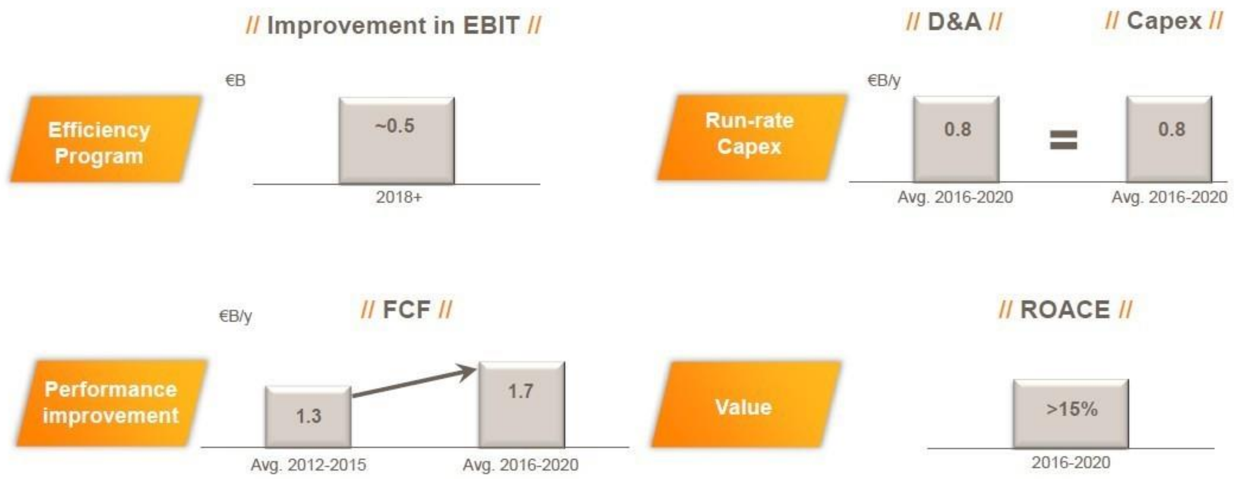
The improvement in *Upstream* metrics during 2016-2020 represents the following commitments:

(1) CAPEX (*Capital expenditures*) or investments. Does not include G&G and G&A exploration costs
(2) ROACE increase figures calculated in the stress scenario

[1] Family of deposits and/or prospectus, which share the same reservoir rock, storage, caprock and the same history of generating hydrocarbons, migration, and loading.

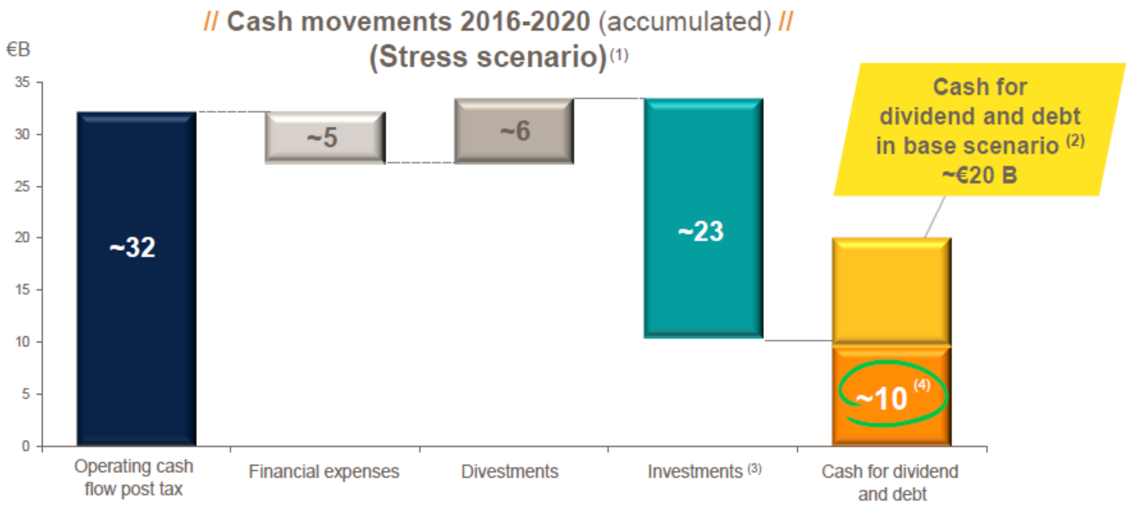
Downstream Strategy

The *Downstream* strategy involves the generation, through the high quality of its asset portfolio, of €1,700 million of annual free cash flow (average 2016-2020), as well as an increase in earnings before interest and taxes (EBIT) of ~€500 million/year thanks to efficiency measures and margin improvement outlined in the Efficiency Programme. The *Downstream* strategy is reflected in the following commitments:



Corporate strategy and financial Outlook

The Strategic Plan 2016-2020 is self-funded, which will allow to reduce debt, even in an stress scenario throughout the whole period.



(1) Stress scenario: Brent = $50/bbl, HH = $3.5/Mbtu and Repsol's refining margin indicator of $6.4/bbl from 2016 to 2020.

(2) Base scenario: Brent = $65/bbl and HH = $3.5/Mbtu in 2016, increasing to $75/bbl and $4.0/Mbtu in 2017, $85/bbl and $4.6/Mbtu in 2018, $90/bbl and $4.7/Mbtu in 2019, and $91.8 bbl and $4.8/Mbtu in 2020, with a constant refining margin of $6.4/bbl. Remuneration of ~1€/share paid annually through the "Flexible Repsol Dividend" shareholder scheme.

(3) For investments of ~€23,000 million, ~€19,000 million correspond to *Upstream* and ~€4,000 million correspond to *Downstream*.

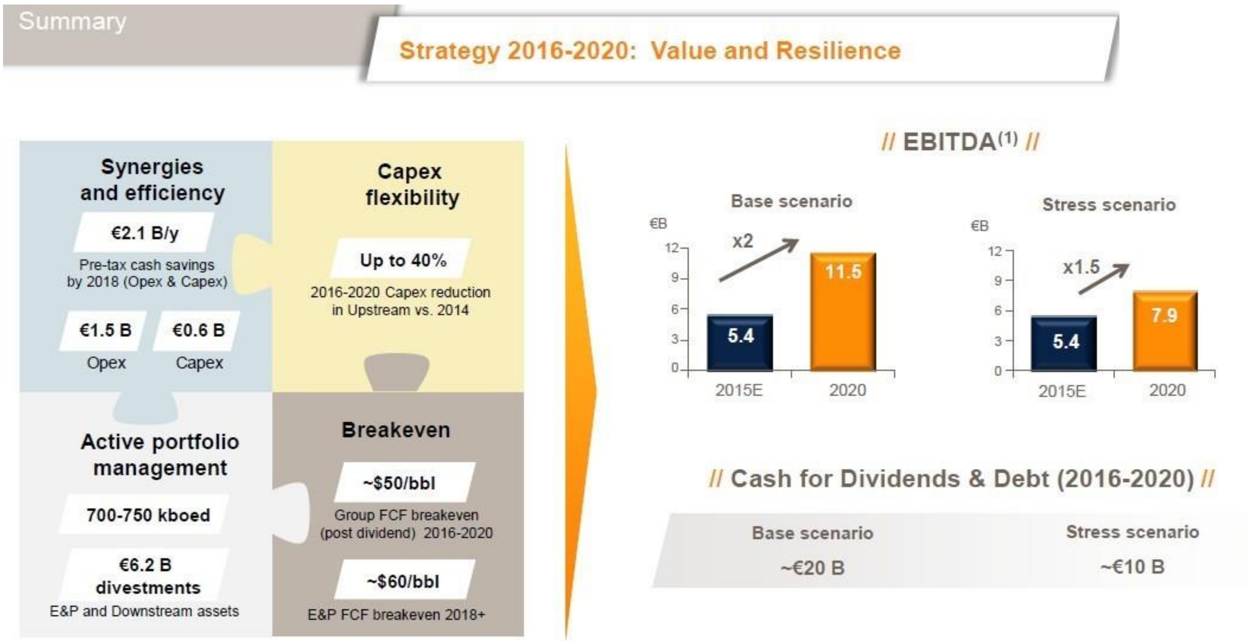
(4) Free cash flow sensitivities (accumulated 5 years): Brent +$5/bbl = €1,500 million; HH +$0.5/Mbtu = €700 million; Repsol refining margin +$1/bbl = €1,100 million.

The Talisman integration synergies and the Efficiency Programme will represent savings equivalent to €422 million per year.

Also, the strategic plan made it possible to move ahead with the Company's carbon strategy in line with the ongoing Efficiency Programme to reduce energy consumption 12% for the 2014-2020 period, CO_2 emissions 13% in 2020 (vs. 2010 CO_2 levels).

Its financial strategy ratifies its debt reduction commitments, and focus on maintaining a constant rating and shareholder remuneration in line with current levels.

Repsol's 2016-2020 strategy can be summarised in the following commitments:



(1) EBITDA based on CCS (Current Cost of Supply)

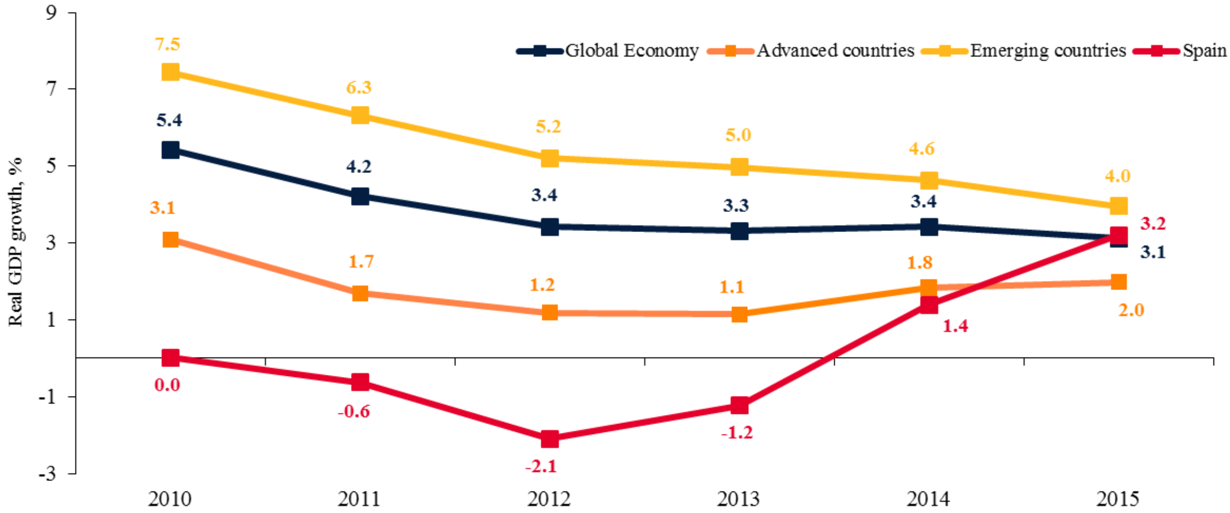
Since the publication of the Strategic Plan 2016-2020, the global energy situation suggests further deepening of measures included in Group's strategy: to advance in the attainment of synergies and efficiencies, as well as to apply CAPEX flexibility that offer the portfolio to a lower oil prices (additional adjustments in exploration, non-conventional, or special investment projects). In this manner, Repsol maintains the cash flow balance for price levels lower than stress baseline scenario, and reachs free cash flow breakeven at $ 40/bbl of Brent.

3. MACROECONOMIC ENVIRONMENT

RECENT ECONOMIC EVOLUTION

In 2015, the global economy moderated its growth driven mainly by a slowdown in emerging economies, which were affected by the commodity price decrease and reduced capital inflows. Global growth is expected to be at 3.1% in 2015, 0.3 percentage points (p.p.) below the 2014 figure. In parallel, the advanced economies continued to recover, although at a slower pace.

Evolution of global GDP



Source: International Monetary Fund (IMF, WEO Update 2016) and Repsol's Business Environm. Study & Analysis Division.

The United States grew at a rate of 2.4% in 2015 (according to first GDP estimation), pushed by private consumption, which in turn was underpinned by sustained job growth. However, growth was lower than expected at the start of the year due to foreign demand weakness and dollar strength. In this context, the Federal Reserve increased its reference interest rates by 25 b.p. (basis points) in December 2015, beginning an interest rate normalization process after years of quasi-zero interest rates.

The Eurozone’s growth, although moderate, has been surprisingly favorable. Eurozone growth is expected to be around 1.5% in 2015 thanks to a stronger internal demand, booted on oil prices, better financial conditions and a shift towards fiscal neutrality. The absence of inflationary pressure, in part shaped by low oil prices, permitted the European Central Bank (ECB) to approve an extensive range of conventional and non-conventional measures which were extended in its December meeting.

The Spanish economy is growing more than twice as fast as the Eurozone as a whole (according to 4Q 2015 flash GDP growth was at 3.5% a/a and around 3.2% for the whole 2015). The improvements in the labor market and people confidence are responsible for this growth differential. Additionally, the growth in Spain proving solid as it is underpinned not only by growth in consumption and investment, but also in exports. In recent years, Spanish exports of goods and services have been growing faster than international exports volumes.

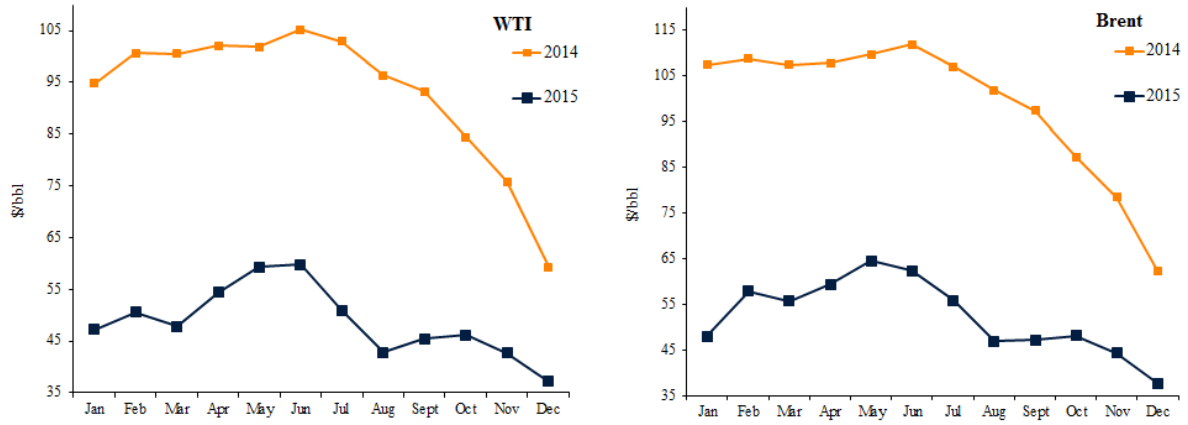
Emerging markets expected growth is at 4% in 2015, which would confirm the slowdown trend initiated after 2011, in a context of lower export prices and less favourable financial conditions. More recently, the economic weakness in China added greater uncertainty to the emerging markets.

EVOLUTION OF THE ENERGY SECTOR

Crude oil - Brent

In 2015, the average Brent crude oil price decreased 47% in comparison with 2014 average of $98.9 per barrel ($/bbl) to 52.4$/bbl. The price decrease is mainly attributable to surplus market supply, which had an influence in OPEC and non-OPEC dynamics.

Evolution of Brent and WTI prices per barrel



Source: Bloomberg and Repsol's Business Environm. Study & Analysis Division.

From the OPEC side, during 2015 OPEC cartel decided to stick with the policy initiated in November of 2014 of defending its production share. On average, aggregate OPEC production averaged almost 1.4 million barrels per day (Mbpd) more than the market needed. OPEC's strategy has been to leave the market to its own, to wait for low prices to rid the market of high-cost production and, above all, focused on not losing market share.

Production in non-OPEC nations fell by around 600 thousand bp/d in 2015. This supply adjustment was smaller than expected, due mainly to two factors: i) a slower than expected adjustment in response to price signals on the part of shale oil production in the US thanks to intermediate factor cost cuts and production efficiency gains; and ii) the start-up of production at new projects, mainly offshore, where the investment process had concluded before prices began to tumble in June 2014.

In the short and medium term, investment will be the main driver of production; which historically, has been corrected during periods of low prices. In the current environment, therefore, in which the outlook for prices is not encouraging, a drop in supply on the back of declining investment would seem inevitable.

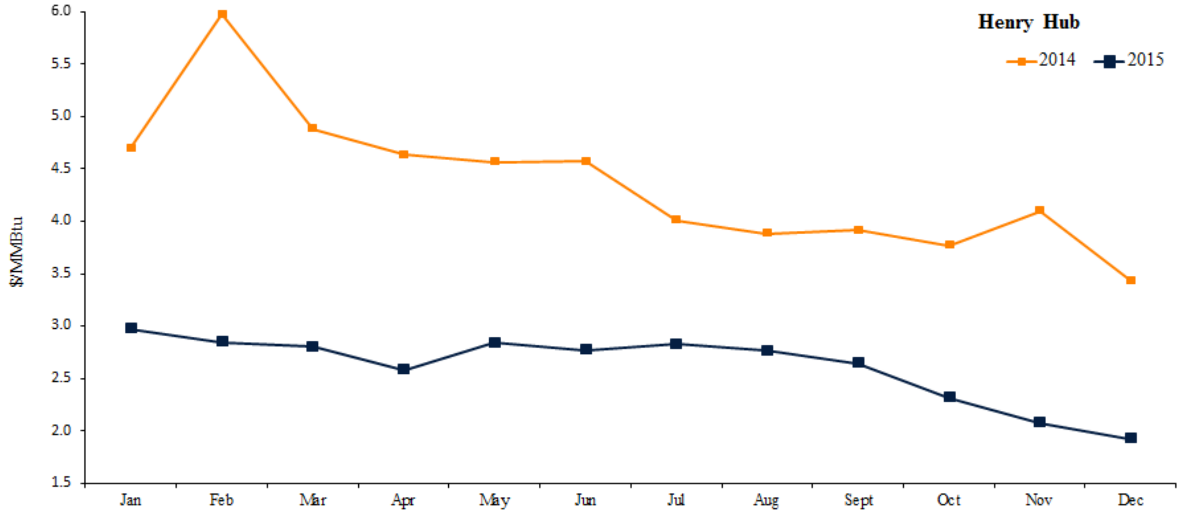
On the demand side, the low crude oil prices observed in 2015 drove fuel prices lower and had the effect of transferring income from oil producing nations to oil consuming nations; which together have led global demand for oil registered growth of 1.8% in 2015, in line with the long-run average, after three years growing at just 1%. However, warmer-than-usual winter temperatures eroded demand in the fourth quarter of 2015.

The interaction of all of these demand and supply factors generated a situation of surplus supply which lasted for all of 2015, especially in the early part of the year.

Gas Natural – Henry Hub

Henry Hub natural gas spot prices, meanwhile, remained very low in 2015, averaging $2.7/MBtu, marking a correction of close to 40% from the 2014 average ($4.4/MBtu).

Evolution of Henry Hub prices



Source: Bloomberg and Repsol's Business Environm. Study & Analysis Division.

Generally, gas market fundamentals have been weak, marked by surplus supply which left inventories at a record high in the last month of 2015. At year-end, inventories reached maximum figures with 14% higher year-on-year in December and stood 12% above the trailing five-year average.

Production, meanwhile, continued to increase, despite the decline in prices and drilling activity (active wells), fueled mainly by higher output at the largest shale plays (Marcellus/Utica) as well as higher output associated with crude production.

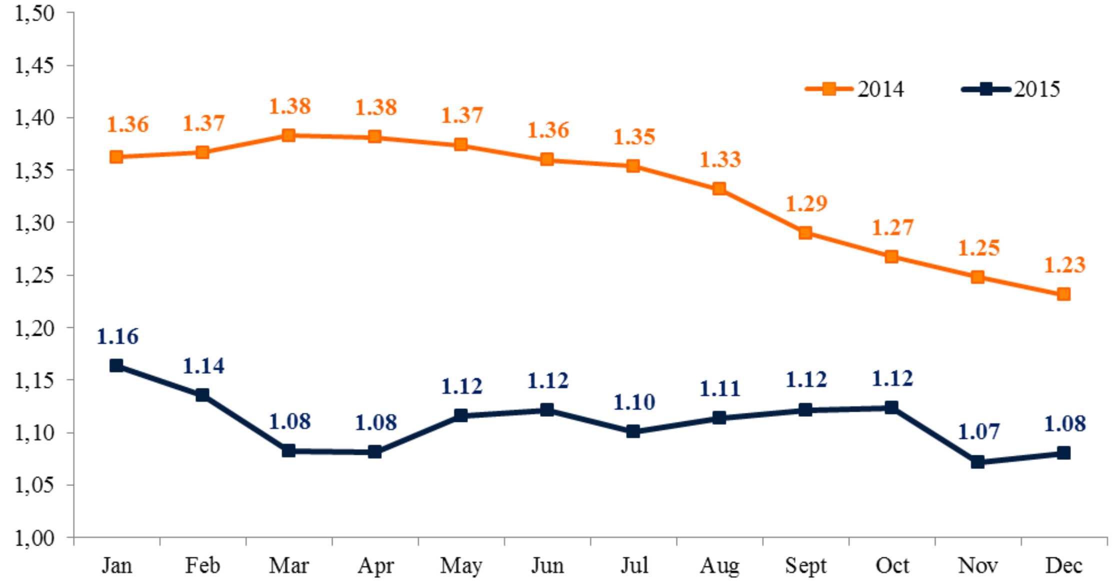
This trend was widespread all year long. However, growth in production is beginning to show signs of slowing (falling at Marcellus since September and at the most important associated gas plays - Eagle Ford and Bakken - since August).

Demand was generally weak. By segment: i) the residential-commercial segment consumed less due to mild weather; ii) while industrial consumers were hit by the economic slowdown; iii) the power segment drove demand in 2015; higher gas-fired power generation due to the withdrawal of coal-fired stations and maintenance work at nuclear power plants was offset by growth in generation from renewable sources and low carbon prices.

EVOLUTION OF EXCHANGE RATE

The euro continued to depreciate against the dollar in 2015, extending the slide initiated in the second half of 2014, shaped by divergent monetary policy messages from the Federal Reserve relative to the European Central Bank. Nevertheless, the euro was relatively stable during the second half of the year, hovering at around the 1.10 mark.

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



Source: Bloomberg and Repsol's Business Environm. Study & Analysis Division.

The first quarter of 2015 was characterized by dollar strength related to the euro, as well as emerging market currencies. On the one hand, monetary policy divergence widened with the ECB announcing in January a €1,200 million asset purchasing program divided in monthly buybacks of €60,000 million through September 2016, just as the market began to price in the expectation that the US would soon start to tighten its monetary policy. On the other hand, the currencies of commodity exporter nations were weakened by the low oil prices.

In the following quarters, the monetary divergence eased as the anticipated rate hike in the US was pushed back due to trade weakness on the back of the strong dollar. Growing risk in the emerging market economies further cautioned against tightening monetary conditions.

Financial market uncertainty spiked in August with China as the main source of concern. In addition to a sharp Chinese stock market correction, the authorities decided to let the renminbi depreciate somewhat. This measure was interpreted by the market as a sign of economic weakness in China and the emerging markets as a whole, prompting massive capital outflows from these economies.

Central bank divergence returned to the fore towards the end of the year. Faced with solid job creation numbers on the US, the Federal Reserve decided to raise rates in December, while the ECB, concerned by low inflation and aware of the effectiveness of its quantitative assets purchasing program, decided to extend its €60,000 million monthly buybacks until March 2017. This divergence is fueling dollar appreciation, making commodity prices more expensive in local currencies and exerting downward pressure on oil prices.

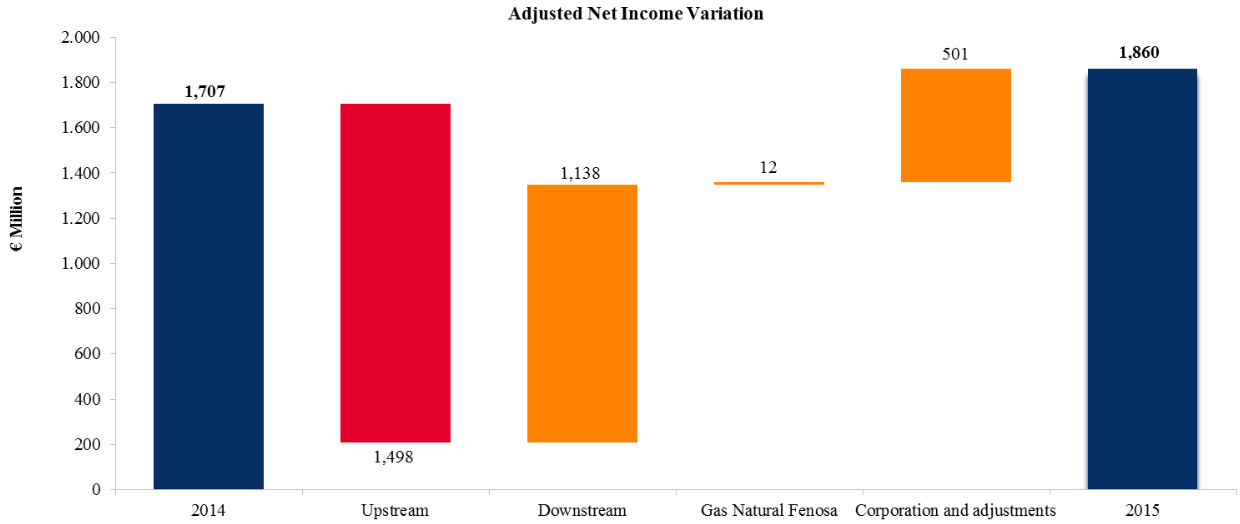
4. RESULTS, FINANCIAL OVERVIEW, AND SHAREHOLDER REMUNERATION

4.1 RESULTS[1]

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

The macroeconomic enviroment has crucially influenced in 2015 results, chiefly reflected in the long decline of crude oil and gas prices and the volatility of the financial markets.

Adjusted Net Income in 2015 increased to €1,860 million, 9% higher than in 2014. Lower *Upstream* results, caused by the drop in crude oil and gas prices, were offset by notable *Downstream* results, especially in the industrial businesses, reaffirming the advantages of Repsol's integrated business model, as well as *Corporation*, thanks to its improved financial result generated by the impact of the appreciation of the dollar on the positions in this currency. This result includes the Talisman operations since the date of acquisition by Repsol (May 8).



EBIDTA reached €4,317 million vs. €3,800 million during the prior year, which represented 14% increase, mainly driven by the *Downstream* industrial businesses and supported by Talisman contribution.

[1]All the information presented throughout this section, unless expressly stated to the contrary, was prepared in accordance with the Group's reporting model, which is described in Note 5 "*Segment reporting*" in the financial statements corresponding to December 31, 2015. Appendix III of that document includes the reconciliation between the adjusted figures and those corresponding to IFRS-EU financial information, complemented by the reconciliations presented in Appendix I of this Management Report.

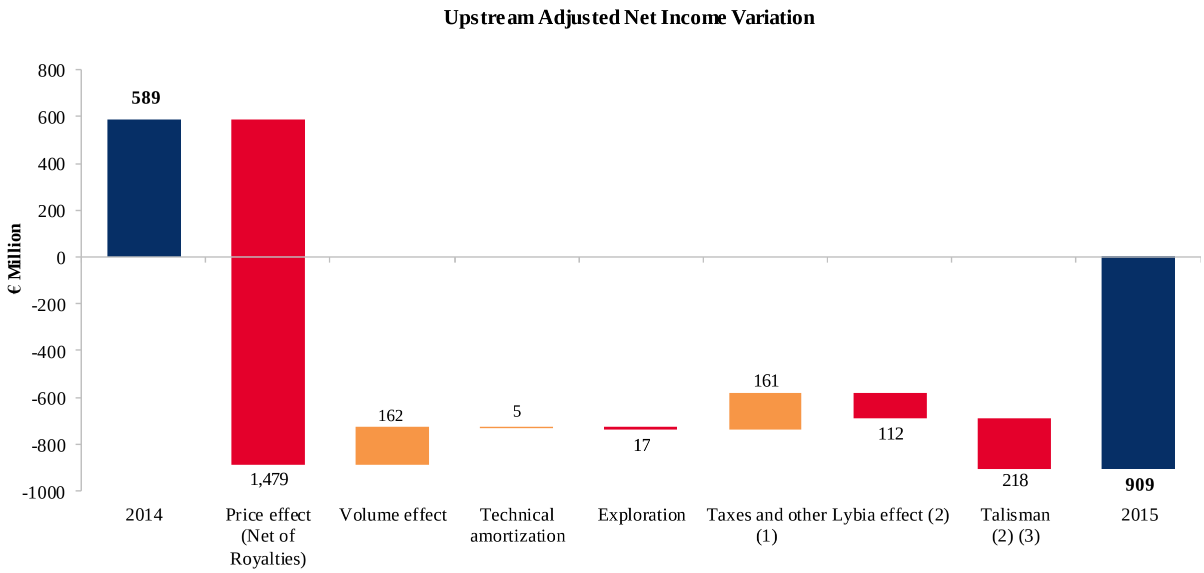
Upstream

Adjusted net income from *Upstream* operations in the year 2015 was €-909 million, compared to the €589 million during the same period of 2014.

Production increased 57%, reaching an annual average of 559 Kboe/d (698 Kboe/d during the fourth quarter), mainly due to the contribution of the Talisman assets (202 Kboe/d), and the ramp-up of production of new wells located in Sapinhoá (Brazil) and Cardón IV (Venezuela). All of this took place despite the decreased production in Trinidad & Tobago, attributable to operational incidents and field shutdowns, as well as the lack of production in Libya for country's security issues.

Despite the increase in production, the adjusted net income of *Upstream* during the period reflected a strong drop with regard to the prior year. This lower result can mainly be explained by the reduction in oil and gas realization prices (43% and 27%, respectively), as well as the negative impact on corporate tax expense as a consequence of the devaluation of several local currencies (mainly Brazil and Colombia). Additionally, a slight increase in exploration costs was arisen due to drilling costs, chiefly in Angola, Norway, Peru, Romania and the United States.

The following represents the variation of the adjusted net income of *Upstream*:



(1) Mainly includes income tax expense and the effect of the exchange rate.
(2) Adjusted Net Income
(3) See section 4 in "*Noteworthy events during the year*".

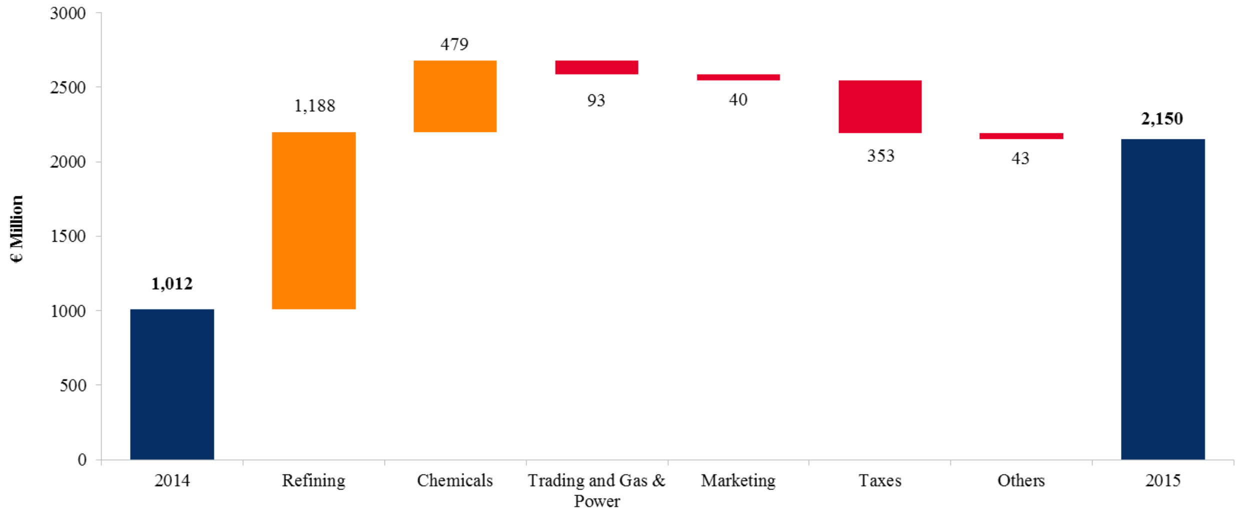
EBITDA amounted to €1,512 million, which includes the Talisman results obtained since May 8 (€638 million).

Net Operating investments totalled €11,270 million, which €8,005 million are related to Talisman acquisition. Excluding this effect, together with investments made from May 8 by Talisman, operating investments in dollars fell by 22% compared to 2014.

During the year, 19 exploratory and 13 appraisal drills concluded, which 16 were positive, 13 negative (all exploratory), and 3 are still in evaluation.

Downstream

Adjusted net income for the *Downstream* segment in 2015 amounted to €2,150 million, which represents an increase of 113% with respect to the same period in 2014.



This increase is mainly due to:

- In the Refining business, improved margins and the increase of the volume of production (10%) and the oil products sold. The improvement in refining margins (Spain's margin indicator was \$8.5/bbl vs. \$4.1/bbl in 2014), favourably determined by lower energy costs, strengthening product spreads, and the wider spreads between heavy and light crude oil. Changes in the $/€ exchange rate contributed to the improved results.

- Improved margins in the Chemical business, supported by an improved international environment, as well as an increase in sales volume (6%), fewer operational incidences, and a greater impact of efficiency measures.

- Lower *Gas & Power* results, despite greater sales volumes, decreased margins by drop in market prices, partially offset by improved *Trading* results.

- Lower Commercial businesses results, mainly affected by the drop in the results of the LPG areas partially offset by the improved results of the lubricant, asphalt, and specialties businesses. Results in *Marketing* are in line with those for prior years.

These results continue demonstrating the quality of the Group's assets which allowed Repsol to maintain its leading position among European competitors in terms of industrial and commercial business margins.

EBITDA amounted to €3,092 million, which is 141% higher than 2014. Operating investments total €942 million, 34% higher than 2014.

Gas Natural Fenosa

Adjusted net income for Gas Natural Fenosa in 2015 was €453 million, vs. €441 million in 2014. This increase is due to the inclusion of the Chilean company Compañía General de Electricidad (CGE) on November 30, 2014, as well as the improvement in the performance of the Latin American businesses, partially offset by the declining performance of wholesale gas sales and the commercialization electricity business in Spain and the effect of extraordinary results obtained during 2014 (the sale of the telecommunications business, impairment of the Damietta plant in Egypt, and the impact of tax reform in Spain).

Corporation and adjustments

During 2015, an adjusted net income of €166 million was recognised, vs. €-335 million in the same period of 2014. This variation can mainly be explained by improved financial results arising from the effect of exchange rate on the dollar positions, which offset the increased finance and corporate expenses arising from the inclusion of Talisman since its acquisition on May 8.

Net Income

Adjusted Net Income (€1,860 million) should include the effects of:

- *Inventory effect* (€-459 million): this effect is the result of the decrease in crude oil prices and is associated with the valuation of crude oil and products to Weighted Average Cost (MIFO), instead of the Current Cost of Supply (CCS) and it reflects the negative impact of the long decline in crude oil prices. However, the inventory effect, has improved compared to previous year by 24%.

- *Non-recurring income* (€-2,628 million): the year 2015 mainly includes impairment and write-downs of assets, (€2,957 million after taxes), partially offset by gains on divestments (€376 million: CLH by €293 million, exploration licenses in Canada for €45 million and piped gas assets by €38 million), and the repurchase of Talisman bonds (€155 million).

- *Income from discontinued operations*: the year 2014 included the positive effect of the sale of the investment in Repsol Comercializadora de Gas, S.A (€319 million), and the results associated with YPF, S.A. expropriation.

Based on this outcome, the Group's **Net Income** in 2015 was €-1,227 million. The notable decrease in the net income compared to 2014 (€1,612 million) is explained by the significant impairment recognised in 2015, and the lower gains on divestments of assets in 2015 vs. 2014.

Performance indicators

The main financial performance indicators for 2015 and 2014 are as follow:

PERFORMANCE INDICATORS	12/31/2015	12/31/2014
Return on average capital employed (ROACE) [1] (%)	3.1	4.4
Earnings per share (€/share)	(0.87)	1.12

(1) ROACE: (recurring operating income to Weighted Average Cost (MIFO) after taxes + recurrent income from investees) / (average capital employed from continuing operations of the period).

NOTEWORTHY EVENTS DURING THE YEAR

Impairment, write-downs and other provisions

Markets are currently highly volatile and with low crude oil prices, making it necessary to review the assets' value. Therefore, impairment provisions and extraordinary write-downs were recognised at year end, being the breakdown by business segment the following:

€ Million	**12.31.2015**
Upstream	**3,669**
Productive and under development assets	2,933
Exploratory assets [1]	736
Downstream	**438**
Corporation	**46**
TOTAL before taxes	**4,153**
TOTAL after taxes	**2,957**

(1) Does not include exploratory permit and negative drills amortised during the normal course of operations, recognised as exploration costs under the Adjusted Net Income in *Upstream*.

In the *Upstream* segment, impairment arose from the evaluation of the recoverability of the assets' value (mainly, price decks) based on a more prudent hypothesis aligned with the current market outlook. The corresponding provisions, therefore, are adjusted in future years at market conditions, and if they improve, will be reversed.

The main impairment in the *Upstream* segment (before taxes) correspond to:

a) Productive and under development assets:

Impairment before taxes	***€ Million***
North America	1,073
Southeast Asia	553
Latin America[1]	924
Europe and North Africa	383
TOTAL	**2,933**

(1) Impairment calculated according to the Group's reporting criteria.

b) Exploratory assets:

- Exploratory wells amounting to €320 million before taxes, mainly in the US and Angola, and to a lesser degree, Libya, Malaysia, and Brazil.

- Exploration permits amounting to €242 million before taxes, mainly in the US and Angola, and to a lesser extent, Indonesia.

- Provisions for onerous contracts related to the exploration activity (mainly, *offshore* drilling platforms), in the amount of €174 million.

The *Downstream* segment, an impairment of €362 million before taxes was recognised (net the reversal of the onerous contract provision) in the North America *Gas & Power* business (mainly the Canaport regasification plant, and associated gas pipeline transport commitments in North America), due to the outlook for gas volumes, prices, and margins.

For further information regarding impairment recognized during the year, see Notes 14 and 22 of the 2015 consolidated financial statements.

Talisman first consolidation in the consolidated financial statements of the Repsol Group

Talisman acquisition represents an investment of €8,005 million, corresponding to the purchase price of 100% of its ordinary shares ($8,289 million) and its preference shares (CAD 201 million), and the effect of derivative hedging exchange rate in the purchase price.

In accordance with accounting standards, the first-time consolidation of the assets and liabilities of Talisman in the Repsol Group's consolidated financial statements took place based on its fair value at the acquisition date (May 8).

As a result of that valuation, integrated assets were recorded in the amount of €20,546 million, including goodwill totaling €2,510 million, and liabilities of approximately €12,541 million. Goodwill, which includes deferred taxes after accounting revaluation of the acquired assets, is widely justified by the synergies expected to be realized as a consequence of the integration.

Valuation of Assets and liabilities	***€ Million***
Upstream Business	14,356
Other Net assets and liabilities	(4,754)
Financial Debt[(1)]	(4,107)
Goodwill	2,510

(1) Financial debt calculated without considering the debt of companies integrated using the equity method. Financial debt has been prepared in accordance with the Group's reporting method, and at the moment of acquisition, amounted to €3,499 million, and was partially repurchased in December in the amount of €1,699 million after the repurchase of the TLM bonds.

The valuation was contrasted with two reports from prestigious independent appraisers.

Results contributed by Talisman

The Repsol Group's results arising from the Talisman business since May 8, 2015 are included. According to the Group's business segment reporting model, the Talisman results are distributed as follows:

	€ Million
Upstream	(218)
Corporation	(160)
Adjusted Net Income	(378)
Non-recurring income [(1)]	(1,007)
Net Income	**(1,385)**

(1) Talisman's non-recurring income mainly includes the impairment of the TLM assets.

Further information on the Talisman business combination can be found in Note 4.1 of the financial statements corresponding to December 31, 2015.

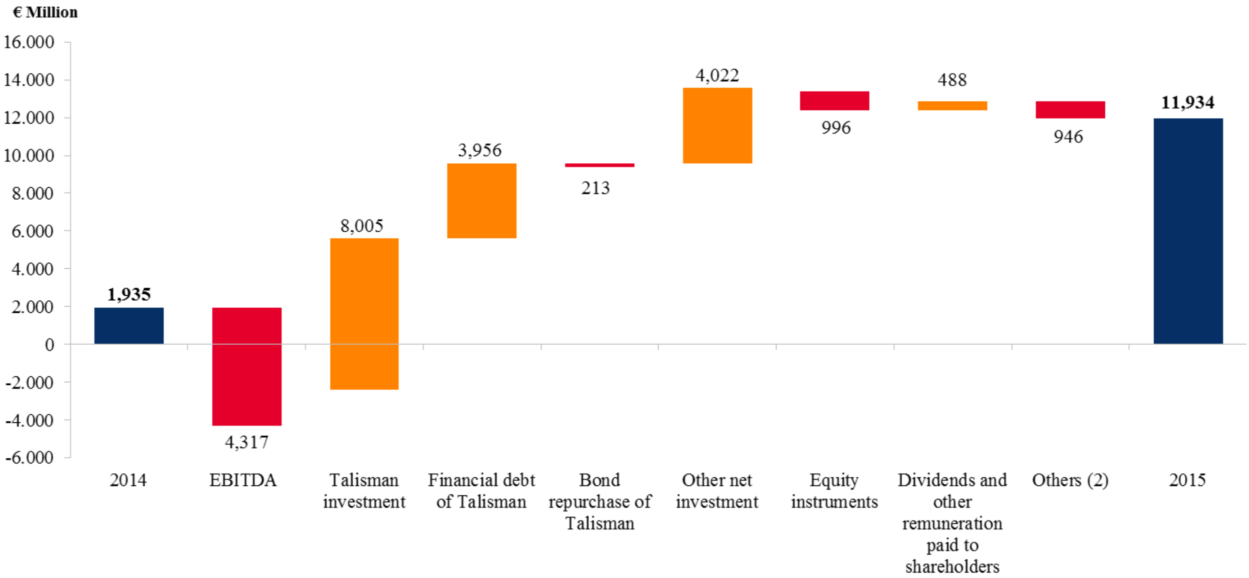
4.2. FINANCIAL OVERVIEW[1]

In 2015, Repsol's financial situation was affected by the Talisman acquisition and the resulting increase in indebtedness, which has not impacted in the Repsol's credit rating. On the other hand, the Group has completed two significant transactions which have improved its financial structure: firstly, the issuance of subordinated bonds, and secondly, the partial repurchase of Talisman bonds.

Indebtedness

The Consolidated Group's net financial debt at year-end 2015 was €11,934 million, compared to €1,935 at December 31, 2014. The evolution of net financial debt in 2015 is explained below:

Change in net debt (1)



(1) Appendix I provides a detailed description of the composition of net debt and reconciles these figures with the net debt reported in the financial statements prepared under IFRS-EU.
(2) Primarily includes income tax expense, net interest expense and changes in working capital.

Main financing operations issued during the year 2015[2] have been as follows:

<u>Bond issues</u>

Date	Concept	Issuer	Currency	Fair Value (€Million)	Rate	Issue price	Maturity
March	Issue	Repsol International Finance B.V.	Euros	1,000	4.500% (1)	100.00%	60 years
March	Issue	Repsol International Finance B.V.	Euros	1,000	3.875% (2)	100.00%	Perpetual
December	Issue (3)	Repsol International Finance B.V.	Euros	600	2.125%	99.90%	5 years

(1) The bonds bear a fixed annual coupon of 4.5% from the date of issuance until March 25, 2025 (inclusive), payable annually as of March 25, 2016; and, as of March 25, 2025 (inclusive), an annual fixed coupon equal to the 10-year swap rate plus an applicable margin.
(2) The bonds bear a fixed annual coupon of 3.875% from the date of issuance until March 25, 2021 (inclusive), payable annually as of March 25, 2016; and, as of March 25, 2021 (inclusive), a fixed annual coupon equal to 6 years swap rate plus an applicable margin.
(3) Issuance under the Program of medium-term bonds (European Medium Term Notes "EMTN") guaranteed by Repsol, S.A. allowing issue up to an aggregate principal amount of €10,000 million.

---

[1] All of the information provided in this section, unless expressly stated otherwise, has been prepared using the Group reporting model described in Note 5 "*Segment reporting*" at December 31, 2015 annual financial statements. Appendix I of this report reconcile the main adjusted figures with the information reported under IFRS-EU.
[2] RIF has a €2,000 million Euro Commercial Paper Program (ECP) arranged on March 5, 2013 which is guaranteed by Repsol, S.A. In addition, Talisman Energy Inc. arranged a US Commercial Paper Program (USCP) in October 2011 under which it can issue up to $1,000 million.

Repayments or bond repurchases

Date	Concept	Issuer	Currency	Nominal refunded / Nominal repurchased (million)	Coupon
May	Repayment	Talisman Energy Inc.	Dollars	375	5.13%
December	Repurchase	Talisman Energy Inc.	Dollars	127	7.75%
December	Repurchase	Talisman Energy Inc.	Dollars	243	7.25%
December	Repurchase	Talisman Energy Inc.	Dollars	27	5.75%
December	Repurchase	Talisman Energy Inc.	Dollars	360	5.85%
December	Repurchase	Talisman Energy Inc.	Dollars	468	6.25%
December	Repurchase	Talisman Energy Inc.	Dollars	474	5.50%

For more information, see Note 15 "*Financial liabilities*" in the 2015 consolidated financial statements.

The **maturity of gross debt** at year-end is as follows:

Gross Debt [(1)] [(2)] (€ Million)	Total
Maturity 2016	4,253
Maturity 2017	1,599
Maturity 2018	998
Maturity 2019	1,897
Maturity 2020	2,017
Maturity 2021 and after	4,115
TOTAL	**14,879**

Maturity of Bonds [(1)] issued at December 31, 2015

Year	Currency	Nominal	%	Maturity
2016	€	850 [(3)]	4.25	feb-16
	$	150 [(4)]	8.50	mar-16
2017	€	886 [(3)]	4.75	feb-17
	£	250 [(4)]	6.63	dec-17
2018	€	750 [(3)]	4.38	feb-18
2019	€	1,000 [(3)]	4.88	feb-19
	$	573 [(4)]	7.75	jun-19
2020	€	1,200 [(3)]	2.63	may-20
	€	600 [(3)]	2.13	dec-20
2021 and after	$	600 [(4)]	3.75	feb-21
	€	1,000 [(3)]	3.63	oct-21
	€	500 [(3)]	2.25	dec-26
	$	57 [(4)]	7.25	oct-27
	$	98 [(4)]	5.75	may-35
	$	140 [(4)]	5.85	feb-37
	$	132 [(4)]	6.25	feb-38
	$	126 [(4)]	5.50	may-42
	€	1,000 [(5)]	4.50 [(6)]	mar-75

(1) Does not include €1,000 million of perpetual subordinated bonds issued by Repsol International Finance, B.V (RIF) on March 25, 2015.
(2) Includes derivatives of exchange rates and interest.
(3) Notes issued by RIF under its *Euro 10,000,000,000 Guaranteed Euro Medium Term Note Programme* (EMTN), which is guaranteed by Repsol S.A.
(4) Issues made through Talisman Energy Inc. under the scope of its *Universal Shelf and Medium-Term Note Shelf Programs* in the US and Canada, respectively.
(5) Subordinated 60-year bonds issued by RIF and guaranteed by Repsol S.A.
(6) Coupon scheduled for reset on March 25, 2025 and March 25, 2045.

Financial prudence

Repsol maintains sufficient available cash resources and other liquid financial instruments, including undrawn lines of credit, to cover the debt maturities for at least the next four years, and covering 61% of its gross debt. The Group had €6,360 and €3,312 million in undrawn credit lines at year-end 2015 and 2014, respectively.

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

INDICATORS OF FINANCIAL SITUATION	2015	2014
Net financial debt (€ Million)	11,934	1,935
Net financial debt / Total capital employed (%)	29%	6.4%
EBITDA / Net financial debt (x times)	0.36	2.0

For additional information, see Note 16 "*Financial Risk and Capital Management*" in the consolidated financial statements.

Credit rating

At the date of the preparation of the document, credit ratings assigned to Repsol, S.A. by rating agencies are the following:

	STANDARD & POOR'S		MOODY'S		FITCH RATINGS	
TERM	**Repsol, S.A.**	**Talisman Energy Inc**	**Repsol, S.A.**	**Talisman Energy Inc**	**Repsol, S.A.**	**Talisman Energy Inc**
LONG-TERM	BBB-	BBB-	Baa2	Baa3	BBB	BBB-
SHORT-TERM	A-3	A-3	P-2	P-3	F-3	F-3
OUTLOOK	NEGATIVE WATCH	NEGATIVE WATCH	NEGATIVE REVIEW	NEGATIVE REVIEW	STABLE	STABLE
LATEST DATA REVIEW	02/01/2016	02/01/2016	01/22/2016	01/22/2016	12/22/2014	09/26/2014

Treasury shares and own equity investments

During 2015 transactions took place with treasury shares and equity instruments of little relevance. For further information on treasury shares and equity instruments, see Note 13 "*Equity*" of the consolidated financial statements corresponding to December 31, 2015.

Average payment period to suppliers

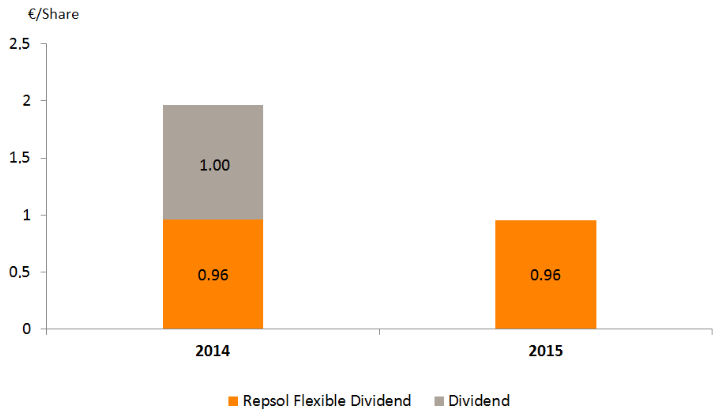
The average payment period to suppliers for Spanish Group companies was 29 days in 2015, which is below the 60-day cap stipulated in Spanish Law 15/2010 of July 5, 2010 (modified through Second Final Provision Law 31/2014), establishing measures to combat supplier non-payment. For further information, see Note 19 "*Trade payables and other payables*" of the 2015 consolidated financial statements.

4.3. SHAREHOLDER REMUNERATION

Repsol intends to maintain attractive remuneration for its shareholders in line with that of previous years, although it does not have a formal dividend distribution policy. Nonetheless, shareholder remuneration eventually agreed by Repsol will depend on various factors, including the trend of its business and operating results.

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

Shareholder remuneration in 2015 and 2014, including cash dividend and script dividend under the "Repsol Flexible Dividend" program, was as follows:



The remuneration of 1.96 €/share for 2014 includes the sum of the irrevocable purchase commitment of free of charge allocation rights assumed by Repsol in its two bonus share capital increase executed in January and July 2014 (€0.477 and €0.485 per right, before witholdings respectively), under the remuneration scheme called "*Repsol flexible dividend*" and an extraordinary interim dividend from results for the year 2014 of €1 gross per share. As a result, Repsol paid a total amount of €1,712 million to its shareholders in 2014 and delivered 47,800,482 new shares for an equivalent amount of €876 million.

In 2015, shareholder remuneration of €0.96/share included the amount of the irrevocable commitment assumed by Repsol to buy back bonus share rights awarded as part of the two bonus share issues completed in January and July 2015 (at €0.472 and €0.484 per right, before withholdings, respectively), under the scope of its *Repsol Flexible Dividend* scheme. In 2015, Repsol paid out a total of €488 million to its shareholders (before withholdings) and delivered 50,088,670 new shares with an equivalent value of €814 million to those shareholders who opted to take their dividends in the form of Company shares.

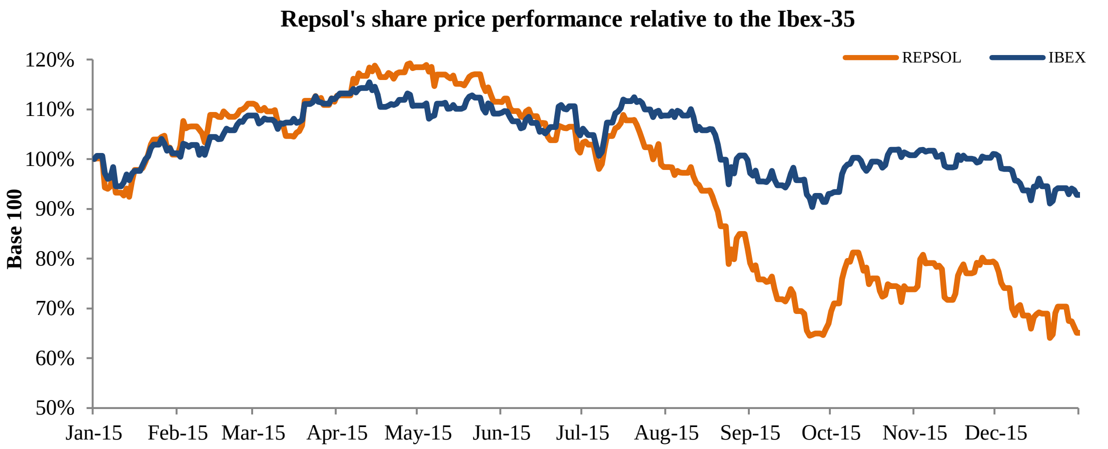
Additionally, in January 2016 within the "*Repsol Flexible Dividend*" program, and to replace what would have been the dividend on account for the financial year 2015, Repsol made a cash payment of €228 million (€ 0.466 gross per right) to those shareholders who chose to sell their free of charge allocation rights to the Company, and distributed 41,422,248 shares, for an equivalent amount of €425 million, to those who chose to receive new shares of the Company.

At the date of the preparation of these Financial Statements, the Board of Directors of the Company has agreed to propose to the next General Shareholders' Meeting, within the "*Repsol Flexible Dividend*" programme and on the dates the complementary dividend has traditionally been paid, a proposal of a capital increase charged to voluntary reserves from retained earnings, equivalent to a retribution of approximately €0.30 per share.

For additional information on the total remuneration received by shareholders, and the aforementioned capital increases issued under the "*Repsol Flexible Dividend*" program, see sections 13.1 *"Share Capital"* and 13.6 *"Shareholder remuneration"* of Note 13 "*Equity*" of the consolidated financial statements corresponding to December 31, 2015

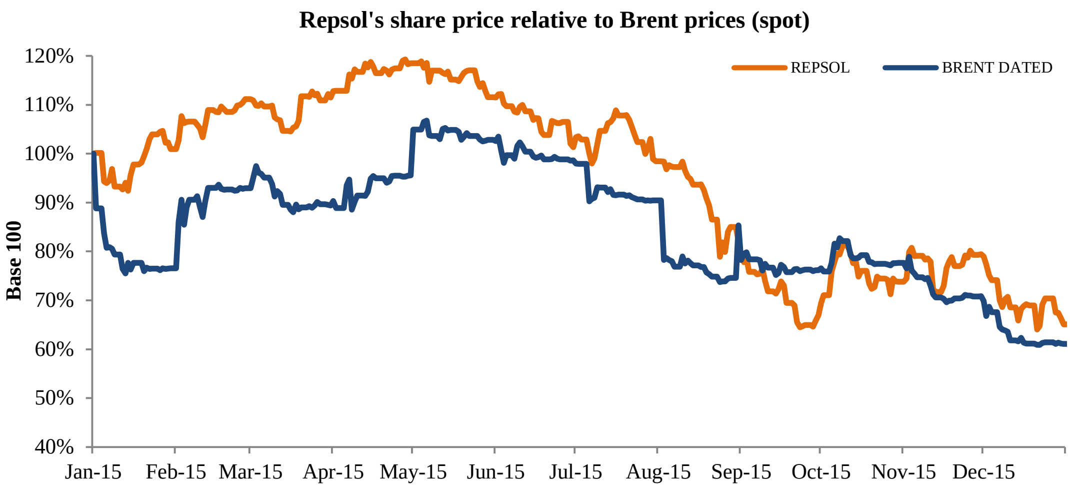
Our share

During 2015, the performance of the main European stock markets was affected by volatility caused by macroeconomic uncertainty and the sharp correction in benchmark oil prices. Repsol's shares performed in line with the Ibex-35 during the first half of the year, underperforming Spain's benchmark blue chip index in the second half of the year, while remaining in line with the rest of the oil sector.



Source: Bloomberg.

Major companies in the European and American oil sector suffered widespread declines in the stock market in 2015 due to the collapse in oil prices has caused. The Brent benchmark reached values below $40 per barrel in the second half of the year. Repsol will face this adverse environment with the support of its new Strategic Plan 2016-2020, which is based on creating value and resilience in the current pricing environment.



Source: Bloomberg. Price of Brent "spot".

Repsol's share price performed largely in line with its European comparables during the first half of the year, moving away of the sector average during the second half. Also, the worst performing of the Ibex 35 against other European benchmark indexes affected negatively on Repsol´s share price.

The Group's main stock exchange indicators for 2015 and 2014 are presented below:

MAIN STOCK EXCHANGE INDICATORS	**2015**	**2014**
Shareholder remuneration (€/share) [(1)]	0.96	1.96
Share price at close of financial year [(2)] (€)	10.12	15.55
Average share price (€)	14.77	18.40
Maximum price for the period (€)	18.54	20.91
Minimum price for the period (€)	9.96	15.55
Outstanding shares at end of period (million)	1,400	1,350
Market capitalization at end of period (€ million) [(3)]	14,172	20,990
PER[(4)]	(11.6)	13.2
Dividend yield paid [(5)] (%)	6.2	10.7
Book value per share [(6)] (€)	19.8	20.69

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

5. PERFORMANCE BY BUSINESS AREAS

5.1. UPSTREAM

5.1.1. SUMMARY INFORMATION

Our activities

The Repsol *Upstream* Division includes oil and natural gas exploration and production activities, and manages its project portfolio in order to create value with a strong focus on efficiency and resilience and a commitment to safety and the environment in line with the Strategic Plan announced in October 2015. The main exploration and production activities are:

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

Main figures

	2015	2014
Net undeveloped acreage (Km^2)	270,512	188,278
Net developed acreage (Km^2)	4,978	1,035
Reserves of crude oil, condensate and LPG (Mboe)	588	441
Natural Gas Reserves (Mboe)	1,785	1,098
Proven Reserves Replacement Ratio (%)	509	118
Reserve replacement cost (three-year average) ($/boe)	7.5	13.6
Net daily production of liquids (kbbl/d)	207	134
Net daily production of gas (Kboe/d)	352	220
Net daily production of hydrocarbons (Kboe/d)(1)	559	355
Average crude oil realization price ($/bbl)	45.2	79.6
Average gas realization price ($/kscf)	2.8	3.8
Extraction cost (2) (net lifting cost - $/Boe)	8.6	5.3
Finding cost (three-year average) ($/boe) (3)	11.6	8.4

(1) The hydrocarbons production provided by Talisman assets since May 8, amount to 203 Kboe/d. The amount allocated during December 2015 amounts to:

	Dec 2015
Net daily production of liquids (kbbl/d)	118
Net daily production of gas (Kboe/d)	209
Net daily production of hydrocarbons (Kboe/d)	327

(2) Net Lifting Cost: Lifting Costs / Net Production
(3) Finding cost: (Acquisition and Sale of exploration acreage + Exploration investments) / Discoveries and Extensions

Our performance in 2015

€ Million	2015	2014	Var.
EBITDA	**1,512**	**2,667**	(44)%
Europe, Africa and Brazil	(124)	205	(160)%
Latin America	(27)	653	(104)%
North America	(112)	195	(157)%
Asia and Russia	19	22	(14)%
Exploration and other	(665)	(486)	37%
Adjusted Net Income	**(909)**	**589**	**(254)%**
Net operating investment(1)(2)	**11,270**	**2,675**	**321%**
Exploration Cost	**867**	**734**	18%
Effective Tax Rate	**(15)**	**50**	**(65)**

(1) Gross investments minus divestments of the period.
(2) Gross investments in the period, excluding the price already paid related to Talisman acquisition are broken down, in 2015, as follows:

- Development investments (represented 70% of total investments): United States (22%), Venezuela (19%), Trinidad & Tobago (15%), Brazil (11%), Canada (9%), the U.K (6%), Bolivia (5%) and Algeria (5%).
- Exploration investments (represented 25% of total investments): United States (38%), Angola (19%), Europe (15%), Brazil (7%), and Russia (5%).

Main events of the period

- **Exploratory campaign:** in 2015 the drilling concluded of 19 **exploratory wells** and 13 *appraisal wells* were concluded, 16 with positive results, (4 exploratory and 12 *appraisal),* 13 negative (all of them exploratory) and 3 wells, that as of 31 December were still under evaluation (2 exploratory and 1 *appraisal*). At year-end 2015, there were 4 exploratory and 1 *appraisal* wells ongoing. In addition, the Wedan (Libya) well is suspended for causes non related to the operation.
- In January 2015, development drilling activities began at the important **Reggane Nord gas project.** The estimated duration of this development phase is 36 months; gas production is forecasted to begin in 2017. Repsol participates in the project with a 29.25%, operating jointly with the Algerian national company Sonatrach (40%), the German RWE Dea AG (19.5%), and the Italian firm Edison (11.25%).

- In February of 2015, Repsol announced a **new gas discovery in Bolivia**, in the Margarita- Huacaya block, with the **Margarita-8** appraisal well. This discovery represents an increase in the Caipipendi area's reserves, and consolidates Repsol's position as a Bolivian gas producer. The block is located in the southern area of the country, and is operated by Repsol with a 37.5% share.

- In February 2015, **there was a discovery in Russia** with the exploratory well **K-4** in the Karabashskiy-2 block. Also, in May the appraisal well **6-P** located in the Karabashskiy-1 block finished with positive results. Both blocks are 100% owned by Repsol.

- On April 20, 2015, Repsol announced **a new gas discovery in the Illizi basin** located in southeast Algeria. This is the fourth exploratory discovery in the area, and was made in the **Tan Emellel Sud-Ouest-2 (TESO-2)** exploratory well within the Sud Est Illizi block. Repsol owns 52.5% of the exploratory phase, and operates the discovery consortium including the Italian company Enel (27.5%) and the French GDF-SUEZ (20%).

- During April of 2015, within the winter exploration and appraisal campaign in the **Alaska North Slope**, two evaluation/appraisal wells revealed positive results **(Q-8 and Q-301)** and one exploratory well **(Q-9)**. The success of this year's exploratory campaign reaffirms the area's high potential achieved in previous years.

- On May 4, 2015 Repsol announced the **second gas discovery** in Bolivia**, in the Margarita- Huacaya block,** with the **Margarita-7** appraisal well.

- On May 8, the **acquisition of the Canadian firm Talisman Energy** was finalized; all of its assets were incorporated into the Repsol portfolio.

- On May 10, **in the United Kingdom** (*UK*), production in the Tartan field began again, after having stopped since the third quarter of 2012. In June in the UK Piper / Tweedsmuir and Bleo Holm fields, production was restarted.

- In May 2015, the **Malaysian Kinabalu expansion** project was approved. This project consisted in a new platform, lines connecting the existing Kinabalu installations, and the perforation of 10 additional productive wells.

- In March and May 2015, **2 new wells located in the Northern Sapinhoá** area began production with the "*Cidade de Ilhabela*" FPSO (Floating Production, Storage and Offloading). In 2016, it is expected that the production plateau of 150,000 daily barrels of crude oil should be reached in the northern section of the Sapinhoá megafield in block BM-S-9 located in deep Brazilian waters. The production plateau was reached in 2014 in the **southern Sapinhoá area**; a new well began production in March of 2015, through the FPSO "*Cidade de São Paulo*" which has a production capacity of 120,000 daily barrels of crude oil.

- In May production in the Montrose platform and in July in Arbroath, within the redevelopment project area MonArb restarted. These works allowed the beginning of the well Godwin in July.

- On June 23, 2015, YPFB Andina, in which Repsol owns 48.3%, announced an important crude oil discovery in the **Santa Cruz Bolivian region**, with the exploratory well **Boquerón (BQN-4)**.

- In June, the Repine compressor was received, which allowed that several wells were put into production in the Friendsville area, in the Marcellus basin in United States.

- In July, production of the **Perla mega-gas field** located in Venezuela's Cardón IV block started. In May it was successfully completed the installation of the main gas production platform. The first phase of development of the field Perla made possible to achieve a total production of 150 Mscfd in October. In December production reached 500 Mscfd.

- In July the declaration of commerciality of the important discovery "*Red Emperor / CRD*" was completed in **Vietnam**.

- During the first half-year, an agreement was reached with COPI (Conoco Phillips Indonesia) to extend the duration of the PGN Gas Sale Agreement for the sale of gas from the **Indonesian corridor field,** until the PSC contract for the block ends.

- Final approval was received from the authorities in **Indonesia** to gain entry through a 51% investment in the East Jabung PSC block.

- In the third quarter in Algeria in Sud Est Illizi block, **two drilling evaluation** / appraisal wells (NDC-3 and TDE-2) were completed **with positive results**.

- In September, Repsol sold BG Group the exploration permits for Blocks EL1123 (Statoil: 75%; Repsol: 25%), EL1125 and EL1126 (Statoil: 50%; Chevron: 40%; and Repsol: 10%) located in Canada, generating a pre-tax gain of €60 million.

- In October, within the evaluation plan in the BM-C-33 block in offshore of Brazil, the evaluation / appraisal drill **Pao de Acucar-1** was completed with positive results and at the end of the year, also with positive results, a second evaluation / appraisal well (Pao de Acucar-2).

- In October, within the Alaska North Slope project, Repsol reached an agreement with his partner Armstrong Oil & Gas by which this company acquired an additional 15% in the area of development of Colville River Delta and 45% in the exploration area.
- In October, a new well entered in production in the Duvernay basin in Canada.
- In November, 4 new wells entered in production in the east Eagle Ford area.
- In Colombia, Equion (a joint venture that is 49% owned by Talisman and 51% by the Colombian company Ecopetrol) finished 2 development wells (FL Tp-12 y FR If-14).
- In November, evaluation / *appraisal* well LPÑ-91D in Bolivia concluded with positive results.
- In the last quarter 2015, two new wells finished with positive results (one exploratory and one appraisal) in Algeria in Sud Est Illizi block.
- In December 2015 Repsol agreed with Statoil to give it a 13% interest (holding 37%) and operation in Eagle Ford in exchange for a 15% stake in the Gudrun producing field in Norway.
- Due to the serious **instability of Libya**, production was interrupted during the year.

5.1.2. UPSTREAM ACTIVITIES

The information contained in this section can be supplemented with the "*Information on oil and gas exploration and production activities*," which the company publishes annually[1].

Exploration and development

At year-end 2015, Repsol's *Upstream* division was involved in oil and gas exploration and production blocks in 30 different countries, either directly or through investee companies. The company was the operator in 26 of them.

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

	Developed and non-developed acreage (2015)			
	Developed (1)		Undeveloped (2)	
(km^2)	Gross (3)	Net (4)	Gross (3)	Net (4)
Europe	**1,428**	**525**	**68,862**	**32,409**
Norway	324	92	10,676	4,608
U.K.	1,082	416	2,148	684
Rest of Europe	22	17	56,038	27,117
Latin America	**2,974**	**698**	**142,580**	**61,725**
Brazil	549	36	2,736	407
Colombia	651	134	73,357	27,460
Peru	200	28	21,772	13,359
Trinidad & Tobago	180	66	7,973	3,327
Venezuela	789	189	2,200	664
Rest of Latin America	605	245	34,542	16,508
North America	**5,435**	**2.358**	**44,054**	**24,540**
Canada	2,518	1,747	27,730	17,400
United States	2,917	611	16,324	7,140
Africa	**2,670**	**673**	**97,921**	**59,966**
Asia and Oceania	**1,759**	**724**	**144,956**	**91,872**
Indonesia	1,010	390	27,940	23,818
Malaysia	414	199	8,456	4,162
Russia	221	108	10,771	9,670
Rest of Asia and Oceania	114	27	97,789	54,222
Total	**14,266**	**4,978**	**498,373**	**270,512**

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

[1] 2014 information became public through relevant fact CNMV on February 26, 2015 and can be found on our website. 2015 information will be published at the same time as this report and can be also accessed through the CNMV or on our website.

	Acreage							
	Gross acreage (km²) (1)				Net acreage (km²) (1)			
	Development		Exploration		Development		Exploration	
	2015	2014	2015	2014	2015	2014	2015	2014
Europe	**2,882**	**399**	**67,408**	**64,367**	**1,312**	**332**	**31,622**	**28,420**
Norway	853	-	10,147	11,776	411	-	4,289	3,834
U.K.	1,630	-	1,600	-	569	-	531	-
Rest of Europe	399	399	55,661	52,591	332	332	26,802	24,586
Latin America	**18,119**	**17,547**	**127,435**	**99,690**	**5,884**	**5,759**	**56,539**	**43,671**
Brazil	1,185	1,185	2,100	2,100	147	147	296	296
Colombia	1,647	1,075	72,360	32,071	276	151	27,318	12,720
Peru	2,020	2,020	19,952	25,920	202	202	13,185	11,790
Trinidad & Tobago	5,579	5,579	2,574	2,574	2,363	2,363	1,030	1,030
Venezuela	2,990	2,990	-	-	853	853	-	-
Rest of Latin America	4,698	4,698	30,449	37,025	2,043	2,043	14,710	17,835
North America	**16,205**	**10,168**	**33,284**	**21,178**	**6,442**	**919**	**20,456**	**8,393**
Canada	5,934	-	24,314	12,438	4,375	-	14,772	2,599
United States	10,271	10,168	8,970	8,740	2,067	919	5,684	5,794
Africa	**12,846**	**12,059**	**87,745**	**82,457**	**2,709**	**2,564**	**57,930**	**53,693**
Asia and Oceania	**10,328**	**2,082**	**136,387**	**65,728**	**4,319**	**1,022**	**88,277**	**44,540**
Indonesia	4,837	-	24,113	42,512	1,809	-	22,399	29,252
Malaysia	2,311	-	6,559	-	1,014	-	3,347	-
Russia	1,411	2,082	9,581	8,615	691	1,022	9,088	8,615
Rest of Asia and Oceania	1,769	-	96,134	14,601	805	-	53,443	6,673
Total	**60,380**	**42,255**	**452,259**	**333,420**	**20,666**	**10,596**	**254,824**	**178,717**

(1) Gross acreage is the area where Repsol owns a working interest. Net acreage is the sum of the gross area in each acreage according to their respective working interests.

Finished and ongoing exploratory wells [1]

	Positive		Negative		Under evaluation		Total		Ongoing	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Europe	**-**	**-**	**6**	**1**	**-**	**1**	**6**	**2**	**1**	**3**
Norway	-	-	4	1	-	1	4	2	-	-
U.K.	-	-	-	-	-	-	-	-	-	-
Rest of Europe	-	-	2	-	-	-	2	-	1	3
Latin America	**-**	**1**	**2**	**3**	**1**	**2**	**3**	**6**	**1**	**2**
Brazil	-	1	-	1	1	-	1	2	-	1
Colombia	-	-	-	1	-	1	-	2	1	-
Peru	-	-	2	-	-	-	2	-	-	1
Trinidad & Tobago	-	-	-	1	-	1	-	2	-	-
Venezuela	-	-	-	-	-	-	-	-	-	-
Rest of Latin America	-	-	-	-	-	-	-	-	-	-
North America	**1**	**1**	**2**	**1**	**-**	**1**	**3**	**3**	**-**	**2**
Canada	-	-	1	-	-	-	1	-	-	1
United States	1	1	1	1	-	1	2	3	-	1
Africa	**2**	**-**	**3**	**7**	**-**	**2**	**5**	**9**	**-**	**2**
Asia and Oceania	**1**	**2**	**-**	**2**	**1**	**-**	**2**	**4**	**2**	**1**
Indonesia	-	-	-	-	-	-	-	-	2	-
Malaysia	-	-	-	-	1	-	1	-	-	-
Russia	1	2	-	-	-	-	1	2	-	1
Rest of Asia and Oceania	-	-	-	2	-	-	-	2	-	-
Total	**4**	**4**	**13**	**14**	**2**	**6**	**19**	**24**	**4**	**10**

[1] Does not include the Wedan well in Libya (suspended for reasons beyond the operator's control) or evaluation/appraisal wells. Drilling concluded at 13 evaluation / appraisal wells in 2015, with positive results at 12 and one well in evaluation. Drilling at one evaluation/ appraisal wells was ongoing at year-end.

Finished development wells

	Positive		Negative		Under evaluation		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Europe	**4**	**-**	**-**	**-**	**-**	**-**	**4**	**-**
Norway	3	-	-	-	-	-	3	-
U.K.	1	-	-	-	-	-	1	-
Rest of Europe	-	-	-	-	-	-	-	-
Latin America	**62**	**78**	**3**	**5**	**5**	**8**	**70**	**91**
Brazil	10	9	-	-	1	-	11	9
Colombia	20	26	-	-	-	1	20	27
Peru	-	1	-	-	-	-	-	1
Trinidad & Tobago	3	5	-	-	2	2	5	7
Venezuela	22	28	2	3	-	5	24	36
Rest of Latin America	7	9	1	2	2	-	10	11
North America	**282**	**471**	**1**	**1**	**16**	**1**	**299**	**473**
Canada	30	-	-	-	6	-	36	-
United States	252	471	1	1	10	1	263	473
Africa	**2**	**8**	**1**	**-**	**-**	**-**	**3**	**8**
Asia and Oceania	**43**	**34**	**3**	**3**	**-**	**-**	**46**	**37**
Indonesia	1	-	-	-	-	-	1	-
Malaysia	-	-	-	-	-	-	-	-
Russia	42	34	2	3	-	-	44	37
Rest of Asia and Oceania	-	-	1	-	-	-	1	-
Total	**393**	**591**	**8**	**9**	**21**	**9**	**422**	**609**

Production

Average **net production** for 2015 (559 Kboe/d) was 58% higher than in 2014 (355 Kboe/d), December production reached 711 Kboe/d, 95% higher than the same month last year. This increase has been driven mainly by the acquisition of Talisman's assets on May 8, 2015. These assets contributed 203 Kboe/d to average production in 2015. In addition to the Talisman effect, production increased on the back of the start-up and ramping-up of strategic projects in Brazil, Bolivia and Venezuela (specifically, Cardón IV, where gas was extracted for the first time on July 25), offsetting the absence of production in Libya where safety concerns prevailed and a slowdown in activity in Trinidad & Tobago as a result of several maintenance work.

	Net production of liquids and natural gas by geographical area						Productive Wells by geographical area			
	Liquids (Mbbl)		Natural gas (bcf)		Total (Mbep)		Oil		Gas	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Europe	**9**	**2**	**7**	**1**	**10**	**2**	**231**	**9**	**2**	**1**
Norway	3	-	6	-	4	-	67	-	-	-
U.K.	5	-	1	-	5	-	154	-	1	-
Rest of Europe	1	2	-	1	1	2	10	-	1	1
Latin America	**35**	**27**	**419**	**412**	**110**	**101**	**1,130**	**1,113**	**233**	**199**
Brazil	11	6	3	3	12	6	26	21	-	-
Colombia	4	1	10	-	6	1	414	394	17	-
Peru	4	4	52	53	13	14	-	-	27	27
Trinidad & Tobago	4	4	216	244	43	49	91	101	55	55
Venezuela	5	5	69	48	17	13	376	367	34	27
Rest of Latin America	7	7	69	64	19	18	223	230	100	90
North America	**18**	**10**	**182**	**14**	**51**	**13**	**2,852**	**1,128**	**2,664**	**-**
Canada	5	-	48	-	14	-	1,151	-	1,593	-
United States	13	10	134	14	37	13	1,701	1,128	1,071	-
Africa	**3**	**6**	**16**	**11**	**5**	**7**	**86**	**238**	**78**	**83**
Asia and Oceania	**10**	**4**	**98**	**14**	**28**	**6**	**619**	**379**	**99**	**8**
Indonesia	1	-	63	-	12	-	89	-	55	-
Malaysia	3	-	19	-	6	-	87	-	36	-
Russia	4	4	15	14	7	6	403	379	8	8
Rest of Asia and Oceania	2	-	1	-	3	-	40	-	-	-
Total	**75**	**49**	**722**	**452**	**204**	**129**	**4,918**	**2,867**	**3,076**	**291**

Average realization prices for crude oil and gas by geographical area are as follows:

	At December 31, 2015		At December 31, 2014	
	Average crude oil realization price	Average gas realization price	Average crude oil realization price	Average gas realization price
	($/Bbl)	($/Boe)	($/Bbl)	($/Boe)
Europe	50.92	34.36	101.75	62.66
Latin America	44.02	14.53	76.27	21.65
North America	44.28	11.74	91.55	27.42
Africa	52.51	0.00	97.42	-
Asia and Oceania	42.99	27.50	47.21	9.28
Total	**45.16**	**15.75**	**79.58**	**21.52**

The following table provides figures on the **main productive and under development assets** for *Upstream* division by country at December 31, 2015, likewise stating the percentage that Repsol holds in each of them.

Country	Main blocks	% Repsol	Productive (P) / Under Development (D)	Operated (O) / Not operated (NO)	Liquids (L) / Gas (G)
Europe					
Norway	Non-operated blocks (Brage, Brynhildg)	10% to 33.84%	P	NO	L-G
Norway	Operated blocks (Gyda, Varg)	31% to 100%	P	O	L-G
United Kindom	TSEUK	51.00%	P	O	L-G
Latin America					
Trinidad & Tobago	BP TT	30.00%	P	NO	L-G
Trinidad & Tobago	TSP	70.00%	P	O	L-G
Brazil	BM-S-9 (Sapinhoá)	15.00%	P	NO	L-G
Brazil	BM-S-9 (Lapa)	15.00%	D	NO	L-G
Brazil	Albacora Leste	6%	P	NO	L-G
Bolivia	Margarita - Huacaya	37.50%	P	O	L-G
Bolivia	Sábalo	24.46%	P	NO	L-G
Bolivia	San Alberto	24.46%	P	NO	L-G
Colombia	Equion	49.00%	P	O	L-G
Colombia	CPO-9 Akacias	45.00%	P / D	NO	L
Colombia	Cravo Norte	5.63%	P	NO	L
Peru	Block 56 (Camisea)	10.00%	P	NO	L-G
Peru	Block 88 (Camisea)	10.00%	P	NO	L-G
Peru	Block 57 (Kinteroni & Sagari)	53.84%	P / D	O	L-G
Venezuela	Cardón IV (Perla)	50.00%	P / D	O	G
Venezuela	Quiriquire (Gas)	60.00%	P	O	G
Venezuela	Barua Motatan	40.00%	P	O	L
Venezuela	Carabobo	11.00%	P / D	O	L
North America					
United States	Shenzi	28.00%	P	NO	L-G
United States	Midcontinent	9.32%	P	NO	L-G
United States	Eagle Ford	37.00%	P	NO	L-G
United States	Marcellus	83.79%	P	O	G
Canada	Greater Edson (Wild River, Edson…)	64% to 78%	P	O	L-G
Canada	Chauvin	65% to 69%	P	O	L-G
Canada	Duvernay	88% to 100%	P	O	L-G
Africa					
Algeria	Tin Fouyé Tabenkor (TFT)	30.00%	P	O	L-G
Algeria	Reggane	29.25%	D	O	G
Asia					
Russia	SK	49.00%	P	O	L-G
Russia	SNO	49.00%	P	O	L
Russia	TNO	49.00%	P	O	L
Indonesia	Corridor	36.00%	P	NO	L-G
Malaysia	PM3	35% to 41.44%	P	O	L-G
Malaysia	Kinabalu	60.00%	P	O	L
Vietnam	Block 15-2/01 (HST / HSD)	60.00%	P	O	L-G
Vietnam	Block 07/03 (CRD/Red Emperor)	46.75%	D	O	L-G

Reserves

At year-end 2015, Repsol's **proven reserves**, estimated in accordance with SPE/WPC/AAPG/SPEE Petroleum Resources Management System criteria (a system more commonly known by its acronym, SPE-PRMS, with SPE standing for the Society of Petroleum Engineers) amounted 2,373 Mbep, of which 588 Mbep (25%) corresponded to crude oil, condensate and LPG, with the remainder, 1,785Mbep (75%), accounted for by natural gas.

	Proven Reserves	
Million barrels of oil equivalent	2015[(1)]	2014[(2)]
Europe	51	3
Latin America	1,480	1,311
North America	520	60
Africa	128	125
Asia	194	40
Oceania	-	-
TOTAL	**2,373**	**1,539**

(1) As of December 31, 2015, in order to facilitate the integration of the Talisman group (which estimates its reserves using the Canadian Administrator's National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities, which in turn relies on the conceptual framework of the Canadian Oil and Gas Evaluation Handbook "*COGE Handbook*") and enable consistent reserve and resource management, the Repsol Group has decided to use the SPE-PRMS criteria for proved reserve reporting purposes.

(2) Until 2014, Repsol had been voluntarily applying the oil and gas reserves reporting and disclosure guidance and framework established by the Securities Exchange Commission (SEC) to estimate its proved reserves and the criteria established by the Society of Petroleum Engineers' SPE/WPC/AAPG/SPEE Petroleum Resource Management System (SPE-PRMS) to estimate its probable and possible reserves.

In 2015, the development of these reserves was positive, with a total incorporation of 1,038 Mboe, mainly from the Talisman acquisition, the extensions and discoveries in USA, and review of the previous estimation in Trinidad & Tobago and Venezuela. In 2015, the company achieved a reserves replacement ratio (measuring total additions of proven reserves over the period relative to production for the period) of 509% (2014 118% y 2013 275%) for crude oil, condensate, LPG and natural gas (294% for crude oil, condensate and LPG, and 635% for natural gas), in line with the long-term objectives, incorporating resources which significantly strengthen the future growth. The organic reserve replacement rate (excluding purchases and sales) reached 159% for crude oil and condensed oil, LPG and natural gas (60% in crude oil and condensed oil and LPG, and 218% in natural gas).

5.1.3 EVENTS OF THE PERIOD

NORTH AMERICA

United States

- The acquisition of Talisman (on May 8, 2015) meant the addition of two important *Shale Gas* assets, a dry gas one (**Marcellus**) and a liquid-rich shale asset (**Eagle Ford**). These assets, along with the Shenzi and Mississippian Lime assets and the exploration portfolio, with significant discoveries made (Alaska North Slope, León, etc.), significantly reinforce Repsol's position in the US, which is currently one of the Group's key strategic countries.

  - **Marcellus Shale**, Repsol's participation in this area is located mainly in the Pennsylvania state, and in lesser extent in the New York state. It includes six areas: Jackson, Friendsville, Chaffe, Columbia, Troy and Statelands. The gas compression infrastructure build-out was completed at Friendsville in 2015, increasing existing production.Thorne and York 1H wells went into production in June and Bennet well in November.

    In Pennsylvania, Repsol has midstream assets consisting of approximately 277 miles of gathering/transmission pipelines and eight compression and processing gas plants. The pipeline system has throughput capacity of 1.5 bcf/d. The New York midstream assets currently consist of approximately 195 miles of gathering/transmission pipelines with throughput capacity of 125 mmcf/d and seven gas plants.

- **Eagle Ford Shale**. The Eagle Ford area is located in South Texas and encompasses seven areas: Cooke, SM, STS, Celero, McMullen, Choke Canyon and KDB. In November 2015, four new wells in the eastern area of Eagle Ford went into production. An agreement was announced with Statoil in December 2015 under which Repsol has exchanged a 13% interest in Eagle Ford for a 15% interest in the *Gudrum* production field in Norway. In addition, the two companies agreed that Statoil will operate the entire Eagle Ford joint venture. In the wake of the transaction, Repsol holds a 37% interest in this asset.

- The exploratory well at the Key Largo prospect located at Walkter Ridge Basin, operated by Marathon, concluded unsuccessfully in January 2015. Repsol holds a 40% working interest in this project.
- In April 2015, as part of the winter exploration and appraisal campaign at North Slope, Alaska, it was concluded with positive results two evaluation/appraisal wells (Q-8 and Q-301) and one exploration well (Q-9).
- In September, drilling began on the first appraisal well at the León discovery, made in 2014 in the ultra-deep waters of the Gulf of Mexico operated by Repsol with 60% interest.
- In October 2015, Repsol reached an agreement with Armstrong Oil & Gas restructuring their respective interests in their North Slope joint venture in Alaska. Under the terms of the agreement, Armstrong acquired a 15% working interest (to add to its 30%) in the initial development area (Colville River Delta). Repsol has retained a 55% interest in this area. In addition, Armstrong has the option of acquiring a further 6% and assuming operatorship in the development area. Armstrong also acquired a 45% working interest (on top of its 30%) and operatorship in the exploration area. Repsol has retained a 25% interest in this exploration area.
- At Shenzi (28% Repsol), a productive asset located in deep waters in the Gulf of Mexico, two new wells B104 and H103 went into production in February and April, respectively, as part of the ongoing development work in the North Area. During October, the second horizontal drilling (*sidetrack*) at the Shenzi North well concluded successfully.

- In the Midcontinent unconventional asset, located between the states of Kansas and Oklahoma, in which Repsol has an interest as a result of the agreement executed in 2012 with US oil company SandRidge Energy, development drilling activity fell by 45% year-on-year in 2015 to around 230 wells.

Canada

- After the acquisition of the Canadian company Talisman, on May 8, 2015, Repsol's portfolio has grown substantially in this country and Canada has become a key strategic country for Repsol. The new assets are located in the following areas:

  - **Greater Edson**. An oil and gas production area located in Edson (Alberta) with an average working interest of 75%. It encompasses six areas: Edson, Sundance/MedLodge, Ansell and Minehead in the south, and Wild River and Bigstone in the north.
  - **Chauvin**. An area located in Alberta / Saskatchewan with stable production of conventional heavy oil.
  - **Duvernay**. This is non mature play. It is at the initial stage of development and appraisal, producing oil and gas, and is located in central-western Alberta. In 2015, drilling continued to apraise the southern area. In October 2015, production began at a new well.

- **Montney**. The Talisman acquisition added the Groundbirch and Saturn assets in this gas production area to Repsol´s portfolio, after having transferred the remaining assets in Montney.

- Drilling of the Aster C-93 exploration well in Block EL-1110, operated by Husky, concluded unsuccessfully in February.
- In September 2015, Repsol sold to British Gas (BG) its interests in three offshore exploration blocks located in Newfoundland, off Canada's Atlantic coast. At the EL1123 Block operated by Statoil, Repsol held a 25% interest; while it held a 10% interest in the EL1125 and EL1126 Blocks (operated by Statoil).

LATIN AMERICA

Brazil

Repsol has an important presence in Brazil through the company Repsol Sinopec Brasil, an alliance established between Repsol (60%) and Chinese company Sinopec (40%), with a significant and well-diversified portfolio of assets which includes productive fields such as Sapinhoá and Albacora Leste and assets containing major finds made in recent years in Blocks BM-S-9 (Lapa, under development) and BM-C-33.

- In 2015 (March and May), two new wells went into production in the northern area of Sapinhoá, at Block BM-S-9 in the pre-salt deep waters of the Santos Basin in Brazil. The wells were connected to the "Cidade de Ilhabela FPSO" facility, with has a daily production capacity of 150,000 barrels of oil and six million cubic metres of gas. The gas injection works designed to increase production began in June 2015.

  In mid-November 2014, North Sapinhoá area was put into production. The development plan target for the northern Sapinhoá acreage is to lift *plateau* production to 150,000 boe/d in 2016.

  Production of crude oil at the Sapinhoá mega-field began in January 2013 in the southern area, where a new well was put into production in March 2015 via the "*Cidade de São Paulo*" FPSO facility. Production in the southern acreage reached in 2014 its "*plateau*" level with a capacity of 120,000 barrels of crude oil and 5 million cubic metres of gas per day.

  Once *plauteu* production is reached in the northern area in 2016, total gross production at Sapinhoá will reach 270,000 barrels of oil per day, making Repsol one of the largest oil producers in Brazil.

  Repsol Sinopec Brasil holds a 25% working interest in this important venture, in which Petrobras (45% and operatorship) and BG (30%) are also partners.

- Under the scope of the development plans for the major discovery at Block BM-S-9 known as Lapa (formerly known as Carioca), in 2015, development work continued in the north-eastern area with the aim of initiating production in the last quarter of 2016. Against this backdrop, the development well drilling (P-NE-02) finished in August 2015. The good results in terms of the Lapa 9 development well productivity in the South area also warrant developing this second phase of the Lapa project.

- At the Albacora Leste production field, (10% interest Repsol Sinopec Brasil), located in the offshore Campos Basin, new wells were put into production in February and October 2015. In the Albacora Leste pre-salt waters, the Arapuça exploration well finished in July 2015 with encouraging results which were still under evaluation at year-end.

- At the BM-C-33 Block, in the Campos Basin deep waters, the Pão de Açúcar-1 appraisal well finished in October 2015 with positive results. At the end of the year 2015 a second appraisal well (Pão de Açúcar-2) concluded successfully.

Repsol has made four important discoveries as operator at this block: Seat-2 (2014), Pão de Açúcar (2012), Gávea (2011) and Seat (2010). On aggregate, these discoveries constitute one of the biggest made to date in the pre-salt play in the Campos Basin. Block BM-C-33 is held by Repsol Sinopec Brasil (35%), together with Statoil (35%) and Petrobras (30%).

In December 2015, Repsol Sinopec Brasil (a 60%-owned by Repsol) announced it had approved the proposal to pass operatorship of Block BM-C-33 to Statoil. Repsol-Sinopec Brasil will retain a 35% working interest in this venture.

Bolivia

- In February 2015, Repsol announced a new gas discovery in Bolivia, at the Margarita-Huacaya Block (located within the Caipipendi Area), following the additional exploratory drilling at the Margarita-8 *appraisal* well. The drill revealed a new reservoir of gas at the Santa Rosa formation at a depth of 5,250 metres. This discovery marks growth in the reserves in the Caipipendi Area and reinforces Repsol's position as gas producer in Bolivia. This Block is located in southern Bolivia and is operated by Repsol, with a 37.5% working interest. The other partners in the joint venture are BG (37.5%) and PAE (25%).

  The Margarita 8 well is part of the field of the same name which was discovered in 1998. Contractually it is part of the Caipipendi Area and is located in southern Bolivia, specifically in the department of Tarija. It also stretches into the department of Chuquisaca.

- On May 4, it was announced the second gas discovery in the year at the Margarita-Huacaya Block following the additional exploratory drilling at the Margarita-7 appraisal well. The positive results of this drill are currently being evaluated.

- In June an important oil discovery was made with the Boquerón 4 evaluation/ appraisal well (BQN-4) in the Boquerón field in Santa Cruz Department. This discovery is one of the most important oil discoveries made in Bolivia in recent years. The Boquerón 4 well went as deep as 3,237 metres.

- In August drilling at the Río Grande 102 appraisal well (RGD-102) at the Río Grande Block finished with positive results. Repsol has a 48.33% interest in this venture through YPF B Andina, S.A.

- In November 2015, the president of Bolivia and the chairman of Repsol announced the completion of phase three of the Margarita-Huacaya project. Margarita-Huacaya is one of Bolivia's biggest-producing gas fields. In August 2015, in conjunction with the start of production at the Margarita-8 well, production peaked at a record 19 million cubic metres per day, equivalent to over 30% of all production in Bolivia.

  Phase one of this strategic project entered production in May 2012, with the commissioning of the gas processing facility, the fluid gathering system, gas pipelines and completion of the wells: total gas production jumped from three to nine million cubic metres per day in 2012. Phase two was inaugurated in October 2013, lifting gas production capacity to $15Mm^3/d$. Phase three was approved in 2014 with a view to boosting production to 18 million cubic metres per day by early 2016, a milestone achieved in February 2015.

  Drilling at the LPÑ-91D appraisal well at the La Peña Block finished with positive results in November. Repsol has a 48.33% interest in this venture through YPF B Andina, S.A.

Peru

- Development work continued at Block 57 in 2015 with the goal of bringing the Sagari discovery into production. The final investment decision (FID) was approved in October. The other major discovery at Block 57, Kinteroni, continued to produce without incident following its start-up in March 2014.

Block 57 is located in the Ucayali-Madre de Dios Basin. Repsol is the operator, with a working interest of 53.84%.

- One exploration well at Block 76, where Repsol's interest is 35% concluded unsuccessfully in May 2015. Another exploration well at Block 88 with a Repsol participation of 10%, finished in October also, unsuccessfully.

Venezuela

- In April 2015, the “Rafael María Baralt I” hydraulic-powered snubbing unit was commissioned at the Petroquiriquire operating base in the Barúa field. The hydraulic overhaul unit enables well intervention in order to replace the production system and boost productivity. The work being performed by this unit will increase and maintain, in the short and medium term, production at the Barúa and Motatán fields.
- Production began at the giant Perla gas field in the Cardón IV Block, in July 2015. The gas processing plant was inaugurated in August, the main gas production platform having been already installed in May. A second, third and fourth well were put into production in September, October and November, respectively, enabling delivery by October 2015 of the gas production target set for phase one of development of the field with total production of 150 million standard cubic feet per day; production peaked at 500 million standard cubic feet per day in early December. The target for phase two is to lift total stable production to 450 million cubic square feet per day, with scope for bringing this level to 800 and even 1,200 million standard cubic feet per day during subsequent development phases. The Cardon IV block is owned by Repsol (50%) and Eni (50%).
- At Carabobo project, drilling and infrastructure build-out work continued in 2015 to ensure full development of this heavy oil production project in which Repsol holds an 11% interest. The contracts for the supply (*Long Lead Items*) of the for the 60kboe/d plant were awarded by tender in September. Production at the first well envisaged by the accelerated development plan devised for the Carabobo field began in 2012. Close to 40 productive wells were in operation by year-end 2015.

Trinidad & Tobago

- In 2015, production at the *offshore* fields of bpTT, operated by BP (70% interest), in which Repsol holds a 30% interest, was somewhat affected by scheduled maintenance works carried out during the year.

- Planned maintenance works also affected TSP in 2015. Repsol is this asset's field operator with a 70% interest in the consortium.

- In 2015, development works of the Juniper *offshore* gas project continued in bpTT. The start of production is expected in 2017.

Colombia

- On May 8, Talisman's assets were added to the Repsol portfolio. Most notably Equion, a joint venture between Repsol with 49% and Colombia's Ecopetrol with 51%, which holds rights over a series of blocks, has interests in three gas pipelines and is working on the Piedemonte expansion project.

  During the first half of 2015, Equion completed two new development wells (FL Tp-12 and FR If-14).

  Noteworthy among the assets acquired:

  - A 45% interest in the block operated by Ecopetrol, CPO-9, where a hydrocarbon discovery with the Nueva Esperanza-1 exploration well was announced in 2014 and the important Akacias field is in the development phase. At the Akacias field, progress was made in 2015 on defining the development plan with a view to taking the final investment decision in 2016.

- The non-operated CPE-6 Block, with an ownership interest of 50%, where work is underway towards declaring the discovery commercially viable. An agreement was announced in December 2015 with Pacific E&P for the sale of this interest in Block CPE-6.

AFRICA

Repsol's African footprint extends to North Africa, Algeria, and Libya. It also has a presence in Angola, Morocco, and Gabon.

Algeria

- On May 8, Repsol received four non-operated production and development blocks from Talisman. Specifically, Repsol gained a 35% interest in the Greater Menzel Lejma North and Menzel Lejma Southeast Blocks, both productive, a 2% interest in Ourhoud, also productive, and a 9% interest in the EMK development block.

- In January 2015, development drilling began at the important Reggane Nord gas project. The production test at the first well drilled (KL-39 in the Kahlouche field) yielded very satisfactory results, confirming the area's productivity.

  A major milestone was achieved in the second quarter of the year in terms of bringing Reggane to production. The Groupement Reggane, (a consortium formed by Sonatrach, Repsol, RWE Dea and Edison International), which is the operator of the development of the project signed the engineering, procurement, construction, commissioning and start-up (EPCCS) agreement for the surface facilities. The contract includes the construction of a gas treatment plant with nominal capacity of 8 million metric cubic metres per day, the producer well gathering network and the gas export line that will connect the plant to the grid pipeline (GR-5). Execution of the works will take an estimated 36 months and gas production is expected to begin in 2017. Once fully ramp-up, production is targeted to reach 8 million cubic metres per day.

  The infrastructure construction work also began in 2015: drill rigs, temporary landing strips and definitive roads and tracks to the plant and the wells across the Kahlouche field.

  This gas project in the Algerian Sahara Desert includes the development of six fields (Reggane, Kahlouche, Kahlouche Sud, Sali, Tiouliline, and Azrafil Sudest) in the Reggane Basin. Repsol has a 29.25% interest in this project.

- In January, the company's mining rights at the Boughezoul exploratory block were officially incorporated to the acreage. Repsol is the operator, with a 51% working interest during the exploration phase (25% in the subsequent development phase).

- In 2015, five drills were finished (two exploratory wells, TESO-2 and OTTS-1, and three appraisal wells NDC-3, TDE-2 and TDE-3), all with positive results, at the Sud Est Illizi Block in south-eastern Algeria. Repsol, with a 52.5% interest during the exploration phase, is the operator. The consortium also includes Enel (27.5%) and GDF Suez (20%). During the hypothetical development and production phases, the state-owned company, Sonatrach, will see its interest increase to 51%, with the rest of the consortium members retaining the remaining 49%, in the above proportions.

- On April 20, 2015, Repsol announced a new gas find at the Sud Est Illizi Block with the Tan Emellel Sud Ouest 2 exploration welll (TESO-2). This discovery comes on the heels of the two discoveries made in 2012 (TIHS-1 and TESO-1) and another in 2013 (TDE-1). During the third quarter of 2015, in the Sud Est Illizi Block, two appraisal wells (NDC-3 and TDE-2) finished with positive results. Another two wells, one exploratory (OTTS-1) and the other an appraisal well (TDE-3), also finalized successfully during the last quarter.

The success of the exploratory work performed in 2015 confirms the Sud Est Illizi Block's high potential.

- In 2015, accumulated gas production at the Tin Fouyè Tabankort (TFT) field since its start-up reached the equivalent of three years' total natural gas consumption in Spain. This wet gas field began production in May 1999 and is operated jointly by Repsol (30%), Total (35%) and the state-owned oil company, Sonatrach (35%).

Libya

- Due to the political instability in Libya, production remained suspended during the year.

Angola, Gabon, and Morocco

- Three exploration wells concluded in Angola in 2015 with negative results, two at Block 37, operated by ConocoPhillips, and the third at Block 22, operated by Repsol.
- In Gabon, 3D marine seismic was acquired at the Luna Muetse exploration block in 2015, where Repsol is operator with an 80% interest, with a view to evaluating its potential.
- In Morocco during 2015, a "reconnaissance" contract was entered into with ONHYM ("*Office National des hydrocarbures et des Mines"*) at a new zone with a view to evaluating its potential and assessing the scope for applying for exploration rights in the future. This contract is pending official ratification by the Moroccan authorities.

EUROPE

Spain

- The Sandía-1x exploratory well finished in January 2015. The drill is located at the "Canarias 1-9" permits, where Repsol is the operator, with a 50% share. After the analysis of the samples obtained, it was concluded that the gas found lacked sufficient volume and quality to warrant its commercial exploitation.
- In early February 2015, oil production recommenced at the Rodaballo-1 well in the Rodaballo field operated by Repsol in the Casablanca area off the coast of Tarragona. This well had been closed since 2011 due to well completion mechanical problems and paraffin clogging.

Norway

- Repsol's exploration assets in Norway received a boost on May 8 when Talisman's assets in this country were added to the portfolio, most notably operatorship of the Blane, Gyda, Rev, Yme and Varg fields with working interests ranging between 31% and 100%. Repsol also received non-operated interests in the Brage, Veslefrikk, Huldra, Brynhild and Tambar East fields, with interests ranging between 10% and 34%.
- Infill well 31/4-A-18C was drilled at Brage, enabling an increase in production in the area.
- In 2015, 4 exploration wells were completed in Norwegian waters, all with negative results.

- An agreement was reached with Statoil in December 2015 under which Repsol received a 15% interest in the Gudrum production field in Norway in exchange for a 13% interest in Eagle Ford in the US.

United Kingdom

- After the acquisition of Talisman on May 8, Repsol's UK asset portfolio was boosted in this country. These assets are held by the TSEUK joint venture where Talisman holds 51% and the Sinopec Group, owns the remaining 49%. The joint venture was set up to explore and exploit hydrocarbons in the North Sea.
- TSEUK exploits more than 40 fields, 75% of which are operated. TSEUK also holds interests in a series of production facilities and oil pipelines, including outright ownership of the “Flotta Terminal”, a crude oil storage and processing facility in the Orkney Islands, off the coast of Scotland.
- Production at the Tartan field, which had been suspended since the third quarter of 2012, restarted on May 10.
- In May, in the scope of the redevelopment project of MonArb, production was restarted in the Montrose platform, and in July in Arbroath, after a year of stoppages due to improvement works on the facilities. Due to that production was restarted in the Godwin well.
- Production at Piper/Tweedsmuir and Bleo Holm was restarted in June.
- Repsol achieved its highest level of production in the UK since October 2011 on October 28, 2015, when net production topped 27,000 boe/d.
- In December 2015, it was announced thtat Talisman-Sinopec UK (TSEUK) agreed with Statoil the sale of its 31% participation in Alpha Sentral field, in the United Kingdom.

Portugal

- In April 2015, a farm-out agreement was reached with Kosmos Energy of the US giving the latter an interest in four exploration blocks operated by Repsol in the ultra-deep Portuguese waters of the Peniche Basin. In the wake of this agreement the consortium consists of Repsol (operator and a 34% interest), Kosmos Energy with 31%, Galp with 30% and Partex with 5%. In 2015, the consortium acquired 3,200 km^2 of 3D seismic data at one of the blocks (Camarão).
- In September, Repsol announced its entry into the offshore exploration blocks 11 (Sapateira) and 12 (Caranguejo). Repsol will operate these two new blocks with a 70% interest.

Romania

- In 2015, 2D onshore seismic data was acquired at the Targu Jiu exploration block in which Repsol has a 49% interest.
- In September, testing began in the Targoviste exploration well at the Piscuri 4000 exploration block (Repsol 49%) with a view to evaluating its potential. This work was temporarily halted in November due to operating problems.

ASIA AND OCEANIA

Indonesia

- On May 8, Talisman assets were incorporated to the Repsol portfolio. The Indonesian assets acquired from Talisman include an interest in four production-sharing contracts (“PSC” *Production Sharing Contract*) at the Corridor (36%), Ogan Komering (50%) and Jambi Merang (25%) productive blocks in southern Sumatra, and a 42.4% interest in the Wiriagar PSC Block (which includes the Tangguh

LNG project) in West Papua. The Talisman acquisition also brought exploration mineral rights at the Sakakemang Block (90%) and East Jabung Block (51%), both located in in South Sumatra, and in the Andaman III PSC Block (100%) (North Sumatra). Lastly, Talisman has contributed a 6% interest in the gas pipelines that run from Grisik to Duri and from Grisik to Singapore, which are used to transport gas from the Corridor Block.

- Corridor. Talisman has contributed a 36% non-operated interest in the important gas-producing block called Corridor PSC where its interests in two of the fields (Gelam and Suban) are 30.96% and 32.4%, respectively. Most of the natural gas produced in the Corridor Block is sold under long-term offtake agreements with PT Chevron Pacific Indonesia, Gas Supply Pte. Ltd. and PT Perusahaan Gas Negara. In addition, during the first half of 2015, the Corridor gas offtake agreement with COPI (Conoco Phillips Indonesia) was extended until the end of this block's profit-sharing contract.

- Talisman holds a 25% interest in the Jambi Merang Block and a 3.01% in the Tangguh LNG project, where the final investment decision to expand current processing capacity is expected to be taken in 2016.

- In 2015, two exploratorion wells were drilled at the Jantung Baru-1X (JTB-1X) and North Meraksa-1X (NRM-1X) wells; the related production tests are pending.
- During the first half of 2015, the Indonesian authorities gave official approval for the 51% interest and operatorship assumed at the East Jabung PSC Block.

Malaysia

- In 2015, Repsol entered the Malaysian exploration and production market via Talisman (whose assets in this market are all *offshore*) with effect from May 8.

  Noteworthy among these assets is PM-3 CAA PSC, an operated productive block, and the associated production facilities, in which the company has a 41.44% interest, except for the Bunga Kekwa 8G-31 sub-block in which the interest is 35%. Negotiations to renew the license for this block, which expires in 2017, are currently advanced and the license is expected to be renewed without incident. Progress was made at the Bunga Pakam project in 2015. This project could transition to the execution phase in a few months' time, which would mark phase six of development of the PM-3 CAA Block.

  The Kinabalu Oil PSC Block operated with a 60% interest is another important asset in this market. It is a mature offshore oil field in the Sabah Basin of Malaysia. The final investment decision (FID) to re-develop the Kinabalu field was taken in May 2015. The redevelopment consists of a new platform, connection lines with the existing Kinabalu facilities and the drilling of 10 additional productive wells.

  Repsol also received a 60% interest in two development blocks, PM-305 and PM-314, as well as interests in two exploratory blocks, SB-309 (70%) and SB-310 (35%; this interest is in the process of being sold to SapuraKencana), all of which offshore and operated.

Russia

- In 2005, two wells in Russia (one of which exploratory and one of which an evaluation/*appraisal* well), concluded with positive results. The K-4 exploratory well at the Karabashskiy-2 Block yielded a find in the first quarter and in May the evaluation/*appraisal* well 6-P in the Karabashskiy-1 Block concluded successfully. Both blocks are 100%-owned by Repsol through Eurotek-Yugra company.
- In March 2015, an agreement was reached with the Republic of Tatarstan to enable Tatnefteodacha, an AROG subsidiary (49% Repsol and 51% NNK), to treat its crude oil at the facilities of Tatneft, the state oil company, and transport it through its system to Transneft's main oil pipeline.

- With respect to the TNO and SANECO productive assets, in AROG, work continued throughout 2015 with the drilling campaign in order to increase crude oil production in both areas.

Vietnam

- Repsol also entered this market by virtue of the Talisman acquisition, which closed on May 8. As a result of the acquisition, it acquired mineral rights over 8 exploration blocks, all of which operated, with interests ranging between 40% and 80%. More specifically, Talisman contributed Blocks 133 and 134 (49% interest), Blocks 135, 136 and 05-2/10 (40%), Block 07/03 (which includes the important *Red Emperor/CRD* discovery) with a 46.75% and Blocks 146 and 147 with a participation of 80%.

  In January 2015, the venture partners in Block 07/03, together with PetroVietnam, approved the development plan for the discovery known as "*Red Emperor / CRD"* and the discovery was declared commercially viable in July. The final investment decision (FID) for the development and start-up of this important discovery is expected to be taken in 2016.

  Repsol also received via Talisman a 60% interest in Block 15-2/01, a productive asset which includes the HST/HSD fields, in its capacity as shareholder in Than Long Operating Company ("JOC"), which operates this block in the Cuu Long Basin, Vietnam's biggest oil-producing region.

The Iraqi Kurdistan region

- The Talisman acquisition in 2015 contributed interests in two operated development blocks, Kurdamir and Topkhana with an interest of 40% and 60% respectively. Analysis and evaluation of the various development alternatives continued in 2015. These blocks are located south of the Piramagrun and QalaDze exploration blocks which are operated by Repsol with a 50% interest.

Australia

- On May 8, the Talisman acquisition brought Repsol interests in 3 productive blocks in Australia, specifically the Laminaria, Corallina and Kitan offshore blocks located in the north-east.

- In September, a sale-purchase agreement was signed with West Side company for the sale of Repsol's interests in the Laminaria and Corallina fields. The agreement is subject to approval by the Australian authorities.

Papua New Guinea

With the Talisman assets addition on May 8, Repsol started its E&P activities in Papua New Guinea. Eight exploration blocks were incorporated (five of which operated) with interests between 22% and 60% and one development block (PDL/PL10) operated with 40% interest.

5.2. DOWNSTREAM

5.2.1. SUMMARY INFORMATION

Our businesses

The Repsol Group *Downstream* business embraces the supply and trading of crude oil and other products, oil refining, commercialization of oil products and the production and commercialization of chemicals. It is performed through six divisions:

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

Main figures

	2015	2014
Refining capacity (kbbl/d)	**998**	**998**
Europe (including stake in ASESA)	896	896
Rest of the world	102	102
Conversion index (%)	**59**	**59**
Crude oil processed (million t)	**43.3**	**39.5**
Europe	39.8	36.2
Rest of the world	3.5	3.3
Refining margin indicator ($/Bbl)		
Spain	8.5	4.1
Peru	7.0	4.8
Number of service stations	**4,716**	**4,649**
Europe	4,310	4,275
Rest of the world	406	374
Oil product sales (kt)	**47,605**	**43,586**
Europe	43,019	39,315
Rest of the world	4,586	4,271
Petrochemical product sales (kt)	**2,822**	**2,661**
Europe	2,396	2,221
Rest of the world	426	440
LPG sales (kt)	**2,260**	**2,506**
Europe	1,285	1,474
Rest of the world	975	1,032
LNG sold in North America (TBtu)	**299**	**274**
LNG regasified (100%) in Canaport (Tbtu)	**23**	**18**

Our performance in 2015

€ Million	2015	2014	Variación
EBITDA	**3,092**	**1,284**	**141%**
Europe	1,845	784	135%
Rest of the world	305	228	34%
Adjusted Net Income	**2,150**	**1,012**	**113%**
Inventory Effect	(459)	(606)	24%
MIFO recurrent net income	**1,691**	**406**	**316%**
Net operating investments	**493**	**671**	**(27)%**
Effective Tax Rate	**27.0**	**31.5**	**(4.5)**

In 2015 and 2014, most investments were made in operational, facilities, and fuel quality improvements, as well as security and environmental matters.

Main events of the period

- The **sale of the bases of Group III in the ILBOC (Cartagena) plant** which began at the end of 2014 reached a new milestone, as it is now present in several countries, such as Spain, France, Portugal, Italy, Croatia, Greece, Israel, Tunisia, Morocco, Turkey, and Algeria.
- Repsol launched a **new line of motorcycle lubricants** during the last quarter of 2014, and has now begun selling it worldwide as part of its focus on business internationalization, as well as to capture a significant share of the market. This line incorporates GP motorcycle technology, with maximum quality and earning the most demanding certifications in the market, being prepared to meet all its clients' demands.
- On February 20, 2015, Ministerial Order IET/289/2015 was approved, which establishes the financial contributions to the **National Energy Efficiency Fund in 2015.**

- On March 9, Ministerial Order IET/389/2015 was published, which modifies the **formulas of regulated price of bottled and piped LPG**, changing the quotes and freight costs for raw materials as well as their weighted amounts. The impact is around €80/tn of lower recognized cost.
- In April, Repsol and the Mexican group KUO reached an **agreement to strengthen their alliance with Dynasol**, a joint venture in existence since 1999. As a consequence, Repsol will contribute its Spain-based business for chemical accelerants which vulcanize rubber, while the KUO Group will contribute its synthetic rubber in emulsion form and nitrile rubber, which are based in Mexico and China. During 2015, the transaction has received approval from governmental and competition authorities and the new company has become operational in October 2015.
- In addition, during the period, Dynasol set up two new plants in China through two joint ventures (JVs), which are 50% with the Chinese partner Shanxi Northern Xing'an Chemical Industry (Xing'an) and, the another one, 50% with Jiangsu GPRO Group. The new companies have a total installed capacity of 100,000 t/year of rubber on stirene base / butadiene and 30,000 t/year of nitrile rubber and they are located in the provinces of Liaoning and Jiangsu respectively.
- At the beginning of May, Repsol launched its **new bottled LPG**, "Repsol light" bottle, with an updated image, keeping its familiar orange color, but weighing less (7 kg) than the traditional bottle, whose price is not regulated by RDL 8/2014
- The Council of Ministers, held in June 28, approved the **2014-2020 AV (Alternative Vehicles)** plan, through which the government will support the use of alternative fuels in land transportation, with the following to be developed: Natural gas, LPG, electrical, hydrogen and biofuels, grouped into three areas: industrialization (manufacturing and implementation of these technologies in Spain), market generation (vehicle parcs), and the infrastructure rollout for each alternative fuel.
- In June 2015, the **first offload of the product took place in the Coruña refinery from Punta Langosteira External Port.** In consequence, the activity has been taken from refinery cargo platform to External Port, where 60% of its traffic will be located before April 2018.
- On 30 September 2015 the Board of Directors of Repsol SA approved the sale of part of piped gas business to Gas Natual Distribución and Redexis Gas.
- In November 2015, notification was received regarding the first ruling in respect of the Supreme Court cassation appeal lodged by the State Attorney's Office, which finds no grounds for the appeal lodged and upholds Repsol Butano's entitlement to receive damages amounting to €26 million, in relation to the resolutions determining the maximum retail prices for regulated LPG containers for the fourth quarter of 2011 and the first quarter of 2012. No appeal lies against this judgment.
- During the year, progress was made **on works at La Pampilla Refinery** to adapt it to new fuel quality specifications in Peru. In September 2016, first phase of the Project regarding to the low sulfur diesel module will start working.
- As part of its ongoing strategic commitment to technological innovation, in 2015, Repsol launched **Neotech,** a very high-quality fuel, with a unique formulation, allowing our customers to get the best performance from their vehicles with the lowest consumption. This exclusive formula has been developed and patented by Repsol in order to care the maximum engine and retain the initial performance of our customers' vehicles.
- On the other hand, Repsol is offering a new program **Repsol Más,** with loyal functions and payment cards, adapted to recent digital advances and that makes the use of Big Data easy for our area of Customer Intelligence in order to strengthen its relationship with its clients.
- Repsol continues its expansion policy in the business of Autogas. In 2015 it has increased by 48 the number of service stations offering this product in Spain.
- The Group has maintained its policy of close **association with leading companies in the market**:
  - Repsol and **El Corte Inglés** are collaborating in development and deployment of the new Supercor shops Stop & Go service stations Repsol.
  - Repsol and **Renault** have agreed to promote the sale of Renault and Dacia AutoGas vehicles.
  - Repsol and **Michelin** have a strategic alliance designed to **favour traffic and the sale of their respective products**.

5.2.2. REFINING

Current situation

The year 2015 was marked by high refining margins, mainly related to lower energy costs associated to the decrease of international oil prices driven by growth in market supply. Heavy crude oil discounts also helped to buoy conversion capacity margins such as refining in Repsol. By product, demand rose in the US thanks to lower prices, driving a strong performance in gasolines. Middle distillate margins deteriorated in the second half of 2015 due to higher product supply in Europe as a result of higher production by local refineries, coupled with new capacity in the Middle East; this was compounded by the fact that demand was unseasonably low towards the end of the year as a result of mild temperatures.

As long as crude oil prices remain low at short term, margins are expected to be high for the reasons outlined above. An oil price recovery, on the other hand, would impact energy costs, although it would also enable a higher discount on heavy crude oil than at present, giving players with conversion capacity a competitive advantage.

Our activity

The Repsol Group owns and operates five refineries in Spain (Cartagena, A Coruña, Bilbao, Puertollano, and Tarragona), with a combined distillation capacity of 896 thousand barrels of oil per day (including, in the case of the Tarragona refinery, the share in Asfaltos Españoles S.A.). Installed capacity at La Pampilla refinery (Peru), in which Repsol holds an 82.38% stake and is the operator, is 102 thousand barrels of oil per day.

The refining margin in Spain stood at $8.5 per barrel in 2015, higher than 2014 ($4.1 per barrel). In Peru, the annual refining margin came in at $7.0 per barrel, in comparison to the $4.8 per barrel during 2014.

The following table shows the refining capacity of the plants in which Repsol had an interest on December 31, 2015:

Refining capacity [(1)]	**Primary distillation** (thousand barrels per day)	**Conversion index** [(2)] (%)	**Lubricants** (thousand barrels per year)
Spain			
Cartagena	220	76	155
A Coruña	120	66	-
Puertollano	150	66	110
Tarragona	186	44	-
Bilbao	220	63	-
Total Repsol (Spain)	**896**	**63**	**265**
Peru			
La Pampilla	102	24	-
Total Repsol	**998**	**59**	**265**

(1) Information submitted in accordance with the Repsol Group's reporting criteria: all the refineries cited are fully integrated in the Group's consolidated financial statements. The reported capacity in Tarragona includes the shareholding in ASESA.
(2) Defined as the ratio between the equivalent capacity coefficient of Fluid Catalytic Cracking (FCC) and primary distillation capacity.

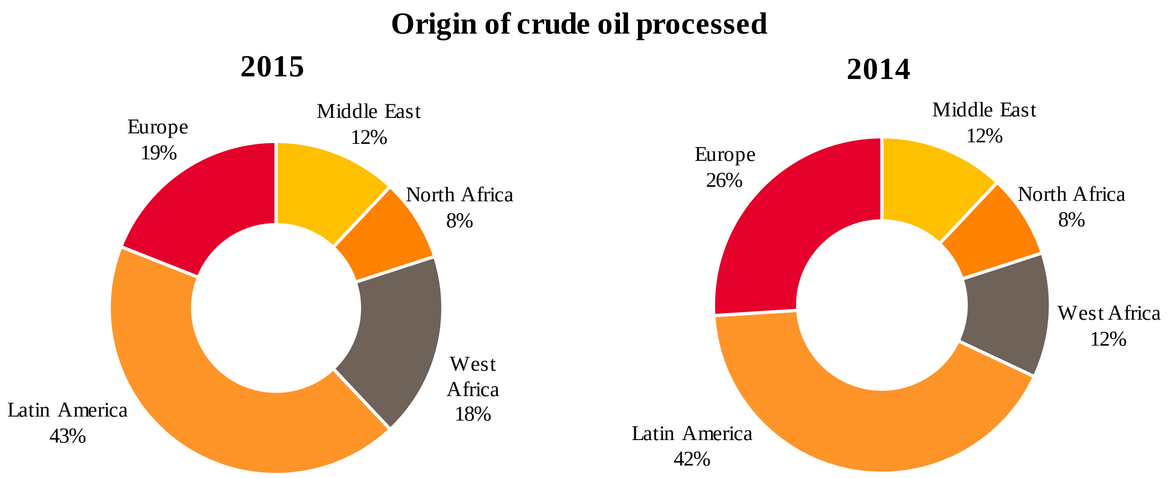
In this context, the Repsol refineries managed by the *Downstream* division processed 43 million tons of crude oil, representing an increase of 10% compared to 2014. The average use of refining capacity was 88.9% in Spain, higher than the 80.8% recorded in the preceding year. In Peru, refinery use was also higher than in 2014, from 64.4% to 67.6% in 2015.

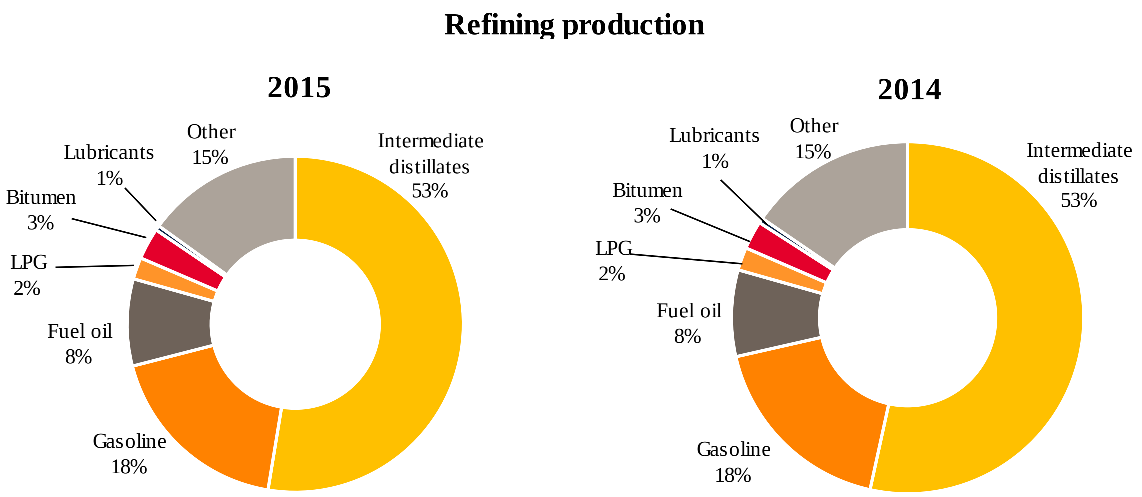
The table below provides a breakdown of refinery production, by main products:

Refinery intake (*Thousand tons*)	**2015**	**2014**
Crude oil	43,334	39,480
Other refinery intake	8,486	8,163
Total	**51,820**	**47,643**

Refining production (*Thousand tons*)	**2015**	**2014**
Intermediate distillates	25,388	23,673
Gasoline	8,880	7,985
Fuel oil	4,041	3,521
LPG	1,010	930
Bitumen (1)	1,465	1,152
Lubricants	221	203
Other (including petrochemicals) (2)	7,268	6,847
Total	**48,273**	**44,311**

(1) Includes 50% of the Asfaltos Españoles S.A. (ASESA) bitumen production, in which Repsol and Cepsa own 50% shares. Repsol commercialize 50% of ASESA's products.
(2) Includes the number of petrochemical products (1,901 thousand tons in 2015 and 1,805 thousand tons in 2014).





OIL PRODUCTS SALES

Thousand tons	**2015**	**2014**
Sales by geographic area		
Sales in Europe	**43,019**	**39,315**
Own marketing	**21,124**	**19,530**
Light products	17,326	16,846
Other products	3,798	2,684
Other sales [(1)]	**7,771**	**7,329**
Light products	7,508	6,927
Other products	263	402
Exports [(2)]	**14,124**	**12,456**
Light products	6,295	4,466
Other products	7,829	7,990
Sales rest of the world	**4,586**	**4,271**
Own marketing	**2,073**	**2,074**
Light products	1,917	1,909
Other products	156	165
Other sales [(1)]	**1,221**	**1,271**
Light products	1,049	1,097
Other products	172	174
Exports [(2)]	**1,292**	**926**
Light products	468	390
Other products	824	536
TOTAL SALES	**47,605**	**43,586**
Sales by distribution channel		
Own marketing	**23,197**	**21,604**
Light products	19,243	18,755
Other products	3,954	2,849
Other sales [(1)]	**8,992**	**8,600**
Light products	8,557	8,024
Other products	435	576
Exports [(2)]	**15,416**	**13,382**
Light products	6,763	4,856
Other products	8,653	8,526
TOTAL SALES	**47,605**	**43,586**

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

The refining business activities are framed within the Strategic Plan, which includes greater integration between the refining and marketing activities and a clear goal to reduce energy costs and CO_2 emissions. Investments made in Cartagena and Bilbao refineries, and the corresponding improvement in the overall margin of the refining system, have been key to placing Repsol at the head of the integrated European companies in terms of efficiency, creation of guaranteed value, and resilience against scenarios for low oil prices.

Thanks to the quality and operating excellence of its industrial assets, management of its vertically-integrated refining system, efficiency gains, and emission cuts, Repsol was awarded as “Best Energy Company of the Year” in the *Downstream* business, selected from more than 200 candidates across 25 countries by the oil and gas specialist agency Platts, during the Global Energy Awards ceremony in New York on December, 2015.

In addition, to a host of measures designed to take out efficiency gains, management sought to continue to make the business more competitive by enhancing management of its markets and market access from a logistical standpoint and of the relationship with the business environment, all of which framed by careful human capital management and an active health, safety, environmental and innovation policy.

5.2.3. CHEMICALS

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

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

In April 2015, Repsol and Mexican Grupo KUO struck an agreement to expand the scope of their Dynasol alliance, the synthetic rubber joint venture set up in 1999. As a result of this new agreement, Repsol has contributed its rubber vulcanization accelerators unit, located in Spain, while Grupo KUO has provided its synthetic emulsion rubber and nitrile rubber units, based in Mexico and China. The transaction was approved by both the government and anti-trust authorities in 2015 and the new company began to do business in October 2015.

Also, in 2015, Dynasol also set up two new plants in China via 50/50 joint ventures (JVs) with Chinese partners, Shanxi Northern Xing'an Chemical Industry (Xing'an) and Jiangsu GPRO Group. The new plants have installed capacity of 100,000 tons (t) per year of styrene-butadiene synthetic rubber and 30,000 t/year of nitrile rubber capacity and are located in the provinces of Liaoning and Jiangsu, respectively.

The commissioning of this new capacity in China, coupled with the above-mentioned agreement to expand the scope of the alliance with KUO, makes Dynasol in one of the world's leading synthetic rubber producers, as well as, a global player with factories in Europe, America and Asia.

It is also worth highlighting the execution, in conjunction with the multiannual stoppage programmed, of the project for optimization the Puertollano cracker. This work has reduced and tailored ethylene production to meet the industrial complex's needs, while also delivering considerable energy savings. In line with this optimization, and as had been announced, the company stopped producing high density polyethylene (HDPE) commodity at Puertollano in February 2015.

Meanwhile, the work to adapt the HDPE plant in Tarragona to produce metallocene polyethylene grades continued in 2015. This facility should come on stream in 2016 and will further add to the company's product range.

In the following table reflects the production capacity in 2015 and 2014 of the Group's main petrochemical products:

PRODUCTION CAPACITY *(Thousand tons)*	**2015**	**2014**
Basic petrochemicals	**2,603**	**2,808**
Ethylene	1,214	1,362
Propylene	864	904
Butadiene	185	202
Benzene	290	290
Methyl tert-butyl ether / Ethyl tert-butyl ether	50	50
Derivative petrochemicals	**2,235**	**2,491**
Polyolefins		
Polyethylene [(1)]	793	883
Polypropylene	505	520
Intermediate products		
Propylene oxide, polyols, glycols, and styrene monomer	937	937
Rubber [(2)]	-	115
Other [(2)]	-	36

(1) Includes ethylene vinyl acetate (EVA) and ethylene butyl acrylate (EBA) copolymers.
(2) Change in reporting criteria. This item does not include the alliance capacity of Dynasol.

Earnings in the chemicals business improved year-on-year in 2015 thanks to a more favorable international environment shaped by strong demand, higher margins, and significant efficiency gains. These efficiency measures were designed to consolidate the margin gains derived from commodity fueling flexibility at the crackers and the commissioning of several important investments in energy efficiency, most significantly at the Puertollano cracker following the programmed maintenance stoppage in February 2015.

Third-party sales volumes rose by 6.0% year-on-year to 2.8 million tons in 2015 (2.6 million tons in 2014), driven mainly by a modest recovery in the polyolefin market, Repsol's main segment and high operational reliability of the plants.

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

Thousand tons	**2015**	**2014**	**Variation**
Sales by type of product			
Basic petrochemicals	948	874	8.4%
Derivative petrochemicals	1,874	1,787	4.9%
TOTAL	**2,822**	**2,661**	**6.0%**
Sales by region			
Europe	2,396	2,221	7.9%
Rest of the world	426	440	(3.4)%
TOTAL	**2,822**	**2,661**	**6.0%**

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

The main outlays incurred in 2015 related to expansion of the scope of the Dynasol alliance, detailed above, have been the Puertollano cracker adaptation work, the work being carried out to adapt the high density polyethylene plant in Tarragona for production of metallocene grades and other investments designed to continue to make commodity fueling increasingly flexible. The last two projects are due for start-up in 2016.

5.2.4. MARKETING

Repsol commercializes its range of products through an extensive network of service stations and dealers. In addition, marketing includes other sales channels and the commercialization of a wide range of products such as lube oils, bitumen, sulfur, oils, paraffins and derivatives.

Total marketing sales were 23,197 thousand tons in 2015, an increase of 7.4% compared with the same period in 2014. In 2015 a recovery of the domestic consumption is noticed, along with the international growth and new business opportunities.

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

At year-end 2015, Repsol had a network of 4,716 service stations in countries where the *Downstream* division operates. In Spain, the network comprised 3,544 points of sale, while 30% were company operated. Service stations in other countries were spread throughout Portugal, Italy and Peru.

The *Downstream* had the following points of sale (service stations and supply units) as of December 31. 2015:

Country	**Number of the point of sales**
Spain	3,544
Portugal	446
Peru	406
Italy	320
Total	**4,716**

Law 11/2013 of July 26 introduced a number of measures aimed to ensure fuel price stability and to increase competition in the sector. This law was completed by Law 8/2015 (for further information, see Appendix IV of the 2015 consolidated financial statements). In this new context, Repsol as a market leader and with a wide geographical coverage works to efficiently meet the new challenges posed by this legislation.

Growth and consolidation

The company remains strategically allied with market leaders such as El Corte Inglés, Nespresso or Disney. Repsol and El Corte Inglés are working together to set up Supercor and Stop & Go stores within Repsol's service stations.

In 2015, several key projects have been launched in various segments enhancing brand value and product quality through innovation, operational excellence and a committed human team.

As part of its ongoing strategic commitment to technological innovation, in 2015, Repsol launched Neotech, a very high-quality fuel, with a unique formulation, allowing our customers to get the best performance from their vehicles with the lowest consumption. This exclusive formula has been developed and patented by Repsol in order to care the maximum engine and retain the initial performance of our customers' vehicles.

It also launched Bienergy, new heating oil more efficient in terms of energy and environment and essential for new generation boilers. The launch of this product represents an estimated savings of up to 30% as tested at the Repsol Technology Centre and environmentally more attractive product.

In parallel, with a view to reinforcing its bond with its customers, Repsol rolled out a new loyalty card range, **Repsol Mas**, with new awards and payment methods, designed for the latest digital developments and facilitates the use of Big Data for our area of Customer Intelligence.

Also in 2015, **Customer Plan** has been rolled out, a project designed to turn customer service into a competitive advantage by offering the best Service Stations network (the cleanest, the most available and the best team) and offering customers an unrivalled service station experience over a short to medium term horizon.

Repsol leader in Europe has continued with its international expansion producing and commercializing green fuel grade coke, being 49% of the sales made in foreign markets and reaching a total of 17 countries mainly in Europe and North Africa.

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

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

Confirming the growth and consolidation strategy, over 50% of Lubricants, Bitumen, and Specialties sales are made in the international market, operating in over 90 countries and with 69 international distributors of lubricants. Strengthening its international presence, a new commercial office was opened in November, 2015 this time in Sao Paulo (Brazil). On the other hand, there has to be highlighted the progress in Base III oil commercialization after the start-up in Cartagena plant, in the fourth quarter of 2014.

True to its social commitment, in 2015 Repsol maintained its policy for the employment and integration of people with disabilities, collaboring with ONCE and Fundosa, and advanced in its commitment to sustainability, respect for the environment and safety of people, developing environmentally-friendly products at Repsol Technology Centre, as Repsol Bio Telex 68 oil and green bitumen.

5.2.5. LIQUEFIED PETROLEUM GAS (LPG)

Repsol is one of the leading retail distributors of LPG in the world, ranking first in Spain and Peru, and maintaining top positions in Portugal and Ecuador. In 2015, the company operated in these four European and Latin American countries.

LPG sales in 2015 amounted to 2,260 thousand tons. Otherwise, total sales in Spain decreased 14% year on year, primarily due to decrease in the petrochemical sales while retailer demand has slightly increased (+0.4%). In Spain, Repsol distributes bottled, bulk, and piped LPG through the collective distribution and Autogas networks, with over 5 million active customers. Bottled LPG sales accounted for more than 62% of total retail LPG sales in Spain, through a network of 212 distribution agencies.

Sales volume of LPG by geographical area (Thousand tons)	**2015**	**2014**
Europe	**1,285**	**1,474**
Spain	1,152	1,343
Portugal	133	131
Latin America	**975**	**1,032**
Peru	570	634
Ecuador	405	398
Total	**2,260**	**2,506**

Sales volume of LPG by product	**2015**	**2014**
Bottles	1,286	1,281
Bulk, piped and other (1)	974	1,225
Total	**2,260**	**2,506**

(1) Includes sales to the automotive market, LPG operators and others.

In Spain, prices continue to be regulated for piped LPG and bottles between 8 and 20kg, excluding bottled mixtures for using LPG, with more than 9kg tare.

On March 9, Ministerial Order IET/389/2015 was published, which modifies the automated maximum pre-tax retail price of LPG bottled, changing the quotes and freight costs for raw materials as well as their weighted amounts. The same Ministerial Order updates the automatic pricing for piped LPG.

Royal Decree-Law 8/2014, of 4 July, freed up the sale price of containers of between 8 and 20kg with a tare weight equal to or less than 9 kg, except for wholesale LNG operators, with an obligation to supply households, which do not have containers with a tare weight of more than 9 kg, in the relevant territory. The traditional containers sold by Repsol weight more than this tare weight; as a result, the price of this product remains regulated. In May 2015, Repsol launched a new, light, more modern container that meets the conditions for sale at unregulated prices.

On September 30, 2015, the Board of Directors of Repsol S.A. approved the sale of part of the piped LPG business to Gas Natural Distribución and Redexis Gas. These assets were sold to the two companies for an aggregate €652 million parcially completed in 2015, triggering the recognition of after-tax gain in this period of €38 million. The supply point sale agreements are expected to close in 2016 and are subject to receipt of the corresponding government permits. In addition, in 2016, the piped gas business in northern Spain and Extremadura was sold to Grupo EDP and Gas Extremadura, respectively, for an aggregate sum of €136 million.

In Portugal, Repsol distributes bottled, piped and bulk LPG and Autogas to end customers while also supplying other operators. Sales in 2015 reached 133 thousand tons, making the company the third largest operator with over 19% market share.

In Latin America, Repsol commercializes bottled, bulk, piped and automotive LPG in the home, commercial and industrial markets of Peru and Ecuador with sales of 975 thousand tons.

AutoGas (LPG vehicles) is the most widely used alternative fuel in the world, with over 25 million vehicles (13 million in Europe). Although it has yet to make any meaningful impact on the Spanish market, sales grew by 20% in 2015 which confirms an increase in the demand for this economic fuel that also helps to improve air quality within cities.

Repsol, fully aware of the growing interest in this alternative fuel, had 896 service stations equipped with AutoGas pumps at year-end 2015, 585 service stations, of which over 353 are in Spain. Additionally, there are already 311 supply points at customer sites.

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

For further information on Spain and Peru regulatory framework, see Appendix IV in the 2015 consolidated financial statements.

5.2.6. GAS & POWER

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

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

On December 31, 2015, the Group maintains its regasification and transport assets and its marketing businesses in North America, as their main assets of Gas & Power, the regasification plant in Canaport and its pipelines in Canada and USA.

International Reference Prices	**2015**	**2014**	**Variation**
Henry Hub ($/Mbtu) average	2.7	4.4	(1.7)
Algoquin ($/Mbtu) average	4.8	8.1	(3.3)

Natural Gas in North America	**2015**	**2014**	**Variation**
LNG regasified (100%) in Canaport (Tbtu)	23	18	5
LNG sold in North America (TBtu)	299	274	25

In 2015, US natural gas production rose by 6% from 2014, driven by sharp growth in gas-fired power generation (+19%) and growth in exports to Mexico (+19%); overall demand for gas rose by 3%. Storage volumes hit record levels, topping 4Tcf. These developments, coupled higher investments in transportation, warmer-than-seasonal temperatures and the global drop in energy prices drove US natural gas prices lower and sent volatility higher.

Trading volumes increased by close to 9% in the US Gas & Power segment, albeit realized at lower prices and reduced volatilities so that profit margins were affected. It is worth highlighting the fact that prices had hit a record high in the north-east in the first quarter of 2014 due to the polar vortex that hit the region, among other factors. During winter of the first quarter of 2015, realized prices, while still attractive, dipped considerably year-on-year.

In 2014, Repsol began the process of requesting the Canadian authorities' permission to increase the optionality of the gas liquefaction plant with capacity of 5 Mt/year in Canaport, using the location of current regasification assets to its advantage. In 2015, Repsol decided to defer development of this project due to the prevailing market environment and the challenges implicit in restructuring this business.

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

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

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

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

At year-end 2015, Repsol holds rights to develop, build and operate 960 MW of *offshore* wind power capacity in the UK (stated at its ownership interest). These projects will allow Repsol to apply its technological capabilities and experience handling large-scale engineering projects to the *offshore* segment.

During these projects' development phase, which will finish between 2015 and 2016, preliminary studies and works required for building and commissioning of the facilities will be made by Repsol, whose commissioning date will take place in 2018 or later. The Group expects to take the final investment decision on these projects in the course of 2016.

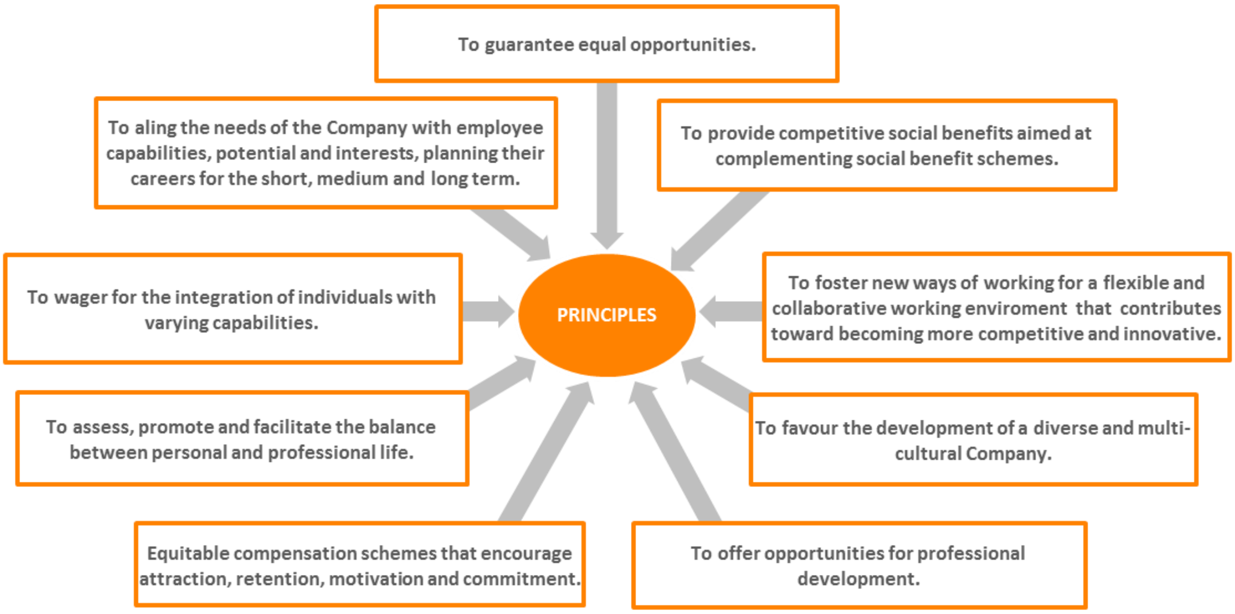
In 2015, Repsol entered into an agreement with EDPR for the exchange of each party's respective interests in the UK assets such that each will end up with 100% of the project it operates, namely Inch Cape (Repsol) and Moray Firth (EDPR). Under the terms of this agreement, each party will finance 100% of the project it operates - but only that project. This transaction closed in 2016.

6. OTHER WAYS OF CREATING VALUE

6.1. PEOPLE[1]

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

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



During 2015, our main activity was focused on the integration of employees Talisman origin. The acquisition of this company represents an important opportunity for growing and evolving into a stronger company, placing value of all available talent. Our challenge is to minimize the impact of cultural integration of both companies and work as a larger and more diverse integrated company.

It should be noted the deployment of an Internal Communication Plan at the acquisition date, in order to inform new employees about new structure organization and principles, integration and change process as well as vision and values of Repsol, that underpin our culture, and are present in all areas of people management, among others, our processes, policies and tools.

After determining that Talisman's corporate values were aligned with Repsol's, strengths have been identified, as well as areas for improvement and synergies between both companies.

The result of this process is reflected in the development of an action plan aimed at achieving the strategic objectives and challenges of Repsol, geared towards efficiency.

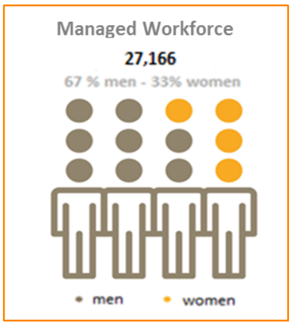
---

[1] All information provided in this section has been prepared corresponding to December 2015 in accordance with the Group reporting model (see Note 5 "*Segment Reporting*" of the consolidated financial statements at December 31, 2015).

PEOPLE MANAGEMENT

On December 31, 2015, a total of 27,166 employees formed part of entities whose *People management* was directly managed by Repsol, and all the figures included in this section exclusively refer to them, apart from sections in which the contrary is specified. Managed workforce increased by 2,706 people, compared to 2014 mainly due to theTalisman acquisition.

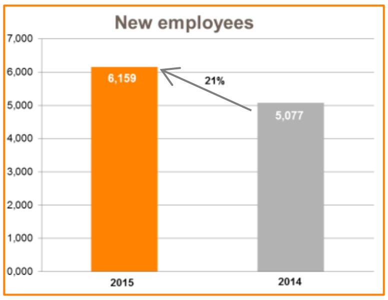
STAFF	**2015**	**2014**
Total workforce at December 31, 2015	29,494	26,141
Managed workforce [1]	27,166	24,460
Non-Managed workforce	2,328	1,681
Accumulated average managed workforce	27,887	24,335
No. of new hires in the year [2]	6,159	5,077



(1) Data 2014 excludes those employees with annual working hours equal to or less than 20% of the hours set in the collective agreement.
(2) Reporting criteria has been modified aligning it with data provided in other reports. The change involves only consider new hires of permanent and eventual character without previous employment relationship with the company. Permanent contracts of data 2015 and 2014, correspond to 62% and 43%, respectively.

Following the publication of the Strategic Plan, we began the implementation of the optimization measures contained therein. As a result, there was a decrease in the managed workforce of 483 permanent employees compared to the interim June 2015 Management Report.

TOTAL MANAGED WORKFORCE	**2015**	**2014**
MANAGED WORKFORCE BY COUNTRY		
Total workforce in Spain	17,184	17,303
Total workforce in Peru	3,109	2,996
Total workforce in Portugal	1,229	1,237
Total workforce in Canada	1,122	50
Total workforce in United States	891	500
Total workforce in Malaysia	853	-
Total workforce in Ecuador	827	891
Total workforce elsewhere in the world	1,951	1,483
MANAGED WORKFORCE BY BUSINESS		
Total workforce in Corporation	2,945	2,521
Total workforce in Downstream	18,862	18,693
Total workforce in Upstream	5,359	3,246
MANAGED WORKFORCE BY JOB CATEGORY		
Executives	325	306
Technical Managers	2,694	2,065
Technical workers	13,642	11,972
Administrative workers	1,406	1,044
Manual workers	9,099	9,073



ATTRACTING TALENT

The year 2015 has been characterized by the addition of 2,903 professionals from Talisman, so this year we have focused our efforts on the management of internal talent.

We have continued promoting different ways to motivate and engage our professionals, reinforcing the development of a culture of multinational company, opened to diversity and multiculturalism.

Even in an environment of commitment to efficiency in the Company, we carry on incorporating young talent, adapting our Master's Degree programmes to the current context, and continuing University interships and Vocational Trainings which reflect our commitment to facilitate their integration in the labour market.

ATTRACTING TALENT (1)	**2015**	**2014**
Hiring of New Repsol Professionals (2)	117	49
University Internship agreements to boost Training (3)	455	391
Medium and Higher Level Vocational Training Internships (4)	150	147

(1) The above data corresponds to companies managed by Repsol Group excluding companies of Talisman.
(2) Program to recruit and incorporate young talent, educating through any of the three Masters programmes offered by Repsol (Hydrocarbon Exploration and Production, Refining, Petrochemicals and Gas, and Energy Management). The increment compared to 2014 was due to a change in the start dates of two of the Masters programmes.
(3) Repsol has adapted to the needs of the new European Curriculum of the Bologna Accords, receiving university students with curricular working experience, postgraduates and final-year students.
(4) These include students from Medium and Higher Level vocational training cycles, with a high percentage of these joining Repsol through different job vacancies. In 2015, the commitment acquired by Repsol with the FP Dual program is still in force.

RETAINING TALENT

During the integration with Talisman, special focus was placed on retaining key profiles for the *Upstream* business.

RETAINING TALENT	**2015**	**2014**
Total staff turnover rate (1)	7%	7%
Total voluntary staff turnover rate (2)	3%	3%
Executive rotation rate (3)	8%	4%

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

Voluntary rotation rate remains as previous years. With regards to the increase in executive rotation rate, it is mainly due to the organizational renewal derived from Talisman acquisition decreasing the number of directors in 21 as compared to the information contained in the Interim Management Report.

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

Compensation

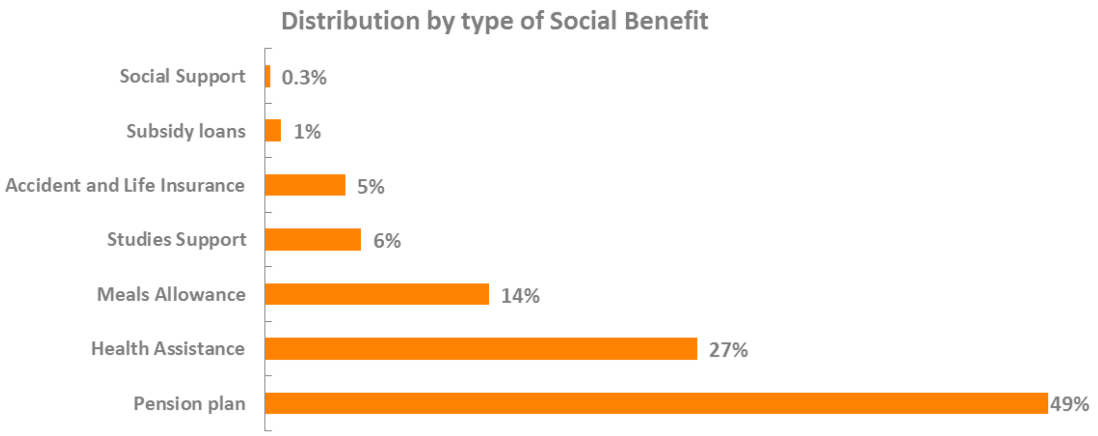
Remuneration is an element designed to make it easier to attract, retain, motivate, and commit professionals who provide their talent to the Organisation. Schemes vary to provide greater opportunities of flexibility to employees.

The focus of remuneration is to promote individual performance and the recognition of personal merit, as well as cooperation and teamwork, ensuring external competitiveness and internal fairness within a global environment.

COMPENSATION	2015	2014
Average personnel costs per employee (euros) (1)	75,047	67,217

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

In 2015, the total spending on social benefits for employees of the managed workforce amounted €129.1 million, compared to €97.8 million in 2014. The integration of the Talisman employees' expenses has driven this increase, mainly in North America, highlighting the Pension Plans and Health Care expenses.



During 2015, we have worked on the evolution of existing compensation models for both companies to be able to define a single and competitive compensation model with international standards, integrated and applicable in all countries and businesses.

On the other hand, the remuneration model of collective international assignment is also under review, with the dual purpose of unifying the Repsol and Talisman models, while giving businesses greater flexibility.

Furthermore, during the year, we continued with the flexible remuneration programme. This programme is a personalised remuneration system in which employees voluntarily decide how they would like to receive part of their annual remuneration. In many cases, the net remuneration increases, thanks to a lighter tax burden as a consequence of choosing variable products depending on the taxation applicable in each country. Especially noteworthy are day care, upgraded medical insurance, share-based remuneration, and additional Pension Plan contributions.

For more information regarding to pension plans, medium-and long-term incentives for employees, and share-based employee compensation plans, see Note 27 to the consolidated financial statements for the year 2015. In relation to the remuneration of the members of the Board of Directors and senior management, see Note 26 to the consolidated financial statements and the Annual Corporate Governance Report.

Training

Repsol is a company that values, promotes and facilitates staff training as the key driver in their personal and professional development, contributing to the improvement of professional skills necessary for effective performance in the implementation of Repsol's strategy.

TRAINING [(1)]	**2015**	**2014**
Total investment in training (€ million)	18	18
Investment per employee (€)	741	717
Total Training hours / year	1,074,858	1,083,033
Average hours / year per employee	45	44
Dedication rate [(2)]	2.64%	2.63%
% of employees receiving training	96.4%	92.4%
No. of participations	23,185	22,612

(1) Data reflected in the above table corresponds to companies managed by Repsol Group excluding companies of Talisman.
(2) Corresponds to the % of annual working hours dedicated to training. It is calculated over the accumulated average workforce.

In 2015, we have continued to integrate training for new professionals graduate through professional Master's Degree programmes in the areas of *Upstream*, Refining, Petrochemical and Gas, and Management. These programmes have evolved towards more integrated contents and flexible methodologies, "*blended*", adapting to the strategic needs of each business, including those arising following the acquisition of Talisman. During the year, a total of 142 students from 11 different countries have participated and finished these programmes. This is also oriented to providing students greater flexibility in their employability in the Company's various businesses.

This year was also characterized by the initial integration work for new employees after the Talisman acquisition, materializing in joint training activities for all employees in the new Repsol. As an example, the E&P Master's degree program started in September 2015, with 7 Talisman students (4 from Canada, 2 from Malaysia and 1 from Vietnam).

In the *Upstream* business, in-class training programmes continued, with more than 120 courses in technical subjects supplemented with an important online offer with more than 200 titles and field schools in exploration and production wells. In addition, during 2015 we continued with 48 editions of the EOS (*Excellence in Operations and Sustainability*) program to strengthen the leadership in safety culture.

In the industrial area, more than a hundred technical courses related to engineering, operations, and maintenance were made available to employees, and we have continued with the deployment of Safety and Environment culture programmes (SE) through the SE Commitment programme for operators.

In the commercial area, the launch of transformation programmes was noteworthy, such as the "Customer Plan" aimed at the entire team of service stations in own networks and registered service stations, to achieve a true focus on the client. Furthermore a training program for new service station staff took place in Peru, with the attendance of 795 employees.

Regarding leadership and management, the advanced management programmes (for unit heads) were renewed, based on methodologies designed to boost innovation and address the real challenges facing an innovative company. It has consolidated the new team leaders program launched in 2014, with more than 200 students already trained in many different countries and functional areas of the Company.

Another important landmark is the launch, during 2015, of the internal trainer school with the aim of promoting the collective learning culture and ensuring the relevance and training to transfer the knowledge of the position.

In 2015 stands out the increase in the number of hours of foreign language instruction, emphasising the effort and resources dedicated to strengthening the international culture of the Company.

We have continued to increase the development of online methodologies in order to universalize access and making training activities available to a larger number of employees.

Training has continued following the Company's commitment to help people with disabilities, through an increasing number of programmes aimed at these groups (not Company employees) in order to facilitate their employability in the sector. Specifically, we have developed eight training activities with the participation about 100 people.

Another of the most notable landmarks has been obtaining CLIP Accreditation (*Corporate Learning Improvement Process*), which shows the quality of programmes and Training Repsol processes and commitment to continuous improvement. Only 14 companies worldwide have this distinction awarded by the EFMD (*European Foundation for Management and Development*), with Repsol as the first petroleum company obtaining it.

Development and performance evaluation

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

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

PROFESSIONAL CLASSIFICATION CHANGES(1)	2015	2014
No. of people	1,619	1,932
% Women	39%	35%

(1) Data in the table above include those companies managed by Repsol Group excluding Talisman companies.

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

PEOPLE REVIEW ASSESSMENTS INDICATORS	2015	2014
People tested by *People Review* (1)	3,078	2,426

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

Throughout 2015, important efforts were made to complete the talent map at all levels of management throughout the Company. Hence, today our information includes data for nearly all our employees (Director and management positions excluded from the agreement). Specifically, during the final quarter of 2015, a specific *People Review* action plan was rolled out to assess over 500 individuals belonging to the Talisman workforce, thereby integrating best development practices into the Company.

Of the 216 sessions carried out during 2015, 40 were comparisons involving 188 people. The purpose was to compared information obtained during previous years, mainly of “High Potential” employees, updating its validity, while also monitoring the achieved of the development plans agreed originally.

17 *People Review* sessions with Directors were carried out. These were designed to evaluate potential, strengths, and areas for improvement included in the Director profile, and also to create development plans. The results of the culture survey carried out in June were analyzed, during which the impact of leadership was evaluated, among others.

During 2015, the performance of 18,275 employees was evaluated. Talisman employees under performance evaluation is the main reason of the increase over 2014. In this year, the criteria and processes established at the start of the year for each company were maintained, and a new organizational model is being created at the same time.

Internal mobility and internationalization

Mobility is part of Repsol's culture, and is key both for the growth and sustainability of the Company and to the development of people, promoting the acquisition of experience and knowledge in new and/or more complex environments and roles achieving the best profiles assignation to the new integrated structure of the Company.

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

MOBILITY AND INTERNATIONAL CAREER	2015	2014
No. of mobilities [(1)]	2,989	2,881
% of women (of no. of mobilities) [(1)]	37	33
No. of employees on international assignment	728	690
Incorporation of professionals to international workforce	114	145

(1) Data reflected on the table corresponds to companies managed by Repsol Group excluding companies of Talisman.

LABOUR RELATIONS

LABOUR RELATIONS	2015	2014
No. of employees with permanent employment contracts	24,668	22,248
No. of employees with temporary contracts	2,498	2,212
Absenteeism rate [(1)]	3.72%	3.31%

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

In the year 2015 have been signed: the X Repsol Petróleo, S.A. Collective Agreement, the Repsol Investigaciones Petrolíferas, S.A. Collective Agreement, the IV Repsol Trading Collective Agreement, and the XII Repsol Química Collective Agreement.

Also have been signed the VII Campsared Union Agreement, the VI Repsol Lubricantes and Especialidades, S.A. Complementary Agreement to Chemical Industry General Agreement, the IV Solred, S.A. Union Agreement (2014-2015), the Repsol Exploración, S.A. Collective Pre-Agreement (2014-2015), the Dynasol Act of Accession to the XII Repsol Química Collective Agreement, the Sesema Act of Accession to the Chemical Industry Agreement, the Extension Act to the III Solred, S.A. Union Agreement, complementary to the contents of the Madrid Collective Offices Agreement, and the Repsol Exploración, S.A. Preliminary Agreement Act (2014-2015). Finally, and within the scope of social dialog, during 2015, the following meetings were held in the heart of monitoring progress of the VII Framework Agreement to approach the general guidelines of staffing forecast and possible mechanism to achieve that goal.
At an International level, agreements were signed in Brazil, Peru and Portugal..

The European Works Committee´s ordinary annual meeting took place on December, 17. The following Unions and employees 'representatives attended the aforementioned meeting: COFESINT, FIEQUIMETAL (from Portugal), CCOO, UGT and STR (from Spain) and a representative (from Norway).

BALANCING PERSONAL AND PROFESSIONAL LIFE, DIVERSITY AND EQUAL OPPORTUNITIES

In 2015, we continued to promote changes in the way we work, ensuring equal opportunities and promoting and facilitating work-life balance.

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

Among the measures designed to achieve this work-life balance continues being notable the teleworking programme, best valued program by employees.

TELEWORKING INDICATORS [(1)]	**2015**	**2014**
No. of Teleworkers Worldwide	1,716	1,411
No. of Teleworkers in Spain	1,620	1,328
No. of Teleworkers rest of the world	96	83

(1) Data reflected on this tablecorresponds to companies managed by Repsol Group excluding companies of Talisman.

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

In Spain, an analysis on the performance of employees on the teleworking programme has been carried out since 2015. The results have reflected that the individuals involved in the program receive high performance reviews. 47% of tele-workers were evaluated as outstanding or excellent, with just 41% of office-based workers receiving this rating.

Repsol's workers are allowed to work flexibly in order to adapt their workday to their personal circumstances as long as their work activity makes it possible, and in accordance with their use, customs, and restrictions set in each country or geographic area.

Repsol offers a plan designed to integrate persons with disabilities covering all areas of the organization. In 2015, we have continued with our commitment to training as a door to the job market, based on occupational training as well as grant and internship programmes, and access to our Master's Degree programmes. 5% of our new professionals are people with disabilities.

As at December 31, 2015 we had 663 disabled employees, or 2.7%[1] of our workforce.

In Spain in 2015, we exceeded the legislation applicable requirements according to LGD (General Law on the Rights of Persons with Disabilities and their Social Inclusion), with 4% of employees, being 617 hired, and another 163 equivalent people hired through other channels.

[1] Data reflected corresponds to companies managed by Repsol Group excluding companies of Talisman.

INTEGRATION (1)	2015	2014
No. of employees with disabilities in Spain	546	541
No. of employees with disabilities in Ecuador	34	35
No. of employees with disabilities in Peru	43	42
No. of employees with disabilities in Portugal (2)	17	18
No. of employees with disabilities in Venezuela	12	12
No. of employees with disabilities in Brazil	9	8
No. of employees with disabilities in Italy	1	1
No. of employees with disabilities in Russia	1	-
Total number of disabled employees	**663**	**657**

(1) Data reflected on the table corresponds to companies managed by Repsol Group excluding companies of Talisman.
(2) Data reported in 2014 in Portugal has been corrected becoming 18 employees. It has also been corrected total with a total of 657 people with disabilities. The percentage of the workforce is maintained at 2.7%.

Of special relevance has been the edition of the II White Book of Different Capacities, titled "*Diverse Talent"*, the II Guide to Surpass Barriers, and the II Accesible Service Stations Guide, as potential sources of information, communication, and awareness worldwide.

Repsol is present in 40 countries with over 1,500 employees working in countries other than their own, and their contribution to the value of a multicultural environment can be felt in all areas of the Company.

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

Destination	2015	2014	Destination	2015	2014	Destination	2015	2014
Spain	65	64	Norway	12	10	Singapore	7	3
USA	23	22	Trinidad & Tobago	12	13	Iraq	7	7
Canada	20	6	Australia	11	-	Angola	7	7
Algeria	16	16	Russia	11	12	Ecuador	7	8
Brazil	16	20	Venezuela	10	9	Indonesia	7	3
Portugal	15	16	Peru	9	9	Colombia	5	7
Malaysia	12	-	Vietnam	8	-	Bolivia	5	5

Repsol continues naturally increasing the percentage of women throughout all its groups and businesses.

In 2012 we acquired a voluntary commitment to "European Round Table" (ERT) to increase the percentage of women in executive and management positions in Spain and in Europe (2020 targets: 29% and 27% respectively.

These objectives, nearly achieved, have driven us to set new challenges, committing ourselves to reach in 2020, 31% in Spain and 29% in Europe.

Gender indicators	2015	2014
No. of women in the workforce	8,976	8,117
No. of women managers	49	47
% of women in management positions in Spain(1)	29	27
% of women in management positions rest of the world(1)	24	23

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

Repsol, S.A. is one of Spain's most renowned companies, having been recognized with the Equality Distinction Award granted by the Ministry of Health, Social Services, and Equality. In 2014, this award was extended for other three years.

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

In January of 2014, the Company signed a collaboration agreement with the Ministry to reinforce its commitment to boost the balanced participation of both genders in top positions, including 37% in Management Committees to 2017. In 2015, the percentage was 35% (including Directors, Technical Managers, and agents excluded from the Agreement).

After the Talisman acquisition, the percentage of women in the Company was maintained in nearly all age groups.

	2015			2014		
	Women	**Men**	**% Women**	**Women**	**Men**	**% Women**
Aged under 20 years	77	78	50%	88	81	52%
Aged 21 - 30 years	1,521	2,112	42%	1,503	1,981	43%
Aged 31 - 40 years	3,634	5,937	38%	3,492	5,526	39%
Aged 41 - 50 years	2,484	5,061	33%	2,087	4,361	32%
Aged 51 - 60 years	1,154	4,312	21%	889	3,963	18%
Older than 60 years	106	690	13%	58	431	12%
Total	**8,976**	**18,190**	**33%**	**8,117**	**16,343**	**33%**

We have continued moving forward with the equity analysis in different aspects of people management (development, remuneration, performance, etc.), considering age, gender, nationality, and disability. Our methodology was verified in 2014 by the Carlos III University and the Foundation for Advanced Social Research, and certified on June 3, 2015 by the Foundation. This validates our methodology for analyzing salary gaps, and makes it possible to analyze equal opportunities in potentially vulnerable groups.

6.2. SAFETY AND ENVIRONMENT[1]

Through its strategy and policies, Repsol publicly and voluntarily assumes its commitment to safety and the environment as crucial issues for the Company. Repsol works to be a sustainable and competitive Company and that must be increasingly safe and environment responsible.

We periodically perform a diagnosis that allows us to identify our major challenges and opportunities on this matter, taking into account the expectations of our stakeholders, industry trends, regulation that could take place in the short-term and, in particular, the Company's strategic plan.

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

The Executive Committee establishes the safety and environmental strategic objectives of the Company, which are the basis for drawing up objectives and annual action plans for all of the Company businesses. In 2015, the Sustainability Commission was set up, with the mission of knowing and orienting the policies, goals, action plans, and Company practices in security and environmental matters.

Among the main lines of activity with regard to Safety and Environmental issues, the following stand out:

- Risk management effectiveness of safety and environment
- Improvement of operational efficiency
- Promotion of a global culture of safety and environment

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

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

RISK MANAGEMENT EFFECTIVENESS OF SAFETY AND ENVIRONMENT

In order to ensure that Repsol installations are safe, and to protect the parties involved, the correct identification, evaluation, and management of the risks association to processes and industrial assets is fundamental.

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

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

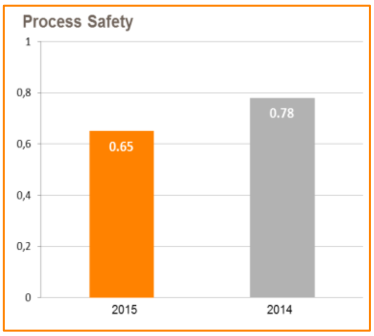
In 2014, the Company base line of security accidents was created, and 2015 was the first year in which specific goals were defined in this regard.

---

[1] The magnitudes and indicators of this section have been calculated according to corporate rules establishing common criteria and methodology to be applied on HSE. Data supporting environmental information come from subsidiaries in which we have majority ownership and / or control of operation and where we account for 100% of them. In safety, we include data relating to 100% of the employees of the subsidiary companies where we have majority ownership and/or control operation.

Repsol tracks its performance following the definitions established by IOGP[1], API[2] and CCPS[3], international benchmarks in this field. We should stress that accidents have gone down from 17% in 2015 with respect to the prior year, improving the yearly objective.

PROCESS SAFETY INDICATORS (1)	2015	2014
PSIR (2) TIER 1 + TIER 2	0.65	0.78



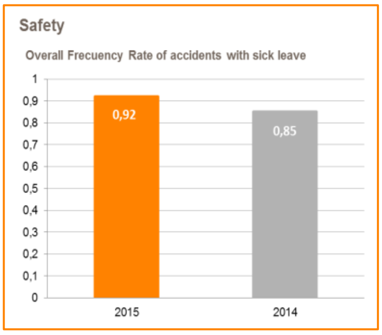
(1) A security process accident is one in which the first line of control has been breached, with the following happening simultaneously:
- A chemical process or product is involved.
- It occurs at a specific location: the incident takes place in a production, distribution, storage, auxiliary services (utilities) area, or at pilot plants related to the chemical process or product involved. This includes tank storage areas, auxiliary support areas (i.e., boilers, water-treatment plans), and pipe distribution networks controlled by the installation. Drilling operations also fall under this category.
- It results in the release of unplanned or uncontrolled matter, including non-toxic and non-inflammable matter (e.g. vapor, hot water, nitrogen, compressed air or CO_2), with determined levels of consequence.

  Depending on defined thresholds, the security processes accident is classified as Tier 1 or Tier 2

(2) PSIR: *Process safety incident rate*

In addition, we continue to work on reducing **personnel accidents**.

OCCUPATIONAL SAFETY INDICATORS (1)	2015	2014
Overall Lost Time Injury Frequency Rate (LTIFR)(2)	0.92	0.85
Lost Time Injury Frequency Rate for company employees	1.12	0.92
Lost Time Injury Frequency Rate (FR) for contractor staff	0.79	0.78
Total Recordable Incident Rate (TRIR)(3)	2.25	2.38
No. of company employees fatalities	-	-
No. of contractor's staff fatalities	2	-



(1) To handle safety incidents, Repsol has corporate regulations establishing a common criteria and methodology for registering incidents in the company, which is complemented by an incident management guide.
(2) LTIFR: number of lost time accidents and fatal accidents recorded over the year, per million work hours.
(3) TRIR: number of accidents without lost time, with lost time and fatal accidents over the year, per million work hours.

During 2015, two work-related deaths took place during the collapse of construction land at the new LPG bottling plant in Cuzco (Peru). After the accident, an exhaustive investigation was carried out to determine its causes, and the necessary measures were established to ensure that this type of accident never occur again.

As it reported in the previous table, the LTIFR has increased 8% with regards to the prior year. Since 2014, we also have established TRIR targets, indicator that increases the scope to other types of accidents, encompassing those with lost days and without. The TRIR is the most appropriate indicator currently for evaluating accident targets. In 2015, this index went down 5% with regard to the prior year.

Repsol hopes to move forward in reducing accident rates, and with this in mind in 2015 began working on its *SMArtKey* anticipatory Safety Plan. It is articulated in three areas: People, Processes, and Plants, and was designed to prevent industrial accidents. It is applicable to businesses susceptible to these types of accidents: E&P, Spanish Refining, Chemical, LPG, and Repsol Peru.

Furthermore, considering that road transport is still a leading cause of accidents among our employees and contractors, Repsol carries on working on the improvement of the safety of this area. Repsol has implemented, with positive results, improvement plans in the countries with the highest incident rate for

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

this type of accident. For example, LPG Peru implemented a monitoring center which assesses the leading causes of transportation accidents (speed, lack of rest, and night-time transportation). This was in addition to control point inspections on routes, in which a drastic reduction in excess speed and an improvement in resting periods required for carrying these activities out were observed.

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

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

Furthermore, Repsol works in different lines of action to prevent and respond to **environmental accidents**, including spill prevention and early detection mechanisms and the management of major risks in the construction of wells. In this regard, we continue working on our HEADS (Hydrocarbon Early Automatic Detection System), a proprietary pioneering technology developed to automatically detect the presence of hydrocarbons in the sea with a response time of less than two minutes.

When a spill occurs, we activate our emergency response mechanisms, and subsequently establish new preventive actions to avoid a re-occurrence.

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

SPILLS	**2015**	**2014**
Number of spills > 1 barrel that have reached the environment	21	17
Oil spills that have reached the environment (tons)(1)	23	316

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

In 2015, 23 tonnes of hydrocarbons were spilled, which is less than the prior year; it is important to note that no relevant spills[1] took place. The increase in the number of spills is mainly due to the Talisman incorporation.

[1] A relevant oil spill (depending on the quantity spelt and de sensitivity of the area) is considered that one that reaches the environment and meets some of the following conditions: is greater than 100 bbl, is greater than a 10 bbl spill and it is produced in a sensible area or any spill of other substances that it is not an hydrocarbon, which is greater than a 10 bbl with environmental relevance due to its high salinity, acidity, toxicity, lack of biodegradability, etc.

IMPROVEMENT OF OPERATIONAL EFFICIENCY

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

Reducing energy and carbon intensity in our value chain

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

This commitment is articulated through Repsol's carbon strategy and the target of reducing CO_2 eq by 1.9 million tons for the period 2014-2020. The plan includes reducing energy consumption and emissions by continuing to search for sustainable business opportunities related to renewable generation and electric mobility. During 2015 Repsol has demonstrated its commitment to continuous improvement and has promoted actions that have reduced 327[1]kt of CO_2 equivalent, which represents that since 2014, and in just 2 years, a reduction of nearly 40% of the established target was achieved for the entire period.

Repsol continues implementing its Energy Management System in its installations, in accordance with ISO 50001 regulations. In 2015, the chemical area of the Tarragona Industrial Facility was certified, so 8 of the refineries, chemical plants, and Exploration and Production assets are now certified, and also have been certified eight manufacturing and storage facilities for lubricants, asphalts, and specialties, which have achieved multisite format certification. This permits to formalize the Company’s energy policies and vision, and establish medium- and long-term goals and targets within its continual improvement process.

An additional reflection of our commitment to fighting against climate change is Repsol’s inclusion in the *Oil & Gas Climate Initiative* (OGCI) [2] during June 2015, in coalition with nine Oil and Gas sector companies. Our CEO, Josu Jon Imaz, signed the adhesion document, and leads this commitment. This is a voluntary initiative designed to share best practices and technological solutions between members, to thereby coordinate actions and intensify our investments, while accelerating the battle against climate change.

Also, as a co-signee of the “*Paris Pledge for Action*”, Repsol supports the agreement made during the 21st session of the United Nations Framework Convention on Climate Change (COP21) to not increase the average temperature of the planet in 2ºC with respect to the pre-industrial period, working so that the Company can be part of the solution to climate change.

During 2015, Repsol earned the maximum number of points (100) in the transparency of reporting CO_2 management, according to *Climate Disclosure Project* (CDP) sustainability index. This qualification reflects that Repsol has provided exhaustive information on its climate change strategy, its processes, and the management of risks, as well as measurement and management of its carbon footprint.

Elsewhere, Repsol is working on understanding and reducing the greenhouse gas emissions of its products. In this vain, it is developing initiatives to quantify and verify carbon footprints under the ISO 14067 technical standard. In 2015, the carbon footprint of “*Coque Verde Combustible*” was calculated and verified, thereby increasing the number of products assessed to 14. In addition, the carbon footprint scope of lubricants was increased, including usage stages and end of life to thus complete the cycle.

Our commitment to sustainability is likewise reflected in numerous pioneering R+D+i projects in the industry. Thanks to these studies, a pilot polycarbonate polyol (product using CO_2 as its raw material) ecodesign project was conducted, reducing the carbon footprint with regard to conventional polyols.

---

[1] Data being verified under ISO 14064. Once verification is completed, it will be available on the website of Repsol.
[2] *http://www.oilandgasclimateinitiative.com/.*

Repsol launched a new heating diesel fuel in November 2015 (BiEnergy e+10), which is especially designed for using in recent generation boilers, with a 30% improvement in energy efficiency, and the reduction of CO_2 emission with respect to normal diesel heating fuels. This diesel implies a considerable reduction in sulphur oxide (SOx), nitrogen oxide (NOx), particles and carbon monoxide (CO) emissions.

Evolution towards a strategic vision of water

Water is a strategic resource for Repsol, with a key economic, social, and economic value. As regards the Oil & Gas sector, water is essential for producing energy, just as energy is fundamental for extracting, transporting, and treating water. The search for a balance in the energy-water rationship is a key challenge.

Repsol's Water Tool[1] permits the preparation of a water risk map for the Company, upon which the 2015-2020 Improvement Action plan was created in 2014, specifically tailored to each installation. This Action plan is focused on three work areas, in which the following activities took place:

- Improved inventory quality in 2015, in which work has progressed in implementing water-management indicators, and defining instrumentation plans.
- Preparation in the face of new future regulatory requirements: in 2015, work progressed on modifying and/or adapting water waste treatment.
- Reduction in the competition for this resource: work along these lines involved identifying ways to reduce consumption, increasing the use of recirculated water, and applying improvements in its efficient use in the operation.

During 2015, the Company's objective was set at 85% compliance with the work lines. It was surpassed thanks to efforts made in the different businesses, reaching nearly 95% implementation.

Protection and conservation of biodiversity and ecosistemic services

Through its position on biodiversity, Repsol is committed to mitigate potential impacts on biodiversity and the resources it provides (ecosystem services) in the planning and development of its projects and operations. Repsol has been the first company to apply Oil and Gas IPIECA Biodiversity and Ecosystem Services (BES) Management Ladder methodology, used to analyze the current situation of Exploration and Production assets and identify the next steps to be taken. In 2014, 153 lines of work on which Repsol is acting to preserve and / or enhance the biodiversity of the environment where the company is located were established. During 2015 we have developed new actions, achieving a compliance rate of 90% of the annual plan established.

These respond to a corporate strategy which is aligned with leading trends reflected in forums in which we actively participate, such as IPIECA, IOGP, Cross-Sector Biodiversity Initiative, the Proteus consortium with UNEP-WCMC[2] or the Smithsonian Institution, and on a national level, the CONAMA Business and Biodiversity working group. Also, during the year Repsol organized a Biodiversity Conference in Madrid, in which internal and external personnel participated.

---

[1] A tool designed by Repsol incorporating aspects of the Global Water Tool and Local Water Tool, the two main technologies developed and adapted to the oil and gas industry for identifying and evaluating water's impacts and threats.
Global Water Tool: was developed by WBCSD (World Business Council for Sustainable Development) and then adapted to the Oil & Gas sector by IPIECA (The Global Oil and Gas Industry Association for Environmental and Social Issues). Its purpose is to locate installations in which water is scarce, to calculate the Company's overall key water management indicators. Repsol participated in the development of this tool through the IPIECA's Water Task Force.
Local Water Tool: developed and adapted by the oil and gas sector by GEMI (Global Environmental Management Initiative). It is used to identify and evaluate water-related risks and impacts related locally to the center in aspects such as its availability, quality, and the ecosystems associated to water masses affected by the center. Repsol has worked in conjunction with GEMI to adapt the tool to the Oil & Gas sector.
[2] United Nations Environment Programme's World Conservation Monitoring Centre.

Noteworthy actions in 2015 took place in the Caipipendi (Bolivia) area, based on results obtained from our social and environmental base built in 2014. First of all, a sensitivity map was created in which different zones were classified based on their capacity for undergoing transformations without suffering important alterations. A Biodiversity Action Plan (BAP) was developed which encompasses a preliminary management plan, a monitoring program to detect changes in the ecosystem, and the inclusion of biodiversity criteria in environmental impact studies commencing at the design phase.

Based on the recommendations arising from the Ecosystem Services Review (ESR) performed in Peru in 2014, during 2015 a PAB in Peru was designed, and the decision to extend the ESR methodology to the northern Colombia offshore region was taken, in which an analysis was made in collaboration with a prestigious organization specialized in these topics, Fauna and Flora International. The results of this study have enabled us to understand the dependencies and impacts of communities as well as the company on ecosystem services, providing a better understanding of the environment in which we operated, making it possible to better plan our activities, and thereby avoid and minimize their potential impacts.

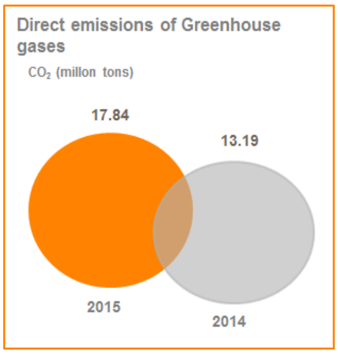
Improvement and minimizing in waste management

We are working on optimising waste management throughout the entire lifecycle of our processes. To do this, it is available a waste map that uses reporting criteria of industry best practices. Repsol´s commitment is reflected on the objective of reducing 50 kilotons of waste, established for the period 2015-2020.

Thanks to the efforts made by the different business areas, the annual objective was surpassed, achieving a reduction of 9 kilotons in 2015.

In addition to this quantitative target, qualitative waste management improvement actions have been defined. Repsol has established improvement goals in its Exploration and Production business through the implementation of the *Company's Environmental Performance Practices* (EPP) in the mud management and cut drillings. These guidelines are a set of common standards regardless of the geographical area of the operations and the specific legislation of each country. In 2015 we have implemented 100% of EPPs provided.

OPERATIONAL EFFICIENCY INDICATORS	2015	2014
ENERGY AND CARBON MANAGEMENT[1]		
Energy consumption (10^6 GJ) [2][3]	214	178.4
Direct emission of CO_2 (million tons) [3]	17.84	13.19
Direct emissions of CH_4 (million tons) [3][4]	0.139	0.024
Direct emissions of N_2O (million tons) [3][4]	0.883	0.674
Direct emissions of CO_2 eq (million tons) [3][4]	21.04	13.90
CO_2 emissions reduced (million tons) [4][5]	0.327	0.479
WATER MANAGEMENT		
Fresh water withdrawn (kilotons)	57,303	54,729
Water Reused (kilotons)	8,964	9,945
Water discharged (kilotons) [3]	49,859	35,920
Hydrocarbons in water discharged (tons) [3]	384	199
WASTE MANAGEMENT [6]		
Hazardous waste (tons)	49,097	66,430
Non- hazardous waste (tons)	94.,453	167,200
OTHER ATMOSPHERIC EMISSIONS		
SO_2 (tons)	28,304	29,800
NO_X (tons) [3]	40,268	35,399
COVNM (tons) [3]	51,993	45,851



(1) Figures on December 31, 2015 corresponding to energy management and carbon emissions are subject to an independent verification process that will conclude after this report has been drafted, the definitive values will be available on the Repsol website.
(2) The calculation of energy consumption has been made according to our guidelines for the Application of Environmental Parameters (APA) that considers all fuels burned at the facility in order to generate the energy required by processes (both external fuel, usually natural gas, and internal fuel generated at the facility), as well as the net balance of imports and exports of electricity and steam.
(3) The increase noted in 2015 with respect to 2014 figures is due to the incorporation of Talisman´s assets.
(4) The data corresponding to 2014 has been modified with respect to the 2014 Management Report as a result of a subsequent verification after its approval.
(5) Decrease of CO_2 due to the implementation of actions to reduce greenhouse gases, compared to 2010 base line.
(6) Additionally, waste related to drilling muds should be considered, amounting to 243,609 tons and 105,469 tons in 2015 and 2014, respectively. The increase occurred during the year is mainly a result of the incorporation of Talisman´s muds.

PROMOTION OF A GLOBAL CULTURE OF SAFETY AND ENVIRONMENT

At Repsol, we understand that developing a safety and environment culture shared by the entire Company is crucial for achieving our goals.

In 2015, work started to develop a diagnosis methodology to roll out the HSE Culture in each installation to establish improvement plans adapted to each context. In order to prove that the methodology works, two pilot diagnostics were performed during the second half of the year, one in Spain’s LPG business, and another in Bolivia’s Business Unit. Enriching results were obtained to improve the methodology for its dissemination in the remaining installations, as well as to detect opportunities for improvement in its management and implementation

This methodology is based on our internal HSE culture, which contemplated 7 basic pillars upon which work in upcoming years will be based: HSE leadership, fair recognition, trust in reporting, shared information, an organization which learns, vulnerability sensation, and capacity to adapt. In order to implement this model, a 2016-2020 HSE Culture Diagnostic Plan was designed. Also, during the year the Company continued working on its Leadership Plan which got its start in 2012, which is designed to improve culture through its leaders, as well as training programmes for other groups.

6.3. TAXATION

REPSOL TAX STRATEGY AND FISCAL POLICY

The Group's tax strategy and policy is aligned with the Company's mission and values and with the long term business strategy. It was approved by the Repsol, S.A. Board of Directors and can be summarized as follows:

> *"The Repsol Group is committed to manage its tax affairs applying good tax practices and acting transparently, paying taxes on a responsible and efficient manner, and promoting cooperative relations with governments, avoiding significant risks and unnecessary disputes."*

The main principles upon which the Groups tax policies are based are set out below:

One. The Company is aware of its responsibility in the sustainable economic development of the countries in which it is present, having taxes a significant role of its contribution therein. Hence, it is committed to the responsible payment of the taxes in the countries in which it operates, applying the following principles:

- Compliance with the law, adhering to both its letter and its spirit.
- Application of the "*arm's length*" principles in all its intra-group transactions.
- Adoption of its tax positions based on sound business and economic principles or commonly-accepted best practices, refraining from the use of schemes or abusive planning practices.
- Provision of accurate and complete information on its transactions.
- Prioritization, whenever possible, of non-litigious means for resolving disputes and use of the options offered by legal procedures to strengthen agreements with Administrations.

Two. The Group reconciles responsible compliance with its tax commitments while creating value for its shareholders through the efficient management of tax costs and benefits. Efficient tax management shall support operations and business model developments, adhering to both the letter and the spirit of applicable laws, taking the Company's overall interests into consideration, and preventing significant tax risks.

Three. The Group shall continue fostering relationships with the tax authorities, based on principles of trust, good faith, professionalism, collaboration, loyalty, and the search for mutual and reciprocal understanding, all with the purpose of ensuring the application of the tax system, increasing legal security, and reducing litigation.

Four. Repsol applies responsible tax policies that prevent conducts that could generate significant tax risks. Management of tax risks is part of the Group's global risk management policy, which is designed to mitigate or eliminate them, and where said risks are assumed (due to it having been impossible to reach a mutual understanding with the tax administration), to defend the group's legitimate interests.

Five. The Repsol Group, as a socially-responsible entity, is committed to public transparency as one of the guiding principles of its tax activities. In particular, the Group undertakes to:

- Refrain from the use of opaque or contrived business structures with the intention of concealing or reducing the transparency of its tax activities.
- Not have a presence in tax havens, unless this is justified for business reasons.

- Strive to comply with the highest standards required in the area of tax reporting to facilitate the understanding of its tax contributions and the tax policies applied.

It is important to note that the Repsol Group has followed the Code of Best Tax Practices currently existing in Spain since 2010, and supports the principles outlined in the "*BIAC Statement of Tax Principles for International Business*" and the "*OECD Guidelines for Multinational Enterprises*."

IMPACT OF TAXATION ON COMPANY'S PROFIT

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

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

In 2015 the total tax burden included in the adjusted net income segments (excluding Gas Natural Fenosa) is as follows:

	2015 Repsol Group		2014 Repsol Group	
Item	**Amount**	**Rate**	**Amount**	**Rate**
Income tax	561	27.5%(2)	886	41.3%(2)
Total tax burden (1)	1,394(1)	48.5%(3)	1,703(1)	57.5%(3)

(1) Income Tax + taxes and contributions that are deducted from the operating result.
(2) Corporate Tax / result from continuing operations at replacement cost, without GNF.
(3) Tax burden / result from continuing operations at replacement cost, before income taxes and taxes, without GNF.

CONTRIBUTION BY COUNTRIES

As mentioned above, Repsol Group is aware of its responsibility towards the economic development of those societies where it is present. Taxes paid by the Repsol Group have considerable economic importance and implies a major effort to comply with the required collaboration with the Authorities and entails significant obligations.

In 2015 Repsol paid €11,989 million on taxes and other related public charges and filed more than 46,000 tax returns.

In order to monitor and analyze the Group's fiscal contribution: (a) Taxes paid are segmented into those which represent an effective expense to the Company and reduce its results (for example, corporate income tax, tax on production, social insurance payable by the Company, etc.) and those which do not reduce profits because they are withheld or are passed on to the final tax payer (for example, value added tax, tax on the sale of hydrocarbons, withholding taxes, etc.). The former are called "*Tax Burden*" and the latter are "*Taxes Collected*". " (b) Only taxes actually paid during the year are computed, so, for example, taxes accrued during the period but that will be paid in the future are not included.

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

Taxes effectively paid by country(1)

€ Million

	Taxes paid		Tax burden						Taxes collected (2)							
			Corporate Income Tax		Other		Total		VAT		Taxes on hydrocarbons		Others		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Spain	8,762	9,145	359	340	350	308	709	648	2,724	3,145	4,997	4,919	332	433	**8,053**	**8,497**
Portugal	1.140	1.129	13	12	11	7	24	19	370	421	727	672	19	17	**1.116**	**1.110**
Italy	206	357	1	1	2	1	3	2	41	60	161	294	1	1	**203**	**355**
The Netherlands	58	36	58	36	-	-	58	36	-	-	-	-	-	-	-	-
Norway	15	-2	-	-	1	-	1	-	-8	-6	-	-	22	4	**14**	**-2**
France	8	8	1	1	1	1	2	2	6	6	-	-	-	-	**6**	**6**
Other(3)	2	4	2	-	1	1	3	1	-3	-2	-	-	2	5	**-1**	**3**
Europe	**10,191**	**10,677**	**434**	**390**	**366**	**318**	**800**	**708**	**3,130**	**3,624**	**5,885**	**5,885**	**376**	**460**	9,391	**9,969**
Peru	564	778	12	49	76	106	88	155	271	420	186	187	19	16	**476**	**623**
T&T	176	319	41	179	136	148	177	327	-8	-15	-	-	7	7	**-1**	**-8**
Brazil	137	108	14	33	101	56	115	89	-	1	-	-	22	18	**22**	**19**
Bolivia	125	106	81	74	4	3	85	77	34	24	-	-	6	5	**40**	**29**
Venezuela	81	150	14	89	38	48	52	137	19	7	-	-	10	6	**29**	**13**
Colombia	56	27	36	18	2	1	38	19	-	-	-	-	18	8	**18**	**8**
Ecuador	43	56	23	30	9	10	32	40	3	11	-	-	8	5	**11**	**16**
Argentina	43	6	41	-	-	-	41	-	-	-	-	-	2	6	**2**	**6**
Other(3)	3	3	1	1	1	-	2	1	-	1	-	-	1	1	**1**	**2**
Latam &Caribbean	**1,228**	**1,553**	**263**	**473**	**367**	**372**	**630**	**845**	**319**	**449**	**186**	**187**	**93**	**72**	598	708
Indonesia	130	1	124	-	-	-	124	-	1	-	-	-	5	1	**6**	**1**
Malaysia	121	-	4	-	100	-	104	-	-5	-	-	-	22	-	**17**	-
Russia	66	79	9	13	46	47	55	60	9	17	-	-	2	2	**11**	**19**
Vietnam	28	-	18	-	7	-	25	-	-1	-	-	-	4	-	**3**	-
Singapore	8	-	-	-	-	-	-	-	8	-	-	-	-	-	**8**	-
Australia	5	3	1	-	1	-	2	-	-1	-	-	-	4	3	**3**	**3**
Other(3)	3	-	-	-	-	-	-	-	-	-	-	-	3	-	**3**	-
Asia & Oceania	**361**	**83**	**156**	**13**	**154**	**47**	**310**	**60**	**11**	**17**	-	-	**40**	**6**	**51**	**23**
U.S.	80	78	-	3	40	55	40	58	-	-	-	-	40	20	**40**	**20**
Canada	74	4	1	-	37	-	38	-	-32	3	-	-	68	1	**36**	**4**
North America	**154**	**82**	**1**	**3**	**77**	**55**	**78**	**58**	**-32**	**3**	-	-	**108**	**21**	**76**	**24**
Algeria	27	30	17	25	4	1	21	26	-	-	-	-	6	4	**6**	**4**
Angola	23	3	-	-	-	-	-	-	4	-	1	-	18	3	**23**	**3**
Libya	2	241	-	215	1	24	1	239	-	-	-	-	1	2	**1**	**2**
Other(3)	3	5	-	-	-	-	-	-	-	-	-	-	3	5	**3**	**5**
Africa	**55**	**279**	**17**	**240**	**5**	**25**	**22**	**265**	**4**	-	**1**	-	**28**	**14**	33	**14**
TOTAL	**11,989**	**12,674**	**871**	**1,119**	**969**	**817**	**1,840**	**1,936**	**3,432**	**4,093**	**6,072**	**6,072**	**645**	**573**	**10,149**	**10,738**

(1) Only payments effective made in the fiscal year are included. Does not include amounts due to be paid in the future or charges from previous periods. It includes payments made by businesses sold during the year.

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

(3) Section "Other" comprises taxes paid per country for an amount not exceeding €4 million.

MANAGEMENT OF TAX RISK

Tax affaires are handled in an organised and expert fashion to guarantee proper compliance with tax obligations and management of risks of a tax nature. Efficient procedures, systems, and internal controls are applied to see that the key processes inherent to the tax function are exercised correctly.

The Group features an appropriate organization aimed at ensuring the deployment of its tax policies. The organizational principles ensure that tax matters are handled in a manner that is professional (expert teams), integrated (sole criteria), and global (responsibility for all the Group's tax matters in its different areas).

The Board of Directors is informed periodically (and at least once a year), of the policies and strategies followed during the year, as well as the most relevant aspects pertaining to the management of tax affairs

and tax risks. Likewise, any transaction which may bear a specific tax risk is submitted to Board approval.
In keeping with that, any investment projects/divestment project and any of the company's relevant transactions are presented alongside an analysis of the tax implications prior to making decisions, thus allowing the Group to identify which investments or transactions may bear a special tax risk.

The management of the tax risks is embedded in the Group's Integrated Risk Management policies. It is embodied in the existence of processes, systems, and internal controls for the management of tax risks.

The Group keeps an updated risk map in which risks which are tax-related are specifically identified, whether they arise from (i) tax policies applied, (ii) possible misscompliance, (iii) or controversies regarding the interpretation and application of laws, or the instability of the legal-tax or contractual framework.

Similarly, the Repsol Group actively manages its tax risk so as to mitigate or eliminate them and when assuming said risks (when it is not possible to reach a common understanding with the tax authorities), mounting the best possible defence of the Group's legitimate rights.

TAX HAVENS

According to its tax policies, Repsol refrains the use of opaque or artificial structures with the intention of concealing or reducing the transparency of its tax activities. It is committed not to have presence in tax havens, unless this is justified for legitimate business reasons.

Should presence in tax havens be required, the following is guaranteed: (i) authorization by Board of Directors of the incorporation or acquisition of a company, along with periodic information regarding its activity; (ii) strict compliance with regulations governing the exercise of its business activities; (iii) application of general administration, and Group's control management procedures; and (iv) full transparency and cooperation with relevant administrations in order to provide required information with regard to the business activities carried out.

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

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

Focusing on the Spanish list of tax heavens, we can differentiate between:

- **Companies from the former Repsol Group (pre-integration of Talisman)**

  Repsol currently has no active controlled companies in such territories. There are nevertheless three companies that are inactive and/or in a winding-up process [(1)] and three active non-controlled companies located in tax havens with minority interests:

  (i) Oil Insurance, Ltd (5.86%; Bermuda) and Oil Casualty Insurance, Ltd. (1.80%; Bermuda): mutual insurance companies in the *Oil & Gas* sector, covering Group risks from Bermuda, jurisdiction where insurance companies dealing with international risks from the E&P oil activity are typically located.

  (ii) OCP, Ltd (29.66%, Cayman Islands): company that includes an international association agreement (joint venture), to channel the investment in an Ecuadorian operating company that manages oil activity infrastructures (heavy crude oil pipelines).

- **Companies from the former Talisman Group.**

  It is held a minority investment in Transasia Pipeline Company (15%, Mauritius Islands), a joint venture that channels the investment in an Indonesian operating company that manages gas infrastructures (PT Perusahaan Transportasi Gas Indonesia).

  There are also four companies which were originally incorporated in tax havens but that have been effectively redomiciled for tax purposes either to EU countries [(2)] or other G-20 countries [(3)] which are not deemed as tax havens.

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

[(1)] Greenstone Assurance Ltd. (Bermuda; in "run off" situation), Repsol Exploration Services, Ltd., (Cayman Islands) and a permanent establishment in Liberia, which was originally devoted to exploration and production activities and is currently in deregistry proceedings.
[(2)] These companies are Foreland Oil Limited and Fortuna Resources (Sunda) Limited, with tax residence in the UK; and Talisman Wiriagar Overseas Limited, with tax residence in the Netherlands.
[(3)] Santiago Oil Company, resident in Colombia for tax purposes.

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

In 2015, international forums reveal that R+D+i investments in the energy sector are still crucial for sustainably meeting the global energy demand. Technological development and its application in the search, efficient transformation, and different uses for energy, as well as its transportation, for example, and R+D to transform CO_2 into material, as well as the investigation into new energy technologies are the pillars of Repsol's efforts in this area. By working as part of a network through scientific alliances, it can respond to the challenges facing the energy sector.

Investment amounted to €95 million.

OPERATIONAL INDICATORS	2015	2014
R+D Investment (€ million) (1)(2)	95	90
No. of external scientific collaboration agreements	119	105
Projects promoted by the Spanish Administration	13	13
Projects promoted by the EU	11	8
International projects	-	1

(1) Indicator calculated in accordance with the Group's reporting model described in Note 5 "*Segment Reporting*" of the consolidated financial statements corresponding to December 31, 2015.
(2) Amounts calculated using the guidelines established in the Frascati Manual of the OECD and the EU Industrial R&D Investment Scoreboard presented annually by the European Commission.

In order to become increasingly efficient and sustainable during hydrocarbons exploration and production processes, Repsol has a collection of new proprietary technological tools which represent a huge advance with regard to existing technologies.

Excalibur system optimizes the development plans for oil fields based on proprietary algorithms, which have successfully been applied to several assets. *Pegasus* is the next step: it incorporates the use of cognitive system in our day-to-day activity, and this project, developed in collaboration with IBM, is unique worldwide. Finished petrophysics digitalization projects help us improve the definition of prospectuses while also optimizing well locations; novel geomechanical capacities include more precise decisionmaking, while techniques designed to understand fluids and their characteristics improve their recovery and transportation, while EOR (*enhanced oil recovery)* permits us to recover larger quantities of oil from our extra-heavy crude oil fields.

Digitalization and simulation are also being applied to energy-transformation processes, such as hydrocarbons refining, an area in which we are designing and including mathematical developments in the production and design of new operational models at conversion plants, thereby increasing efficiency. Commercial products obtained from this refining process have also evolved technologically: for example, the development of eco-efficient products and processes, such as the asphalts which contribute to their differentiation and international expansion, or *fuel-efficient* lubricants.

As regards energy used for transportation, the Spain 17 project is underway, in which concepts integrating a prototype are integrated into all our transportation efficiency technologies Repsol continues to champion research into electricfication transportation, recharging and batteries in its laboratories, as well as through its participation in consortiums.

In 2015, the concept test related to the pilot Neospol technological development plant terminated, which makes it possible to use CO_2 as the raw material for manufacturing polymers, improving their use, and opening the door to an industry with more sustainable materials. Also, we have advanced in improving processes and reducing costs regarding to managing chemical technology plants have also been made.

Particularly noteworthy in the area of new technologies are advances in renewable energy and CO_2 use investigation projects, with an emphasis on Artificial Photosynthesis, which is a technology characterized by its high interest and potential, transforming solar energy into chemical energy using CO_2 as its raw material. In the biotechnology area, microorganisms from which a new metabolic synthetic route which allow obtaining advanced, novel biofuels are in the development phase.

Thanks to this R+D initiative, 26 patent requests and over 40 prestigious scientific publications have been generated.

Work on the network and technological alliances have allowed us to exponentially multiply our R+D capacity, with over 113 agreements with universities, technology centers, and internationally-renowned technology firms.

Also, during December, the third edition of the INSPIRE open innovation program was launched, with the participation of the entire scientific community of over 30 universities and Spanish technological centers, to propose disruptive solutions for the energy sector, to be developed in accordance with their scope and potential for success.

This activity was led by the Repsol Technology Center, which is the scientific heart of the Company, with a 192,000 m^2 campus, and over 56,000 m^2 of constructed space comprising installations and laboratories, making Repsol an international renowned center of technology.

Innovation

We consider that innovation should be the result of a cultural revolution representing a change in working habits. In 2015 our Innovation and Improvement Units -which are present in all business areas and a corporate level- have increased their efforts in the key lines of the 2014 strategy thinking:

- Strategic innovation, a desire to approach things differently, daring to go further and assume risks to be able to come up with new ways to generate value for our organization. Support is being provided to 63 highly-transversal work teams, who have worked using internal entrepreneurial methodologies to develop opportunities in different areas, such as differentiating the Chemical business, the energetic efficiency of our industrial installations, a digital Marketing customer service platform, or new transversal business areas taking advantage of waste products, as well as possible applications based on the Internet of Things (IoT).

- Continuous improvement is a key element for our management system to align our day-to-day transactions with the Company's strategy through a cultural changed focused on maximizing adding value in a sustainable manner. Five Lean Transformation programmes have been set into motion, which are aimed at getting continuous results which are sustainable over time, which manages the Chemical, *Upstream* IT management system, Economic and Tax, People and Organization information systems. Relevant results are being obtained, such as cutting down accounting registration times, reduction in the time for geoscience data to upload, and reduced production cycles in chemical plants with the reduction in security inventories.

- Knowledge is the Company's competitive advantage, and boosting new types of working which foster continuous improvement, learning, and innovation through working as a community. The base for the rollout of the Knowledge Management strategy are the Communities of Practice (CoP), for which functioning models are being defined, based on best practices contributes by each of the businesses.

These strategic lines are accompanied by other transversal initiatives which support their rollout:

- Facilitators Program. 100% of the teams have received support from an internal facilitator when they needed it. The training of two groups of facilitators (one on innovation, and two on improvement) has taken place, with a total of 56 facilitators now available.

- In April 2015, Repsol launched its second edition of its Innovation Award, with a double objective: to inspire and lose the fear of making a mistake. During this edition, 193 initiatives were presented (170 in the success category and 23 under learning). Approximately 20% of the staff voted.

- Measures are now being taken to help the organization mature in the desired behaviors. In 2015, over 1,000 individuals took part in the innovation, lean transformation, and knowledge management teams, both on our Campus as well as in industrial complexes and countries.

6.5. EMERGING BUSINESSES

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

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

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

   - Taking advantage of the water from the production generated from *Upstream* assets for alternative uses.
   - Using our internal know how and experience in energy efficiency to advise other companies.
   - Reuse of external waste as raw materials or products of interest using a circular economy approach.
   - Sale of wood pellets, using Repsol's distribution network (pilot program underway).

3. Technology valuation: designed to sell the intellectual property generated by the Company, either internally-developed or acquired, which is susceptible to external valuation without losing Repsol's know-how and/or competitive edge.

   Projects managed by this area include HEADS, which has been launched in all of Repsol's refineries with maritime terminals.

   During 2015, investee companies comprising the portfolio managed by Emerging Businesses have performed very well:

   - Principle Power Inc., in whose capital we hold a 25.37% stake, it is the world's leading company with the ability to design, install and operate a semi-submersible floating structure for offshore wind-power generation. The first real scale prototype, WindFloat, equipped with a 2MW Vestas turbine, has produced more than 15 GWh since its placement into operation at the end of 2011.

- Graphenea, in whose capital we hold a 5.2% stake since 2013, within the scope of the INNVIERTE programme[1] is one of the main producers of graphene in Europe. It is the partner of Graphene Flagship, the largest research programme launched by the European Union. In 2015, Graphenea has overcome €1 million of turnovers and has obtained positive EBITDA.

- IBIL, a company 50% owned and by means of which Repsol continues to undertake the activity for the supply of energy for electric mobility, has approximately 726 operational charging points, in the public as well as the private sector, and continues to consolidate the high-speed charging infrastructure network in service stations of the Repsol Group. Thanks to the IBIL electric mobility programme, for the second consecutive year Repsol Nuevas Energías, S.A. was able to accredit a decrease in CO_2 emissions and was chosen for the third consecutive year by the Ministry of Agriculture, Food and the Environment, within the call for CLIMA 2014 Projects. CLIMA electrical car project of Repsol has already been succeeded in reducing CO_2 emissions by 285 tons.

- Scutum Logistic, S.L., a company in whose capital we acquired a 16.7% stake in 2014, within the scope of the INNVIERTE programme, devoted to the design, production and sale of electric platforms and battery removal systems for electric motorcycles. Both "removable battery pack" system, patented in Europe, and the industrial design of the electrical platform, adaptable to customer needs, are its main competitive advantages.

  In 2015, Scutum's turnover surpassed 117 units of electric motorcycles, and has signed contracts with large key corporate accounts. The company was selected as a supplier of electric motorcycles used by our Moto GP team on the paddocks of Grand Pris circuits.

  This project was awarded with two prizes in 2015. Entrepreneur XXI (awarded by La Caixa and the Ministry for Industry, Energy, and Tourism) and Eneragen 2015 for the energy improvement in technologies of the transportation sector (granted by Eneragen association).

6.6. SOCIETY

CORPORATE RESPONSIBILITY

When carrying out its activities, Repsol focuses its corporate responsibility on optimizing positive impacts while minimize the negative impact on society and the environment throughout the entire value chain, thanks to its ethical and transparent behavior.

During this year, the Company approved its sustainability policies, in which it assumes the commitment to boost best practices in sustainability matters, while periodically reviewing its performance. It is also committed to understanding and analyzing the expectations of the Company's different interest groups.

In addition, the Board of Directors created a Sustainability Committee, designated to analyze and report on the expectations of stakeholders, propose the approval of strategies, and orient and supervise the Company's objectives, action plans, and practices in this matter.

The Company has 15 sustainability committees: a worldwide sustainability committee, nine of country[2] and five of operating center[3]. The members of each committee meet at least twice a year to jointly analyze the expectations of the interested parties in each country, and include them in the decision making

[1] The INNVIERTE Programme forms part of the 2013-2020 Spanish Science, Technology and Innovation Strategy, approved by Resolution of the Council of Ministers, February 1, 2013.
[2] There are sustainability committees in Bolivia, Brazil, Colombia, Ecuador, Spain and Portugal, United States, Peru, Trinidad & Tobago and Venezuela.
[3] There are sustainability committes in the operating centers of: A Coruña, Cartagena, Petronor, Puertollano and Tarragona.

process, proposing the corresponding sustainability plans as a result of these reflections, to include actions which will improve the Company's ethical, social, and environmental performance. Each sustainability committee published its corresponding plan on the Repsol website.

The corporate responsibility model is applicable to different countries and operating centers, and has made it possible to create a network of people trained in sustainability, who understand society's expectations as well as its integration in businesses.

During 2015, nearly 700 different actions took place in the framework of sustainability, 73% linked to the variable compensation of their directors.

This model integrates the expectations of our interested parties as regards corporate responsibility throughout the Company's decisionmaking processes.

For more information regarding to Corporate Responsibility see the *"Corporate Responsability Report 2015"* on Repsol's website.

SHAREHOLDERS AND INVESTORS

Repsol has an Investor Relationships Area created with the mission of serving current or potential Repsol´s shareholders in their access to all the Company's financial and operational information, as well as occurrences which might affect the share value. This area deals with institutional investors as well as minority shareholders, and fixed-income investors or analysts following the Company.

The main activity indicators have been as follows:

SHAREHOLDER AND INVESTOR INFORMATION	2015	2014
Calls answered by the Shareholder Information Office (OIA)(1)	27,000	41,000
Access to Repsol website (2)	380,215	459,000
Roadshows institutional investors (3)	49	31
Roadshows socially responsible institutional investors (3)	8	8
Roadshows minority shareholders (3)	14	21
Members of "*Repsol in Action*" community	46,400	39,000
Events for minority shareholders	79	90

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

Its main lines of action during 2015 were:

- Monitoring Repsol's key institutional investors. Especially noteworthy are the roadshows in which top management explained the Talisman Energy acquisition to investors and analysts, as well as the main aspects of Repsol's new 2016-2020 Strategic Plan.

- It aims to boost its model for attending to socially-responsible institutional investors, which grew from 9.7% in 2014 to 11% in 2015 with regard to the Repsol's shareholder structure.

- Attention to minority shareholders. Repsol has advanced in its loyalty program "Repsol in Action" which communicates the benefits it offers its shareholders; at year-end 2015, it had around 46,400 members. The program's accessibility is articulated in three different channels, such as: website, shareholders magazine, Repsol Youtube channel, periodic newsletters, the Shareholder Guide, or informational SMS messages sent to report on quarterly results.

- The renewal of the Shareholder Advisory Committee, which fosters dialog between Repsol and its minority shareholders. The members elected to the Committee participated in different meetings in April, June, and December, spreading awareness about the Company, as well as its expectations, share prices, and existing communication channels, as well as the content and quality of the information shared.

- Approval of the communication policy, which defines and establishes the principles and criteria governing communication and contact with shareholders, institutional investors, and voting advisors. The publication complies with CNMV recommendations in its new Good Governance Code for Listed Companies.

Thanks to surveys with specialized entities such as "*Extel*," investors have awarded the work carried out by Repsol's Investor Relationships area with the following Oil & Gas sector prizes: Best CEO, Best CFO, Best Director of Investor Relationships, and Best Investors Relationship Team. Additionally, the "Institutional Investor - *All Europe Executive Team*" ranking awarded Repsol with Best Director of Investor Relationships, and second place to the Investor Relationships Team.

COMMUNICATION

Repsol's Communications policy intends to respond to the growing demands of its interest groups, by offering relevant and reliable information. In this manner the Company is able to reaffirm its commitment to transparency and responsibility, two emblems of its corporate identity.

Throughout its communication activities, Repsol aims to share its values proactively, as well as the share all its aspects related to the business with shareholders and investors, clients, suppliers, communities, and employees.

To materialize this commitment to transparency, Repsol uses all its channels and available technologies: its websites, digital bulletins, social networks, advertising campaigns, or press releases, among others.

MAIN INTERNET ACTIVITY INDICATORS	2015	2014
Releases published	471	515
Visits to the Repsol´s website (monthly average)	2,724,000	2,900,000
Unique users on the Repsol´s website (monthly average)	1,967,000	1,793,000
LinkedIn followers	165,775	112,000
Facebook followers	157,250	146,000
Twitter followers	99,990	80,000
Instagram users	91,310	33,110
Youtube users	8,320	5,722
Flickr users	1,227	-

ADVERTISING, SPONSORSHIP, AND PUBLIC RELATIONS

Throughout 2015, advertising campaigns were implemented which served to highlight the Company's strategic projects, while alos reflecting Repsol's commitment to issues of great importance to society. On the commercial front, there have been numerous advertising and promotional campaigns that have served to highlight the quality of our products and services and Repsol's commitment with their customers.

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

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

During the 2015 season, Toni Bou won his eighteenth Trial award, becoming the driver with the most world titles in motorsport. Without doubt, this sponsorship programme along with the sponsorship of Repsol Honda MotoGP Team contributes to making the company a household name globally, thus opening the way for its international expansion. Furthermore, the acquired experience in the development of products for top motor competitions enables Repsol to remain a leader in research and thus improving its commercial products and being capable of fulfilling its customers' highest expectations.

In 2015 also saw continued support for the Repsol FIM CEV[1] programme and the scholarship grants to the Monlau Repsol Technical School, favouring the generation of opportunities and the adequate training of young riders and new professionals.

In line with Repsol's strong commitment to the future of energy and respect for the environment, once again this year the company has compensated the CO_2 emissions corresponding to its participation in MotoGP, its Annual General Meeting. Furthermore, this year emissions related to FIM CEV Repsol organization.

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

7. OUTLOOK AND PROSPECTS

7.1. FUTURE OUTLOOK FOR THE ENVIRONMENT

MACROECONOMIC OUTLOOK

Although the perspectives of global economic growth are positive, they are lower than estimated during July 2015. The IMF shifted its world growth forecast downward for 2015 in 0.2 percentage points (p.p.), placing it 3.1% due to the impairment of perspectives in both emerging and developed economies. Also, the downward risk of these perspectives has risen as a result of the drop in the price of commodities, decreased affluence of capitals in emerging markets, as well as the pressures exerted on their currencies and the growing volatility in financial markets have deepened the downward-shifting risk for global perspectives.

Global growth forecasts for 2016 show a rebound, reaching 3.6%. In 2015 the contribution to growth of advanced and emerging economies was relatively balanced. Nonetheless, during 2016 a more traditional backdrop will prevail, in which the contribution of emerging economies to global growth will be greater, with a growth forecast which is 4.5%, or 0.5 p.p. higher than estimated for 2015. Thus, advanced economies will continue their modest recovery, with a projected growth of 2.2% during 2016, which is two decimal points higher than forecasts in 2015; the USA will carry on being the economy contributing more to the growth of advanced economies.

The estimated growth of emerging economies during 2015 was approximately 4%, which if confirmed, is the lowest rate since the crisis in 2009. Factors explaining this weak growth in 2015 are: (i) slower growth of commodity exporting countries, (ii) deceleration of China, (iii) adjustments following the credit boom and investment, (iv) more tightening external financing conditions, and (v) geopolitical tensions and internal conflicts.

Regarding to the Spanish economy, currently is growing at rate than double rate that the average rate of the entire Eurozone. Considering the most recent GDP corresponding to the fourth quarter of 2015, the overall for the 19 countries comprising the Eurozone grew 1.5% in 2015, and 3.2% in Spain. The European Commission forecasts an economic growth for Spain in 2016 of about 2.8%.

Factors explaining this growth gap with respect to the Eurozone are: (i) sustained job creation, (ii) solid confidence in the Spanish economy, (iii) the ECB’s expansive monetary policy, (iv) the shrinking sovereign risk premium, (v) the depreciation of the Euro, and (vi) low oil prices.

Macroeconomic forecasts, key figures

	GDP (%)		Average inflation (%)	
	2015	2016	2015	2016
World economy	3.1	3.4	3.3[1]	3.4[1]
Advanced economies	1.9	2.1	0.3	1.1
Spain	3.2	2.7	-0.3[1]	0.9[1]
Emerging economies	4.0	4.3	5.6	5.6

Source: IMF (World Economic Outlook January 2016) and Repsol's Business Environm. Study & Analysis Division.

[1] These data has been taken from IMF (*World Economic Outlook* Octubre 2015)

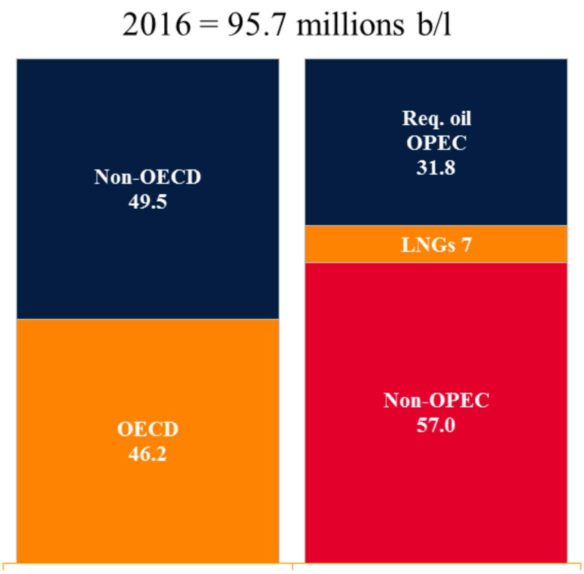
ENERGY SECTOR OUTLOOK

Short-term energy sector outlook

In the short term, according to the International Energy Agency (IEA), the oil supply-demand balance would be determined by a decrease in production from non-OPEC countries in 2016 approaching 600 thousand barrels per day, of which almost 65% will come from the United States' production.

Meanwhile, increased demand will continue to be driven by non-OECD countries, reaching an expected 1.2 million barrels per day in 2016. This outlook implies an increase of 1.6 million barrels per day for OPEC crude oil needs and changes in inventories for 2016, until 31.8 million barrels per day.

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



Source: IEA and Repsol's Business Environm. Study & Analysis Division.

With regard to the evolution of oil prices in the short term, market consensus points to an average level of 48.2 dollars in 2016. The main source of uncertainty is the time it will take for the supply and demand adjustment mechanisms to reflect its effects on the price. According to past experience, in a context of low prices clear consumption incentives are generated on the demand side, while significant falls in investment on the supply side mark the first step towards a slowdown and subsequent fall in production.

As regards the short term evolution of gas prices, despite the weak start to 2015, as of 2016 the supply and demand balance should be adjusted, due to the following factors: (i) reduction in the growth of the demand due to cutbacks of the investments in *Upstream* companies (the low price environment will lead to decreased production); (ii) new structural demand which is unrelated to temperature (exportation and industrial projects). Currently, 5 projects are under construction to build LNG liquefaction facilities to export LNG from the US (Sabine Pass, Freeport, Cove Point, Cameron, and Corpus Christi; 9.2 bcf/d in total). Also, until 2020, there are more than 400 intensive gas-consuming industrial projects in course - fertilizers, methanol, and petrochemicals-; (iii) growing substitution of coal-generated electricity with gas (greater weight of environmental and climate change policies).

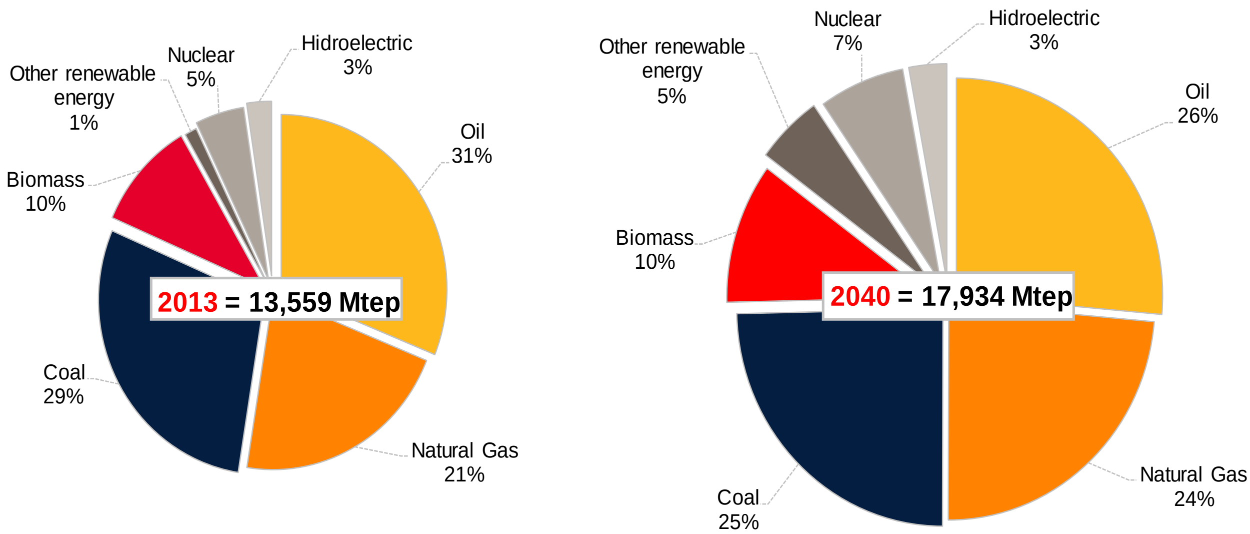
Factors which might delay the adjustment forecasted to the balance are related to: (i) productivity in non-conventional plays (mainly Marcellus/Utica). Greater output will represent a sustained growth of production and an excess capacity of transportation by pipeline from these plays; (ii) the delay in the entry into force of environmental regulations, and a faster penetration of renewable energies (lower costs, technological advances in electricity storage batteries); (iii) reduced LNG export due to lower prices of crude oil (which defines the price of LPG on an international scale, most notably in Asia); and (iv) the cancellation of industrial projects.

Long-term energy sector outlook

On a global scale, hydrocarbons contribute more than half of the primary energy consumed. Specifically, 31% of global primary energy consumption is derived from oil, which is the most commonly used energy source.

During upcoming years, no huge changes are expected. According to the 2015 World Energy Outlook report, published by the International Energy Agency (IEA), in its base scenario, crude oil will register a 5 percentage point decrease in 2040 energy matrix, respect to 2013, while natural gas will reach a 24% share of global energetic demand, estimated at 17,934 million of oil equivalent tons.

Long-term outlook of world primary energy matrix



Source: IEA and Repsol's Business Environm. Study & Analysis Division.

7.2. FUTURE OUTLOOK FOR OUR BUSINESSES

In October 2015, Repsol presented its Strategic Plan (SP) for the period 2016-2020 (see sections 1 and 2.3 under heading "*Strategic Plan 2016-2020*"), with which the Company begins a period of enhancement the growth reached after accomplishing the objectives set in the previous Strategic Plan.

In order to meet the challenges of creating value and boosting resiliency set forth in SP 2016-2020, in 2016 the Company will focus, among other important aspects, on the design and rollout of a Transformation Program as well as the implementation of key efficiencies and synergies driving business areas and countries.

The Efficiency Program was announced with the Strategic Plan, and is applicable to the entire Company, and will incorporate capex and opex savings, along with the Talisman integration synergies are expected to contribute €1,100 million in 2016, to thereby beat the initial expectations of SP 2016-2020 for the period. With regard to the Talisman integration synergies, over $200 million were obtained, thanks to the implementation of new actions and the right management of their related costs. This has made possible duplicating expectations initially foreseen for 2016.

In 2016, the *Upstream* segment will be focused on three strategic regions: North America, Latin America, and Southeast Asia, with a high potential of organic development. The production is estimated at 700,000 equivalent barrels of oil/day for 2016, guaranteed by the current volumes of reserves.

Planned investments for 2016 in this area will be approximately €3,000 million, which is 25% less than 2015 in homogeneous terms, thanks, among others, to the optimisation process as well as the ongoing Efficiency Program. Investments will be made in projects which add a great added-value, and will mainly be concentrated in development and construction projects at installations based in Trinidad, USA, Brazil, Venezuela, Canada, the UK, Algeria, Peru, Bolivia, Indonesia, Colombia, and Malaysia, as well as drilling exploratory wells; however, capex is expected to drop 40% with regard the prior year.

This will all allow this business area to shrink the level of the price of crude oil, increasing the generation of positive cash flow, as well as an increase on the return of capital employed (ROACE).

A greater efficiency in the *Upstream* segment will be complemented by the proven *Downstream* strengths, reflecting Repsol's advantages as an integrated company.

Repsol leads integrated European companies in terms of efficiency, ensuring the generation of value and resiliency in an environment characterised by the weak price of oil, thanks to its investments in the Cartagena and Petronor refineries and the corresponding improvement in refining margins. The objectives set for 2016, are as follow:

- Based on the Efficiency Program, boost the reliability and orientation of the Refining and Chemical installations, and reduce energy costs and CO_2 emissions, giving way to the continual improvement of margins.
- Maximize the value of the Marketing business, consolidating the competitive position within the new legal framework, while optimizing operations.
- Efficiency improvement policy, based on strict cost containment measures, while also facing the particular situation of growing businesses.

On the other hand, Repsol will actively manage it business portfolio so that its flexibility, strength, and adaptability will enable it to divest over €3,000 million in non-strategic assets during upcoming two years.

Facing an environment with expected low crude oil prices of $40/barrel, the integration of our businesses should enable to Repsol, among other factors, generate sufficient cash to finance its investment needs, remunerate its shareholders, and reduce its debt, among others.

8. RISKS

8.1. RISKS FACTORS

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

STRATEGIC AND OPERATIONAL RISKS

Uncertainty in the current economic context

Global economic growth is still being moderate, more than expected months ago. The latest forecasts from the International Monetary Fund (FMI WEO update January 2016) estimate some improvement in advanced economies. However, growth is deteriorating in emerging economies affected by the decline in commodity prices, the economic slowdown in China and the normalization of monetary policy in the US. Therefore, global growth is expected to be 3.1% in 2015, worse than the 3.4% in 2014, with some recovery in 2016 to 3.4%.

In recent months, the risk of a hard landing in China and other emerging market economies has increased, triggering instability across the global financial markets. Another source of uncertainty is the potential normalization of monetary policy in the US, the Federal Reserve having decided to start to raise benchmark rates in December.

In addition, thin liquidity is impeding the financial market adjustment, generating additional volatility. Unconventional quantitative easing has helped reducing risk premium in several markets, including sovereign bonds and corporate debt.

Recently, oil prices have been under pressure from high inventory and global production levels, but also global economic uncertainty (especially in China) and financial market instability. Between June and August 2015, oil prices corrected by more than 30% to lows for the year. Although prices retraced part of this correction in less than one week, prices then went on to correct once again, trading below $40 per barrel at one point, i.e., 35% below the high for the year. In addition to surplus oil supply, oil and, in general, commodity price weakness was exacerbated by soft global demand, in turn reshaping inflation expectations. Despite all these sources of uncertainty, low oil prices should trigger more dynamic supply and demand adjustments. Low prices should stimulate consumption while curtailing investment and the combination of these forces should help rebalance the market. Nevertheless, certain nations, such as Iran and, to a lesser extent, Libya, plan on increasing production. When the sanctions are lifted in Iran, its 80 million barrels of inventories could flood the market. Iran's oil production could increase from 0.5 to 1.3 million barrels per day in 2016.

Finally, the economic-financial situation could have a negative impact on third parties with whom Repsol does or could do business. Any of the factors described above, whether in isolation or in combination with each other, could have an adverse effect on the financial position, businesses, or results of operations of Repsol.

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

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

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

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

Regulatory and tax framework of Repsol's operations

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

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

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

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

Repsol is subject to extensive environmental and safety legislations and risks

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

Specifically, considering the importance of Climate Change, we must stress that the one of the risks the Company faces is the exposure to possible changes in the greenhouse gas emissions regulatory framework as a result of our industrial activities and associated to the use of our products. In this regard, we closely follow legislation changes in climate-related matters as they arise in every area in which we operate. For instance, in Europe the 2030 energy and climate package associated to a number of directives was adopted, such as the Energy Efficiency Directive, and the reform of the Emission Trading Scheme; in the US, regulations related to the national methane emissions plan, and in Canada, the implementation of climate legislation in Alberta.

Elsewhere, in the wake of the Talisman Energy Inc. acquisition, the Company has increased its activity in non-conventional oil and gas resources. From an environmental standpoint, concern over the environmental impact of exploring for and producing this type of resources could prompt governments and authorities to approve new regulations or impose new requirements on their development. If so, it could have an adverse impact on the Company.

Operating risks related to Repsol activities

Exploration and exploitation (Upstream) of oil and gas, and reliance on the cost-effective acquisition or discovery of, and, thereafter, development of, new oil and gas reserves.

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

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

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

Industrial businesses and marketing of oil products (Downstream)

The Refining, Chemical, Trading, and Production, and Distribution activities related to oil derivative products and LPG are exposed to the risk inherent to their activities, and are related to the products' specific characteristics (flammability and toxicity), their use (including that of clients), emissions resulting from the production process (such as greenhouse gas effects), as well as the materials and waste used (dangerous waste, as well as water and energy management), which might impact health, safety, and the environment. Repsol's industrial assets (refineries, regassing plants, warehouses, ports, ducts, sea vessels, cistern trucks, service stations, etc.) are exposed to accidents such as fire, explosions, leaks of toxic products, as well as large-scale contaminating environmental incidents. Accidents may cause death and injury to employees, contractors, residents in surrounding areas, as well as damage to the assets and property owned by Repsol as well as third parties.

Downstream activities take place in a highly competitive environment. Refining and commercialization margins may be affected by a number of factors, such as low demand arising from the impaired economy in the countries in which it operates, the high price of crude oil and other raw materials, the trends of production-related energy costs and other commodities, excess refining capacity in Europe, and the growing competition from refineries in areas such as Russia, the Middle East, East Asia, and the US, whose production costs are lower. Commercial businesses compete with international hydrocarbons industry operators as well as with other non-oil entities (supermarket chains as well as other commercial operators) to acquire or open Service Stations. Repsol Service Stations mainly compete based on price, service, and the availability of *non-oil* products.

If any of these risks materialize, the activity of Repsol, its operational result and financial position could be significantly and adversely affected.

Location of reserves

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

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

If any of these risks materialize, the activity of Repsol, its operational result and financial position could be significantly and adversely affected.

Oil and gas reserves estimation

To estimate proved and unproved oil and gas reserves, Repsol uses the criteria established by the "SPE/WPC/AAPG/SPEE Petroleum Resources Management System", commonly referred to by its acronym, SPE-PRMS (SPE standing for the Society of Petroleum Engineers).

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

As a result of the foregoing, measures of reserves are not precise and are subject to revision. The estimate of proved and unproved reserves of oil and gas will also be subject to correction due errors in the implementation and/or changes of the standards published. Any downward revision in estimated quantities of proven reserves could adversely impact the results of operations of the Repsol Group, leading to increased depreciation, depletion and amortization charges and/or impairment charges, which would reduce net income and shareholders' equity.

Projects and transactions carried out through joint ventures and partnerships

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

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

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

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

On May 8, 2015, Repsol closed the acquisition of 100% of Talisman Energy Inc. ("Talisman"), a Canadian company devoted to oil and gas exploration and production activities. As in any business combination, Repsol's ability to reach the strategic benefits expected from the acquisition will depend on its ability to integrate Talisman's equipment, processes and procedures and maintain existing relationships with its customers and partners.

Talisman´s results have been negative in the last two years, mainly as a result of asset impairment charges and provisions recognized to cover future obligations, including these regarding its joint ventures. Elsewhere, Talisman's businesses are subject to the risks inherent to oil businesses as well as other more specific risks, including the possibility of potentially as-yet-unidentified contingencies (e.g. of a tax, legal or environmental nature). If any of these risks were to materialize after taking control of Talisman, they could have an adverse impact on the Repsol Group's operations, financial performance or financial situation.

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

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

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

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

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

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

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

Cyclical nature of the petrochemical activity

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

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

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

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

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

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

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

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

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

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

Repsol is exposed to negative opinion trends which could have an adverse impact on its image and reputation, thereby affecting its business opportunities.

The Company carries out its transactions in multiple environments with diverse interest groups, which are mainly local communities in the influence areas in which it operates, as well as local and national civil, political, labor, and consumer organizations, among others.

Should the interests of the above groups be contrary to the Company's activities, and attempts to reach agreements be unsuccessful, Repsol is in a position to be affected by the publication of biased or manipulated information which generates opinion contrary to the Company's activities.

This could result in a negative impact on the social or media acceptance of Repsol´s activities, leading to erosion of the Company´s image as well as lost business opportunities in the area or country in question, with potential adverse effects on its business, financial position, and the result of its operations.

FINANCIAL RISKS

Repsol has in place a risk management structure and systems that enable it to identify, measure and control the risks to which the Group is exposed. Note 16 "*Financial risk and capital management*" in the Group's audited consolidated financial statements analyzes the exposure to those risks and measures the impact they may have on the consolidated financial statements.

The main financial risks are described below:

Liquidity risk

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

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

Credit risk

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

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

As a general rule, the Group establishes a bank guarantee issued by financial entities as the most suitable instrument of protection from credit risk. In some cases, the Group has taken out credit insurance policies to transfer partially the credit risk related to the commercial activity of some of its businesses to third parties.

Additionally, the Group is exposed to counterparty risk derived from non-commercial contractual transactions that may lead to defaults. In these cases, the Group analyzes the solvency of counterparties with which the Group has or may have non-commercial contractual transactions. Any breach of payment obligations by Repsol's customers and counterparties, in the agreed time frame and form, could result in an adverse effect on Repsol's business, results or financial position.

Market risks

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

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

In general, this exposure to fluctuations in currency exchange rates stems from the fact that the Group has assets, liabilities and cash flows denominated in a currency other than the functional currency of the Repsol Group, being of particular importance: (i) Cash flows generated by oil, natural gas and refined product sales are generally denominated in United States dollars or are otherwise affected by dollar exchange rates, (ii) Value of the Repsol's financial assets and investments, predominantly those denominated in United States dollars.

In addition, it should be taken into consideration that: (i) Cash flows from transactions carried out in the countries in which Repsol conducts its activities are exposed to fluctuations in currency exchange rates of the respective local currencies against the major currencies in which the raw materials used as reference for the fixing of prices in the local currency are traded, (ii) Repsol's consolidated financial statements are expressed in euros and, consequently, the assets and liabilities of subsidiary investee companies with a different functional currency are translated into euros.

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

Note 16 "*Financial risk and capital management*" and Note 17 "*Derivative transactions*" to the Group's audited consolidated financial statements for the year ended December 31, 2015 include additional details on the financial risks to which the Repsol Group is exposed.

Commodity price risk: In the normal course of operations and trading activities, the earnings of the Repsol Group are exposed to volatility in the price of oil, natural gas, and related derivative products (see the risk factors titled "*Fluctuations in crude oil and reference products international prices and demand owing to factors beyond Repsol's control*" and "*Repsol's natural gas operations are subject to particular operational and market risks*" above). Note 17 "*Derivative transactions*" in the Group's audited consolidated financial statements for the financial year ended December 31, 2015 include additional details on the financial risks to which the Repsol Group is exposed.

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

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

Note 16 "*Financial risk and capital management*" and Note 17 "*Derivative transactions*" to the Group's audited consolidated financial statements for the year ended 31 December 2015 include additional details on the financial risks to which the Repsol Group is exposed.

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

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

8.2. RISK MANAGEMENT

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

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

For years, Repsol has been working on an integrated risk management model to be able to anticipate, manage, and control risks from a global perspective. The Repsol´s Integrated Risk Management System (SGIR – "*Sístema de Gestión Integrado de Riesgos de Repsol*") makes it possible to provide an overall and reliable standpoint of all risks which might affect the Company, regardless of their nature.

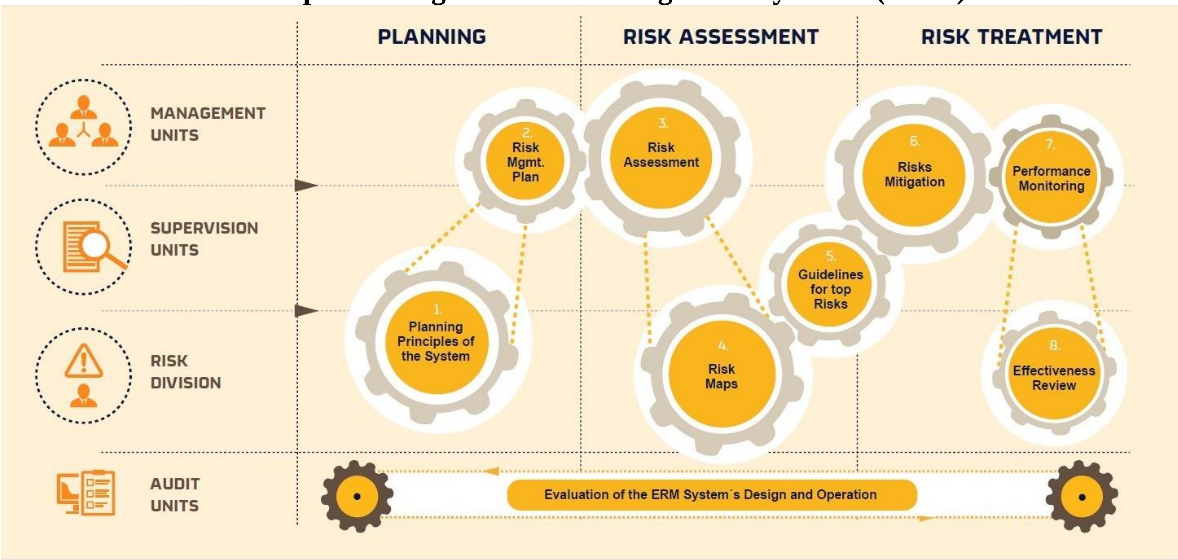
Repsol's commitment to implement the SGIR is reflected in its Risk Management Policy and its principles are specified in the Integrated Risk Management Standard approved by the Company's Board of Directors. This management model is based on the ISO31000 international reference standard and the Three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

The fundamental pillars of the SGIR are:

- Senior Management leads the integrated risk management.
- It is integrated with all management processes and activities of the Company, always with the overall approach provided by the Risk Division.
- Businesses and Corporate areas play a role in the implementation of the model becoming units with different levels of responsibility and specialization (risk management units, supervisory units and audit units) as well as theRisk Division which performs functions of coordination and governance of the system.
- Ensures that all risks are managed in accordance with a common process of identification, valuation and treatment.
- Promotes continuous improvement to gain efficiency and responsiveness.

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

Repsol's Integrated Risk Management System – (SGIR)



Source: Repsol Risk Division.

In 2015, with a view to obtain a consolidated risk map, the Company continued carrying out Risk Workshops. Each workshop includes the participation of a group of experts in Repsol's businesses/areas, to provide an overall understanding of key risks, using common indicators, while identifying efficient mitigation measures.

For Repsol, the Risk Map is the core piece which identifies relevant risks and classifies them according to their importance. This way, the Company has a methodology to identify in a simple, understandable and robust way the risks and quantify their potential economic, reputational and people impact in the business unit or area in case it occurs.

For certain highly-critical risks, the organization has also started working on a tool which makes it possible to gain an integrated understanding of the factors leading to the materialization of the risk event and its consequences, in order to prevent its occurrence and/or reduce its impact. This makes it possible for us to focus our efforts to the risk treatment, specially, on detecting and managing its barriers and controls (preventive and contingency measures).

Also, as an essential element for the risk management model carries on, new activities was maintained and designed to strenght a culture which is more inclined to integrated risk management in the Company. Therefore, during this year we have been working on defining, developing, and communicating the Company's in-person training and development catalogue in an online version.

In section 6, specific information on Safety and Environment Risk Management and Tax Risk Management are provided.

ABOUT THIS REPORT

This report has to be read together with Repsol Group consolidated financial statements at December 31, 2015. Users of it should be aware that the forward-looking information contained in this document reflects the plans, forecasts or estimates of the Group's managers, which are based on assumptions that are considered reasonable, and that cannot be considered as a guarantee of the entity's future performance, in the sense that such plans, forecasts or estimates are subject to numerous risks and uncertainties, meaning that the future development of the Group will not necessarily coincide with what was initially planned. Such risks and uncertainties are described in section 8.1 "*Risk Factors*".

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

APPENDIX I: INDICATORS, ALTERNATIVE MAGNITUDES AND RECONCILIATION WITH IFRS

MAIN FINANCIAL PERFORMANCE INDICATORS[1]

Name	Calculation (Ratios)	Description
Adjusted Net Income[(2)]	ANI= Recurring income from continuing operations at replacement cost ("*Current Cost of Supply*" or CCS) and after tax.	Focusing on the reality of its businesses and an improved comparability with sector companies, it uses the Adjusted Net Income to measure each segment. Hereby, the Group considers that the nature of its businesses and the way in which results are analyzed for decision-making purposes is adequately reflected.
Inventory effect	Difference between the CCS result and the accounting result. This is presented independently, net of taxes and minority interests.	Current Cost of Supply (CCS): The commonly-used method for valuing inventories in this industry, which differs from commonly-accepted European accounting standards (Weighted Average Cost or MIFO). Based on this method, purchase prices for volumes sold during the year are determined in accordance with current purchase prices for the period in question. This method is used to enable the comparability with other companies in the same sector.
Non-recurring	The Non-recurring Income is presented independently, net of taxes and minority interests.	Those results arise from matters or transactions which fall outside the scope of a Company's ordinary activities.
EBITDA[(2)] (*Earnings Before Interest, Tax, Depreciation and Amortization*)	EBITDA = Operating Income* + Depreciation and Amortization + Impairment and other items which are not cash inflows or outflows from transactions. ---------------- * Operating Income = Income from continuing operations at current cost of supply + inventory effect + non-recurring income before taxes.	It measures the Company's profit-generating capacity based solely on its production activity. It is an approximation of the resources potentially obtainable from operating assets.
Capital Employed [(2)]	CE = Net Equity + net debt at the end of the period	It is essentially capital invested by the Company's share and bondholders.

[1] On October 5, 2015 the European Securities Markets Authority (ESMA) issued guidelines governing the submission of alternative performance measures (APM) mandatory regulated for the information published from July 3, 2016 for listed companies. Some of the indicators presented in this table are reconciled with the indicators calculated with the consolidated financial statements IFRS adopted by the European Union in Annex I of this Management Report.

[2] "Adjusted" indicators: includes the joint ventures or other managed companies operatively like such, in agreement with the percentage of participation of the Group, considering his operative and economic magnitudes under the same perspective and with the same level of detail that those of the companies consolidated by global integration. Nevertheless, the results and magnitudes corresponding to Natural Gas Fenosa there is included the totality of the result of the Company of agreement by the equivalence method.

Name	Calculation (Ratios)	Description
ROACE(1) (*Return on Average Capital Employed*)	ROACE: (recurring operating income to Weighted Average Cost (MIFO) after taxes + recurrent income from investees) / (average capital employed from continuing operations of the period)	It assesses the capacity of a Company's assets in its operating activities to generate profits.
EPS (Earning per share)	Net result attributable to the parent / average number of shares in circulation	Its value indicates how much of the Group's net income arising from its activities corresponds to each share.
PER (*Price Earning Ratio*)	Listed price of the share at closing /profit per share attributable to the parent	Its value reflects the number of times that annual net income is included in the price of a share. It represents the stock market's valuation of a Company's profit generating prospects.
Leverage ratio(1)	Total Net Debt / Net Capital Employed	It indicates how the Company is leveraged through external financing.
Gross Financial Debt (GFD)(1)	Non-current financial liabilities* + Current financial liabilities* ---------------- * Sum of the total of bank borrowings, bonds and other debt securities, and negotiable securities and payables to third parties)	Bank borrowings, bonds and other debt securities, and negotiable securities and payables to third parties (not considered credit entities) such as current and non-current loans and financing received, as well as financial derivatives with an unfavourable valuation for the Company.
Net Financial Debt (NFD)(1)	DFN = (Non-current financial liabilities + Current financial liabilities – Non-current financial assets + financial assets available for sale - other non-current assets + cash and cash equivalents - net market value of deferred financial derivatives other than exchange rate derivatives)	This is the main tool for measuring a Company's indebtedness. The leverage formula considers net debt instead of gross debt in order to take in account the financial investments.
Average payment period to suppliers	Average payments period to suppliers = ((Ratio of paid transactions x total amount of payments made) + (Ratio of Outstanding payment transactions * total outstanding payments)) / (Total payments + total outstanding payments). Ratio of paid transactions = Σ (number of days of payment x amount of the transaction paid) / Total payments. Ratio of outstanding payment transactions = Σ (number of days outstanding payment x amount of the transaction outstanding payment) / Total outstanding payments	It corresponds to the Average payment period to suppliers for the Spanish companies of the Group.
Market capitalization	Market price of the share at the end x number of outstanding shares at end of period.	Value of the Company on the Stock Market.
Exploration costs (1)	Costs incurred in exploration activities including exploratory wells and stratigraphic tests wells.	Exploration costs are incurred in order to identify areas in which it is expected that oil and gas reserves exist.

[1] "Adjusted" indicators: includes the joint ventures or other managed companies operatively like such, in agreement with the percentage of participation of the Group, considering his operative and economic magnitudes under the same perspective and with the same level of detail that those of the companies consolidated by global integration. Nevertheless, the results and magnitudes corresponding to Natural Gas Fenosa there is included the totality of the result of the Company of agreement by the equivalence method.

Name	Calculation (Ratios)	Description
Net Operating Investments (1)	Net Operating Investments = Operating investments* – Operating divestments ---------------- * Investments made by the Group for its PP&E items affected by production	Those investments realized by the Group for his fixed assets.
Exploration Investments (1)	Investments incurred in exploration activities, mainly in the activities of geology, geophysics and exploration and appraisal wells.	Exploration investments are those whose purpose is to identify areas with potential hydrocarbons deposits, and drilling the necessary wells to discover and evaluate them, were applicable.
Development Investments (1)	Investments incurred in development and production which mainly include the investments in drilling and auxiliary wells (injection…) and the surface facilities and plants needed for the production.	These are costs incurred to gain access to the proved gas and oil reserves and to install the facilities required to extract, treat, recover and store them.
Lifting cost (1)	Cost for extracting hydrocarbons / net hydrocarbons production	It is designed to calculate the unitary operating cost of extracting hydrocarbons from the subsoil.
Finding cost (1)	(Investments in acquisition of acreage + Exploration Investments) / (net proved reserves incorporated by findings and extensions)	Indicator of the cost of add one barrel to net proved reserves through exploration activities.
Finding and Development cost(1)	(Investments in acquisition of acreage + Exploration Investments + Development Investments) / (net proved reserves incorporated by findings, extensions, revisions and improvements)	Indicator of the cost of adding one barrel to net proved reserves through E&P activities.
Reserve replacement rate	Movements in net total proved reserves (by discoveries, extensions, revisions, improvements, and purchases/sales) / Net production	Percentage indicator of the replacement degree of net reserves produced.
Organic Reserve replacement rate	Movements in total net proved reserves (discoveries, extensions, revisions, improvements) / Net production	Indicator of replacing produced reserves percentage excluding net movements proved net purchases / sales reserves.

[1] "Adjusted" indicators: includes the joint ventures or other managed companies operatively like such, in agreement with the percentage of participation of the Group, considering his operative and economic magnitudes under the same perspective and with the same level of detail that those of the companies consolidated by global integration. Nevertheless, the results and magnitudes corresponding to Natural Gas Fenosa there is included the totality of the result of the Company of agreement by the equivalence method.

CONVERSION TABLE AND GLOSSARY

			OIL				GAS		ELECTRICITY
			Litres	**Barrels**	**Cubic metres**	**toe**	**Cubic metres**	**Cubic feet**	**kWh**
OIL	1 barrel [1]	bbl	158.99	1	0.16	0.14	162.60	5,615	$1.7x10^6$
	1 cubid metre [1]	m^3	1,000	6.29	1	0.86	1,033	36,481	10,691.5
	1 ton of oil equivalent [1]	toe	1,160.49	7.30	1.16	1	1,187	41,911	12,407.4
GAS	1 cubic metre	m^3	0.98	0.01	0.001	0.001	1	35.32	10.35
	1,000 cubic feet=$1.04x10^6$ Btu	ft^3	27.64	0.18	0.03	0.02	28.3	1,000	293.1
ELECTRICITY	1 megawatt hour	MWh	93.53	0.59	0.10	0.08	96.62	3,412.14	1,000

[1] Reference measurement: 32.35 °API and relative density 0.8636

			Metre	**Inch**	**Foot**	**Yard**
LENGTH	metre	m	1	39.37	3.281	1.093
	inch	in	0.025	1	0.083	0.028
	foot	ft	0.305	12	1	0.333
	yard	yd	0.914	36	3	1

			Kilogram	**Pound**	**Ton**
MASS	kilogram	kg	1	2.2046	0.001
	pound	lb	0.45	1	0.00045
	ton	t	1,000	22.046	1

			Cubic feet	**Barrel**	**Litre**	**Cubic Metres**
VOLUME	cubic foot	ft^3	1	0.1781	28.32	0.0283
	barrel	bbl	5,615	1	158.984	0.1590
	litre	l	0.0353	0.0063	1	0.001
	cubic metre	m^3	35.3147	6.2898	1,000	1

Term	Description
bbl / bbl/d	Barrel/ Barrel per day
bcf	Billion cubic feet
bcm	Billion cubic meters
boe	Barrels of oil equivalent
Btu/MBtu/mmBtu	British termal unit/ Thousand Btu/million Btu
LPG	Liquefied Petroleum Gas
LNG	Liquefied Natura Gas
Gwh	Gigawatts per hour

Term	Description
kbbl	Thousand barrels of oil
kbbl/d	Thousand barrels of oil per day
Kboe	Thousand barrels of oil equivalent
kboe/d	Thousand barrels of oil equivalent per day
km^2	Square kilometre
Kt/Mt	Thousand tons/Million tons
Mbbl	Million barrels
Mboe	Million barrels of oil equivalent

Term	Description
Mm^3/d	Million cubic metres per day
Mscf/d	Million standard cubic feet per day
kscf/d	Thousand standard cubic feet per day
MWe	Million electric watts
MWh	Million watts per hour
TCF	Trillion cubic feet
toe	Ton of oil equivalent
USD / Dólar / $	US dollar

RECONCILIATION OF ADJUSTED RESULTS WITH IFRS RESULTS ADOPTED BY THE EU

	DECEMBER 2015					
		ADJUSTMENTS				
€ Million	**Adjusted Net Income**	**Joint arrangements reclassification**	**Non-recurring results**	**Inventory Effect**	**Total adjustments**	**IFRS-EU Net Income**
Operating Income	1,806	434	(3,984)	(696)	(4,246)	(2,440)
Financial Result	233	44	173	-	217	450
Share of results of companies accounted for using the equity method, net of taxes	469	(563)	-	-	(563)	(94)
Net Income before tax	**2,508**	**(85)**	**(3,811)**	**(696)**	**(4,592)**	**(2,084)**
Income tax	(562)	85	1,182	194	1,461	899
Net income from continuing operations	**1,946**	**-**	**(2,629)**	**(502)**	**(3,131)**	**(1,185)**
Income attributed to minority interests	(86)	-	1	43	44	(42)
Net income from continuing operations attributable to the parent	**1,860**	**-**	**(2,628)**	**(459)**	**(3,087)**	**(1,227)**
Income from discontinued operations						-
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT	**1,860**	**-**	**(2,628)**	**(459)**	**(3,087)**	**(1,227)**

	DECEMBER 2014					
		ADJUSTMENTS				
€ Million	**Adjusted Net Icome**	**Joint arrangements reclassification**	**Non-recurring results**	**Inventory Effect**	**Total adjustments**	**IFRS-EU Net Income**
Operating Income	2,421	(733)	(663)	(947)	(2,343)	78
Financial Result	(273)	(50)	475	-	425	152
Income from equity affiliates	467	376	49	-	425	892
Net Income before tax	**2,615**	**(407)**	**(139)**	**(947)**	**(1,493)**	**1,122**
Income tax	(886)	407	52	281	740	(146)
Net income from continuing operations	**1,729**	**-**	**(87)**	**(666)**	**(753)**	**976**
Income attributed to minority interests	(22)	-	1	60	61	39
Net income from continuing operations attributable to the parent	**1,707**	**-**	**(86)**	**(606)**	**(692)**	**1,015**
Income from discontinued operations						597
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT	**1,707**	**-**	**(86)**	**(606)**	**(692)**	**1,612**

RECONCILIATION OF OTHER ECONOMIC DATA WITH IFRS FINANCIAL STATEMENTS ADOPTED BY THE EU

NET FINANCIAL DEBT (€ Million)	Net financial debt of arrangement ventures	Join Arrangement reclassification [(1)]	Net financial debt according to consolidated financial statements
Non-current financial instruments (assets)	121	512	633
Other current financial assets	118	1,119	1,237
Cash and cash equivalents	2,771	(323)	2,448
Non-current financial liabillities	(10,716)	135	(10,581)
Current financial liabilities	(4,320)	(2,753)	(7,073)
Net mark-to-market valuation of financial derivatives (excluding exchange rate) [(2)]	92	-	92
TOTAL	**(11,934)**	**(1,310)**	**(13,244)**

[(1)] Mainly corresponding to the net financing contributed by Repsol Sinopec Brasil which is detailed in the following captions: "*Cash and cash equivalents*" amounting to €11 million; "*Current financial liabilities*" for intragroup loans in the amount of €2,819 million; and €300 million in loans with third parties.

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

OTHER ECONOMIC DATA AT DECEMBER 31, 2015 (€ Million)	According to net debt evolution	Joint Arrangement adjustments [(1)]	Financial Investments / Divestments	According to Cash Flow Statements
EBITDA	4,317	(674)	-	4,850
Net investments	12,027	1,378	1,775	(8,874)

[(1)] Includes the Repsol Group Sinopec Brasil (RSB) participation, (€205 million) corresponding to EBITDA and €347 million corresponding to *Net investments*

APPENDIX II: ANNUAL CORPORATE GOVERNANCE REPORT

It is included as Appendix to this document, and is part of the whole document, the Annual Corporate Governance Report for 2015, as it is required by Article 538 to the Spanish Companies Act ("*Ley de Sociedades de Capital*").