

**INTERIM CONDENSED  
CONSOLIDATED FINANCIAL  
STATEMENTS**

**For the nine-month period ended September 30, 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.*

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**Repsol, S.A. and investees comprising the Repsol Group**  
**Consolidated balance sheet at September 30, 2015 and December 31, 2014**

| <b>ASSETS</b>                                    | Note | Millions of euros |                   |
|--------------------------------------------------|------|-------------------|-------------------|
|                                                  |      | <b>09/30/2015</b> | <b>12/31/2014</b> |
| Intangible Assets:                               |      | 4,867             | 1,859             |
| a) Goodwill                                      | 2.2  | 3,254             | 498               |
| b) Other intangible assets                       |      | 1,613             | 1,361             |
| Property, plant and equipment                    | 4.3  | 31,046            | 17,141            |
| Investment property                              |      | 23                | 23                |
| Investment accounted for using the equity method | 4.4  | 12,122            | 11,110            |
| Non-current financial assets                     | 4.2  | 889               | 593               |
| Deferred tax assets                              |      | 4,100             | 3,967             |
| Other non-current assets                         |      | 239               | 155               |
| <b>NON-CURRENT ASSETS</b>                        |      | <b>53,286</b>     | <b>34,848</b>     |
| Non current assets held for sale                 | 4.6  | 215               | 98                |
| Inventories                                      |      | 3,718             | 3,931             |
| Trade and other receivables:                     |      | 6,484             | 5,685             |
| a) Trade receivables                             |      | 3,007             | 3,083             |
| b) Other receivables                             |      | 2,211             | 1,970             |
| c) Income tax assets                             |      | 1,266             | 632               |
| Other current assets                             |      | 315               | 176               |
| Other current financial assets                   | 4.2  | 1,563             | 2,513             |
| Cash and cash equivalents                        | 4.2  | 2,019             | 4,638             |
| <b>CURRENT ASSETS</b>                            |      | <b>14,314</b>     | <b>17,041</b>     |
| <b>TOTAL ASSETS</b>                              |      | <b>67,600</b>     | <b>51,889</b>     |

Notes 1 to 6 are an integral part of this consolidated balance sheet at September 30, 2015.

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**Repsol, S.A. and investees comprising the Repsol Group**  
**Consolidated balance sheet at September 30, 2015 and December 31, 2014**

| <b>LIABILITIES AND EQUITY</b>                                                                      | Note       | Millions of euros |                   |
|----------------------------------------------------------------------------------------------------|------------|-------------------|-------------------|
|                                                                                                    |            | <b>09/30/2015</b> | <b>12/31/2014</b> |
| <b>NET EQUITY</b>                                                                                  |            |                   |                   |
| Issued share capital                                                                               |            | 1,400             | 1,375             |
| Share premium                                                                                      |            | 6,428             | 6,428             |
| Reserves                                                                                           |            | 259               | 259               |
| Treasury shares and own equity instruments                                                         |            | (248)             | (127)             |
| Retained earnings and other reserves                                                               |            | 19,308            | 19,524            |
| Profit attributable to equity holders of the parent                                                | 3.4        | 832               | 1,612             |
| Dividends and remunerations                                                                        |            | -                 | (1,569)           |
| Other equity instruments                                                                           |            | 1,010             | -                 |
| <b>EQUITY</b>                                                                                      |            | <b>28,989</b>     | <b>27,502</b>     |
| Financial assets available for sale                                                                |            | 4                 | (5)               |
| Hedge transactions                                                                                 |            | (213)             | (163)             |
| Translation differences                                                                            |            | 1,680             | 603               |
| <b>ADJUSTMENTS FOR CHANGES IN VALUE</b>                                                            |            | <b>1,471</b>      | <b>435</b>        |
| <b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT AND OTHER HOLDERS OF EQUITY INSTRUMENTS</b> |            | <b>30,460</b>     | <b>27,937</b>     |
| <b>MINORITY INTERESTS</b>                                                                          |            | <b>286</b>        | <b>217</b>        |
| <b>TOTAL EQUITY</b>                                                                                | <b>4.1</b> | <b>30,746</b>     | <b>28,154</b>     |
| Grants                                                                                             |            | 8                 | 9                 |
| Non-current provisions                                                                             | 4.5        | 6,663             | 2,386             |
| Non-current financial liabilities:                                                                 | 4.2        | 11,461            | 7,612             |
| a) Bank borrowings, bonds and other securities                                                     |            | 11,365            | 7,524             |
| b) Other financial liabilities                                                                     |            | 96                | 88                |
| Deferred tax liabilities                                                                           | 4.9        | 2,410             | 1,684             |
| Other non-current liabilities                                                                      |            | 2,014             | 1,801             |
| <b>NON-CURRENT LIABILITIES</b>                                                                     |            | <b>22,556</b>     | <b>13,492</b>     |
| Liabilities related to non-current assets held for sale                                            | 4.6        | 13                | -                 |
| Current provisions                                                                                 | 4.5        | 629               | 240               |
| Current financial liabilities:                                                                     | 4.2        | 7,732             | 4,086             |
| a) Bank borrowings, bonds and other securities                                                     |            | 7,510             | 3,952             |
| b) Other financial liabilities                                                                     |            | 222               | 134               |
| Trade payables and other payables:                                                                 |            | 5,924             | 5,917             |
| a) Trade payables                                                                                  |            | 2,331             | 2,350             |
| b) Other payables                                                                                  |            | 3,203             | 3,402             |
| c) Current income tax liabilities                                                                  |            | 390               | 165               |
| <b>CURRENT LIABILITIES</b>                                                                         |            | <b>14,298</b>     | <b>10,243</b>     |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                                                |            | <b>67,600</b>     | <b>51,889</b>     |

Notes 1 to 6 are an integral part of this consolidated balance sheet at September 30, 2015.

*Translation of a report originally issued in Spanish.  
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**Repsol, S.A. and investees comprising the Respsol Group**  
**Consolidated income statement for the third quarter 2015 and 2014 and interim periods ended September 30, 2015 and 2014**

|                                                                                        | Note       | Millions of euros           |                 |                             |                 |
|----------------------------------------------------------------------------------------|------------|-----------------------------|-----------------|-----------------------------|-----------------|
|                                                                                        |            | Q3 2015                     | Q3 2014         | 09/30/2015                  | 09/30/2014      |
| Sales                                                                                  |            | 10,166                      | 12,118          | 30,209                      | 35,649          |
| Services rendered and other income                                                     |            | 44                          | 142             | 120                         | 320             |
| Changes in inventories of finished goods and work in progress inventories              |            | (10)                        | 63              | 49                          | 91              |
| Income from reversals of impairment losses and gains on disposal of non-current assets | 4.7        | 375                         | 29              | 602                         | 33              |
| Other operating income                                                                 |            | 567                         | 177             | 1,261                       | 692             |
| <b>OPERATING REVENUE</b>                                                               |            | <b>11,142</b>               | <b>12,529</b>   | <b>32,241</b>               | <b>36,785</b>   |
| Supplies                                                                               |            | (7,661)                     | (10,251)        | (22,427)                    | (29,899)        |
| Personnel expenses                                                                     |            | (556)                       | (421)           | (1,580)                     | (1,281)         |
| Other operating expenses                                                               |            | (1,587)                     | (1,113)         | (4,716)                     | (3,255)         |
| Depreciation and amortization of non-current assets                                    |            | (833)                       | (405)           | (2,193)                     | (1,347)         |
| Impairment losses recognised and losses on disposal of non-current assets              | 4.3        | (690)                       | (33)            | (827)                       | (267)           |
| <b>OPERATING EXPENSES</b>                                                              |            | <b>(11,327)</b>             | <b>(12,223)</b> | <b>(31,743)</b>             | <b>(36,049)</b> |
| <b>OPERATING INCOME</b>                                                                |            | <b>(185)</b>                | <b>306</b>      | <b>498</b>                  | <b>736</b>      |
| Finance income                                                                         |            | 23                          | 37              | 88                          | 102             |
| Finance expenses                                                                       |            | (230)                       | (146)           | (562)                       | (468)           |
| Changes in the fair value of financial instruments                                     | 4.2        | 12                          | 329             | 992                         | 356             |
| Net exchange gains/ (losses)                                                           |            | (4)                         | (209)           | (269)                       | (137)           |
| Impairment and gains/ (losses) on disposal of financial instruments                    |            | -                           | 1               | (7)                         | 369             |
| <b>FINANCIAL RESULT</b>                                                                |            | <b>(199)</b>                | <b>12</b>       | <b>242</b>                  | <b>222</b>      |
| <b>Share of results of companies accounted for using the equity method after taxes</b> | <b>4.4</b> | <b>(23)</b>                 | <b>158</b>      | <b>235</b>                  | <b>837</b>      |
| <b>NET INCOME BEFORE TAX</b>                                                           |            | <b>(407)</b>                | <b>476</b>      | <b>975</b>                  | <b>1,795</b>    |
| Income tax                                                                             | 4.9        | 195                         | (160)           | (104)                       | (410)           |
| <b>NET INCOME FROM CONTINUING OPERATIONS</b>                                           |            | <b>(212)</b>                | <b>316</b>      | <b>871</b>                  | <b>1,385</b>    |
| <b>NET INCOME FROM DISCONTINUED OPERATIONS AFTER TAXES</b>                             |            | <b>-</b>                    | <b>(1)</b>      | <b>-</b>                    | <b>267</b>      |
| <b>NET INCOME</b>                                                                      |            | <b>(212)</b>                | <b>315</b>      | <b>871</b>                  | <b>1,652</b>    |
| Net income attributable to minority interests                                          |            | (9)                         | 4               | (39)                        | (6)             |
| <b>TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT</b>                                     |            | <b>(221)</b>                | <b>319</b>      | <b>832</b>                  | <b>1,646</b>    |
| <b>EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>                 |            |                             |                 |                             |                 |
|                                                                                        | <b>4.1</b> | <b>Euros <sup>(1)</sup></b> | <b>Euros</b>    | <b>Euros <sup>(1)</sup></b> | <b>Euros</b>    |
| Basic                                                                                  |            | (0.16)                      | 0.23            | 0.59                        | 1.18            |
| Diluted                                                                                |            | (0.16)                      | 0.23            | 0.59                        | 1.18            |

<sup>(1)</sup> The earnings per share of 2015 include the adjustment regarding the interest corresponding to the perpetual subordinated bonds, detailed in heading 4.1.4.

Notes 1 to 6 are an integral part of this consolidated income statement corresponding to the nine-month period ended September 30, 2015.

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

**Consolidated statement of recognized income and expenses for the third quarter 2015 and 2014 and interim periods ended September 30, 2015 and 2014**

|                                                                                      | Millions of euros |              |              |              |
|--------------------------------------------------------------------------------------|-------------------|--------------|--------------|--------------|
|                                                                                      | Q3 2015           | Q3 2014      | 09/30/2015   | 09/30/2014   |
| <b>CONSOLIDATED NET INCOME FOR THE YEAR (from the Consolidated Income Statement)</b> | <b>(212)</b>      | <b>315</b>   | <b>871</b>   | <b>1,652</b> |
| <b>INCOME AND EXPENSES RECOGNIZED DIRECTLY IN EQUITY:</b>                            |                   |              |              |              |
| From actuarial gains and losses and other adjustments                                | (9)               | -            | (4)          | -            |
| <b>Total items not reclassified to the income statement</b>                          | <b>(9)</b>        | <b>-</b>     | <b>(4)</b>   | <b>-</b>     |
| From measurement of financial assets available for sale                              | -                 | -            | 6            | (224)        |
| From measurement of other financial instruments                                      | -                 | -            | -            | (42)         |
| From cash flow hedges <sup>(1)</sup>                                                 | (15)              | (61)         | (570)        | (102)        |
| Translation differences                                                              | 4                 | 1,018        | 1,169        | 1,138        |
| Entities accounted for using the equity method                                       | (146)             | 57           | (104)        | 74           |
| Tax effect                                                                           | 3                 | 14           | 11           | 92           |
| <b>Total items reclassified to the income statement</b>                              | <b>(154)</b>      | <b>1,028</b> | <b>512</b>   | <b>936</b>   |
| <b>TOTAL</b>                                                                         | <b>(163)</b>      | <b>1,028</b> | <b>508</b>   | <b>936</b>   |
| <b>AMOUNTS TRANSFERRED TO THE CONSOLIDATED INCOME STATEMENT:</b>                     |                   |              |              |              |
| From measurement of financial assets available for sale                              | -                 | -            | 6            | (452)        |
| From measurement of other financial instruments                                      | -                 | -            | -            | 42           |
| From cash flow hedges                                                                | 9                 | 4            | (4)          | 12           |
| Translation differences                                                              | (5)               | -            | 2            | (5)          |
| Entities accounted for using the equity method                                       | 2                 | -            | (1)          | 8            |
| Tax effect                                                                           | (2)               | -            | 4            | 112          |
| <b>TOTAL</b>                                                                         | <b>4</b>          | <b>4</b>     | <b>7</b>     | <b>(283)</b> |
| <b>OTHER TRANSFERS:</b>                                                              |                   |              |              |              |
| From cash flow hedges <sup>(1)</sup>                                                 | -                 | -            | 525          | -            |
| <b>TOTAL</b>                                                                         | <b>-</b>          | <b>-</b>     | <b>525</b>   | <b>-</b>     |
| <b>TOTAL RECOGNIZED INCOME / (EXPENSES)</b>                                          | <b>(371)</b>      | <b>1,347</b> | <b>1,911</b> | <b>2,305</b> |
| a) Attributable to the parent company                                                | (378)             | 1,341        | 1,865        | 2,288        |
| b) Attributable to minority interests                                                | 7                 | 6            | 46           | 17           |

(1) Includes the effect of foreign exchange cash flow hedges on the purchase price of Talisman (see Note 4.2.), which has been considered as greater investment value.

Notes 1 to 6 are an integral part of this consolidated statement of recognized income and expenses corresponding to the nine-month period ended September 30, 2015.

**Repsol, S.A. and investees comprising the Repsol Group**  
**Consolidated statement of changes in equity for the interim periods ended September 30, 2015 and 2014**

|                                                                      | Equity attributable to equity holders of the parent |                                     |                                                     |                                                      |                             |                                        |                                                  |                       |                 |
|----------------------------------------------------------------------|-----------------------------------------------------|-------------------------------------|-----------------------------------------------------|------------------------------------------------------|-----------------------------|----------------------------------------|--------------------------------------------------|-----------------------|-----------------|
|                                                                      | Capital and reserves                                |                                     |                                                     |                                                      |                             |                                        |                                                  |                       |                 |
| Millions of euros                                                    | Issued<br>share<br>capital                          | Share<br>premium<br>and<br>reserves | Treasury<br>shares and<br>own equity<br>instruments | Total net<br>income<br>attributable<br>to the parent | Other equity<br>instruments | Adjustments for<br>changes in<br>value | Total equity<br>attributable<br>to the<br>parent | Minority<br>interests | Total<br>Equity |
| <b>Closing balance at 12/31/2013</b>                                 | <b>1,324</b>                                        | <b>26,240</b>                       | <b>(26)</b>                                         | <b>195</b>                                           | -                           | <b>(526)</b>                           | <b>27,207</b>                                    | <b>243</b>            | <b>27,450</b>   |
| Adjustments                                                          | -                                                   | -                                   | -                                                   | -                                                    | -                           | -                                      | -                                                | -                     | -               |
| <b>Initial adjusted balance</b>                                      | <b>1,324</b>                                        | <b>26,240</b>                       | <b>(26)</b>                                         | <b>195</b>                                           | -                           | <b>(526)</b>                           | <b>27,207</b>                                    | <b>243</b>            | <b>27,450</b>   |
| <b>Total recognized income/ (expense)</b>                            | -                                                   | (30)                                | -                                                   | 1,646                                                | -                           | 642                                    | 2,258                                            | 17                    | 2,275           |
| <b>Transactions with shareholders or owners</b>                      |                                                     |                                     |                                                     |                                                      |                             |                                        |                                                  |                       |                 |
| Increase/ (decrease) of share capital                                | 26                                                  | (26)                                | -                                                   | -                                                    | -                           | -                                      | -                                                | -                     | -               |
| Dividend payments                                                    | -                                                   | (1,324)                             | -                                                   | -                                                    | -                           | -                                      | (1,324)                                          | (1)                   | (1,325)         |
| Transactions with treasury shares or own equity instruments (net)    | -                                                   | 3                                   | 26                                                  | -                                                    | -                           | -                                      | 29                                               | -                     | 29              |
| Increases / (decreases) due to changes in the scope of consolidation | -                                                   | -                                   | -                                                   | -                                                    | -                           | -                                      | -                                                | -                     | -               |
| Other transactions with partners and owners                          | -                                                   | (155)                               | -                                                   | -                                                    | -                           | -                                      | (155)                                            | -                     | (155)           |
| <b>Other changes in equity</b>                                       |                                                     |                                     |                                                     |                                                      |                             |                                        |                                                  |                       |                 |
| Transfers between equity accounts                                    | -                                                   | 195                                 | -                                                   | (195)                                                | -                           | -                                      | -                                                | -                     | -               |
| Other changes                                                        | -                                                   | 9                                   | -                                                   | -                                                    | -                           | 13                                     | 22                                               | 1                     | 23              |
| <b>Closing balance at 09/30/2014</b>                                 | <b>1,350</b>                                        | <b>24,912</b>                       | -                                                   | <b>1,646</b>                                         | -                           | <b>129</b>                             | <b>28,037</b>                                    | <b>260</b>            | <b>28,297</b>   |
| <b>Total recognized income/ (expense)</b>                            | -                                                   | 25                                  | -                                                   | (34)                                                 | -                           | 309                                    | 300                                              | (42)                  | 258             |
| <b>Transactions with shareholders or owners</b>                      |                                                     |                                     |                                                     |                                                      |                             |                                        |                                                  |                       |                 |
| Increase / (Decrease) of share capital                               | 25                                                  | (25)                                | -                                                   | -                                                    | -                           | -                                      | -                                                | -                     | -               |
| Dividend payments                                                    | -                                                   | -                                   | -                                                   | -                                                    | -                           | -                                      | -                                                | -                     | -               |
| Transactions with treasury shares or own equity instruments (net)    | -                                                   | (1)                                 | (127)                                               | -                                                    | -                           | -                                      | (128)                                            | -                     | (128)           |
| Increases / (decreases) due to changes in the scope of consolidation | -                                                   | -                                   | -                                                   | -                                                    | -                           | -                                      | -                                                | -                     | -               |
| Other transactions with partners and owners                          | -                                                   | (245)                               | -                                                   | -                                                    | -                           | -                                      | (245)                                            | -                     | (245)           |
| <b>Other changes in equity</b>                                       |                                                     |                                     |                                                     |                                                      |                             |                                        |                                                  |                       |                 |
| Payments based on equity instruments                                 | -                                                   | -                                   | -                                                   | -                                                    | -                           | -                                      | -                                                | -                     | -               |
| Transfers between equity accounts                                    | -                                                   | -                                   | -                                                   | -                                                    | -                           | -                                      | -                                                | -                     | -               |
| Other changes                                                        | -                                                   | (24)                                | -                                                   | -                                                    | -                           | (3)                                    | (27)                                             | (1)                   | (28)            |
| <b>Closing balance at 12/31/2014</b>                                 | <b>1,375</b>                                        | <b>24,642</b>                       | <b>(127)</b>                                        | <b>1,612</b>                                         | -                           | <b>435</b>                             | <b>27,937</b>                                    | <b>217</b>            | <b>28,154</b>   |
| <b>Total recognized income/ (expense)</b>                            | -                                                   | (4)                                 | -                                                   | 832                                                  | -                           | 1,037                                  | 1,865                                            | 46                    | 1,911           |
| <b>Transactions with shareholders or owners</b>                      |                                                     |                                     |                                                     |                                                      |                             |                                        |                                                  |                       |                 |
| Increase / (Decrease) of share capital                               | 25                                                  | (25)                                | -                                                   | -                                                    | -                           | -                                      | -                                                | -                     | -               |
| Dividend payments                                                    | -                                                   | -                                   | -                                                   | -                                                    | -                           | -                                      | -                                                | -                     | -               |
| Transactions with treasury shares or own equity instruments (net)    | -                                                   | 3                                   | (121)                                               | -                                                    | -                           | -                                      | (118)                                            | -                     | (118)           |
| Increases / (decreases) due to changes in the scope of consolidation | -                                                   | -                                   | -                                                   | -                                                    | -                           | -                                      | -                                                | 23                    | 23              |
| Other transactions with partners and owners                          | -                                                   | (243)                               | -                                                   | -                                                    | -                           | -                                      | (243)                                            | -                     | (243)           |
| <b>Other changes in equity</b>                                       |                                                     |                                     |                                                     |                                                      |                             |                                        |                                                  |                       |                 |
| Transfers between equity accounts                                    | -                                                   | 1,612                               | -                                                   | (1,612)                                              | -                           | -                                      | -                                                | -                     | -               |
| Issues of perpetual subordinated obligations                         | -                                                   | (15)                                | -                                                   | -                                                    | 1,010                       | -                                      | 995                                              | -                     | 995             |
| Other changes                                                        | -                                                   | 25                                  | -                                                   | -                                                    | -                           | (1)                                    | 24                                               | -                     | 24              |
| <b>Closing balance at 09/30/2015</b>                                 | <b>1,400</b>                                        | <b>25,995</b>                       | <b>(248)</b>                                        | <b>832</b>                                           | <b>1,010</b>                | <b>1,471</b>                           | <b>30,460</b>                                    | <b>286</b>            | <b>30,746</b>   |

Notes 1 to 6 are an integral part of this consolidated statement of changes in equity corresponding to the nine-month period ended September 30, 2015.

*Translation of a report originally issued in Spanish.  
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**Repsol, S.A. and investees comprising the Repsol Group**  
**Consolidated cash flow statement for the third quarter of 2015 and 2014 and interim periods ended September 30, 2015 and 2014**

|                                                                                            | Millions of euros |                |                   |                   |
|--------------------------------------------------------------------------------------------|-------------------|----------------|-------------------|-------------------|
|                                                                                            | Q3 2015           | Q3 2014        | 09/30/2015        | 09/30/2014        |
| <b>Net income before tax</b>                                                               | <b>(407)</b>      | <b>476</b>     | <b>975</b>        | <b>1,795</b>      |
| <b>Adjustments to net income:</b>                                                          | <b>1,284</b>      | <b>261</b>     | <b>1,891</b>      | <b>501</b>        |
| Depreciation and amortization of non-current assets                                        | 833               | 405            | 2,193             | 1,347             |
| Other adjustments to results (net)                                                         | 451               | (144)          | (302)             | (846)             |
| <b>Changes in working capital</b>                                                          | <b>535</b>        | <b>559</b>     | <b>85</b>         | <b>93</b>         |
| <b>Other cash flows from operating activities:</b>                                         | <b>19</b>         | <b>65</b>      | <b>(222)</b>      | <b>(261)</b>      |
| Dividends received                                                                         | 274               | 282            | 407               | 481               |
| Income tax received / (paid)                                                               | (154)             | (171)          | (296)             | (565)             |
| Other proceeds from / ( payments for) operating activities                                 | (101)             | (46)           | (333)             | (177)             |
| <b>Cash flows from operating activities <sup>(1)</sup></b>                                 | <b>1,431</b>      | <b>1,361</b>   | <b>2,729</b>      | <b>2,128</b>      |
| <b>Payments for investing activities:</b>                                                  | <b>(1,044)</b>    | <b>(673)</b>   | <b>(10,920)</b>   | <b>(2,777)</b>    |
| Group companies and associates                                                             | (241)             | -              | (8,648)           | (18)              |
| Property, plant and equipment, intangible assets and investment properties                 | (695)             | (672)          | (2,026)           | (1,843)           |
| Other financial assets                                                                     | (108)             | (1)            | (246)             | (916)             |
| <b>Proceeds from divestments:</b>                                                          | <b>254</b>        | <b>52</b>      | <b>1,585</b>      | <b>4,777</b>      |
| Group companies and associates                                                             | 134               | 6              | 389               | 115               |
| Property, plant and equipment, intangible assets and investment properties                 | 120               | 46             | 134               | 70                |
| Other financial assets                                                                     | -                 | -              | 1,062             | 4,592             |
| <b>Other Cash Flows</b>                                                                    | <b>-</b>          | <b>-</b>       | <b>494</b>        | <b>-</b>          |
| <b>Cash flows used in investing activities <sup>(1)</sup></b>                              | <b>(790)</b>      | <b>(621)</b>   | <b>(8,841)</b>    | <b>2,000</b>      |
| <b>Proceeds from/ (payments for) equity instruments:</b>                                   | <b>(164)</b>      | <b>5</b>       | <b>860</b>        | <b>27</b>         |
| Issues                                                                                     | -                 | -              | 995               | -                 |
| Acquisition                                                                                | (164)             | (10)           | (318)             | (60)              |
| Disposal                                                                                   | -                 | 15             | 183               | 87                |
| <b>Proceeds from / (payments for) financial liabilities:</b>                               | <b>(32)</b>       | <b>(1,014)</b> | <b>2,544</b>      | <b>(1,914)</b>    |
| Issues                                                                                     | 2,349             | 1,381          | 8,970             | 3,739             |
| Return and depreciation                                                                    | (2,381)           | (2,395)        | (6,426)           | (5,653)           |
| <b>Payments for dividends and payments on other equity instruments:</b>                    | <b>(243)</b>      | <b>(361)</b>   | <b>(488)</b>      | <b>(1,711)</b>    |
| Payments for dividends                                                                     | (243)             | (361)          | (488)             | (1,711)           |
| <b>Other cash flows from financing activities:</b>                                         | <b>(270)</b>      | <b>12</b>      | <b>519</b>        | <b>(486)</b>      |
| Interest payments                                                                          | (103)             | (65)           | (498)             | (475)             |
| Other proceeds from/ (payments for) financing activities                                   | (167)             | 77             | 1,017             | (11)              |
| <b>Cash flows used in financing activities <sup>(1)</sup></b>                              | <b>(709)</b>      | <b>(1,358)</b> | <b>3,435</b>      | <b>(4,084)</b>    |
| <b>Effect of changes in exchange rates</b>                                                 | <b>(5)</b>        | <b>81</b>      | <b>58</b>         | <b>108</b>        |
| <b>Net increase / (decrease) in cash and cash equivalents</b>                              | <b>(73)</b>       | <b>(537)</b>   | <b>(2,619)</b>    | <b>152</b>        |
| Cash flows from operating activities from discontinued operations                          | -                 | (14)           | -                 | (86)              |
| Cash flows from investment activities from discontinued operations                         | -                 | 22             | -                 | 535               |
| Cash flows from financing activities from discontinued operations                          | -                 | -              | -                 | (1)               |
| <b>Net increase / (decrease) in cash and cash equivalents from discontinued operations</b> | <b>-</b>          | <b>8</b>       | <b>-</b>          | <b>448</b>        |
| Cash and cash equivalents at the beginning of the period                                   | 2,092             | 6,845          | 4,638             | 5,716             |
| Cash and cash equivalents at the end of the period                                         | 2,019             | 6,316          | 2,019             | 6,316             |
| <b>COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>                    | <b>Q3 2015</b>    | <b>Q3 2014</b> | <b>09/30/2015</b> | <b>09/30/2014</b> |
| Cash and banks                                                                             | 1,608             | 5,474          | 1,608             | 5,474             |
| Other financial assets                                                                     | 411               | 842            | 411               | 842               |
| <b>TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>                            | <b>2,019</b>      | <b>6,316</b>   | <b>2,019</b>      | <b>6,316</b>      |

<sup>(1)</sup> Includes cash flows from continuing operations.

Notes 1 to 6 are an integral part of this consolidated cash flow statement corresponding to the nine-month period ended September 30, 2015.

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

Notes to the interim condensed consolidated financial statements for the nine-month period ended September 30, 2015.

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## **(1) BASIS OF PRESENTATION**

### **1.1 General principles**

The accompanying interim condensed consolidated financial statements of Repsol S.A. and its investees, comprising the Repsol Group (hereinafter “Repsol”, “Group Repsol” or “Group”) entities are expressed in millions of euros (except where otherwise indicated), were prepared based on the accounting records of the Group entities in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union at September 30, 2015<sup>1</sup>, and specifically in accordance with the requirements established in the International Accounting Standard (IAS) 34 “*Interim Financial Reporting*”.

This financial statements present fairly the Group’s consolidated equity and financial position at September 30, 2015, as well as the results of its operations, the changes in equity and the consolidated cash flows for the nine-month period then ended.

In accordance with IAS 34, this interim condensed consolidated financial report is only intended to provide an update on the latest approved annual financial statements, focusing on new activities, events, and circumstances occurred during the first nine months of the year, and do not duplicate information previously reported in the Consolidated Financial Statements for the prior year. For an appropriate understanding of the information provided in these interim condensed financial statements, they should be read in conjunction with the Repsol Group’s Consolidated Financial Statements for the financial year 2014.

These interim condensed consolidated financial statements have been approved by the Board of Directors of Repsol S.A. held on October 29, 2015.

### **1.2 Accounting estimates and judgments**

Estimates made by Management were used in the preparation of these interim condensed consolidated financial statements to measure certain assets, liabilities, revenues and expenses. These estimates were made based on the best information available, as described in Note 3 “*Accounting estimates and judgments*” of the Consolidated Financial Statements for the financial year 2014.

It is possible that future developments may require modifying these estimates (upwards or downwards) as of year-end 2015 or subsequent years.

Although there were no significant changes in the first nine-months of 2015 regarding the methodology used to calculate the estimates made as of year-end 2014, it is worth to highlight the provisional valuation of the Talisman assets and liabilities after the acquisition closed on May 8, 2015, as this process required Repsol Group Management to use their judgment and make sensitive estimates that may be subject to change (see Note 2.2). In addition, current low oil price environment has carried along the need to review the assumptions used to calculate the recoverable amount of the Group’s assets (see paragraph “*Impairment of assets*” in Note 4.3).

### **1.3 Seasonality**

Amongst the Group activities, the liquefied petroleum gas (LPG) and natural gas businesses are those that involve the greatest seasonality due to their dependence on climatological conditions, with increased activity during winter and decreased activity during summer in the northern hemisphere.

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<sup>1</sup> Please refer to Appendix I and II of this document for the Accounting Regulatory Framework and Regulatory Framework, respectively.

## (2) REPSOL GROUP'S COMPOSITION

### 2.1 General information and changes in the Group's composition

Repsol constitutes an integrated group of oil and gas companies which commenced its operations in 1987.

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

Repsol Group prepares its consolidated financial statements including the investments in all of its subsidiaries, associates and joint arrangements. Appendix I of the Consolidated Financial statements for the financial year 2014 details the main companies comprising the Repsol Group, which were included in the consolidation scope at said date. Appendix III of these interim condensed consolidated financial statements details the main changes in the Group's composition taken place during the first nine months of 2015.

The main changes in the Group's composition correspond to the incorporation of all Talisman Group companies detailed in Appendix III and IV of this document. However, the following changes also stand out:

- On July 23, 2015 Repsol International Capital Ltd. has been liquidated following the proactive strategy of reducing its presence in territories classified as tax havens. In 1997 and 2002, this entity issued preferred shares that were bought back in 2011 and 2013.
- On September 24, 2015, Repsol has reached an agreement with investment group Ardian encompassing the sale of its 10% equity interest in Compañía Logística de Hidrocarburos, S.A. ("CLH") for €325 million. This sale generated a gain of €293 million, which is recognized under the heading "*Income from reversals of impairment losses and gains on disposal of non-current assets*".

### 2.2 Acquisition of Talisman Energy, Inc.

On May 8, 2015, Repsol, through its Canadian subsidiary Repsol Energy Resources Canada Inc., acquired 100% of Talisman's Energy Inc. (hereinafter "Talisman") ordinary shares at \$ 8 each, as well as 100% of its preferred shares at CAD 25 each.

After the closing of the transaction, Talisman's ordinary shares were delisted from the Toronto and New York Stock Exchanges and its preferred shares were delisted from the Toronto Stock Exchange, the latter having been converted into ordinary shares subsequently. Talisman is incorporated under the "*Canada Business Corporations Act*".

The total amount paid out for the acquisition amounts to €8,005 million<sup>1</sup>, which includes \$ 8,289 million paid for its ordinary shares, and CAD 201 million, paid for its preferred shares.

To integrate Talisman on the Group's financial statements as provided under accounting standards, the purchase price has been provisionally allocated to the assets acquired and the liabilities assumed based on their estimated fair values as of the acquisition date.

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<sup>1</sup> Includes the effect of exchange rate hedging transactions on the acquisition price (see heading 4.2.2.)

The fair value of the *Upstream* assets and liabilities was calculated using the so-called income approach (discounted cash flow analysis using variables that are not directly observable in the market<sup>1</sup>) and using market metrics (comparable transaction prices). The most sensitive assumptions used in the cash flow projections used to value the assets are: i) hydrocarbons prices; ii) reserves and production profiles; iii) operating expenses and investments, including abandonment costs and; iv) discount rates. The estimated fair value of the long-term financial debt was calculated using observable market prices<sup>2</sup>.

As a result of the purchase price allocation process, the following assets and liabilities have been revaluated with respect to their carrying amounts on Talisman's consolidated balance sheet as of May 8:

- *Upstream* segment's Property, Plant and Equipment, primarily in the United States, Canada, Indonesia, Vietnam, Colombia and Algeria (€4,186 million).
- Provisions to cover possible future payments resulting from the acquired businesses, as well as legal, tax and environmental contingent liabilities, in an aggregate amount of € 2,758 million (see Note 4.5 "*Provisions*", Note 4.9 "*Tax situation*" and Note 4.10 "*Litigation*").
- Net deferred taxes mainly arising as a result of the revaluation of the aforementioned *Upstream* segment's assets in the net amount of €1,398 million.
- Financial liabilities corresponding to the difference between the estimated fair value of the financial debt and its carrying amount in the amount of €222 million.

The difference between Talisman acquisition price and fair value of the assets acquired and liabilities which are registered is assigned to goodwill (€ 2,717 million), including the recognition of the deferred taxes arising from the differences between the new fair value of the assets acquired and their tax bases. The value for the goodwill is justified by the synergies expected to be realized after the acquisition, the improved efficiency in the operations, decrease in general and administrative expenses, as well as the existence of other intangible assets not recognized according to prevailing accounting rules. Goodwill is neither depreciated nor tax deductible, but periodically impairment tests are performed to evaluate its recoverability.

This business combination has been determined as provisionally (see Appendix I "*Accounting Regulatory Framework*"), because the process of measuring the assets acquired and liabilities assumed as of the date of approving the accompanying interim condensed consolidated financial statements has not elapsed, neither has the twelve-month period for so doing (starting from the Talisman acquisition date) as provided under IFRS 3 "*Business combinations*". The provisional fair value of the net assets recorded in the interim condensed consolidated financial statements for the first half of 2015, has been reviewed in the third quarter as a result of obtaining new information.

Repsol has requested two reports from independent appraisers for the purpose of allocating Talisman's purchase price to the assets acquired and liabilities assumed based on their fair values. The conclusions of these reports have been considered in the provisional valuation of Talisman's assets and liabilities. The valuations included in these reports do not differ significantly from those used on a provisional basis by Repsol.

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<sup>1</sup> Level 3 inputs according to the fair value hierarchy defined in IFRS 13 "*Fair value measurement*".

<sup>2</sup> Level 2 inputs according to the fair value hierarchy defined in IFRS 13 "*Fair value measurement*".

The provisional breakdown of the net assets acquired on May 8, 2015 and the goodwill generated by this business combination is as follows:

| Millions of euros                                | "Provisional" Fair Value | Book value of the acquired company |
|--------------------------------------------------|--------------------------|------------------------------------|
| Intangible Assets                                | 87                       | 412                                |
| Property, plant and equipment                    | 14,118                   | 9,932                              |
| Investment accounted for using the equity method | 437                      | 505                                |
| Deferred tax assets                              | 1,765                    | 1,807                              |
| Other non-current assets                         | 106                      | 106                                |
| Other current assets                             | 766                      | 769                                |
| Cash and cash equivalents                        | 491                      | 458                                |
| <b>Total Assets</b>                              | <b>17,770</b>            | <b>13,989</b>                      |
| Non-current provisions                           | (4,512)                  | (1,809)                            |
| Non-current financial liabilities                | (3,583)                  | (3,361)                            |
| Deferred tax liabilities                         | (1,980)                  | (624)                              |
| Other non-current liabilities                    | (108)                    | (108)                              |
| Current provisions                               | (591)                    | (536)                              |
| Current financial liabilities                    | (1,013)                  | (1,013)                            |
| Other current liabilities                        | (695)                    | (695)                              |
| <b>Total Liabilities</b>                         | <b>(12,482)</b>          | <b>(8,146)</b>                     |
| <b>NET ASSETS ACQUIRED</b>                       | <b>5,288</b>             | <b>5,843</b>                       |
| <b>ACQUISITION COST</b>                          | <b>8,005</b>             |                                    |
| <b>GOODWILL</b>                                  | <b>2,717</b>             |                                    |

The consolidated revenue and the income obtained in the period contributed by Talisman since the acquisition date amounted to €1,049 and €-298 million, respectively. If the acquisition had been completed on January 1, 2015, the revenue and net income contribution by Talisman in the period would have been €1,768 and €-570 million, respectively.

The expenses related to the transaction incurred during the first nine months of the year amounted to €38 million and are recognized under the heading “*Other operating expenses*”.

### (3) SEGMENT REPORTING<sup>1</sup>

#### 3.1 Definition of segments

The definition of the Repsol Group’s business segments is based on the delimitation of the different activities performed and from which the Group earns revenue or incurs in expenses, as well as on the organizational structure approved by the Board of Directors for management of the businesses. Using these segments as a reference point, the Group’s management team (Repsol’s Corporate, E&P and Downstream Executive Committees) analyses the main operating and financial indicators in order to make decisions about segment resource allocation and to assess how the Company is performing. The Group did not group segments for the presentation of this information.

The operating segments of the Group are:

- *Upstream*, corresponding to the exploration and development of crude oil and natural gas reserves.

<sup>1</sup> All information disclosed throughout this Note includes Talisman’s metrics since its takeover, and unless otherwise expressly indicated, it was prepared according to the Group’s reporting model.

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

Finally, *Corporation and adjustments* includes activities not attributable to the aforementioned businesses, and specifically, corporate expenses and financial result, as well as intersegment consolidation adjustments.

### 3.2 Presentation of segment results

Repsol reflects the results for each segment including those from joint ventures<sup>1</sup>, or other managed companies operated as such<sup>2</sup>, in accordance with the percentage of interest held by the Group, considering its operational and economic metrics in the same manner and with the same detail as for fully consolidated companies. Thus, the Group considers that the nature of its businesses and the way in which results are analysed for decision-making purposes is adequately reflected.

In addition, the Group, considering its business reality and in order to make its disclosures more comparable with those in the sector, uses as a measure of segment results the so-called Adjusted Net Income, corresponding to the recurring net operating profit of continuing operations at current cost of supply ("*Current Cost of Supply*" or CCS) after taxes.

Inventory valuation method widely used in the industry, current cost of supply (CCS), differs from that accepted under prevailing European accounting standards ("*Middle In First Out*" or MIFO). The use of CCS methodology facilitates users of financial information comparisons with other companies in the industry. Under CCS methodology, the purchase price of volumes of inventories sold during the period is based on current prices of purchases during the period. Consequently, Adjusted Net Income does not include the so-called Inventory Effect. This Inventory Effect is presented separately net of the tax effect and excluding non-controlling interests and it is the difference between the net income using CCS and the net income using MIFO.

Likewise, Adjusted Net Income excludes the so-called Non-Recurring Income, that is, those originating from isolated events or transactions of an exceptional nature, or which are not ordinary or usual transactions of the Group. Non-Recurring Income is presented separately, net of the tax effect and excluding non-controlling interests.

However, Adjusted Net Income of the Gas Natural Fenosa segment includes the company's net income in accordance with the equity method<sup>3</sup>.

At any rate, for each of the metrics identified by segments in Appendix V (adjusted net income, inventory effect, non-recurring income...), the corresponding items and figures are indicated to facilitate reconciliation with the corresponding metrics prepared in accordance with IFRS-EU.

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<sup>1</sup> See heading 4.4 "*Investments accounted for using the equity method*" and Appendix I of the Consolidated Financial Statements for the financial year 2014, which identify the Group's main joint ventures.

<sup>2</sup> Corresponds to Petrocarabobo, S.A., (Venezuela), an associated entity of the Group.

<sup>3</sup> The remaining figures (revenue, capital employed, exploration investments...) only include cash flows generated in the Repsol Group as a shareholder of Gas Natural SDG, S.A. (dividends...).

### 3.3 Main metrics and indicators of the period \*

| Results, financial overview and shareholder remuneration <sup>(1)</sup> | Q3     |        | 9M     |        | Our business performance <sup>(1)</sup>         | Q3     |        | 9M     |        |
|-------------------------------------------------------------------------|--------|--------|--------|--------|-------------------------------------------------|--------|--------|--------|--------|
|                                                                         | 2015   | 2014   | 2015   | 2014   |                                                 | 2015   | 2014   | 2015   | 2014   |
| <b>Results</b>                                                          |        |        |        |        | <b>Upstream</b>                                 |        |        |        |        |
| EBITDA                                                                  | 1,011  | 1,047  | 3,394  | 3,249  | Net liquids production (kbbbl/d)                | 244    | 141    | 193    | 131    |
| Adjusted Net Income                                                     | 159    | 415    | 1,399  | 1,337  | Net gas production (kboe/d)                     | 409    | 225    | 319    | 218    |
| Net Income/ (Loss)                                                      | (221)  | 319    | 832    | 1,646  | Net hydrocarbons production (kboe/d)            | 653    | 366    | 512    | 349    |
| Earnings per share (€/share)                                            | (0.16) | 0.23   | 0.59   | 1.18   | Average crude oil realization price (\$/bbl)    | 44.4   | 84.3   | 48.3   | 85.9   |
| Capital employed <sup>(2)</sup>                                         | n.a    | n.a    | 43,869 | 30,296 | Average gas realization price (\$/Thousand scf) | 2.8    | 3.6    | 2.9    | 3.9    |
| ROACE (%) <sup>(3)</sup>                                                | n.a    | n.a    | 3.0    | 4.4    | EBITDA                                          | 334    | 728    | 1,237  | 2,087  |
| <b>Financial overview</b>                                               |        |        |        |        | Adjusted Net Income                             | (395)  | 185    | (633)  | 585    |
| Net financial debt <sup>(4)</sup>                                       | n.a    | n.a    | 13,123 | 1,935  | Investments <sup>(10)</sup>                     | 803    | 746    | 10,452 | 1,900  |
| EBITDA <sup>(5)</sup> / Net financial debt (x times)                    | n.a    | n.a    | 0.4    | 2.0    | <b>Downstream</b>                               |        |        |        |        |
| <b>Shareholder's remuneration</b>                                       |        |        |        |        | Refining capacity (kbbbl/d)                     | 998    | 998    | 998    | 998    |
| Total shareholder remuneration (€/share)                                | 0.48   | 0.48   | 0.96   | 1.96   | Conversion index in Spain (%)                   | 63     | 63     | 63     | 63     |
|                                                                         |        |        |        |        | Refining margin indicator in Spain (\$/bbl)     | 8.8    | 3.9    | 8.9    | 3.6    |
|                                                                         |        |        |        |        | Oil product sales (kt)                          | 12,571 | 11,387 | 35,292 | 32,530 |
|                                                                         |        |        |        |        | Petrochemical product sales (kt)                | 701    | 681    | 2,125  | 2,015  |
|                                                                         |        |        |        |        | LPG sales (kt)                                  | 459    | 599    | 1,689  | 1,819  |
|                                                                         |        |        |        |        | Gas sales in North America (TBtu)               | 62.1   | 61.1   | 226.3  | 210.7  |
|                                                                         |        |        |        |        | EBITDA                                          | 748    | 361    | 2,403  | 1,309  |
|                                                                         |        |        |        |        | Adjusted Net Income                             | 682    | 190    | 1,655  | 642    |
|                                                                         |        |        |        |        | Investments <sup>(10)</sup>                     | (122)  | 155    | 161    | 422    |
| <b>Main stock indicators</b> <sup>(1)</sup>                             |        |        |        |        | <b>Gas Natural Fenosa</b>                       |        |        |        |        |
| Share price at close of financial year (€/share)                        | 10.41  | 18.80  | 10.41  | 18.80  | Adjusted Net Income                             | 103    | 92     | 330    | 374    |
| Average share price (€/share)                                           | 13.80  | 18.73  | 15.86  | 18.77  |                                                 |        |        |        |        |
| Market capitalisation (at closure)                                      | 14,574 | 25,380 | 14,574 | 25,380 |                                                 |        |        |        |        |
|                                                                         |        |        |        |        |                                                 |        |        |        |        |
|                                                                         |        |        |        |        |                                                 |        |        |        |        |
|                                                                         |        |        |        |        |                                                 |        |        |        |        |
|                                                                         |        |        |        |        |                                                 |        |        |        |        |
| <b>Other ways of creating value</b>                                     |        |        |        |        | <b>Macroeconomic environment</b>                |        |        |        |        |
|                                                                         |        |        |        |        |                                                 |        |        |        |        |
| <b>People</b>                                                           |        |        |        |        | Brent (\$/bbl) average                          | 50     | 101.9  | 55.4   | 106.5  |
| Total employees <sup>(6)</sup>                                          | n.a    | n.a    | 28,260 | 24,761 | WTI (\$/bbl) average                            | 46.4   | 97.2   | 50.9   | 99.6   |
| Number of new hires in the year <sup>(7)</sup>                          | 1,817  | 1,549  | 8,223  | 4,374  | Henry Hub (\$/Mbtu) average                     | 2.7    | 4.1    | 2.8    | 4.6    |
| <b>Safety and environmental management</b>                              |        |        |        |        | Algonquin (\$/Mbtu) average                     | 2.4    | 3.0    | 5.4    | 9.2    |
| Overall Frequency Rate of accidents <sup>(8)</sup>                      | n.a    | n.a    | 1.01   | 0.71   | Average exchange rate (\$/€)                    | 1.11   | 1.33   | 1.12   | 1.35   |
| Direct CO <sub>2</sub> emissions (million t) <sup>(9)</sup>             | 3.33   | 3.35   | 9.74   | 9.5    |                                                 |        |        |        |        |

\* Operating metrics and indicators correspond to information not reviewed by the auditor.

<sup>(1)</sup> Where appropriate, figures shown in million euros.

<sup>(2)</sup> Capital employed from continuing operations.

<sup>(3)</sup> The ROACE for the first nine months and third quarter of 2015 are an annualized indicator by a mere extrapolation of those period's figures, and the corresponding to the 2014 financial year corresponds to the annual real data.

<sup>(4)</sup> Comparative figure 2014 corresponds to 31 December 2014.

<sup>(5)</sup> EBITDA for the first nine months and third quarter of 2015 are an annualized indicator obtained by a mere extrapolation of this period's figures; the corresponding to the 2014 financial year corresponds to the annual real data.

<sup>(6)</sup> The workforce figure does not include employees of partially-owned companies in which Repsol does not have management control, following the Group's accounting consolidation criteria. In 2014, does not include employees with annual working hours equal to or less than 20% of the hours set in the collective bargaining agreement.

<sup>(7)</sup> The % of permanent new hires in the third quarter of 2015 and 2014 amounts to 29%. In the nine-month period ended September 30, 2015 and 2014 this figure amounts to 51% and 31%, respectively.

<sup>(8)</sup> Frequency rate (IF) with sick leave: number of accidents leading to days lost or deaths recorded over the year, for every million hours worked.

<sup>(9)</sup> Includes direct emissions of CO<sub>2</sub> from the most relevant business units and countries in which the Group operates, accounting for 98% of the Company's direct Greenhouse Gas (GHG) emissions inventory.

<sup>(10)</sup> Net investments in operating asset disposal.

### 3.4 Income for the period by segment

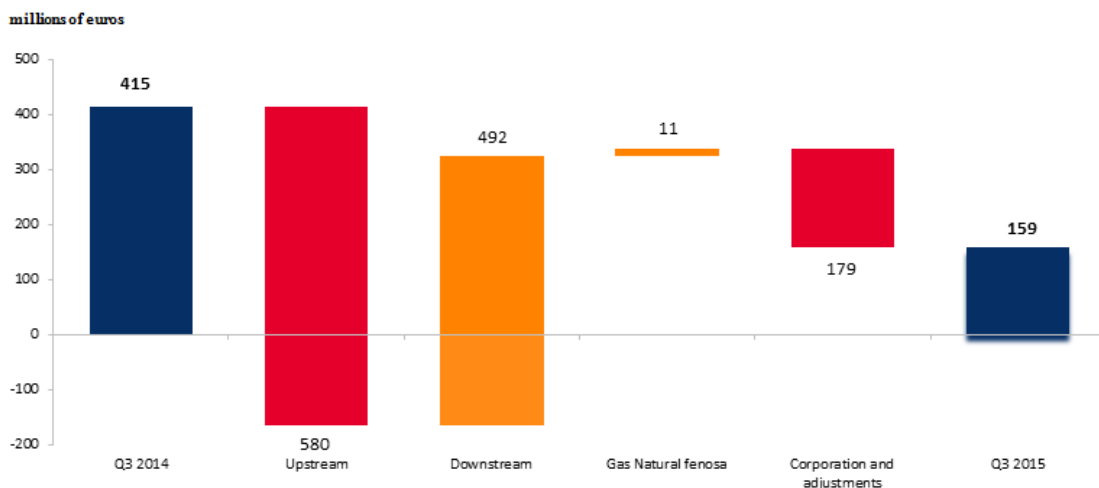
| SEGMENTS                                            | Millions of euros |            |              |              |
|-----------------------------------------------------|-------------------|------------|--------------|--------------|
|                                                     | Q3 2015           | Q3 2014    | 09/30/2015   | 09/30/2014   |
| Upstream                                            | (395)             | 185        | (633)        | 585          |
| Downstream                                          | 682               | 190        | 1,655        | 642          |
| Gas Natural Fenosa                                  | 103               | 92         | 330          | 374          |
| Corporation and adjustments                         | (231)             | (52)       | 47           | (264)        |
| <b>Adjusted net income of the reported segments</b> | <b>159</b>        | <b>415</b> | <b>1,399</b> | <b>1,337</b> |
| Inventory effect                                    | (272)             | (63)       | (329)        | (117)        |
| Non-recurring income                                | (108)             | (32)       | (238)        | 159          |
| Results from discontinued operations                | -                 | (1)        | -            | 267          |
| <b>NET INCOME</b>                                   | <b>(221)</b>      | <b>319</b> | <b>832</b>   | <b>1,646</b> |

Below are the **explanations of Repsol's third-quarter 2015 results**. For an explanation of the first and second quarter 2015 results, see section 4.3 of the quarterly condensed consolidated financial statements for the first and second quarters, respectively.

The Group's results of the third quarter 2015, compared to the same period in previous year, occur in an **environment** characterized by low oil and gas prices, improved international margins in industrial businesses and appreciation of the dollar against the euro.

**Adjusted Net Income for the quarter** amounted to €159 million, 62% lower than the same period in the previous year. The decrease in *Upstream* results, influenced by the drop in crude oil and gas prices, and in *Corporation*, because of a lower financial result due to the evolution on foreign exchange rate, has been partially offset by the improved *Downstream* (especially in the industrial business) and Gas Natural Fenosa results, reaffirming the advantages of Repsol's integrated model.

Adjusted Net Income/ (Loss) variation Q3 2015 vs. Q3 2014

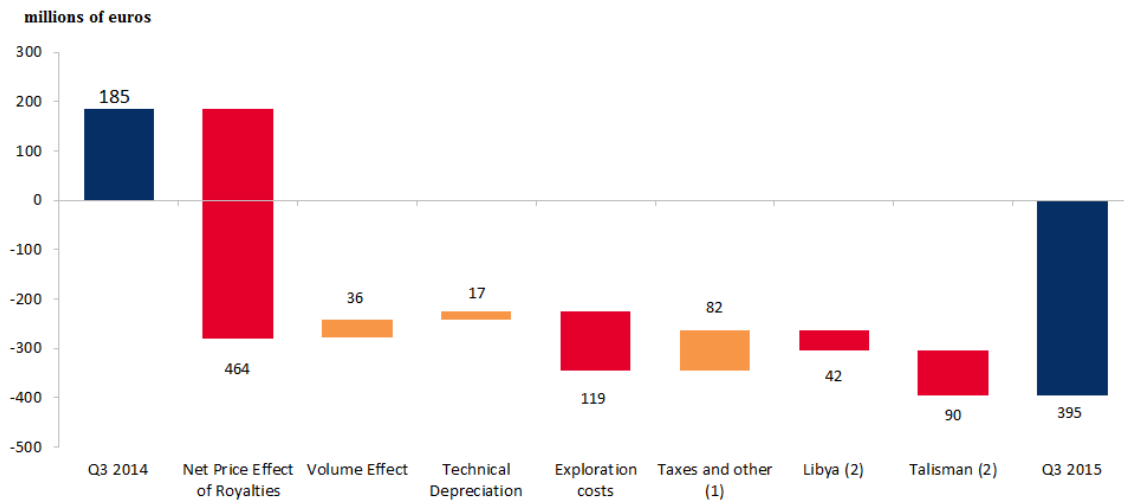


In the *Upstream* segment production has increased by 78% to reach an average of 653 kboe/d during the quarter, mainly due to the contribution of Talisman assets (307 kboe/d), the start of production at new wells in Sapinhoá (Brazil) and the start of production in Cardon IV (Venezuela). All of this despite the absence of production in Libya due to national security issues and a drop in output in Trinidad and Tobago, on account of field drilling and maintenance works.

Despite the increase in production, adjusted net income for the *Upstream* segment in the period shows an important decrease compared to that of 2014. This lower result is mainly attributable to lower crude oil and gas realization prices (47% and 22% respectively), as a consequence of difficult market conditions. Additionally, it is worth noting the increase on exploration costs generated due to results obtained from two negative wells in Angola and another one in Norway.

Below is a breakdown of the main reasons for the evolution of *Upstream* results:

*Upstream* Adjusted Net Income/ (Loss) variation Q3 2015 vs. Q3 2014



- (1) Mainly includes income tax expense and the exchange rate effect.
- (2) Adjusted Net Income.



Adjusted net income in the *Downstream* segment amounted to €682 million in the third quarter of 2015, marking year-on-year growth of 259%, compared to the same period in 2014.

Downstream Adjusted Net Income/ (Loss) variation Q3 2015 vs. Q3 2014



This marked increase in income is mainly due to:

- Increase in the produced and sold volumes and the improvement in refining margins.
- Wider margins and growth in sales volumes in the Chemicals business driven by a more favorable international business environment and improved efficiency.
- The favorable evolution in prices and margins in the *Trading* and *Gas&Power* businesses.
- The recovery of the oil market in Spain, where service-station sales rose a noteworthy 1.2%.

With respect to *Gas Natural Fenosa*, third quarter of 2015 adjusted net income amounted to €103 million against €92 million in the same period in 2014. This increase in earnings is mainly due to CGE-Chile Company contribution, partially offset by a weaker performance by the gas wholesaling business and the lower contribution of electricity and gas businesses in Latin America.

*Corporation and adjustments* presents an adjusted net loss of €-231 million, with respect to the €-52 million for the third quarter of 2014. The difference is mainly driven by the lower financial results due to the foreign exchange rate effect on the dollar positions and the inclusion of financial and corporate expenses of Talisman in 2015.

Finally, the Group reported a **Net Loss** of €221 million, compared to net income of €319 million in the same period of 2014. The difference is attributable to a negative inventory effect as a result of lower crude oil prices in 2015 and to negative non-recurring results from impairments (provisions due to impairment of *Upstream* segment assets in Mid-Continent, USA, and of *Gas & Power* in North America totaling €443 million), partially offset by the gains recognized on the sale of 10% of CLH (see Note 2.1) and the exploration permits in Canada (see Note 4.7).

### 3.5 Information by geographical area and segments

The geographic distribution of the main figures in each of the detailed periods is as follows:

| Millions of euros                                     | Third quarter 2015 and 2014      |               |                     |            |                                             |            |
|-------------------------------------------------------|----------------------------------|---------------|---------------------|------------|---------------------------------------------|------------|
|                                                       | Operating revenue <sup>(2)</sup> |               | Adjusted Net Income |            | Net operating investments <sup>(1)(2)</sup> |            |
|                                                       | Q3 2015                          | Q3 2014       | Q3 2015             | Q3 2014    | Q3 2015                                     | Q3 2014    |
| <b>Upstream</b>                                       | <b>1,419</b>                     | <b>1,186</b>  | <b>(395)</b>        | <b>185</b> | <b>803</b>                                  | <b>746</b> |
| Europe, Africa and Brazil                             | 332                              | 323           | (45)                | 56         | 166                                         | 97         |
| South America                                         | 488                              | 616           | (62)                | 139        | 262                                         | 232        |
| North America                                         | 312                              | 205           | (54)                | 56         | 184                                         | 160        |
| Asia and Russia                                       | 287                              | 42            | 5                   | 7          | 46                                          | 4          |
| Exploration and Other                                 | -                                | -             | (239)               | (73)       | 145                                         | 253        |
| <b>Downstream</b>                                     | <b>9,585</b>                     | <b>11,921</b> | <b>682</b>          | <b>190</b> | <b>(122)</b>                                | <b>155</b> |
| Europe                                                | 8,973                            | 11,043        | 643                 | 213        | (188)                                       | 129        |
| Rest of the world                                     | 1,091                            | 1,688         | 39                  | (23)       | 66                                          | 26         |
| Adjustments                                           | (479)                            | (810)         | -                   | -          | -                                           | -          |
| <b>Gas Natural Fenosa Corporation and Adjustments</b> | <b>-</b>                         | <b>-</b>      | <b>103</b>          | <b>92</b>  | <b>-</b>                                    | <b>-</b>   |
| <b>TOTAL</b>                                          | <b>10,704</b>                    | <b>12,736</b> | <b>159</b>          | <b>415</b> | <b>695</b>                                  | <b>909</b> |

| Millions of euros                                           | Accumulated nine-month period 2015 and 2014 |               |                     |              |                                             |                    |                  |               |
|-------------------------------------------------------------|---------------------------------------------|---------------|---------------------|--------------|---------------------------------------------|--------------------|------------------|---------------|
|                                                             | Operating revenue <sup>(2)</sup>            |               | Adjusted Net Income |              | Net operating investments <sup>(1)(2)</sup> |                    | Capital employed |               |
|                                                             | 09/30/2015                                  | 09/30/2014    | 09/30/2015          | 09/30/2014   | 09/30/2015                                  | 09/30/2014         | 09/30/2015       | 12/31/2014    |
| <b>Upstream</b>                                             | <b>3,496</b>                                | <b>3,305</b>  | <b>(633)</b>        | <b>585</b>   | <b>10,452</b>                               | <b>1,900</b>       | <b>25,284</b>    | <b>11,167</b> |
| Europe, Africa and Brazil                                   | 788                                         | 782           | (100)               | 207          | 359                                         | 264                | -                | -             |
| South America                                               | 1,465                                       | 1,800         | 25                  | 504          | 812                                         | 486                | -                | -             |
| North America                                               | 707                                         | 592           | (73)                | 167          | 437                                         | 433                | -                | -             |
| Asia and Russia                                             | 536                                         | 131           | 34                  | 21           | 82                                          | 19                 | -                | -             |
| Exploration and Other                                       | -                                           | -             | (519)               | (314)        | 8,762                                       | 698 <sup>(3)</sup> | -                | -             |
| <b>Downstream</b>                                           | <b>28,994</b>                               | <b>35,120</b> | <b>1,655</b>        | <b>642</b>   | <b>161</b>                                  | <b>422</b>         | <b>10,810</b>    | <b>11,492</b> |
| Europe                                                      | 26,761                                      | 31,731        | 1,594               | 512          | 17                                          | 343                | -                | -             |
| Rest of the world                                           | 3,777                                       | 5,538         | 61                  | 130          | 144                                         | 79                 | -                | -             |
| Adjustments                                                 | (1,544)                                     | (2,149)       | -                   | -            | -                                           | -                  | -                | -             |
| <b>Gas Natural Fenosa Corporation and other adjustments</b> | <b>-</b>                                    | <b>-</b>      | <b>330</b>          | <b>374</b>   | <b>-</b>                                    | <b>-</b>           | <b>4,647</b>     | <b>4,567</b>  |
| <b>TOTAL</b>                                                | <b>31,698</b>                               | <b>37,365</b> | <b>1,399</b>        | <b>1,337</b> | <b>10,696</b>                               | <b>2,360</b>       | <b>43,869</b>    | <b>30,089</b> |

<sup>(1)</sup> Includes operating investments net of divestments during the period but not investments in “Other Financial Assets”.

<sup>(2)</sup> To see the reconciliation between these figures and IFRS UE figures please refer to Appendix V.

<sup>(3)</sup> Mainly includes the price paid on Talisman’s acquisition for €8,005 million.

#### (4) OTHER INFORMATION FOR THE PERIOD

This section outlines the most significant changes affecting the consolidated balance sheet and income statement headings in the nine-month period ending September 30, 2015.

#### 4.1 Equity

##### 4.1.1 Issued Share Capital

At the Annual General Meeting on April 30, 2015, the Company's shareholders approved two bonus share issues to execute the shareholder remuneration scheme named “*Repsol Flexible Dividend*”, in substitution of what would have been the traditional final dividend from 2014 profits and the interim dividend from 2015 earnings, under which shareholders can instead choose between receiving their remuneration in cash (by selling their bonus share rights in the market or back to the Company) or in Company shares.

The first of these bonus share issues was executed between June and July. The main characteristics of this issue are detailed below:

|                                   |                                                                                                                                                                                                                                                                                                               | June / July 2015                                                                                  |
|-----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| <b>COMPENSATION IN CASH</b>       | Trading period for free subscription rights<br>Deadline to apply for the sale of rights to Repsol at the fixed price guaranteed<br>Holders who accepted the irrevocable purchase commitment <sup>(1)</sup><br>Regulated fixed price guaranteed<br>Repsol gross rights acquisition                             | June 18 - July 3<br>June 26<br>36.5% (502,021,533 rights)<br>0.484 €gross / right<br>€243 million |
| <b>REPSOL SHARES REMUNERATION</b> | Holders who opted to receive new shares of Repsol<br>No. of rights needed to receive one new share<br>New issued shares<br>Increased share capital (approximately)<br>Bonus share issue close<br>Starting point of trading of the new shares on the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia | 63.5% (872,672,628 rights)<br>34<br>25,666,842<br>1.87%<br>July 6<br>July 15                      |

- (1) Repsol has renounced the corresponding shares to the bonus share rights acquired by virtue of the aforementioned purchase commitment. The balance sheet at September 30, 2015 recognizes a reduction in equity under “*Retained earnings and other reserves*”, along with the obligation to pay the shareholders that had accepted the irrevocable purchase commitment in the amount of Repsol assignment rights.

Subsequent to the capital increase, Repsol S.A. issued share capital at September 30, 2015 amounts to € 1,400,361,059, fully subscribed and paid up and represented by 1,400,361,059 shares with a nominal value of 1 euro each.

According to the latest information available, Repsol, S.A. significant shareholders are:

| Significant shareholders ( <i>Latest available information</i> )           | % of share capital |
|----------------------------------------------------------------------------|--------------------|
| Fundación Bancaria Caixa d’Estalvis y Pensions de Barcelona <sup>(1)</sup> | 11.80              |
| Sacyr, S.A. <sup>(2)</sup>                                                 | 8.73               |
| Temasek Holdings (Private) Limited <sup>(3)</sup>                          | 5.09               |
| Blackrock, Inc. <sup>(4)</sup>                                             | 3.25               |

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

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

<sup>(3)</sup> Temasek holds its stake through its subsidiary, Chembra Investment PTE, Ltd.

<sup>(4)</sup> Blackrock holds its stake through several controlled subsidiaries, all of which subject to a vote syndication arrangement. The information with respect to Blackrock is based on the declaration relating to its share capital said entity presented to the Spanish Securities Exchange Regulator (CNMV) on June 24, 2015.

#### 4.1.2 Treasury shares and own equity instruments

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

|                                         | No. of shares     | Cost<br>Millions of euros | % capital    |
|-----------------------------------------|-------------------|---------------------------|--------------|
| <b>Balance at 12/31/2014</b>            | <b>7,689,371</b>  |                           | <b>0.56%</b> |
| Open-market purchases                   | 20,481,846        | (301)                     | 1.46%        |
| Open-market sales <sup>(1)</sup>        | (11,042,495)      | 183                       | 0.79%        |
| Fidelization Plan <sup>(2)</sup>        | 54,435            | (1)                       | 0.00%        |
| Repsol Flexible Dividend <sup>(3)</sup> | 135,861           | -                         | 0.01%        |
| <b>Balance at 09/30/2015</b>            | <b>17,264,583</b> |                           | <b>1.23%</b> |

<sup>(1)</sup> Includes disposal of options on treasury shares (400,000 shares), amounting €6 million.

<sup>(2)</sup> All of the shares bought back under the scope of the second cycle of the (2012-2015) Loyalty Program have been delivered to employees.

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

#### 4.1.3 Other equity instruments

On March 25, 2015, Repsol International Finance, B.V. (RIF) issued a subordinated bond in the Euromarket for an amount of €1,000 million, guaranteed by Repsol, S.A. and of a perpetual nature or without maturity (amortizable upon request of the issuer starting from the sixth year or when certain special circumstances arise). This obligation accrues:

- a fixed annual coupon of 3.875% from the date of issue to March 25, 2021, payable annually from March 25, 2016.
- from March 25, 2021, the fixed annual coupon will be equal to the applicable 6-year swap rate plus a margin of: i) 3.56% annually until March 25, 2025; ii) 3.81% annually from March 25, 2025 until March 25, 2041; and iii) 4.56% annually from March 25, 2041.

The issuer can defer the coupon payments without being in breach of its covenants. Coupons so deferred will be cumulative but will have to be settled under certain instances defined in the related terms and conditions of the issuing.

The bond was placed with qualified investors and they are listed on the Luxembourg Stock Exchange.

This bond was recognized under “*Other equity instruments*”, included under equity in the consolidated balance sheet, considering that they do not meet the accounting conditions required to be treated as a Group’s financial liability. Net finance expense associated to the bond has been recorded under “*Retained earnings and other reserves*” amounting €15 million.

#### 4.1.4 Earnings per share

Earnings per share at September 30, 2015 and 2014 are detailed below:

| EARNINGS PER SHARE (EPS)                                                                   | Q3 2015       | Q3 2014     | 09/30/2015  | 09/30/2014  |
|--------------------------------------------------------------------------------------------|---------------|-------------|-------------|-------------|
| Net income attributable to the parent <sup>(1)</sup> (millions of euros)                   | (221)         | 319         | 832         | 1.646       |
| Adjustment of the interest expense for the subordinated perpetual debt (millions of euros) | (7)           | -           | (15)        | -           |
| Weighted average number of shares outstanding at September 30 <sup>(2)</sup> (shares)      | 1.390         | 1.400       | 1.395       | 1.399       |
| <b>EPS basic/diluid (€/ share)</b>                                                         | <b>(0,16)</b> | <b>0,23</b> | <b>0,59</b> | <b>1,18</b> |

<sup>(1)</sup> In 2014, includes the results corresponding to discontinued operations, amounting to €268 million, which is equivalent to an EPS of €0.20 per share

<sup>(2)</sup> Share capital registered at September 30, 2014, amounted to 1,350,272,389 shares, though the weighted average number of shares in circulation for purposes of calculating earnings per share at said date, includes the effect of share capital increases carried out as part of the remuneration scheme for shareholders "Repsol Flexible Dividend", in accordance with the applicable accounting standard.

#### 4.1.5 Shareholder remuneration

The following table breaks down the dividend payments received by Repsol shareholders during the nine-month period ending in September 30, 2015, carried out under the "Repsol Flexible Dividend" program:

| Period                       | No. Of free-of-charge allocation rights sold to Repsol | Committed purchase price (€/right) | Cash disbursement (millions of euros) | New shares issued | Remuneration in shares (millions of euros) |
|------------------------------|--------------------------------------------------------|------------------------------------|---------------------------------------|-------------------|--------------------------------------------|
| December 2014 / January 2015 | 519,930,192                                            | 0.472                              | 245                                   | 24,421,828        | 392                                        |
| June / July 2015             | 502,021,533                                            | 0.484                              | 243                                   | 25,666,842        | 422                                        |

## 4.2 Financial instruments

The breakdown of the different items corresponding to the consolidated assets and liabilities of a financial nature included in the balance sheet, is as follows:

|                                                                | Millions of euros |               |
|----------------------------------------------------------------|-------------------|---------------|
|                                                                | 09/30/2015        | 12/31/2014    |
| Non-current financial assets                                   | 889               | 593           |
| Non-current derivatives on trading transactions <sup>(1)</sup> | 5                 | -             |
| Other current financial assets                                 | 1,563             | 2,513         |
| Current derivatives on trading transactions <sup>(2)</sup>     | 231               | 503           |
| Cash and cash equivalents                                      | 2,019             | 4,638         |
| <b>Total financial assets</b>                                  | <b>4,707</b>      | <b>8,247</b>  |
| Non-current financial liabilities                              | 11,461            | 7,612         |
| Non-current derivatives on trading transactions <sup>(3)</sup> | 2                 | -             |
| Current financial liabilities                                  | 7,732             | 4,086         |
| Current derivatives on trading transactions <sup>(4)</sup>     | 84                | 144           |
| <b>Total financial liabilities</b>                             | <b>19,279</b>     | <b>11,842</b> |

<sup>(1)</sup> Recognized in the heading "Other non-current assets" of the consolidated balance sheet.

<sup>(2)</sup> Recognized in the heading "Other receivables" of the consolidated balance sheet.

<sup>(3)</sup> Recognized in the heading "Other non-current liabilities" of the consolidated balance sheet.

<sup>(4)</sup> Recognized in the heading "Other payables" of the consolidated balance sheet.

#### 4.2.1 Financial assets

The detail, by type of assets, of the Group's financial assets at September 30, 2015 and December 31, 2014, is as follows:

| September 30, 2015 and December 31, 2014 |                                                  |            |                                                                            |            |                                                    |           |                                         |              |                                             |              |                                    |           |              |              |
|------------------------------------------|--------------------------------------------------|------------|----------------------------------------------------------------------------|------------|----------------------------------------------------|-----------|-----------------------------------------|--------------|---------------------------------------------|--------------|------------------------------------|-----------|--------------|--------------|
| Millions of euros                        | Financial assets held for trading <sup>(4)</sup> |            | Other financial assets at fair value through profit or loss <sup>(4)</sup> |            | Financial assets available for sale <sup>(4)</sup> |           | Loans and receivables <sup>(2)(3)</sup> |              | Held to maturity investments <sup>(2)</sup> |              | Hedging derivatives <sup>(4)</sup> |           | Total        |              |
|                                          | 2015                                             | 2014       | 2015                                                                       | 2014       | 2015                                               | 2014      | 2015                                    | 2014         | 2015                                        | 2014         | 2015                               | 2014      | 2015         | 2014         |
| Equity instruments                       | -                                                | -          | -                                                                          | -          | 84                                                 | 60        | -                                       | -            | -                                           | -            | -                                  | -         | 84           | 60           |
| Derivatives                              | 5                                                | -          | -                                                                          | -          | -                                                  | -         | -                                       | -            | -                                           | -            | -                                  | -         | 5            | -            |
| Other financial assets                   | -                                                | -          | 90                                                                         | 90         | -                                                  | -         | 713                                     | 441          | 2                                           | 2            | -                                  | -         | 805          | 533          |
| <b>Long term/Non-current</b>             | <b>5</b>                                         | <b>-</b>   | <b>90</b>                                                                  | <b>90</b>  | <b>84</b>                                          | <b>60</b> | <b>713</b>                              | <b>441</b>   | <b>2</b>                                    | <b>2</b>     | <b>-</b>                           | <b>-</b>  | <b>894</b>   | <b>593</b>   |
| Derivatives                              | 223                                              | 618        | -                                                                          | -          | -                                                  | -         | -                                       | -            | -                                           | -            | 32                                 | 25        | 255          | 643          |
| Other financial assets                   | -                                                | -          | 12                                                                         | 12         | -                                                  | -         | 1,539                                   | 2,373        | 2,007                                       | 4,626        | -                                  | -         | 3,558        | 7,011        |
| <b>Short term/Current</b>                | <b>223</b>                                       | <b>618</b> | <b>12</b>                                                                  | <b>12</b>  | <b>-</b>                                           | <b>-</b>  | <b>1,539</b>                            | <b>2,373</b> | <b>2,007</b>                                | <b>4,626</b> | <b>32</b>                          | <b>25</b> | <b>3,813</b> | <b>7,654</b> |
| <b>TOTAL<sup>(1)</sup></b>               | <b>228</b>                                       | <b>618</b> | <b>102</b>                                                                 | <b>102</b> | <b>84</b>                                          | <b>60</b> | <b>2,252</b>                            | <b>2,814</b> | <b>2,009</b>                                | <b>4,628</b> | <b>32</b>                          | <b>25</b> | <b>4,707</b> | <b>8,247</b> |

(1) In heading "Other non-current assets," and in headings "Trade receivables" and "Other receivables" of the balance sheet, an amount of €239 million classified under long term and €4,987 million classified under short-term are included at September 30, 2015, and, at December 31, 2014, €155 million were classified under long term and €4,550 million were classified under short term, arising out of commercial receivables not included in the breakdown of the financial assets in the previous table.

(2) The fair value agrees with the carrying amount.

(3) A number of deposits arranged with different financial institutions totaling €1,246 million were cancelled, upon maturity, during the first nine months of 2015.

(4) In heading "Fair value of financial instruments" within Appendix VI, the classification of financial instruments by level of fair value hierarchy is being detailed.

#### 4.2.2 Financial liabilities

The detail, by type of liabilities, of the Group's financial liabilities at September 30, 2015 and December 31, 2014, is as follows:

| September 30, 2015 and December 31, 2014 |                                                       |            |                                          |               |                                    |            |               |               |               |               |  |
|------------------------------------------|-------------------------------------------------------|------------|------------------------------------------|---------------|------------------------------------|------------|---------------|---------------|---------------|---------------|--|
| Millions of euros                        | Financial liabilities held for trading <sup>(2)</sup> |            | Financial liabilities and other payables |               | Hedging derivatives <sup>(2)</sup> |            | Total         |               | Fair Value    |               |  |
|                                          | 2015                                                  | 2014       | 2015                                     | 2014          | 2015                               | 2014       | 2015          | 2014          | 2015          | 2014          |  |
| Bank borrowings                          | -                                                     | -          | 1,496                                    | 1,359         | -                                  | -          | 1,496         | 1,359         | 1,496         | 1,359         |  |
| Bonds and other securities               | -                                                     | -          | 9,869                                    | 6,165         | -                                  | -          | 9,869         | 6,165         | 9,641         | 6,734         |  |
| Derivatives                              | 2                                                     | -          | -                                        | -             | 96                                 | 88         | 98            | 88            | 98            | 88            |  |
| <b>Long-term/ Non-current</b>            | <b>2</b>                                              | <b>-</b>   | <b>11,365</b>                            | <b>7,524</b>  | <b>96</b>                          | <b>88</b>  | <b>11,463</b> | <b>7,612</b>  | <b>11,235</b> | <b>8,181</b>  |  |
| Bank borrowings                          | -                                                     | -          | 2,063                                    | 645           | -                                  | -          | 2,063         | 645           | 2,063         | 645           |  |
| Bonds and other securities               | -                                                     | -          | 2,453                                    | 671           | -                                  | -          | 2,453         | 671           | 2,466         | 671           |  |
| Derivatives                              | 296                                                   | 190        | -                                        | -             | 10                                 | 88         | 306           | 278           | 306           | 278           |  |
| Other financial liabilities              | -                                                     | -          | 2,994                                    | 2,636         | -                                  | -          | 2,994         | 2,636         | 2,994         | 2,636         |  |
| <b>Short-term/ Current</b>               | <b>296</b>                                            | <b>190</b> | <b>7,510</b>                             | <b>3,952</b>  | <b>10</b>                          | <b>88</b>  | <b>7,816</b>  | <b>4,230</b>  | <b>7,829</b>  | <b>4,230</b>  |  |
| <b>TOTAL<sup>(1)</sup></b>               | <b>298</b>                                            | <b>190</b> | <b>18,875</b>                            | <b>11,476</b> | <b>106</b>                         | <b>176</b> | <b>19,279</b> | <b>11,842</b> | <b>19,064</b> | <b>12,411</b> |  |

(1) At September 30, 2015 and December 31, 2014 this heading includes €1,508 and €1,414 million, respectively, corresponding to "Other non-current liabilities"; and €199 and €176 million, respectively, corresponding to "Other payables", related to finance leases carried at amortized cost that are not included in the table above.

(2) In heading "Fair value of financial instruments" within Appendix VI, the classification of financial instruments by level of fair value hierarchy, is being detailed.

### Bank borrowings

At September 30, 2015, withdrawal of credit facilities arranged with different financial institutions has increased.

### Bonds and other securities

During the nine-month period ended September 30, 2015, the main bond and other marketable securities issues are as follows:

- On March 25, 2015, Repsol International Finance B.V. (RIF), issued a subordinated bond in the Euromarket, guaranteed by Repsol, S.A. The bond of a nominal amount of €1,000 million and maturing in 2075 (amortizable upon request of the issuer starting from the tenth year or in certain established terms and conditions) was issued at a price of 100% of its nominal value, and accrues the following interest:
  - a) a fixed annual coupon of 4.5% from the date of issue until March 25, 2025, payable annually from March 25, 2016.
  - b) from March 25, 2025, a fixed annual coupon equal to the applicable 10-year swap rate plus a margin of: 4.20% annually until March 25, 2045; and 4.95% annually from March 25, 2045 until maturity at March 25, 2075.

The issuer can defer the coupon payments without being in breach of its covenants. Coupons so deferred will be cumulative and will be paid under certain instances defined in the issuing terms and conditions.

The bond was placed with qualified investors and it is listed on the Luxembourg Stock Exchange.

During fiscal year 2014, in anticipation of this issuing, interest rate swaps designated as cash flow hedges were contracted during 2014 for a nominal amount of €1,000 million. The accumulated effect in equity as a result of fair value measurement of these financial instruments amounted to € -116 million before taxes, which will be transferred to the income statement over the next 10 years as the corresponding coupon payments accrue.

- On May 15, 2015 a Talisman Energy Inc. bond issued in 2005 amounting €334 million with a coupon of 5.125% matured.

The balance of bonds and other securities outstanding at September 30, 2015 is as follows:

| <b>Security</b>     | <b>Issuer</b>                      | <b>Date</b> | <b>Currency</b> | <b>Face Value<br/>(millions)</b> | <b>Average<br/>Rate %</b> | <b>Maturity</b> | <b>Market <sup>(5)</sup></b> |
|---------------------|------------------------------------|-------------|-----------------|----------------------------------|---------------------------|-----------------|------------------------------|
| Bond <sup>(3)</sup> | Talisman Energy Inc.               | Oct-97      | Dollar          | 300                              | 7.250%                    | Oct-27          | -                            |
| Bond                | Talisman Energy Inc.               | Apr-02      | Pound Sterling  | 250                              | 6.625%                    | Dec-17          | LSE                          |
| Bond <sup>(3)</sup> | Talisman Energy Inc.               | May-05      | Dollar          | 125                              | 5.750%                    | May-35          | -                            |
| Bond <sup>(3)</sup> | Talisman Energy Inc.               | Jan-06      | Dollar          | 500                              | 5.850%                    | Feb-37          | -                            |
| Bond <sup>(3)</sup> | Talisman Energy Inc.               | Nov-06      | Dollar          | 600                              | 6.250%                    | Feb-38          | -                            |
| Bond <sup>(1)</sup> | Repsol International Finance, B.V. | Feb-07      | Euro            | 886                              | 4.750%                    | Feb-17          | LuxSE                        |
| Bond                | Talisman Energy Inc.               | Mar-09      | Dollar          | 150                              | 8.500%                    | Mar-16          | PP                           |
| Bond <sup>(3)</sup> | Talisman Energy Inc.               | Jun-09      | Dollar          | 700                              | 7.750%                    | Jun-19          | -                            |
| Bond <sup>(3)</sup> | Talisman Energy Inc.               | Nov-10      | Dollar          | 600                              | 3.750%                    | Feb-21          | -                            |
| Bond <sup>(1)</sup> | Repsol International Finance, B.V. | Dec-11      | Euro            | 850                              | 4.250%                    | Feb-16          | LuxSE                        |
| Bond <sup>(1)</sup> | Repsol International Finance, B.V. | Jan-12      | Euro            | 1,000                            | 4.875%                    | Feb-19          | LuxSE                        |
| Bond <sup>(3)</sup> | Talisman Energy Inc.               | May-12      | Dollar          | 600                              | 5.500%                    | May-42          | -                            |
| Bond <sup>(1)</sup> | Repsol International Finance, B.V. | Sep-12      | Euro            | 750                              | 4.375%                    | Feb-18          | LuxSE                        |
| Bond <sup>(1)</sup> | Repsol International Finance, B.V. | May-13      | Euro            | 1,200                            | 2.625%                    | May-20          | LuxSE                        |
| Bond <sup>(1)</sup> | Repsol International Finance, B.V. | Oct-13      | Euro            | 1,000                            | 3.625%                    | Oct-21          | LuxSE                        |
| Bond <sup>(1)</sup> | Repsol International Finance, B.V. | Dec-14      | Euro            | 500                              | 2.250%                    | Dec-26          | LuxSE                        |
| Bond <sup>(2)</sup> | Repsol International Finance, B.V. | Mar-15      | Euro            | 1,000                            | 4,500% <sup>(4)</sup>     | Mar-75          | LuxSE                        |

<sup>(1)</sup> Issues under the “€ 10,000,000,000 Guaranteed Euro Medium Term Note Programme” (EMTNs), guaranteed by Repsol S.A and renewed in September 2015.

<sup>(2)</sup> A subordinated bond issued by Repsol International Finance, B.V. and guaranteed by Repsol, S.A. This issue does not correspond to any open-ended or shelf program.

<sup>(3)</sup> Issues undertaken by Talisman Energy Inc. under the scope of its “Universal Shelf and Medium-Term Note Shelf Programs” in the US and Canada, respectively.

<sup>(4)</sup> Reviewed interest on March 25, 2025 and on March 25, 2045.

<sup>(5)</sup> LuxSE (Luxembourg Stock Exchange), LSE (London Stock Exchange) and PP (private placement).

- Moreover, Repsol International Finance, B.V. (RIF), holds a Euro Commercial Paper (ECP) Programme, arranged on May 5, 2013 and guaranteed by Repsol S.A., with a limit up to € 2,000 million. Under this program, a number of issues and liquidations were carried out, with an outstanding balance at September 30, 2015 as follows:

| <b>Concept</b> | <b>Issuer</b>                     | <b>Currency</b> | <b>Open balance at<br/>09/30/2015<br/>(millions)</b> | <b>Equivalent<br/>Amount in<br/>Euros</b> |
|----------------|-----------------------------------|-----------------|------------------------------------------------------|-------------------------------------------|
| ECP            | Repsol International Finance B.V. | Euros           | 1,055                                                | 1,055                                     |
| ECP            | Repsol International Finance B.V. | Dollars         | 163                                                  | 146                                       |
| ECP            | Repsol International Finance B.V. | Pounds Sterling | 10                                                   | 14                                        |
| ECP            | Repsol International Finance B.V. | Swiss francs    | 7                                                    | 6                                         |

- Finally, Talisman Energy Inc. holds a US Commercial Paper Program (USCP), arranged in October 2011 under which it can issue up to \$ 1,000 million. By September 30, 2015 all commercial paper issues have been cancelled.

### Derivatives

Short term forward currency contracts and currency swap contracts were contracted during the period. These contracts have generated a positive result of €985 million before taxes.

In addition, during the month of March, the Group purchased a nominal amount of \$ 8,289 million and CAD 200 million under an installment plan and via currency forward and swap contracts, which were designated as accounting hedges associated with the acquisition of Talisman Energy Inc. From its designation as an accounting hedge and until the acquisition date, the accumulated effect of marking these financial instruments to market was recognized under “Adjustments for changes in value” in equity at an amount of €525 million before taxes. This sum has been capitalized within the acquisition cost (see Note 2.2).



### Other financial liabilities

The loan granted by Repsol Sinopec Brasil B.V. is noteworthy, the related balance at September 30, 2015 and December 31, 2014, amounting to €2,745 and €2,535 million, respectively.

### 4.3 Property Plant and Equipment

The breakdown of “Property, plant and equipment” and of the changes therein for the first nine months of 2015 and 2014 is as follows:

|                                                       | Upstream                           |                            |              | Downstream and Corporation            |                     |                |                           | Total           |
|-------------------------------------------------------|------------------------------------|----------------------------|--------------|---------------------------------------|---------------------|----------------|---------------------------|-----------------|
|                                                       | Investments in areas with reserves | Investments in exploration | Other        | Land, buildings, and other structures | Machinery and plant | Other          | Assets under construction |                 |
| <b>COST</b>                                           |                                    |                            |              |                                       |                     |                |                           |                 |
| <b>Balance at January 1, 2014</b>                     | <b>8,563</b>                       | <b>1,724</b>               | <b>256</b>   | <b>2,383</b>                          | <b>17,873</b>       | <b>1,218</b>   | <b>912</b>                | <b>32,929</b>   |
| Additions                                             | 552                                | 626                        | 92           | 1                                     | 8                   | 10             | 381                       | 1,670           |
| Disposals and derecognition                           | -                                  | (11)                       | (4)          | (7)                                   | (127)               | (9)            | (120)                     | (278)           |
| Translation differences                               | 792                                | 144                        | 26           | 39                                    | 199                 | 18             | 11                        | 1,229           |
| Changes in the scope of consolidation                 | -                                  | (1)                        | -            | -                                     | -                   | -              | -                         | (1)             |
| Reclassifications and other changes                   | (131)                              | 9                          | (19)         | 9                                     | 272                 | 17             | (322)                     | (165)           |
| <b>Balance at September 30, 2014</b>                  | <b>9,776</b>                       | <b>2,491</b>               | <b>351</b>   | <b>2,425</b>                          | <b>18,225</b>       | <b>1,254</b>   | <b>862</b>                | <b>35,384</b>   |
| <b>Balance at January 1, 2015</b>                     | <b>10,345</b>                      | <b>2,715</b>               | <b>379</b>   | <b>2,505</b>                          | <b>18,566</b>       | <b>1,283</b>   | <b>714</b>                | <b>36,507</b>   |
| Additions                                             | 630                                | 723                        | 50           | 13                                    | 7                   | 18             | 473                       | 1,914           |
| Disposals and derecognition                           | (7)                                | (7)                        | (19)         | (2)                                   | (29)                | (7)            | (5)                       | (76)            |
| Translation differences                               | 894                                | 150                        | 28           | 39                                    | 199                 | 19             | 12                        | 1,341           |
| Changes in the scope of consolidation                 | 12,895                             | 1,132                      | 91           | -                                     | 2                   | 14             | -                         | 14,134          |
| Reclassifications and other changes                   | 15                                 | 39                         | 20           | 10                                    | (174)               | 25             | (236)                     | (301)           |
| <b>Balance at September 30, 2015</b>                  | <b>24,772</b>                      | <b>4,752</b>               | <b>549</b>   | <b>2,565</b>                          | <b>18,571</b>       | <b>1,352</b>   | <b>958</b>                | <b>53,519</b>   |
| <b>ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES</b> |                                    |                            |              |                                       |                     |                |                           |                 |
| <b>Balance at January 1, 2014</b>                     | <b>(3,721)</b>                     | <b>(1,161)</b>             | <b>(89)</b>  | <b>(909)</b>                          | <b>(9,990)</b>      | <b>(1,034)</b> | <b>-</b>                  | <b>(16,904)</b> |
| Depreciation change for the year                      | (441)                              | (294)                      | (8)          | (32)                                  | (434)               | (50)           | -                         | (1,259)         |
| Disposals and derecognition                           | -                                  | -                          | 1            | 6                                     | 123                 | 113            | -                         | 243             |
| Impairment losses (recognised) / reversed             | (226)                              | (14)                       | -            | -                                     | (3)                 | 12             | -                         | (231)           |
| Translation differences                               | (356)                              | (74)                       | (7)          | (31)                                  | (98)                | (12)           | -                         | (578)           |
| Changes in the scope of consolidation                 | -                                  | 1                          | -            | -                                     | -                   | -              | -                         | 1               |
| Reclassifications and other changes                   | 1                                  | 30                         | 1            | -                                     | -                   | 2              | -                         | 34              |
| <b>Balance at September 30, 2014</b>                  | <b>(4,743)</b>                     | <b>(1,512)</b>             | <b>(102)</b> | <b>(966)</b>                          | <b>(10,402)</b>     | <b>(969)</b>   | <b>-</b>                  | <b>(18,694)</b> |
| <b>Balance at January 1, 2015</b>                     | <b>(5,255)</b>                     | <b>(1,674)</b>             | <b>(103)</b> | <b>(958)</b>                          | <b>(10,406)</b>     | <b>(969)</b>   | <b>-</b>                  | <b>(19,365)</b> |
| Depreciation change for the year                      | (985)                              | (532)                      | (23)         | (36)                                  | (453)               | (45)           | -                         | (2,074)         |
| Disposals and derecognition                           | 4                                  | -                          | 11           | 2                                     | 26                  | 6              | -                         | 49              |
| Impairment losses (recognised) / reversed             | (374)                              | -                          | -            | (1)                                   | (105)               | (324)          | -                         | (804)           |
| Translation differences                               | (381)                              | (69)                       | (6)          | (29)                                  | (84)                | (10)           | -                         | (579)           |
| Changes in the scope of consolidation                 | -                                  | -                          | -            | -                                     | -                   | -              | -                         | -               |
| Reclassifications and other changes                   | 4                                  | 89                         | (3)          | 5                                     | 214                 | (9)            | -                         | 300             |
| <b>Balance at September 30, 2015</b>                  | <b>(6,987)</b>                     | <b>(2,186)</b>             | <b>(124)</b> | <b>(1,017)</b>                        | <b>(10,808)</b>     | <b>(1,351)</b> | <b>-</b>                  | <b>(22,473)</b> |
| <b>Net carrying amount at September 30, 2014</b>      | <b>5,033</b>                       | <b>979</b>                 | <b>249</b>   | <b>1,459</b>                          | <b>7,823</b>        | <b>285</b>     | <b>862</b>                | <b>16,690</b>   |
| <b>Net carrying amount at September 30, 2015</b>      | <b>17,785</b>                      | <b>2,566</b>               | <b>425</b>   | <b>1,548</b>                          | <b>7,763</b>        | <b>1</b>       | <b>958</b>                | <b>31,046</b>   |

The main investments made by the Group by geographical area are detailed in section 3.4 "Other information by segments" with information developed on the Group's reporting model.

The heading “Changes in the scope of consolidation” primarily includes the oil and gas exploration and production assets corresponding to Talisman (see Note 2.2).

In the first nine months of 2015, amortization related to exploration and production assets has increased compared to the same period of 2014 as a result of the incorporation of Talisman assets (see Note 2.2), higher amortizations derived from the starting of production of new projects and higher amortization of wells with a negative result (see Note 3.4).

### Impairment of assets

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

During the first nine months of 2015, the Group recognized provisions for asset impairment losses of €804 million, before taxes. It mainly includes:

- In the *Upstream* segment, non-conventional assets at the Mississippian Lime field located in the states of Kansas and Oklahoma in the US amounting to €368 million before taxes, as a result of the expected trend of crude oil prices and the modification of development plans. The discount rate used to calculate the recoverable amount of the asset has been 7.5%.
- In the *Downstream* segment, the *Gas & Power* business in North America (mainly the Canaport regasification plant and the gas transport pipelines in North America) in the amount of €426 million (before taxes), as a result of the outlook for gas volumes, prices and margins. The discount rate used to calculate the recoverable amount of these assets was 5.5%.

### Commitments

During the first nine months of 2015, the Group committed to invest €160 million in the RLP 21 La Pampilla Refinery Project in connection with the gasoline block EPC contract.

## **4.4 Investments accounted for using the equity method**

Repsol accounts using the equity method, all investments and results in joint ventures and associated companies in which it participates.

### Joint Ventures

The investments accounted for using the equity method correspond mainly to the joint ventures of Gas Natural Fenosa S.A., Repsol Sinopec Brasil S.A., YPFB Andina, S.A. and BPRY Caribbean Ventures, LLC.

As a result of the business combination with Talisman on May 8, 2015, the Group began to consolidate its interests in Talisman Sinopec Energy United Kingdom Limited (TSEUK) and Equion Energía Limited (Equion):

#### *TSEUK*

TSEUK is a joint venture held by Talisman Energy Inc. and Addax Petroleum UK Limited, a subsidiary of the Sinopec Group, that holds 51% and 49% respectively, and whose core business is the exploration and exploitation of oil and gas in the North Sea. The investment value in TSEUK is zero.

#### *Equion*

This joint venture is 51% and 49% held by Ecopetrol, S.A. and Talisman Energy Inc., respectively. Equion, mainly, explores for, researches, exploits, develops and sells oil and gas and derivative products in Colombia. The carrying amount of this investment is €336 million at September 30, 2015.

### Associated companies

Associated companies in which the Group has significant influence relate mainly to investments in Petrocarabobo, S.A., Dynasol Elastomeros, S.A. de C.V. and Dynasol Gestión, S.A.

### Carrying amounts and results

The investments accounted for using the equity method, as well as the Group's share of their results using this method in each corresponding period, are provided in the table below:

|                | Millions of euros                 |               |                  |            |
|----------------|-----------------------------------|---------------|------------------|------------|
|                | Carrying amount of the investment |               | Share of results |            |
|                | 09/30/2015                        | 12/31/2014    | 09/30/2015       | 09/30/2014 |
| Joint ventures | 11,880                            | 10,857        | 250              | 771        |
| Associates     | 242                               | 253           | (15)             | 66         |
| <b>TOTAL</b>   | <b>12,122</b>                     | <b>11,110</b> | <b>235</b>       | <b>837</b> |

Changes in this consolidated balance sheet heading during the nine first months of 2015 and 2014 are as follows:

| Millions of euros                                                               | 2015          | 2014          |
|---------------------------------------------------------------------------------|---------------|---------------|
| <b>Balance at January 1</b>                                                     | <b>11,110</b> | <b>10,340</b> |
| Net investments                                                                 | 332           | 18            |
| Changes in the scope of consolidation                                           | 385           | -             |
| Share of results of companies accounted for using the equity method after taxes | 235           | 837           |
| Dividends distributed                                                           | (288)         | (467)         |
| Translation differences                                                         | 425           | 593           |
| Reclasifications and other changes                                              | (77)          | (33)          |
| <b>Balance at September 30</b>                                                  | <b>12,122</b> | <b>11,288</b> |

The heading “*Changes in the Group's composition*” includes mainly the first-time recognition of the investments in the jointly-controlled entities of Talisman Sinopec Energy United Kingdom Limited (TSEUK) and Equion Energia Limited (Equion), as well as the sale of the Group's 10% shareholding in Compañía Logística de Hidrocarburos, S.A. (“CLH”) (see Note 2.1).

## 4.5 Provisions

The changes of current and non-current provisions for the first nine months of 2015 and 2014 are as follow:

| Millions of euros                                | 2015         | 2014         |
|--------------------------------------------------|--------------|--------------|
| <b>Balance at January 1</b>                      | <b>2,626</b> | <b>2,949</b> |
| Allowances of provisions charged to results      | 276          | 175          |
| Reversals of provisions with a credit to results | (174)        | (113)        |
| Provisions released due to payment               | (333)        | (96)         |
| Changes in the scope of consolidation            | 5,106        | -            |
| Translation differences                          | 9            | 116          |
| Reclasifications and other                       | (218)        | (35)         |
| <b>Balance at September 30</b>                   | <b>7,292</b> | <b>2,996</b> |

The heading “*Changes in the scope of consolidation*” includes mainly provisions relating to Talisman business combination (see Note 2.2), which correspond to:

- Decommissioning provisions of oil and gas exploration and production equipment totaled €2,036 million, mainly related to obligations to decommission wells, pipes and complexes in North America and South-east Asia and *offshore* platforms in the North Sea.
- Provisions recognized to cover contingencies deriving from tax claims (see heading 4.9), legal and arbitration proceedings (see heading 4.10) and pension commitments and other provisions in an aggregate amount of €1,483 million.
- Provisions related to other possible future disbursements as a result of Talisman businesses amounting €1,584 million.

#### **4.6 Non-current assets and liabilities held for sale**

As of September 30, 2015, after the starting of production in Cardón IV (area located in the Venezuela Gulf) and given that Corporación Venezolana de Petróleos (CVP) has not acquired the 17.5% interest owned by Repsol, these assets, which were initially classified as assets held for sale, have been reclassified under the heading “*Investments accounted for using the equity method*” (see heading 4.4).

Repsol has achieved different sale agreements with Gas Natural Distribución SDG S.A. and Redexis Gas S.A. for the partial sale of its piped gas business in Spain, amounting € 652 million. These agreements, which will be due in 2016, are subject to obtaining the relevant regulatory approvals. Therefore, at September 30, 2015, the related assets have been classified at their carrying value (€148 million) under the heading “*Non-current assets held for sale*”.

#### **4.7 Gains on disposal of non-current assets**

The gains recognized on fixed-asset disposals in the third quarter of 2015 correspond primarily to the €293 million gain recognized on the sale of the Group's interest in Compañía Logística de Hidrocarburos, S.A. (“CLH”) (see Note 2.1).

In addition, in the *Upstream* segment, the Group recognized a pre-tax gain on the sale of exploration permits in Canada in the amount of €60 million, while in the *Downstream* segment it recognized a gain of €34 million on the sale of part of the piped gas business in Spain described on the above paragraph.

#### **4.8 Related party transactions**

In the nine-month period ended September 30, 2015, the agreements to sell part of the piped gas facilities in Spain to Gas Natural Distribución SDG, S.A. for €516 million stands out (see heading 4.6).

In addition, as a result of the acquisition of Talisman (see Note 2.2), it is worth noting the following related party transactions: i) the commitment undertaken by Talisman to sell 367.5 mmBtu of gas per day until 2023 at the Corridor block in Indonesia to Gas Supply Pte. Ltd., a subsidiary of Temasek Holdings Limited, a significant shareholder; and ii) counter-guarantees totaling €829 million granted by Talisman Energy Inc. in connection with the bank guarantees issued on behalf of its subsidiary Talisman Sinopec Energy UK Ltd (“TSEUK”) (see heading 4.4) to cover dismantling obligations deriving under its exploration work in the North Sea.

## 4.9 Tax situation

### *Income tax*

For the calculation of this period's corporate income tax, the effective tax rate that would be applicable to the total profits expected for the yearly period was used. However, the tax effects derived from occasional events or unique transactions undertaken during the period are fully taken into account in the period. Additionally, it has also been integrated income tax from the company Talisman Energy Inc. and its subsidiaries, from the acquisition date (see Note 2.2).

The effective tax rate for the first nine months of 2015 applicable to continuing operations, before taxes and before the share of results from companies accounted for using the equity method is 14.1%. This rate is significantly lower compared to the same period last year (42.8%), mainly due to decreased results in businesses with higher tax burdens, such as *Upstream*.

After Talisman integration, the Group shows deferred tax assets and liabilities for its net amount in each tax jurisdiction. During the nine first months of 2015, highlights the net deferred tax amounting € 1,398 million, as a consequence of the revaluations made in the process of allocating Talisman's purchase price.

### *Government and legal proceedings with tax implications*

As detailed in Note 2.2, the Repsol Group closed the acquisition of Talisman Energy Inc. (Talisman) on May 8, 2015. The main tax-related lawsuits which Talisman and its subsidiaries are parties at September 30, 2015 are as follows:

#### Canada

The Canadian tax authorities, ("*Canada Revenue Agency*", CRA) regularly inspect the tax matters of the Talisman Group companies based in Canada.

In 2015, verification and investigation activities related to the years 2006-2010 have been made.

As part of these proceedings, the CRA has questioned certain restructuring transactions, although this line of questioning has not resulted in court proceedings to date.

#### Indonesia

Indonesian Corporate Tax Authorities have been questioning various aspects of the taxation of permanent establishments that Talisman Group has in the country. In any case, the litigation in which the above actions are based is pending a court hearing.

#### Malaysia

Talisman Malaysia Ltd. and Talisman Malaysia (PM3) Ltd., Talisman Group's operating subsidiaries in Malaysia, have received notifications from the Inland Revenue Board (IRB) in respect of 2007, 2008 and 2011 questioning, primarily, the deductibility of certain costs. These proceedings are being heard at an administrative instance before court hearing.

### Norway

As part of the process of verifying the tax affairs of Talisman Energy Norge AS, the Talisman Group's subsidiary in Norway, the Norwegian tax authorities have questioned the deductibility of certain items. These proceedings are being heard at an administrative instance before court hearing.

### Timor-Leste

The authorities of Timor-Leste have questioned the deduction by TLM Resources (JPDA 06-105) Pty Limited, Talisman Group's subsidiary in East Timor, of certain expenses for income tax purposes. This line of questioning is at a very preliminary stage of debate with the authorities.

As for the main tax proceedings affecting Repsol Group at December 31, 2014, there have been no changes as of September 30, 2015, except as noted below:

### Bolivia

Repsol E&P Bolivia, S.A. and YPFB Andina, S.A. (in which Repsol has an 48.33% interest), are pursuing several lawsuits against administrative resolutions handed down by Bolivia's Supreme Court denying the possibility of deducting royalties and hydrocarbon interests for corporate income tax calculation purposes, prior to the nationalization of the oil sector.

A first lawsuit concerning Repsol E&P Bolivia S.A. was resolved unfavorably by the Supreme Court. After the corresponding appeal, the Constitutional Court overruled the sentence and ordered that the proceeding be returned to the Supreme Court, which has not yet made a pronouncement on this matter.

Moreover, in one of several disputes YPFB Andina, SA kept this concept; the Constitutional Court dismissed the action brought by the company against an unfavorable Supreme Court resolution. The judgment does not enter into the merits; therefore it does not constitute mandatory jurisprudence to the unresolved lawsuits. In this regard, the company believes that there are legal arguments that protect their position, expressly endorsed with interpretative effects by Law 4115, September 26, 2009.

### Canada

The Canadian tax authorities have rejected the application of certain tax incentives related to the Canaport assets. Repsol Energy Canada Ltd. and Repsol Canada, Ltd. have appealed the corresponding tax assessments (2005-2008), firstly via administrative and subsequently via judicial redress proceedings. Canada's Tax Court ruled in favor of Repsol on January 27, 2015. However, this sentence was appealed by the Crown before the "*Federal Court of Appeal*" on March 9, 2015.

### Spain

In 2015, the Spanish tax authorities initiated an inspection of the Group's corporate income tax, value added tax and other duties and withholdings corresponding to fiscal years 2010 to 2013.

### Trinidad & Tobago

In 2015, BP Trinidad & Tobago LLC, a company in which the Repsol Group has a 30% interest along with BP, signed an agreement with the local authorities (“*Board of Inland Revenue*”), resolving most of the matters under dispute in relation to several taxes and for the years 2003-2009: “*Petroleum Profit Tax*” (income tax), “*Supplemental Petroleum Tax*” (production tax), and non-resident personal income tax withholdings and the issues recurring in the years not subject to inspection (2010-2014).

As a result of the uncertainty concerning the materialization of the existing tax contingencies associated with lawsuits and other tax matters, the Group has recognized provisions deemed adequate to cover those tax contingencies. The amount recognized on the Group's balance sheet at September 30, 2015 is €1,480 million against €649 million at December 31, 2014. This sum includes the provisions and the fair value of the contingent liabilities identified during the purchase price allocation process conducted as part of the Talisman business combination (see heading 2.2).

## **4.10 Litigation**

The information herein updates the status of the information included under Note 29 “*Contingencies, commitments and guarantees*”<sup>1</sup>, since the preparation of the 2014 Consolidated Financial Statements.

### Galley pipeline lawsuit

In August 2012, a portion of the Galley pipeline, in which Talisman Sinopec Energy UK, LTD (“TSEUK”) has a 67.41% interest, suffered an upheaval buckle.

In September 2012, TSEUK, in which Talisman Energy Inc. (“TEI”) holds 51% interest, submitted a notification of a claim to Oleum Insurance Company (“Oleum”), a wholly-owned TEI subsidiary. TSEUK delivered a proof of loss seeking recovery under the insuring agreement of \$315 million.

The documentation delivered in November 2014 by TSEUK purporting to substantiate its claim did not support a determination of coverage and Oleum sought additional information from TSEUK to facilitate final coverage determination. TSEUK has sent additional information to Oleum that is being reviewed by external counsel.

### Addax arbitration

On July 13, 2015, Addax Petroleum UK Limited and Sinopec International Petroleum Exploration and Production Corporation, filed a Notice of Arbitration against Talisman Energy Inc. (“TEI”) and Talisman Colombia Holdco Limited (“TCHL”) in connection with the purchase of 49% shares of Talisman Energy (UK) Limited (now known as TSEUK). On October 1, 2015, TEI and TCHL answer to the Notice of Arbitration. In our opinion, the claims included in the Notice of Arbitration are without merit.

### Passaic River / Newark Bay, United States, Lawsuit.

The events underlying this lawsuit related to the sale by Maxus Energy Corporation (“Maxus”) of its former chemicals subsidiary Diamond Shamrock Chemical Company

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<sup>1</sup> For commitments and guarantees, see headings 4.3 and 4.8 respectively.

(“Chemicals”) to Occidental Chemical Corporation (“OCC”). Maxus agreed to indemnify Occidental for certain contingencies relating to the business and activities of Chemicals prior to September 4, 1986, the date of the Chemicals share purchase agreement, including certain environmental liabilities relating to certain chemical plants and waste disposal sites used by Chemicals prior to such date. In 1995, YPF S.A. (“YPF”) acquired Maxus and subsequently in 1999, Repsol S.A. acquired YPF.

On September 26, 2012 OCC filed a “*Second Amended Cross Claim*” (the “Cross Claim”) against Repsol, YPF, Maxus, Tierra and CLHH. In February 2015, Repsol, YPF, and Maxus responded to the Cross Claim filed by OCC in 2012. In addition, the counterclaims filed by Repsol and Maxus against the Cross Claim were answered on March 2, 2015 by OCC.

On July 1, 2015, the judge issued a new “Case Management Order” wherein, among other things, the trial date was set for June 2016.

On October 13, 2015 parties have been authorized to file their “Motions for Summary Judgment” by the Special Master. They should be filed on November 2, 2015.

As of September 30, 2015, Repsol consolidated balance sheet heading includes provisions for litigation totaling € 175 million (excluding provisions for tax contingencies). This amount includes provisions recorded as a result of the acquisition of Talisman (see Note 2.2) in which legal provisions and contingencies have been recognized.

## **(5) SUBSEQUENT EVENTS**

### **2015 Share Acquisition Plan**

In implementation of the resolutions adopted by the Annual General Meeting of May 31, 2012, the 2015 Share Acquisition Plan has been launched, aimed to Repsol’s employees in Spain that meet the requirements of their general Terms and voluntarily have decided to join the Plan.

The Plan begins on October 1 and will finish on December 31. The allocation of shares to beneficiaries will be made on a monthly basis.

### **2016-2020 Strategic Plan**

On 15 October 2015, Repsol unveiled its strategic plan for the period 2016-2020 (the “*Strategic Plan*”).

Building on the completion of Repsol’s previous strategic plan, which culminated in the acquisition of Talisman, the Strategic Plan focuses on the creation of value and resilience, even in a low oil and gas price environment. The achievement of these goals will be based on taking advantage of the flexibility in portfolio management brought by the new composition of the Group and on commitments to improve operating efficiency.

The *Upstream* segment will focus on three strategic regions in the coming years: North America, Latin America and South-East Asia, with three main play types: offshore shallow, onshore core and unconventional.

The *Downstream* segment will continue to generate free cash flow, improving the integrated margin through optimization initiatives on its highly efficient, fully-invested assets.

The Strategic Plan’s priorities are to maintain Repsol’s investment grade rating and to maintain shareholder compensation in line with current levels.



### **Alaska North Slope Assets Reorganization**

As part of the global portfolio rebalancing of the Company, in line with the new 2016-2020 Strategic Plan, share dilution operations have been carried out in Alaska *Upstream* assets (North Slope project). As a consequence of those projects, Repsol reduces its interest to 49% in the Colville River Delta area and 25% in the exploration areas.

#### **(6) EXPLANATION ADDED FOR TRANSLATION TO ENGLISH**

These interim condensed consolidated financial statements are prepared on the basis of International Financial Reporting Standards, as endorsed by the European Union (IFRS-UE), and Article 20 of Royal Decree 1362/2007. Consequently, certain accounting practices applied by the Group may not conform with other generally accepted accounting principles in other countries.

## APPENDIX I: ACCOUNTING REGULATORY FRAMEWORK

### Accounting policies: new or modified standards and interpretations

In connection with the applicable accounting standard at December 31, 2014, below is a list of developments on accounting standards issued or amended by the *International Accounting Standards Board* (IASB) and endorsed by the European Union, which have been mandatorily applicable from January 1, 2015:

- IFRIC 21 “*Levies*”.
- Annual Improvements to IFRSs 2011-2013.

Below is a list of accounting standards issued by the IASB and endorsed by the European Union, which the Group has applied in advance from January 1, 2015:

- Annual improvements to IFRSs 2010-2012 <sup>(1)</sup>.
- Annual amendments to IAS 19 “*Defined benefit plans: Employee contributions*” <sup>(2)</sup>.

The application of the above amendments has not had a significant impact on the accompanying interim condensed consolidated financial statements.

As for the “*New standards issued for mandatory application in future years*” detailed in section 1 of Appendix IV “*Accounting policies*” of the 2014 Consolidated Financial Statements, the date of first-time application of IFRS 15 “*Revenue from contracts with customers*” has been pushed back to January 1, 2018, pending the adoption of this standard by the European Union.

### Accounting policies

For the preparation of the accompanying interim condensed consolidated financial statements, Repsol used the same accounting policies as those applied in 2014, which are described in Appendix IV of the Consolidated Financial Statements for the financial year 2014. In addition, and as a result of the transaction described in Note 2.2 “*Acquisition of Talisman Energy, Inc.*”, it has been considered appropriate to describe the following accounting policy:

#### *Business combinations*

The business combinations in which the Group acquires control of one or more businesses by merging or spinning off several companies or by acquiring all of the assets and liabilities of a company or part of a company that qualifies as a business or several businesses are accounted for using the acquisition method, according to the standards established in IFRS 3 “*Business combinations*”. The acquisition method entails, except for the recognition and measurement exceptions established in IFRS 3, the registration in the books at the acquisition date, of the identifiable assets acquired and liabilities assumed at their fair value on this date, provided that

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<sup>1</sup> “*Annual Improvements to IFRSs 2010-2012 Cycle*” introduces amendments to several IFRSs. Some of these amendments have been issued by the IASB with effect from July 1, 2014, while others have been issued by the IASB effective for annual periods beginning on or after July 1, 2014. This document was adopted by means of Regulation (EU) 2015/28, effective in the EU for annual periods beginning on or after February 1, 2015, which, in the case of the Group, implies first-time application from January 1, 2016.

<sup>2</sup> “*Amendments to IAS 19 Defined benefit plans: Employee contributions*” was issued by the IASB with effect for annual periods beginning on or after July 1, 2014. This document was adopted by means of Regulation (EU) 2015/29, effective in the EU for annual periods beginning on or after February 1, 2015, which, in the case of the Group, implies first-time application from January 1, 2016.

this value can be reliably established. Costs related to the acquisition are expensed in the income statement.

The difference between the cost of the business combination and the fair value of the identifiable assets acquired and liabilities assumed is recognized as goodwill if positive, and as a gain on a bargain purchase in profit or loss if negative.

Business combinations for which the measurement period for applying the acquisition method has not fully elapsed at the end of the reporting period are accounted for using provisional amounts. The provisional amounts must be adjusted within a maximum of one year from the acquisition date to show the new information about any issues or circumstances that already existed at the acquisition date, and which affect the recognized amounts. Adjustments made to round out initial accounting for a business combination are made retroactively so that the amounts recognized are those that would have been recognized had the Group had access to all the required information upon initial recognition of the transaction; comparative figures are adjusted accordingly.

## APPENDIX II: REGULATORY FRAMEWORK

The activities of Repsol, S.A. and subsidiaries are subject to extensive regulation. The information provided in this section constitutes an update that reflects significant developments in the regulatory framework applicable to the Group subsequent to the 2014 Consolidated Financial Statements, as detailed in Appendix III “*Regulatory Framework*”.

### *Spain*

#### *Liquid Hydrocarbons, Oil and Derivatives*

Spanish Law 8/2015, amending the Hydrocarbon Sector Act (Law 34/1998 of October 7, 1998), took effect on May 21, 2015. It regulates certain tax and non-tax measures related to hydrocarbons exploration, research and operation activities. It fosters “*non-conventional*” extraction, or “*fracking*”, creating an incentive scheme for regional administrations and local bodies that pursue such activities, as well as creating a profit-sharing scheme for land owners.

The aforementioned Law 8/2015 introduces the following tax and non-tax measures:

- A new tax on the Value of Gas extraction, Oil and Condensate, applicable from January 1, 2016 is created and whose rate varies between 1% and 8% of the value of annual production.
- Two fees are added to the current canon surface, applicable from May 23, 2015: The third rate, which taxes the drilling of boreholes and the fourth rate, which taxes the acquisition of seismic data.
- From 2016 payments to the underlying land owners are set, by which holders for mining concessions granted after May 23, 2015, shall pay the landowners an annual amount equal 1% of the value of the extracted hydrocarbons.

In the retail segment, Law 11/2013 had established several limits on growth in the number of fuel supply facilities of wholesalers with provincial markets shares of over 30%. Law 8/2015 stipulates that the provincial market shares may no longer be measured in terms of points of sale but rather based on prior-year sales figures. The new legislation entitles the government to revise this percentage threshold in three years' time and even to remove the restriction altogether, market trends and the sector's business structure so permitting.

In addition, Law 8/2015 allows owners of oil and gas product retailers that do not belong to the distribution network of a wholesale operator (private label networks operating without exclusive supply agreements) to inform consumers of the origin of the fuel they sell by advertising the wholesaler from which they purchase the said fuel (article 43.5). Furthermore, as from effectiveness of this law, oil and gas product retailers may supply products to other retailers subject only to the requirement to first register themselves in the special duty registry (article 43.1).

As for liquid petroleum gas (LPG) prices and tariffs, Ministerial Order IET/389/2015, of March 5, 2015, updates the system for automatically determining the maximum price at which bottled LPG can be retailed and for determining the price of piped LPG, adjusting the formulae used to calculate raw material costs in order to, as per the wording of the Order, adapt them “*to the supply reality in the national market in recent years*”. Adaptation of these raw material cost calculation formulae does not, however, apply to sales costs, thereby resulting in a reduction in maximum bottled LPG retail prices and piped LPG retail prices.

Law 8/2015 classifies breaches of the obligation to provide home delivery of bottled LPG as a

'very serious' infringement, to remind operators rests solely with largest market share according to the provisions of Law 18/2014, ratifying the universal service obligation, making it a legal requirement. Regarding LPG bulk:

- Retailers of bulk, non-piped LPG are obliged to service all consumers by request in the province in which the retailer is currently operating.
- Retailers of bulk, piped LPG are obliged to service all supply requests within the corresponding area of their respective networks.

Law 8/2015 conveys upon users the obligation to inspect LPG recipient facilities (article 74.1 p), however, it also makes the distributors subsidiary responsible for this obligation if they determine that such inspection has not been performed by a qualified company. It obliges LPG wholesalers and bulk LPG retailers to take out civil liability insurance, and keep such policies current, or arrange other financial guarantees in sufficient amount to cover the risks arising from their business activities.

#### *Natural gas*

The aforementioned Law 8/2015 creates an official natural gas hub with a view to facilitating the entry into the market of new suppliers, creating a new single hub operator, tasked with management of the hub, which must be operational within 4 months from the date of effectiveness of this piece of legislation, at the latest

#### *Contributions to the national energy efficiency fund*

Article 7 of Directive 2012/27/EU of the European Parliament and of the Council of October 25, 2012 on energy efficiency makes it binding on member states to justify quantity of energy savings by 2020, obliging each state to establish energy efficiency obligation schemes such that energy distributors and/or retailers are obliged to achieve a cumulative quantity of energy savings by year-end 2020 means of annual savings between 2014 and 2020 equivalent to 1.5% of their annual energy sales. As a result, Spanish Royal Decree-Law 8/2014, of July 4, 2014, and Law 18/2014, of October 15, 2014, establish a national energy efficiency obligation scheme by virtue of which gas and electricity retailers, oil product wholesalers and liquid petroleum gas wholesalers (the parties bound by the obligation scheme) are allocated an annual energy saving target at the national level called savings obligations

On February 24, 2015, Ministerial Order IET/289/2015, of February 20, 2015, published in the Official State Journal on February 24, 2015, stipulates the National Energy Efficiency Fund contribution obligations in respect of 2015; this Order has been appealed, as have the collection assessments relating to 2014 and 2015, by several of the companies, including the Repsol Group, affected by the obligation to contribute to the aforementioned National Fund.

#### **Peru**

##### *Hydrocarbons refining and retailing*

In Peru, the sale of products derived from oil and gas is governed by supply and demand. However, under Emergency Decree No. 010-2004, the Oil-Derived Fuel Price Stabilization Fund (the "Fund"), aimed to preventing oil price volatility. The Fund's resources are drawn from contributions made and discounts applied by producers and importers with respect to the prices of each product, depending on whether the import parity prices (IPP) are above or below the so-called Price Band. Peruvian Law No. 29552 stipulated the permanent nature of this Fund.

However, Emergency Decree No. 01-2015, amended by Law No. 30334 - legislation

establishing measures designed to invigorate the economy in 2015 - has stipulated that the Price Band will not be updated (until December 2016) when the IPP increases, but rather only when it decreases, thereby automatically increasing the amount owed by the Fund to the producers. Supreme Decree No. 154-2015-EF enacted a supplementary credit for the purpose of financing the Fund and schedules the injection of new funds for Fund financing purposes on a quarterly basis through June 2016, if warranted.

### ***Venezuela***

On March 15, 2015, a Law went into effect that empowers the President of the Republic in the Council of Ministers, to legislate by decree with status, effect, and force of law in matters delegated for the reformed guarantee of sovereign rights and the protection of the Venezuelan people and the constitutional order of the Republic. The Head of State may legislate matters relating to security and national defense, as well as commercial, socioeconomic, financial, energy and industrial issues, as well as punitive matters regarding administrative, civil, and even criminal law. Said delegation of powers shall be valid from its date of publication in the Official State Gazette until December 31, 2015.

### APPENDIX III: MAIN CHANGES IN THE SCOPE OF CONSOLIDATION

Main changes on the Group's composition compared with the information included in Appendix I of the consolidated financial statements for the financial year 2014 are:

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

| Name of the entity (or business activity) acquired/absorbed | Type of transaction | Transaction close date | % of voting rights acquired <sup>(1)</sup> | % of total voting rights acquired in the entity post - acquisition |
|-------------------------------------------------------------|---------------------|------------------------|--------------------------------------------|--------------------------------------------------------------------|
| Principle Power, Inc.                                       | Part. Increase      | Feb-15                 | 0,7%                                       | 25,4%                                                              |
| Societat Catalana de Petrolis, S.A.                         | Part. Increase      | Feb-15                 | 4,9%                                       | 94,9%                                                              |
| Repsol Chile, S.A.                                          | Part. Increase      | Apr-15                 | 0,0%                                       | 100,0%                                                             |
| Talisman Energy Inc. (2)                                    | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Energy Canada (2)                                  | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Energy USA Inc. (2)                                | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Alberta Shale Partnership (2)                      | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Energy Norge AS (2)                                | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman (Corridor) Ltd. (2)                                | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman (Vietnam 15-2/01) Ltd. (2)                         | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Malaysia Limited (2)                               | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Malaysia (PM3) Limited (2)                         | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman (Algeria) B.V. (2)                                 | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Papua Petroleum (PNG) Ltd (2)                               | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Papua Petroleum Pty Ltd.(2)                                 | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Australasia Pty Ltd.(2)                            | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Energy Kimu Alpha Pty Ltd(2)                       | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Niugini Pty Ltd.(2)                                | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Oil & Gas (Australia) Pty Limited (2)              | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Resources (JPDA 06-105) Pty Limited (2)            | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Resources (Bahamas) Limited (2)                    | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Fortuna International Petroleum Corporation (2)             | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Oleum Insurance Company Limited (2)                         | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman International (Barbados) Inc. (2)                  | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman International Business Corporation (2)             | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Malaysia Holdings Limited (2)                      | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Oil Limited (2)                                    | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Vietnam Limited (2)                                | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Fortuna International (Barbados) Inc. (2)                   | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Transgasindo Ltd. (2)                              | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Wiriagar Overseas Limited (2)                      | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Foreland Oil Limited (2)                                    | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Fortuna Resources (Sunda) Limited (2)                       | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| 504744 Alberta Ltd. (2)                                     | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| 7308051 Canada Ltd (2)                                      | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| 8441251 Canada Ltd. (2)                                     | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| 8441316 Canada Ltd. (2)                                     | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| 8787352 Canada Ltd. (2)                                     | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| 8787387 Canada Ltd (2)                                      | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Red Sea Oil Corporation (2)                                 | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman (Asia) Ltd. (2)                                    | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman (Colombia) Oil & Gas Ltd. (2)                      | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman (Jambi) Ltd. (2)                                   | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman (Ogan Komering) Ltd. (2)                           | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman (Pasangkayu) Ltd. (2)                              | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman (Sageri) Ltd. (2)                                  | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman (Sumatra) Ltd. (2)                                 | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman (Vietnam 133 & 134) Ltd. (2)                       | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman (Vietnam 46/02) Ltd. (2)                           | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Central Alberta Partnership (2)                    | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Groundbitch Partnership (2)                        | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Indonesia Ltd. (2)                                 | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman North Jabung Ltd. (2)                              | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |

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

| Name of the entity (or business activity) acquired/absorbed | Type of transaction | Transaction close date | % of voting rights acquired <sup>(1)</sup> | % of total voting rights acquired in the entity post - acquisition |
|-------------------------------------------------------------|---------------------|------------------------|--------------------------------------------|--------------------------------------------------------------------|
| Talisman Wild River Partnership (2)                         | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| TLM Finance Corp (2)                                        | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Trans Mediterranean Oil Company Ltd. (2)                    | Acquisition         | May-15                 | 15,0%                                      | 15,0%                                                              |
| Triad Oil Manitoba Ltd. (2)                                 | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| FEX GP Inc. (2)                                             | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| FEX L.P. (2)                                                | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Fortuna (US) L.P. (2)                                       | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Fortuna Energy Holding Inc. (2)                             | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| FUSI GP Inc. (2)                                            | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Energy Services Inc. (2)                           | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Vietnam 07/03-CRD Corporation LLC (2)              | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| TE Global Services Inc. (2)                                 | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Amulet Maritime Limited (2)                                 | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Equion Energia Limited (2)                                  | Acquisition         | May-15                 | 49,0%                                      | 49,0%                                                              |
| Rift Oil Limited (2)                                        | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Rigel Petroleum UK Limited (2)                              | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman (Jambi Merang) Limited (2)                         | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Colombia Holdco Limited (2)                        | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Energy DL Limited (2)                              | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Energy NS Limited (2)                              | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Finance (UK) Limited (2)                           | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Perpetual (Norway) Limited (2)                     | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Resources (North West Java) Limited (2)            | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Sinopec Alpha Limited (2)                          | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Sinopec Beta Limited (2)                           | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Sinopec Energy UK Limited (2)                      | Acquisition         | May-15                 | 51,0%                                      | 51,0%                                                              |
| Talisman Sinopec LNS Limited (2)                            | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Sinopec North Sea Limited (2)                      | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Sinopec Oil Trading Limited (2)                    | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Sinopec Pension and Life Scheme Limited (2)        | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Sinopec Transportation (UT) Limited (2)            | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Sinopec Trustees (UK) Limited (2)                  | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman UK (South East Sumatra) Limited (2)                | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman UK Investments Limited (2)                         | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| TEGSI (UK) Limited (2)                                      | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Transworld Petroleum (U.K.) (2)                             | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| FEHI Holding S.ar.l. (2)                                    | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Fortuna Finance Corporation S.ar.l. (2)                     | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Holding International S.ar.l (2)                   | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman International Holdings B.V. SCS (2)                | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| TE Capital S.ar.l. (2)                                      | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| TE Colombia Holding S.ar.l (2)                              | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| TE Finance S.ar.l. (2)                                      | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| TE Global Holding S.ar.l (2)                                | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| TE Holding S.ar.l. (2)                                      | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| TENOK S.ar.l. (2)                                           | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| TE Resources S.ar.l. (2)                                    | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman RTC Sdn.Bhd. (2)                                   | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Transasia Pipeline Company Pvt. Ltd. (2)                    | Acquisition         | May-15                 | 15,0%                                      | 15,0%                                                              |
| Talisman (Block K 39) B.V. (2)                              | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman (Block K 44) B.V. (2)                              | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman (Block K 9) B.V. (2)                               | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Andaman B.V. (2)                                   | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |
| Talisman Banyumas B.V. (2)                                  | Acquisition         | May-15                 | 100,0%                                     | 100,0%                                                             |



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In the event of a discrepancy, the Spanish language version prevails.*

| Name of the entity (or business activity) acquired/absorbed | Type of transaction | Transaction close date | % of voting rights acquired <sup>(1)</sup> | % of total voting rights acquired in the entity post-acquisition |
|-------------------------------------------------------------|---------------------|------------------------|--------------------------------------------|------------------------------------------------------------------|
| Talisman Colombia B.V. (2)                                  | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Talisman East Jabung B.V. (2)                               | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Talisman East Tanjung B.V. (2)                              | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Talisman Energy (Sahara) B.V. (2)                           | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Talisman Energy Poland B.V. (2)                             | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Talisman Energy Tangguh B.V. (2)                            | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Talisman Global Holdings B.V. (2)                           | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Talisman International Holdings B.V. (2)                    | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Talisman Java B.V. (2)                                      | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Talisman K Holdings B.V. (2)                                | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Talisman Middle East B.V. (2)                               | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Talisman Peru B.V. (2)                                      | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Talisman Sadang B.V. (2)                                    | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Talisman Sakakemang B.V. (2)                                | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Talisman Sierra Leone B.V. (2)                              | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Talisman South Mandar B.V. (2)                              | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Talisman South Sageri B.V. (2)                              | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Talisman Sumatra B.V. (2)                                   | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Talisman Vietnam 05-2/10 B.V. (2)                           | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Talisman Vietnam 07/03 B.V. (2)                             | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Talisman Vietnam 135-136 B.V. (2)                           | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Talisman Vietnam 146-147 B.V. (2)                           | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Talisman Vietnam 45 B.V. (2)                                | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Talisman Vietnam 46-07 B.V. (2)                             | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Talisman West Bengara B.V. (2)                              | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| TV 05-2/10 Holding B.V. (2)                                 | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| TV 135-136 Holding B.V. (2)                                 | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Rigel Petroleum (NI) Limited (2)                            | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Talisman Energy Investments Norge AS (2)                    | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Talisman Petroleum Norge AS (2)                             | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Talisman Resources Norge AS (2)                             | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Honner Limited (2)                                          | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Rowell Limited (2)                                          | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Talisman Energy Kimu Beta Ltd (2)                           | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Talisman Energy Niugini Limited (2)                         | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Paladin Resources Limited (2)                               | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Talisman SEA Pte. Ltd. (2)                                  | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| New Santiago Pipelines AG (2)                               | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Santiago Pipelines AG (2)                                   | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Talisman Ocesa Pipelines Holdings AG (2)                    | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Talisman Santiago AG (2)                                    | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Talisman SO AG (2)                                          | Acquisition         | May-15                 | 100.0%                                     | 100.0%                                                           |
| Edwards Gas Services LLC (2)                                | Acquisition         | May-15                 | 50.0%                                      | 50.0%                                                            |
| Edwards Lime Services, Llc. (2)                             | Acquisition         | May-15                 | 20.0%                                      | 40.0%                                                            |
| Thang Long Joint Operating Company (2)                      | Acquisition         | May-15                 | 60.0%                                      | 60.0%                                                            |
| Truong Son Joint Operating Company (2)                      | Acquisition         | May-15                 | 30.0%                                      | 30.0%                                                            |
| Repsol Exploración Boughezoul, S.A.                         | Constitution        | Aug-15                 | 100.0%                                     | 100.0%                                                           |
| Dynasol Gestión Mexico                                      | Constitution        | Aug-15                 | 100.0%                                     | 100.0%                                                           |
| North Dynasol Shanghai Business Consulting Co Ltd.          | Constitution        | Aug-15                 | 50.0%                                      | 50.0%                                                            |
| Rock Solid Images US Group, Inc.                            | Acquisition         | Aug-15                 | 30.0%                                      | 30.0%                                                            |
| Gas Natural Fenosa SDG, S.A.                                | Part.Increase       | Sep-15                 | 0.2%                                       | 30.2%                                                            |
| Principle Power (Europe), Ltd.                              | Part.Increase       | Sep-15                 | 0.7%                                       | 25.4%                                                            |
| Principle Power Portugal Unipessoal, Lda.                   | Part.Increase       | Sep-15                 | 0.7%                                       | 25.4%                                                            |
| Principle Power, Inc.                                       | Part.Increase       | Sep-15                 | 0.7%                                       | 25.4%                                                            |
| Windplus, S.A.                                              | Part.Increase       | Sep-15                 | 2.8%                                       | 25.4%                                                            |

<sup>(1)</sup> Corresponds to the equity shareholding in the acquired company.

<sup>(2)</sup> See “Acquisition of Talisman Energy, Inc.” in heading 2.2.

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*b) Reduction in interest in subsidiaries, joint ventures, and/or associates and other similar transactions*

| Name of the entity (or business activity) sold, split or retired    | Type of transaction | Effective date of the operation | % of voting rights sold or retired | % of voting rights acquired in the entity post-acquisition | Income / Loss generated (Millions of euros) <sup>(2)</sup> |
|---------------------------------------------------------------------|---------------------|---------------------------------|------------------------------------|------------------------------------------------------------|------------------------------------------------------------|
| Enirepsa Gas, Limited                                               | Liquidation         | Mar-15                          | 30.0%                              | 0.0%                                                       | 3                                                          |
| Perú Hunt Pipeline Development Company, Llc. <sup>(1)</sup>         | Liquidation         | Apr-15                          | 44.7%                              | 0.0%                                                       | -                                                          |
| Repsol International Capital, Ltd.                                  | Liquidation         | Jul-15                          | 100.0%                             | 0.0%                                                       | -                                                          |
| Repsol Mediación Agente de Seguros Vinculado, S.L.U. <sup>(3)</sup> | Absorption          | Aug-15                          | 100.0%                             | 0.0%                                                       | -                                                          |
| Euro-24, S.L. <sup>(3)</sup>                                        | Absorption          | Aug-15                          | 100.0%                             | 0.0%                                                       | -                                                          |
| San Andrés Park, S.L. <sup>(3)</sup>                                | Absorption          | Aug-15                          | 100.0%                             | 0.0%                                                       | -                                                          |
| Caveant, S.A.                                                       | Liquidation         | Sep-15                          | 100.0%                             | 0.0%                                                       | (9)                                                        |
| Compañía Logística de Hidrocarburos CLH, S.A.                       | Sale                | Sep-15                          | 10.0%                              | 0.0%                                                       | 293                                                        |

<sup>(1)</sup> This company is the parent of Hunt Pipeline Development Perú, LP, which in turn owns 100% of Hunt Pipeline Company of Perú, Ltd., a company domiciled in the Cayman Islands. The Repsol Group has derecognized its interests in these three companies.

<sup>(2)</sup> Corresponds to recognized pre-tax profit.

<sup>(3)</sup> Companies taken over by Repsol Comercial de Productos Petrolíferos, S.A

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

## APPENDIX IV: JOINT OPERATIONS AT SEPTEMBER 30, 2015

The main joint operations in which Repsol holds interests through the acquisition of Talisman (see heading 2.2) are:

| Name                                                 | Ownership interest<br>% <sup>(1)</sup> | Operator                                              | Activity                   |
|------------------------------------------------------|----------------------------------------|-------------------------------------------------------|----------------------------|
| <b>Algeria</b>                                       |                                        |                                                       |                            |
| Block 405a                                           | 35.00%                                 | Pertamina                                             | Production                 |
| <b>Australia</b>                                     |                                        |                                                       |                            |
| JPDA 06-105 PSC                                      | 25.00%                                 | Eni JPDA 06-105 Pty Ltd                               | Production                 |
| AC/L 5                                               | 33.33%                                 | Woodside Energy Limited                               | Production                 |
| WA-18-L                                              | 100.00%                                | Talisman Oil & Gas (Australia) Pty Limited            | Production                 |
| <b>Canada <sup>(1)</sup></b>                         |                                        |                                                       |                            |
| Groundbirch (British Columbia)                       | 37.59%                                 | Shell                                                 | Production                 |
| Edson (Alberta)                                      | 66.67%                                 | Talisman                                              | Production                 |
| Edson (Alberta)                                      | 50.00%                                 | Talisman                                              | Production                 |
| Fir (Alberta)                                        | 25.00%                                 | Delphi                                                | Production                 |
| Pine Creek (Alberta)                                 | 10.42%                                 | Apache                                                | Production                 |
| Quebec                                               | 75.00%                                 | Talisman                                              | Exploration <sup>(2)</sup> |
| Nunavut                                              | 75.00%                                 | Shell                                                 | Exploration <sup>(2)</sup> |
| Northwest Territories                                | 25.00%                                 | BP                                                    | Exploration <sup>(2)</sup> |
| Northwest Territories                                | 2.08%                                  | Suncor                                                | Exploration <sup>(2)</sup> |
| <b>Colombia</b>                                      |                                        |                                                       |                            |
| CAG -5                                               | 50.00%                                 | Meta Petroleum Corp                                   | Exploration                |
| CAG-6                                                | 40.00%                                 | Meta Petroleum Corp                                   | Exploration                |
| CPE-6                                                | 50.00%                                 | Meta Petroleum Corp                                   | Exploration                |
| CPE-8                                                | 50.00%                                 | Talisman Colombia Oil & Gas Ltd                       | Exploration                |
| CPO-9                                                | 45.00%                                 | Ecopetrol S.A.                                        | Exploration and Production |
| El Portón                                            | 25.00%                                 | Cepsa Colombia S.A.                                   | Exploration                |
| Niscota                                              | 30.00%                                 | Equion Energía Ltd.                                   | Exploration                |
| Mundo Nuevo                                          | 21.00%                                 | Hocol S.A.                                            | Exploration                |
| PUT -9                                               | 40.00%                                 | Meta Petroleum Corp                                   | Exploration                |
| PUT-30                                               | 50.00%                                 | Talisman Colombia Oil & Gas Ltd                       | Exploration                |
| <b>USA <sup>(1)</sup></b>                            |                                        |                                                       |                            |
| Eagle Ford (Texas)                                   | 50.00%                                 | Talisman / Statoil                                    | Production                 |
| Marcellus (Chafee Corners - Pennsylvania)            | 67.12%                                 | Talisman                                              | Production                 |
| Marcellus (Caton Elmira - New York and Pennsylvania) | 49.25%                                 | Swepi / Talisman                                      | Production                 |
| <b>Indonesia</b>                                     |                                        |                                                       |                            |
| Andaman III PSC                                      | 100.00%                                | Talisman Andaman B.V.                                 | Exploration                |
| Corridor PSC                                         | 36.00%                                 | ConocoPhillips (Grissik) Ltd.                         | Production                 |
| East Jabung PSC                                      | 51.00%                                 | Talisman East Jabung B.V.                             | Exploration                |
| Jambi Merang PSC                                     | 25.00%                                 | Joint Operating Body Pertamina-Talisman Jambi Merang  | Production                 |
| Ogan Komerang PSC                                    | 50.00%                                 | Joint Operating Body Pertamina-Talisman Ogan Komerang | Production                 |
| Sadang PSC                                           | 40.00%                                 | Talisman Sadang B.V.                                  | Exploration                |
| Sageri PSC                                           | 50.00%                                 | Talisman (Sageri) Ltd.                                | Exploration                |
| Sakakemang PSC                                       | 90.00%                                 | Talisman Sakakemang B.V.                              | Exploration                |
| South East Sumatra PSC                               | 7.48%                                  | CNOOC SES Ltd.                                        | Production                 |
| South Mandar PSC                                     | 33.00%                                 | PTTEP South Mandar Limited                            | Exploration                |
| South Sageri PSC                                     | 35.00%                                 | TOTAL E&P South Sageri                                | Exploration                |
| Tangguh LNG Project <sup>(3)</sup>                   | 3.06%                                  | BP Berau Ltd.                                         | Production                 |
| <b>Kurdistan</b>                                     |                                        |                                                       |                            |
| Block Topkhana                                       | 60.00%                                 | Talisman (Block K39) BV                               | Exploration                |
| Block Kurdamir                                       | 40.00%                                 | Talisman (Block K44) BV                               | Development                |
| <b>Norway</b>                                        |                                        |                                                       |                            |
| Licence 019 B                                        | 61.00%                                 | Talisman Energy Norge AS                              | Production                 |
| Licence 019 C                                        | 15.00%                                 | Talisman Energy Norge AS                              | Production                 |
| Licence 019 D                                        | 31.00%                                 | Talisman Energy Norge AS                              | Production                 |
| Licence 038                                          | 65.00%                                 | Talisman Energy Norge AS                              | Production                 |
| Licence 038 C                                        | 70.00%                                 | Talisman Energy Norge AS                              | Production                 |
| Licence 038 D                                        | 40.00%                                 | Talisman Energy Norge AS                              | Production                 |
| Licence 038 E                                        | 65.00%                                 | Talisman Energy Norge AS                              | Exploration                |

| Name                      | Ownership interest<br>% <sup>(1)</sup> | Operator                                                               | Activity                   |
|---------------------------|----------------------------------------|------------------------------------------------------------------------|----------------------------|
| Licence 052               | 27.00%                                 | Statoil Petroleum AS                                                   | Production                 |
| Licence 052 B             | 9.00%                                  | Statoil Petroleum AS                                                   | Production                 |
| Licence 053 B             | 33.84%                                 | Wintershall Norge AS                                                   | Production                 |
| Licence 055 (A, B y D)    | 33.84%                                 | Wintershall Norge AS                                                   | Production                 |
| Licence 143 BS            | 100.00%                                | Talisman Energy Norge AS                                               | Production                 |
| Licence 148 (A y B)       | 10.00%                                 | Lundin Norway AS                                                       | Exploration and Production |
| Licence 185               | 33.84%                                 | Wintershall Norge AS                                                   | Production                 |
| Licence 316 (A y B)       | 60.00%                                 | Talisman Energy Norge AS                                               | Production                 |
| Licence 378               | 17.50%                                 | Wintershall Norge AS                                                   | Exploration                |
| Licence 640               | 60.00%                                 | Talisman Energy Norge AS                                               | Exploration                |
| Licence 672               | 25.00%                                 | Talisman Energy Norge AS                                               | Exploration                |
| <b>Malaysia</b>           |                                        |                                                                        |                            |
| PM3 CAA PSC               | 41.44%                                 | Talisman Malaysia Limited                                              | Development and Production |
| PM 305 PSC                | 60.00%                                 | Talisman Malaysia Limited                                              | Production                 |
| PM 314 PSC                | 60.00%                                 | Talisman Malaysia Limited                                              | Production                 |
| SB 309 PSC                | 70.00%                                 | Talisman Malaysia Limited                                              | Exploration                |
| SB 310 PSC                | 70.00%                                 | Talisman Malaysia Limited                                              | Exploration                |
| SB1 Kinabalu Oil PSC      | 60.00%                                 | Talisman Malaysia Limited                                              | Development and Production |
| <b>Papua Nueva Guinea</b> |                                        |                                                                        |                            |
| Licence N° 4              | 40.00%                                 | Talisman Niugini Pty Ltd                                               | Exploration                |
| Licence N° 10             | 40.00%                                 | Talisman Niugini Pty Ltd                                               | Development and Pipelines  |
| Licence N° 8              | 22.29%                                 | Oil Search Limited                                                     | Exploration                |
| Licence N° 21             | 32.50%                                 | Horizon Oil (Papua) Limited                                            | Exploration                |
| Licence N° 28             | 30.00%                                 | Eaglewood Energy (BVI) Limited 40%                                     | Exploration                |
| Licence N° 38             | 25.00%                                 | Talisman Energy Niugini Limited                                        | Exploration                |
| Licence N° 235            | 60.00%                                 | Foreland Oil Limited                                                   | Exploration                |
| Licence N° 239            | 55.00%                                 | Talisman Energy Niugini Limited                                        | Exploration                |
| Licence N° 261            | 30.00%                                 | Foreland Oil Limited                                                   | Exploration                |
| Licence N° 269            | 50.00%                                 | Talisman Niugini Pty Ltd                                               | Exploration                |
| Licence N° 287            | 50.00%                                 | Talisman Energy Niugini Limited                                        | Exploration                |
| Licence N° 426            | 70.00%                                 | Talisman Energy Niugini Limited                                        | Exploration                |
| <b>Peru</b>               |                                        |                                                                        |                            |
| Batch 76                  | 35.00%                                 | Hunt Oil Exploration and Production Company of Perú<br>L.L.C. Sucursal | Exploration                |
| Batch 103                 | 60.00%                                 | Talisman Perú B.V. Sucursal                                            | Exploration                |
| Batch109                  | 70.00%                                 | Repsol Exploración Perú Sucursal                                       | Abandonment                |
| Batch 101                 | 30.00%                                 | Talisman Perú B.V. Sucursal                                            | Abandonment                |
| Batch 134                 | 55.00%                                 | Talisman Perú B.V. Sucursal                                            | Abandonment                |
| <b>Vietnam</b>            |                                        |                                                                        |                            |
| Block 46 CN PSC           | 33.15%                                 | Talisman Vietnam Limited                                               | Production                 |
| Block 15/2-01 PC          | 60.00%                                 | Thang Long Joint Operating Company (TLJOC)                             | Production                 |
| Block 133-134 BCC         | 49.00%                                 | Talisman (Vietnam 133-134) Ltd.                                        | Exploration                |
| Block 135-136 PSC         | 40.00%                                 | Talisman Vietnam 135-136 B.V.                                          | Exploration                |
| Block 05-2/10 PSC         | 40.00%                                 | Talisman Vietnam 05-2/10 B.V.                                          | Exploration                |
| Block 07/03 PSC           | 55.00%                                 | Talisman Vietnam 07/03 B.V.                                            | Development                |
| Block 146-147 PSC         | 80.00%                                 | Talisman Vietnam 146-147 B.V.                                          | Exploration                |

<sup>(1)</sup> Acreage interests in Canada and the USA are held under a large number of joint operating agreements (*Joint Operation Agreements* JOAs). This table includes only those significant agreements in which Repsol holds interests of more than 2,000 net acres.

<sup>(2)</sup> Operations on acreage corresponding to these areas are currently suspended due to government restrictions in Canada.

<sup>(3)</sup> Talisman holds a 42.4% interest in Wiriagar, one of the three Production Sharing Contracts (PSC) of the Tangguh LNG Project.

## APPENDIX V: RECONCILIATION BETWEEN IFRS-EU GROUP RESULTS AND RESULTS OF REPORTING SEGMENTS

The reconciliation between adjusted net income (loss) and IFRS-EU net income (loss) for the third quarter of 2015 and 2014 and for the nine-month periods ended September 30, 2015 and 2014 is as follows:

| Third quarter income/ (loss) 2015 and 2014                                      |                     |            |                                 |              |                     |             |               |              |                   |              |                  |            |
|---------------------------------------------------------------------------------|---------------------|------------|---------------------------------|--------------|---------------------|-------------|---------------|--------------|-------------------|--------------|------------------|------------|
| Millions of euros                                                               | ADJUSTMENTS         |            |                                 |              |                     |             |               |              |                   |              |                  |            |
|                                                                                 | Adjusted Net Income |            | Joint Ventures Reclassification |              | Non-Recurring Items |             | Equity Effect |              | Total Adjustments |              | IFRS -EU Results |            |
|                                                                                 | 2015                | 2014       | 2015                            | 2014         | 2015                | 2014        | 2015          | 2014         | 2015              | 2014         | 2015             | 2014       |
| Operating Income                                                                | 511                 | 637        | 13                              | (188)        | (303)               | (40)        | (406)         | (103)        | (696)             | (331)        | (185)            | 306        |
| Financial Result                                                                | (223)               | (12)       | 24                              | 23           | -                   | 1           | -             | -            | 24                | 24           | (199)            | 12         |
| Share of results of companies accounted for using the equity method- net of tax | 105                 | 96         | (128)                           | 62           | -                   | -           | -             | -            | (128)             | 62           | (23)             | 158        |
| <b>Net Income before tax</b>                                                    | <b>393</b>          | <b>721</b> | <b>(91)</b>                     | <b>(103)</b> | <b>(303)</b>        | <b>(39)</b> | <b>(406)</b>  | <b>(103)</b> | <b>(800)</b>      | <b>(245)</b> | <b>(407)</b>     | <b>476</b> |
| Income tax                                                                      | (206)               | (301)      | 91                              | 103          | 195                 | 7           | 115           | 31           | 401               | 141          | 195              | (160)      |
| <b>Net income from continuing operations</b>                                    | <b>187</b>          | <b>420</b> | <b>-</b>                        | <b>-</b>     | <b>(108)</b>        | <b>(32)</b> | <b>(291)</b>  | <b>(72)</b>  | <b>(399)</b>      | <b>(104)</b> | <b>(212)</b>     | <b>316</b> |
| Net income from continuing operations attributable to minority interests        | (28)                | (5)        | -                               | -            | -                   | -           | 19            | 9            | 19                | 9            | (9)              | 4          |
| <b>Net income from continuing operations attributable to the parent</b>         | <b>159</b>          | <b>415</b> | <b>-</b>                        | <b>-</b>     | <b>(108)</b>        | <b>(32)</b> | <b>(272)</b>  | <b>(63)</b>  | <b>(380)</b>      | <b>(95)</b>  | <b>(221)</b>     | <b>320</b> |
| Income from discontinued operations                                             | -                   | -          | -                               | -            | -                   | -           | -             | -            | -                 | -            | -                | (1)        |
| <b>TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT</b>                              | <b>159</b>          | <b>415</b> | <b>-</b>                        | <b>-</b>     | <b>(108)</b>        | <b>(32)</b> | <b>(272)</b>  | <b>(63)</b>  | <b>(380)</b>      | <b>(95)</b>  | <b>(221)</b>     | <b>319</b> |

| Accumulated nine-months income/ (loss) 2015 and 2014                            |                     |              |                                 |              |                     |            |               |              |                   |              |                  |              |
|---------------------------------------------------------------------------------|---------------------|--------------|---------------------------------|--------------|---------------------|------------|---------------|--------------|-------------------|--------------|------------------|--------------|
| Millions of euros                                                               | ADJUSTMENTS         |              |                                 |              |                     |            |               |              |                   |              |                  |              |
|                                                                                 | Adjusted Net Income |              | Joint Ventures Reclassification |              | Non-Recurring Items |            | Equity Effect |              | Total Adjustments |              | IFRS -EU Results |              |
|                                                                                 | 2015                | 2014         | 2015                            | 2014         | 2015                | 2014       | 2015          | 2014         | 2015              | 2014         | 2015             | 2014         |
| Operating Income                                                                | 1,620               | 1,795        | (89)                            | (652)        | (539)               | (223)      | (494)         | (184)        | (1,122)           | (1,059)      | 498              | 736          |
| Financial Result                                                                | 233                 | (188)        | (13)                            | (34)         | 22                  | 444        | -             | -            | 9                 | 410          | 242              | 222          |
| Share of results of companies accounted for using the equity method- net of tax | 340                 | 391          | (105)                           | 397          | -                   | 49         | -             | -            | (105)             | 446          | 235              | 837          |
| <b>Net Income before tax</b>                                                    | <b>2,193</b>        | <b>1,998</b> | <b>(207)</b>                    | <b>(289)</b> | <b>(517)</b>        | <b>270</b> | <b>(494)</b>  | <b>(184)</b> | <b>(1,218)</b>    | <b>(203)</b> | <b>975</b>       | <b>1,795</b> |
| Income tax                                                                      | (730)               | (643)        | 207                             | 289          | 279                 | (111)      | 140           | 55           | 626               | 233          | (104)            | (410)        |
| <b>Net income from continuing operations</b>                                    | <b>1,463</b>        | <b>1,355</b> | <b>-</b>                        | <b>-</b>     | <b>(238)</b>        | <b>159</b> | <b>(354)</b>  | <b>(129)</b> | <b>(592)</b>      | <b>30</b>    | <b>871</b>       | <b>1,385</b> |
| Net income from continuing operations attributable to minority interests        | (64)                | (18)         | -                               | -            | -                   | -          | 25            | 12           | 25                | 12           | (39)             | (6)          |
| <b>Net income from continuing operations attributable to the parent</b>         | <b>1,399</b>        | <b>1,337</b> | <b>-</b>                        | <b>-</b>     | <b>(238)</b>        | <b>159</b> | <b>(329)</b>  | <b>(117)</b> | <b>(567)</b>      | <b>42</b>    | <b>832</b>       | <b>1,379</b> |
| Income from discontinued operations                                             | -                   | -            | -                               | -            | -                   | -          | -             | -            | -                 | -            | -                | 267          |
| <b>TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT</b>                              | <b>1,399</b>        | <b>1,337</b> | <b>-</b>                        | <b>-</b>     | <b>(238)</b>        | <b>159</b> | <b>(329)</b>  | <b>(117)</b> | <b>(567)</b>      | <b>42</b>    | <b>832</b>       | <b>1,646</b> |

The reconciliation of other metrics disclosed in Note 3.5 and 3.3 with the IFRS-EU disclosures for the third quarters of 2015 and 2014 and for the nine-month periods ended September 30, 2015 and 2014 is as follows:

|                                                                                   | Millions of euros |               |               |               |
|-----------------------------------------------------------------------------------|-------------------|---------------|---------------|---------------|
|                                                                                   | Q3 2015           | Q3 2014       | 09/30/2015    | 09/30/2014    |
| <b>Adjusted operating profit</b> <sup>(2)</sup>                                   | <b>10,704</b>     | <b>12,736</b> | <b>31,698</b> | <b>37,365</b> |
| <i>Adjustments for joint ventures, other companies managed as such and other:</i> |                   |               |               |               |
| Upstream                                                                          | (476)             | (458)         | (1,310)       | (1,343)       |
| Downstream                                                                        | (18)              | (17)          | (58)          | (52)          |
| Corporation                                                                       | -                 | (1)           | (1)           | (1)           |
| <b>IFRS-EU operating profit</b> <sup>(1)</sup>                                    | <b>10,210</b>     | <b>12,260</b> | <b>30,329</b> | <b>35,969</b> |
| <b>Adjusted net operating investments</b> <sup>(2) (3)</sup>                      | <b>695</b>        | <b>909</b>    | <b>10,696</b> | <b>2,360</b>  |
| <i>Adjustments for joint ventures, other companies managed as such and other:</i> |                   |               |               |               |
| Upstream                                                                          | (295)             | (295)         | (879)         | (745)         |
| Downstream                                                                        | 5                 | (6)           | (5)           | (18)          |
| Corporation                                                                       | (11)              | -             | (11)          | -             |
| <b>IFRS-EU adjusted net operating investments</b> <sup>(3)</sup>                  | <b>394</b>        | <b>608</b>    | <b>9,801</b>  | <b>1,597</b>  |

(1) The IFRS-EU revenue figure corresponds to the sum of the “Sales” and “Services rendered and other income” headings on the consolidated income statement.

(2) Figures compiled in keeping with the Group reporting model described in Note 3 “Segment reporting”.

(3) Includes investments accrued during the period net of disposals but does not include investments in “Other financial assets”.

|                                                                       | Group reporting model |               | Joint Ventures Reclassification |            | IFRS-EU       |               |
|-----------------------------------------------------------------------|-----------------------|---------------|---------------------------------|------------|---------------|---------------|
|                                                                       | 2015                  | 2014          | 2015                            | 2014       | 2015          | 2014          |
| <b>OTHER DATA</b>                                                     |                       |               |                                 |            |               |               |
| EBITDA- third quarter (millions of euros)                             | 1,011                 | 1,047         | (134)                           | (310)      | 877           | 737           |
| EBITDA- accumulated nine-month period (millions of euros)             | 3,394                 | 3,249         | (528)                           | (953)      | 2,866         | 2,296         |
| Net financial debt -accumulated nine-month period (millions of euros) | 13,123                | 1,935         | 1,585                           | 1,889      | 14,708        | 3,824         |
| <b>Employees - accumulated nine-month period</b>                      | <b>28,260</b>         | <b>24,761</b> | <b>161</b>                      | <b>172</b> | <b>28,099</b> | <b>24,589</b> |

## APPENDIX VI: OTHER DETAILED INFORMATION

### Operating revenue by segment

Operating revenue by segments is disclosed below (segment delimitation, their income and results is detailed in heading 3 “*Segment Reporting*”):

| Segments                                                           | Millions of euros                |               |                                  |            |                         |               |
|--------------------------------------------------------------------|----------------------------------|---------------|----------------------------------|------------|-------------------------|---------------|
|                                                                    | Operating revenue from customers |               | Operating revenue inter segments |            | Total operating revenue |               |
|                                                                    | 09/30/2015                       | 09/30/2014    | 09/30/2015                       | 09/30/2014 | 09/30/2015              | 09/30/2014    |
| Upstream                                                           | 2,711                            | 2,239         | 785                              | 1,066      | 3,496                   | 3,305         |
| Downstream                                                         | 28,986                           | 35,115        | 8                                | 5          | 28,994                  | 35,120        |
| Corporation                                                        | 2                                | 11            | 1                                | 6          | 3                       | 17            |
| (-) Inter-segment adjustments and eliminations of operating income | (1)                              | -             | (794)                            | (1,077)    | (795)                   | (1,077)       |
| <b>TOTAL</b>                                                       | <b>31,698</b>                    | <b>37,365</b> | <b>-</b>                         | <b>-</b>   | <b>31,698</b>           | <b>37,365</b> |

Note: For the reconciliation between the net amount of the operating revenue by segment and the net amount of the operating revenue (IFRS – EU), see Appendix V.

### Fair value of financial instruments

The classification of financial instruments recognized in the financial statements at fair value at September 30, 2015 and December 31, 2014, is as follows:

| Millions of euros                                            | September 30, 2015 and December 31, 2014 |            |            |            |          |          |            |            |
|--------------------------------------------------------------|------------------------------------------|------------|------------|------------|----------|----------|------------|------------|
|                                                              | Level 1                                  |            | Level 2    |            | Level 3  |          | Total      |            |
|                                                              | 2015                                     | 2014       | 2015       | 2014       | 2015     | 2014     | 2015       | 2014       |
| <b>Financial assets</b>                                      |                                          |            |            |            |          |          |            |            |
| Financial assets held for trading                            | 140                                      | 356        | 88         | 262        | -        | -        | 228        | 618        |
| Other financial assets at fair value through profit and loss | 102                                      | 102        | -          | -          | -        | -        | 102        | 102        |
| Financial assets available for sale <sup>(1)</sup>           | 1                                        | 1          | -          | -          | -        | -        | 1          | 1          |
| Hedging derivatives                                          | 31                                       | 2          | 1          | 23         | -        | -        | 32         | 25         |
| <b>Total</b>                                                 | <b>274</b>                               | <b>461</b> | <b>89</b>  | <b>285</b> | <b>-</b> | <b>-</b> | <b>363</b> | <b>746</b> |
| <b>Financial liabilities</b>                                 |                                          |            |            |            |          |          |            |            |
| Financial liabilities held for trading                       | -                                        | 28         | 298        | 162        | -        | -        | 298        | 190        |
| Hedging derivatives                                          | 6                                        | -          | 100        | 176        | -        | -        | 106        | 176        |
| <b>Total</b>                                                 | <b>6</b>                                 | <b>28</b>  | <b>398</b> | <b>338</b> | <b>-</b> | <b>-</b> | <b>404</b> | <b>366</b> |

Financial instruments recognized at fair value are classified at different levels, as described below:

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

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

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

<sup>(1)</sup> Does not include €83 and €59 million at September 30, 2015 and December 31, 2014, corresponding to equity investments in companies that are measured at acquisition cost under IAS 39.

In accordance with accounting regulations, the techniques used to value instruments classified as level 2 for fair value hierarchy purposes are based on an income approach, which consists of discounting known or estimated future cash flows to present value using discount curves built from benchmark market interest rates (estimated using implied forward curves provided by the market in the case of derivatives), including adjustments for credit risk based on the duration of

the instruments. In the case of options, price-setting models based on the Black & Scholes formula are used.

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