INTERIM MANAGEMENT REPORT 2014

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

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

INDEX

1. MAIN EVENTS OF THE PERIOD

Net income in the first half of 2014 amounted to €1,327 million, 47% higher than the first half of 2013.

Gains on divestments in the period have had a significant impact on improved results, mainly due to the transfer of the holding in YPF S.A., after an agreement with the Government of Argentina for the expropriation of 51% of that company, as well as the completion of the sale of LNG and gas transportation assets. Regarding day-to-day business performance, the improved *Downstream* and *Gas Natural Fenosa* results have only partially offset the fall in *Upstream* results derived from the interruption of production in Libya and greater exploration costs. *(For further explanation on this period´s results, see "Results" in Note 4)*

In relation to the divestment in Argentina, it should be noted that in this period the controversy over the expropriation of 51% of YPF S.A. and YPF Gas S.A. was resolved through the signing of two agreements with the Argentinian authorities and YPF, respectively. Under the agreement signed with the Republic of Argentina, which was ratified by Repsol's General Meeting and approved fully and unconditionally by the Argentinian Parliament, Repsol was recognised a compensation of USD5,000 million for the expropriation of the shares in YPF S.A. and YPF Gas S.A. The payment of the compensation was made by the delivery to Repsol of Argentinian bonds, which the Group sold entirely for USD4,997 million. Additionally, the Group sold its stake in YPF S.A. that was not expropriated (12.38%), for the amount of USD1,316 million. Overall these operations have represented revenues for Repsol of USD6,313 million and total capital gain after tax of €300 million. *(For further information on the expropriation, see section 2.3.2 in Note 2)*

As part of the divestment targets for non-strategic assets established by Repsol's 2012-2016 Strategic Plan on 1 January 2014, the sale to Shell of part of the LNG assets and business, consisting of the stake in Repsol Comercializadora de Gas, S.A. was completed, whose main activity was the marketing, transportation and trading of LNG, for USD730 million, resulting in a post-tax gain of €329 million. Similarly, in March 2014 Repsol completed the sale to Enagás of a 10% stake in Transportadora de Gas del Perú, S.A. (TGP), for a price of USD219 million and generating a net capital gain of €57 million.

The income from the compensation for the expropriation of shares in YPF S.A. and YPF Gas S.A. in Argentina, the sale of the YPF S.A. shares not expropriated and the divestment of LNG assets have boosted the financial strength of the company, which has been acknowledged by the major international rating agencies with improvements in Repsol's credit rating. As at 30 June 2014, net debt stood at €2,392 million, which represents a decrease compared to the same period in 2013 of 55%. Furthermore, Repsol also has a high level of available resources that cover its short term gross debt by almost 3 times. *(For further information on the financial situation, see "Financial overview" in Note 4)*

In regard to the performance of our business areas, *Upstream* production during the first six months of 2014 stood at 340 kboe/d, 5.6% less than in 2013, fundamentally affected by the production disruption in Libya as a result of conflicts and security problems in that country. Volumes contributed by the strategic growth projects implemented in 2013 (Sapinhoá, in block BM-S-9 in Brazil, Phase II of Margarita-Huacaya in Bolivia, and Syskonsininskoye (SK) in Russia) are remarkable, meaning that in the first half of 2014 Brazil, Bolivia and Russia made a positive production yield of more than 18.7 Kboe/d. Development has also continued in other strategic projects, notably the start of the production in March of Kinteroni (Lot 57), in Peru. With the commissioning of Kinteroni, one of the five biggest discoveries of 2008, Repsol has begun production in seven of the ten key growth projects contemplated in the 2012-2016 Strategic Plan. In addition, the investment effort in exploration has been maintained, including the completion of 10 exploratory surveys in the six-month period and with 9 other exploratory surveys currently in progress. Emphasis should be placed on the Gabi-1 exploration survey in the Karabahsky-1 block in Russia as well as the positive outcome of the Qugruk 5 and 7 appraisal surveys in Alaska (North Slope) and the extension survey made at the TSP production well in Trinidad and Tobago. *(For further information on the Upstream division results and performance, see "Results" in Note 4 and 5.1)*

In *Downstream*, the results for the period improved by 29%, fundamentally stemming from the favourable progress of the marketing businesses, the chemical business driven by the measures of the Competitiveness Plan and the results from North American gas businesses, which continue to demonstrate the quality of the group's assets, particularly after the completion of the major refining projects at Cartagena and Bilbao, leading its European competitors in integrated Marketing and Refining margins. *(For further information on the Downstream division results and performance, see "Results" in Note 4 and 5.2)*

The contribution to the results of *Gas Natural Fenosa* was in line with the same period for the previous year, highlighting the gain obtained by the sale of its telecommunications business.

At the corporate level we note, on the one hand, the appointment of Josu Jon Imaz San Miguel as new Chief Executive Officer (CEO) to lead the Group towards new challenges and opportunities and, on the other hand, the resignation as a member of the Board of Directors of Pemex International España, S.A.U., after the sale of its stake in Repsol, S.A. *(For further information on Corporate Governance, see section 2.2)*

The Repsol Board of Directors agreed in May to the distribution of an extraordinary gross dividend of one euro (€1) per share, charged to the results of the current financial year, which was paid out on 6 June 2014 and resulted in a payment of €1,325 million. Additionally, in June and July, the company implemented a paid-up capital increase through which the program "*Repsol flexible dividend*" is being implemented, allowing shareholders to opt to receive their remuneration, whether wholly or partly, in newly issued shares or in cash. As a result, Repsol has become one of the leading Spanish companies for remuneration to its shareholders, at 1.485 €/share this semester.

During the first half of 2014 Repsol share prices appreciated by 5.13%, standing at €19.26/share on 30 June and representing a market capitalisation of €25,510 million. Discounting the effects on the price from the payment of the extraordinary dividend and the "*Repsol flexible dividend*" program, Repsol's shares behaved better than average during the period on the Spanish market and its European counterparts, leading the sector and the Ibex 35 in terms of shareholder remuneration. *(For further information on our shareholders remuneration and our share, see "Shareholder remuneration" in Note 4)*

Finally, Repsol has maintained its commitment to society and its employees, hiring 2,865 new employees over the six-month period (9% higher than the same period 2013) and investing more than €7 million in training. Additionally, 691 fewer tons of CO_2 equivalent were emitted in the atmosphere compared to the same period in 2013. *(See "Other ways of creating value" in the following section "Main figures and indicators of the period")*

MAIN FIGURES AND INDICATORS OF THE PERIOD

Results, financial overview and shareholder remuneration [(1)]	June 2014	June 2013
Results		
EBITDA	2,202	2,215
Adjusted Net Income	922	925
Net Income	1,327	901
Earnings per share (€/share)	0.98	0.68
ROACE (%) [(2)]	6.9	5.5
Financial overview		
Net financial debt [(3)]	2,392	5,358
EBITDA [(4)] / Net financial debt (x times)	1.8	0.9
Shareholder remuneration		
Total shareholder remuneration (€)	1.48	0.51

Main stock indicators	June 2014	June 2013
Share price at close of financial year (€)	19.26	16.21
Average share price (€)	18.79	16.81
Market capitalisation [(1)]	25,510	20,789

Our business performance [(1)]	June 2014	June 2013
Upstream		
Net liquids production (kbbl/d)	126	150
Net gas production (kboe/d)	214	210
Net hydrocarbon production (kboe/d)	340	360
Average crude oil realization price ($/bbl)	86.9	90.0
Average gas realization price ($/Thousand scf)	4.1	4.1
Adjusted Net Income	400	634
EBITDA	1,359	1,725
Operating investments	1,275	1,151
Downstream		
Refining capacity (kbbl/d)	998	998
Conversion index in Spain (%)	63	63
Refining margin indicator in Spain ($/Bbl)	3.5	3.2
Oil product sales (kt)	21,143	21,290
Petrochemical product sales (kt)	1,334	1,197
LPG sales (kt)	1,219	1,273
LNG sold in North America (TBtu)	149.6	86.2
Adjusted Net Income	452	350
EBITDA	948	635
Operating investments	283	226
Gas Natural Fenosa		
Adjusted Net Income	282	253

Other ways of creating value	June 2014	June 2013
People		
Managed Workforce [(5)]	24,796	24,543
Number of new hires in the year [(6)]	2,865	2,623
Safety and environmental management		
Overall Frequency Rate (IF) of accidents with sick leave [(7)]	0.7	0.48
Direct CO_2 emissions [(8)] (million t)	6.148	6.839

Macroeconomic environment	June 2014	June 2013
Brent ($/bbl)	108.9	107.5
WTI ($/bbl)	100.8	94.3
Henry Hub ($/Mbtu)	4.8	3.7
Algonquin ($/Mbtu)	12.3	8.2
Average exchange rate ($/€)	1.37	1.31

Note: Indicators have been calculated in accordance with the new reporting model; see section *4 Segment Reporting* of the interim condensed consolidated financial statements for the six-month period ended 30 June 2014.
[(1)] Where appropriate, figures shown in million euros.
[(2)] The ROACE for the first half of 2014 is an annualised indicator, and that corresponding to the 2013 financial year corresponds to the annual real data.
[(3)] Comparative figure 2013 corresponds to 31 December 2013.
[(4)] The EBITDA for the first half of 2014 is an annualised indicator obtained by a mere extrapolation of this period´s figures; that corresponding to the 2013 financial year corresponds to the annual real data.
[(5)] Does not include those employees with annual working hours equal to or less than 20% of the hours set in the collective bargaining agreement and employees of partially-owned companies in which Repsol does not have management control. The workforce figure also follows the Group's accounting consolidation criteria.
[(6)] % of number of permanent new hires in the year for the first semester 2014 and 2013 amounts 33% and 25%, respectively.
[(7)] Overall frequency rate with sick leave: number of accidents leading to days lost or deaths recorded over the year, for every million hours worked.
[(8)] Includes direct emissions of CO_2 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.

2. OUR COMPANY

2.1) BUSINESS MODEL

Repsol Group´s activities are divided into three business areas:

- *Upstream*, relating to the exploration and production of hydrocarbons.

- *Downstream*, which is responsible for (i) refining and commercialization of oil products, petrochemicals products and liquefied petroleum gas, (ii) commercialization, transportation and regasification of natural gas and liquefied natural gas (LNG) and (iii) renewable energy power projects; and

- *Gas Natural Fenosa*, corresponding to Repsol's stake in the Gas Natural Fenosa group, which mainly engages in natural gas marketing and the generation, distribution, and marketing of electricity.

2.2) CORPORATE GOVERNANCE

On 30 April 2014, the Board of Directors of Repsol, at the proposal of its Chairman, and with a favourable report issued by the Nominations and Remuneration Committee, approved a significant remodelling of the structure of the senior management team, in particular the appointment of Josu Jon Imaz San Miguel as Chief Executive Officer (CEO), who previously held the position of General Director of Industry and Trading.

The new organisation of the Repsol group has strengthened the management of all businesses and corporate areas, meaning that, following the compensation agreement reached with the Republic of Argentina, it has the best organisation to generate new growth opportunities -both organic and inorganic- in accordance with its principles of profitability, responsibility, sustainability and future.

On the same date, the Board accepted the resignation of Independent Board Member Paulina Beato Blanco, leaving a vacant position filled by the new Chief Executive Officer, who was also appointed member of the Delegate Commission.

On 4 June 2014, following the announcement by PEMEX of the sale of the majority of its share in Repsol, Pemex Internacional España, S.A.U. submitted its resignation as a member of the Board of Directors of Repsol, S.A. and of the Committees on which it sat (Delegate Committee and Strategy, Investment and Corporate Social Responsibility Committee).

2.3) RISK MANAGEMENT

2.3.1 RISK FACTORS

Repsol's operations and earnings are subject to risks as a result of changes in competitive, economic, political, legal, regulatory, social, industrial, business and financial conditions.

The risks faced by the Group in the second half of 2014 are the same as those detailed in the management report accompanying the financial statements for 2013. This information should therefore be read in conjunction with the description of the risk factors included in the Consolidated Management Report 2013, as well as with Note 19 "*Financial risk and capital management*" of the Consolidated Financial Statements for the said year.

Below are shown, in summary form, the existing risks at 31 December 2013 that remain valid as risks for the second semester of 2014.

STRATEGIC AND OPERATIONAL RISKS

Uncertainty in the current economic context

Despite the substantial decrease of the risks resulting from the 2009 financial crisis, global economic recovery continues to be too weak to significantly reduce levels of leverage in many sectors of advanced economies, and increasingly so in emerging economies. This, together, with historically low interest rates during the past five years, which could have led to some agents assuming excessive risk, is a significant additional source of risk, due to the vulnerability to future interest rate rises.

In the Eurozone, interior market fragmentation could keep unemployment at excessive levels in some countries, driving up deflationary pressures, which would have a negative impact on the economic and monetary union as a whole.

Furthermore, persistent pressure on the sustainability of government finances in advanced economies has led to pronounced tensions in credit markets, and could prompt fiscal reforms or changes in the regulatory framework of the oil and gas industry. Finally, the economic-financial situation could have a negative impact on third parties with whom Repsol does or could do business. Any of the factors described above, whether in isolation or in combination with each other, could have an adverse effect on the financial condition, businesses, or results from Repsol operations.

Potential fluctuations in international prices and demand of crude oil and reference products, due to factors beyond Repsol's control

World oil prices have experienced significant changes over the last ten years, in addition to being subject to international supply and demand fluctuations, over which Repsol has no control.

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

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

Regulatory and tax framework of Repsol's operations

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

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

Finally, the energy sector, and particularly the oil industry, is subject to a singular fiscal framework. In *Upstream* activities it is common to see specific taxes on profit and production, and with respect to *Downstream* activities, the existence of taxes on product consumption is also common.

Repsol is subject to extensive environmental and safety legislations and risks

Repsol is subject to extensive environmental and safety regulations in all the countries in which it operates. These regulations govern, among various matters, those concerning the Group's environmental operations concerning their producers, air emissions and climate change, energy efficiency, water discharges, remediation of soil and groundwater and the generation, storage, transportation, treatment and final disposal of waste materials and safety.

In particular, and due to concerns over the risk of climate change, a number of countries have adopted, or are looking into adopting, new regulatory requirements to reduce greenhouse gas emissions, such as carbon taxes, increasing efficiency standards, or adopting emissions trading schemes. These constraints could make Repsol's products more expensive, as well as shift hydrocarbon demand toward relatively lower-carbon sources, such as renewable energies. In addition, compliance with greenhouse gas regulations may also require Repsol to upgrade its facilities, monitor or sequester emissions or take other actions that may increase costs.

Operating risks related to exploration and exploitation of hydrocarbons and reliance on the cost-effective acquisition or discovery of, and, thereafter, development of, new oil and gas reserves

Oil and gas exploration and production activities are subject to particular risks, many of which are beyond Repsol´s control. These activities are exposed to production, equipment and transportation risks, mistakes or inefficiencies in operations management and purchasing processes, natural hazards and other uncertainties relating to the physical characteristics of oil and gas fields. Moreover, any mean of transport of hydrocarbons implies inherent risks: during road, rail, maritime or pipe transportation, hydrocarbons or other hazardous substances may be spilled.

Moreover, Repsol depends on replacing depleted oil and gas reserves with new proven reserves profitably, in a way that enables subsequent production to be economically viable.

Location of reserves

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

Oil and gas reserves estimation

In the estimation of proven oil and gas reserves, Repsol relies on the guidelines and the conceptual framework of the Securities and Exchange Commission's (SEC) definition of proven reserves and on the criteria established by the Petroleum Reserves Management System of the Society of Petroleum Engineers (PRMS-SPE). In the estimation of non-proven oil and gas reserves, Repsol relies on the criteria and the guidelines established by the PRMS-SPE.

The accuracy of these estimates depends on a number of different factors, assumptions and variables, some of which are beyond Repsol's control. As a result, measures of reserves are not precise and are subject to revision.

Projects and operations carried out through joint ventures and partnerships

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

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

As part of Repsol's strategy, the company may engage in acquisitions, investments and disposals of interests. There can be no assurance that Repsol will identify suitable acquisition opportunities, obtain the financing necessary to complete and support such acquisitions or investments, acquire businesses on satisfactory terms, or that any acquired business will prove to be profitable.

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

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

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

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

Natural gas prices tend to vary between the different regions in which the Group operates, and such prices may be lower than prevailing prices in other regions of the world.

In addition, the Group has entered into long-term contracts to purchase and supply natural gas in various parts of the world. These contracts have different price formulas, which could result in higher purchase prices than the price at which such gas could be sold in increasingly liberalised markets. Furthermore, gas availability could be subject to the risk of counterparties breaching their contractual obligations, thus necessitating to search for other sources of natural gas, potentially at higher prices than those envisaged under the breached contracts.

The Group has long term contracts in place for the sale of gas to clients which, in the event of there being insufficient reserves in countries envisaged under them, Repsol would not be able to meet its contractual obligations, some of which may lead to sanctions being imposed.

Cyclical nature of the petrochemical activity

The petrochemicals industry is subject to wide fluctuations in supply and demand, reflecting the cyclical nature of the petrochemicals market on a regional and global scale.

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

The oil, gas and petrochemical industry operates in the context of a highly competitive energy sector. This competition influences the conditions for accessing markets or following new business leads, the costs of licenses and the pricing and marketing of products.

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

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

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

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

The existence of management misconduct or breach of applicable legislation, when occurring, could cause harm to the Company's reputation, in addition to incurring sanctions and legal liability.

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

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

FINANCIAL RISKS

Repsol has in place a structure and systems that enable it to identify, measure and control the financial risks to which the Group is exposed. The main financial risks are described below:

Liquidity risk

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

Credit risk

Credit risk is the risk of a third party failing to carry out its contractual obligations, resulting in a cost or loss to the Group.

The exposure of the Group to credit risk is mainly attributable, among others, to commercial debts from trading transactions, which are measured and controlled in relation to the customer or individual third parties. Additionally, the Group is also exposed to counterparty risk derived from non-commercial contractual transactions that may lead to defaults. In these cases, the Group analyses the solvency of counterparties with which the Group has or may have non-commercial contractual transactions.

Market risk

Exchange rate fluctuation risk: Repsol is exposed to fluctuations in currency exchange rates since revenues and cash flows generated by oil, natural gas and refined product sales are generally denominated in U.S. dollars or are otherwise affected by dollar exchange rates. Operating income is also exposed to fluctuations in currency exchange rates in countries where Repsol conducts its activities. Repsol is also exposed to exchange risk in relation to the value of its assets and financial investments.

Commodity price risk: as a consequence of performing operations and trading activities, the earnings of the Repsol Group are exposed to volatility in the price of oil, natural gas, and related derivative products.

Interest rate risk: the market value of the Group's net financing and net interest expenses could be affected as a consequence of interest rate fluctuations.

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

2.3.2 EXPROPRIATION OF REPSOL GROUP SHARES IN YPF S.A. AND REPSOL YPF GAS S.A.

During the first half of 2014, with the monetisation of sovereign bonds delivered by the Republic of Argentina to Repsol in payment of compensation recognised by the Agreement for the Amicable Settlement and Compromise of Expropriation – *Convenio de Solución Amigable y Avenimiento de Expropiación* –, signed by and between the Republic of Argentina on the one side, and Repsol, S.A., Repsol Capital, S.L. and Repsol Butano, S.A. on the other, one of the main risks to which the Group was exposed, as a result of the dispute arising from the expropriation of 51% of capital of YPF S.A. and YPF Gas S.A., has drawn to a close. Under the terms of the Agreement, the Republic of Argentina recognized an irrevocable debt to Repsol of USD5,000 million as compensation for the expropriation of these shares.

In payment of the compensation, the Republic of Argentina delivered to Repsol, a portfolio of sovereign bonds for a total par value of USD5,317 million. These bonds have subsequently been sold, in several transactions, in their entirety to J.P. Morgan Securities, for a total amount of USD4,997 million, thus extinguishing the full debt recognised by the Republic of Argentina.

Additionally in the sale of the sovereign bonds, the Group has sold a 12.38% stake in the non-expropriated share it holds in YPF S.A., mostly to foreign institutional investors, for the sum of USD1,316 million, thus leaving the Group's interest in YPF S.A. at 30 June 2014 below 0.001%.

These transactions as a whole have provided USD6,313 million of income for the Group.

For more information regarding the expropriation, the signature of the agreements with the Republic of Argentina and YPF S.A., accounting effects and the contingencies associated with the expropriation process, see Note 3.b "*Assets and liabilities related to the expropriation of the Repsol Group Shares in YPF S.A. and YPF Gas S.A. – Argentina Agreement*" and Note 9 "*Contingencies and guarantees*" of the interim condensed consolidated financial statements for the six-month period ended 30 June 2014.

3. MACROECONOMIC ENVIRONMENT

Recent economic developments

A particularly harsh winter caused the US economy to contract in the first quarter of the year. This, together with the modest evolution of emerging economies, drove downside risk beyond forecasts for 2014 (3.6% year on year) and the upside risk owing to base effect for 2015 (3.9% year on year). In any event, the global economy should see a quickened growth pace as the year goes on, particularly in advanced economies.

Currently, global economic growth is increasingly sustained on real activity and less on unconventional monetary policies which produced extraordinary liquidity.

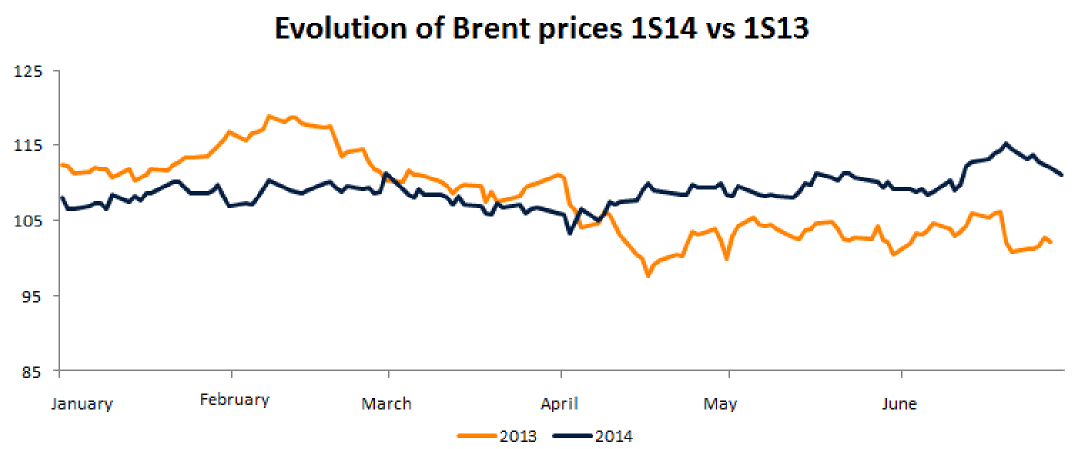
In any case, the different stances of leading central banks in applying their monetary policies must be taken into account. While the Bank of England and US Federal Reserve are abandoning unconventional stimuli, such as quantitative easing, the Bank of Japan and the European Central Bank (ECB) are adopting new measures of this kind.

Although economic recovery continues, less than forecasted growth in the first half of the year indicates that growth for the year will be somewhat lower than initially estimated. A particularly harsh winter in the US has caused real GDP in the first quarter to shrink 2.9% (quarter on quarter annualised). The Euro zone grew 0.2% quarter on quarter in the same period, with Germany and Spain recording positive advances but France and Italy, two bigger economies, recording more disappointing growth. The ECB once again lowered interest rates and released more liquidity into the European banking system in an attempt to stimulate lending, end banking fragmentation of the Euro zone and combat the risk of excessively low inflation.

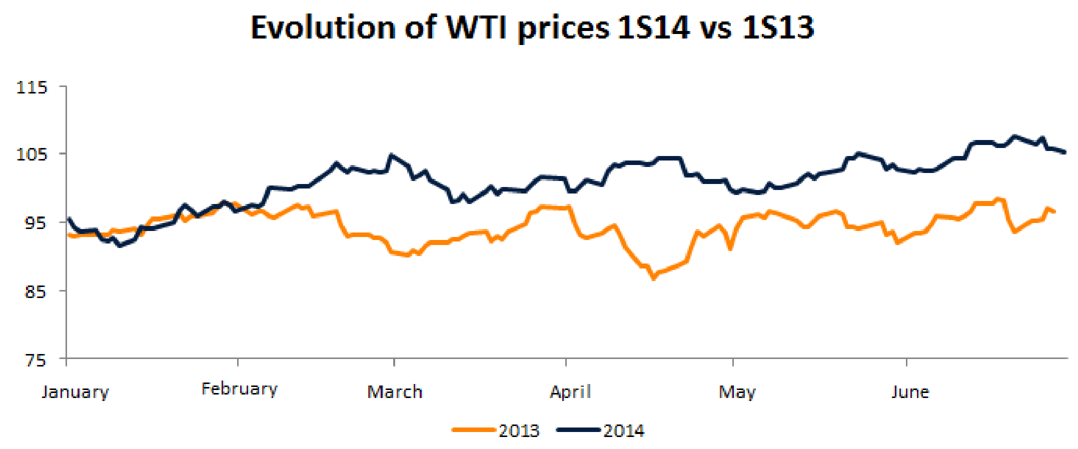
Emerging economies have weathered quite well the financial turbulence from the past year caused by the FED's withdrawal of monetary stimuli. In 2014 China may see year on year growth of 7.5% year on year, Brazil 1.8% and emerging countries as a whole recording between 4.8% and 5% year on year. Financial conditions in the first half of the year improved noticeably thanks to the return of international investors to emerging countries in search of better profitability.

Recent developments in the Energy sector

During recent months the oil market has seen geopolitical and fundamental strengths, contributing to relative stability of the price of Brent, keeping barrel prices between 105 and 110 dollars per barrel. Geopolitical conflict in Ukraine and improved outlook of demand in emerging countries have put pressure on upward prices, while increased supply in both OPEC and non-OPEC countries have put pressure on downward prices. More recently, crude prices have reached their annual maximum due to the threat of civil war in Iraq, a key country in current and future supply of crude oil.



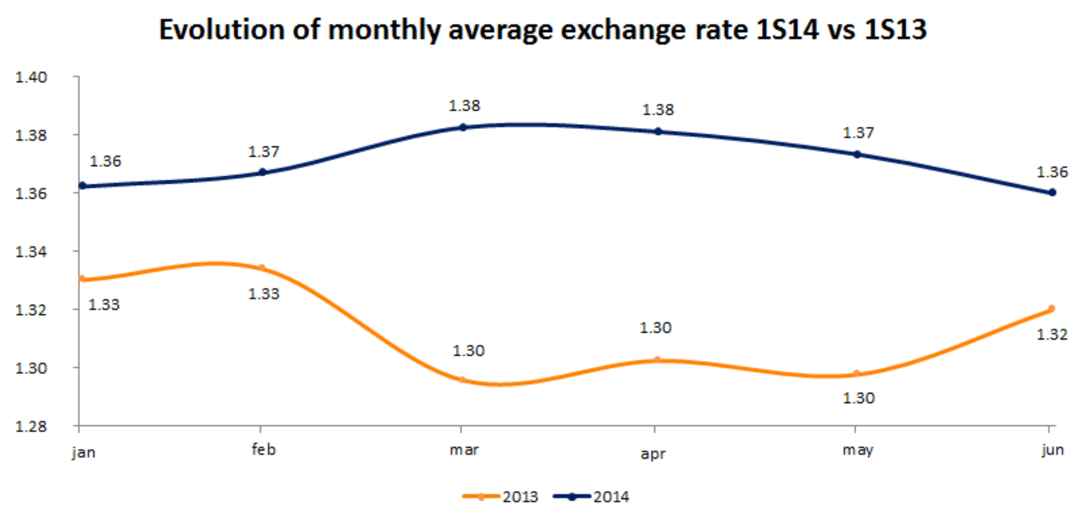
The US crude benchmark grade West Texas Intermediate (WTI) has shown an upward trend in response to ongoing crude evacuation from Cushing, Oklahoma to the Gulf of Mexico, easing the bottleneck affecting the region for the past three years and narrowing the differential with respect to the European marker.



In turn, in the natural gas market, the drop in average prices in Europe and Asia is explained by the relaxing of fundaments in the supply and demand dynamic, which has had more impact than the evolution of crude prices, especially in Europe. In this region, an excessive supply has ocurred due to persistently low demand. The crisis between Russia and Ukraine beginning in March, after winter had already passed, did not lead to any interference with gas supplies. In Asia, no significant restrictions on supply occurred, whilst demand was somewhat weakened despite the incorporation of Singapore and Malaysia as LNG importers in 2013.

Evolution of exchange rate

Despite the risks arising from the 2009 financial crisis lessening considerably, in the absence of inflationary pressures, interest rates are expected to remain relatively low at global level during the coming years. In the first half of the year, lessened financial risk in Europe attracted Euro zone capital and caused the Euro to appreciate against the US Dollar. However, given that the Euro zone has experienced some delay in economic recovery, it can be expected that the ECB will keep interest rates lower and for a longer time than in the US.



4. RESULTS, FINANCIAL OVERVIEW AND OUR SHAREHOLDER REMUNERATION[1]

RESULTS

Group adjusted net income in the first half of 2014 and 2013 are as follows:

€ Millions	2014	2013	Variation
Upstream	400	634	-37%
Downstream	452	350	29%
Gas Natural Fenosa	282	253	11%
Corporate and adjustments	(212)	(312)	32%
Adjusted Net Income	**922**	**925**	**0%**
Inventory effect	(54)	(153)	65%
Non-recurring income	191	(87)	-
Income from discontinued operations	268	216	24%
Net income	**1,327**	**901**	**47%**

NOTE: For further information on the performance of Reporting segments, see Note 4 "*Segment Reporting*" of the interim condensed consolidated financial statements for the six-month period ended 30 June 2014.

In macroeconomic terms, the main factors influencing the results´ evolution for the first half of 2014 have been the depreciation of the Dollar against the Euro with respect to the same period in 2013, low interest rates and slow global economic recovery.

Adjusted Net Income[2] for the first half of 2014 was €922 million, in line with the same period in 2013.

Upstream adjusted net income in the first half of 2014 was €400 million compared to €634 million for the same period of 2013. The drop in production in Libya due to security problems and in Trinidad and Tobago due to drilling and maintenance activities in the Savonette field have been partially offset by the commissioning of Kinteroni in Peru, the connecting of new wells in Sapinhoá (Brazil) and the starting of production of Phase II of Margarita, Bolivia, and SK in Russia, in October and February 2013, respectively. Additionally, results have been negatively affected by greater exploration costs, due to

[1] Unless expressly stated otherwise, all information given herein has been prepared in accordance with the Group's new reporting model described in Note 4 "*Segment Reporting*" of the interim condensed consolidated financial statements for the six-month period ended 30 June 2014.
APPENDICES I and II hereto include reconciliation between the adjusted magnitudes and those corresponding to IFRS-EU financial information.

[2] The Group has decided to disclose the “Adjusted Net Income” as a measure of the result of each business segment, that being the recurring net operating profit of continuing operations at current cost of supply (CCS) after tax, which includes, in proportion to the Group’s respective ownership interest, the figures corresponding to its joint ventures or other companies managed as such.
As a result, the Adjusted Net Income is prepared by using the inventory measurement method of current cost of supply (CCS), widely used in the industry, which differs from that accepted under prevailing European accounting standards (MIFO). This methodology facilitates users of financial information comparisons with other companies in the sector. Under CCS methodology, the purchase price of volumes of inventories sold during the period is based on the current prices of purchases during the period. The inventory effect is the difference between the net income using CCS and the net income using MIFO, and is presented net of the tax and excluding non-controlling interests.
Also, the Adjusted Net Result excludes non-recurring income, which are those originated from events or transactions falling outside the Group’s ordinary or usual activities are exceptional in nature or arise from isolated events.
On the other hand, Gas Natural Fenosa’s performance is assessed on the basis of its net income contribution and the cash flow obtained through the dividends received. Accordingly, the net income of this segment is presented as the company’s net income in accordance with the equity method; the other metrics presented only include the cash flows generated by the Repsol Group as a shareholder of Gas Natural SDG, S.A.
APPENDIX I in this document discloses the reconciliation of adjusted results with IFRS-EU results.

greater amortisation of surveys, by greater amortisation from the beginning of production in new projects and by the USD/€ exchange rate effect.

Downstream adjusted net income for the first half of 2014 was €452 million, a 29% increase on the same period of 2013. This rise is principally due to (i) improved results in the petrochemical business, where efficiency and competitive measures have improved margins and sales with respect to the first half of 2013, (ii) improvement in marketing business results, due to better margins recorded in Spanish service stations, and (iii) improvement in the *Gas&Power* business results, mainly because of the increase in benchmark prices caused by low winter temperatures in the North-East of North America, to a higher volume of natural gas commercialised in North America and due to lowered regasification costs and amortisations following the provisions recorded in Canadian assets at 31 December 2013. Moreover, weakened refining margin indicators in Europe have been detrimental to refining results in Spain, which have been partially offset by improvements in Peru. Finally, the results of the LPG activity in Spain have been affected by the implementation of new bottled LPG regulations, but we should stress the positive impact of the sentences recognising Repsol's right to compensation for losses resulting from the application of the price formula corresponding to the second to fourth quarters 2011 and first quarter 2012.

With respect to *Gas Natural Fenosa*, net income for the first half of 2014 was €282 million, compared to €253 million for the same period last year. Lower results in the Spain electricity business, affected by the regulation passed in June of last year, and of the Latin American business, due to depreciation of the dollar and local currencies, have been offset by improved gas wholesale results. Moreover, income from the sale of the telecommunications business should be remarked.

In *Corporation and adjustments* in the first half of 2014, a net loss was recorded of €212 million, an improvement of 32% on the €312 million loss of the same period in 2013. This variation is mainly due to improved results concerning the CO_2 rights trading, and the positive development of the financial result due to the reduced average cost of borrowing and positive effect of the dollar against the euro, partially offset by the effect of the early cancellation of the bonds issued in 2013 by Repsol, S.A.

Net income for the first half of 2014 was €1,327 million, compared to €901 million the previous year, a 47% increase on the same period of 2013.

Net income (€1,327 million) is obtained increasing the adjusted net income (€922 million) by the following items:

- Inventory effect: the effect on results of crude and product valuation using MIFO rather than CCS criteria amounted -€54 million after taxes.
- Non-recurring income: €191 million after taxes that relate mainly to (i) the capital gains from the sale of the shares in YPF S.A. not expropriated (€287 million), (ii) the gain from the sale of the holding in Transportadora de Gas del Perú, S.A. (€57 million), (iii) the cancellation of the LNG transport agreement with Naturgas (€48 million), and (iv) the provision recorded in the North America *Upstream* assets (€142 million) as a result of the new development plan placed for the non-conventional assets at the Mississippian Lime (Mid-Continent) field (see section g "*Impairment of assets*" in Note 3 of the interim condensed consolidated financial statements for the six-month period ended 30 June 2014).
- Results from discontinued operations: €268 million after taxes, which principally included the positive effect of the sale of the share in Repsol Comercializadora de Gas, S.A (€329 million).

Main financial performance indicators for the first half of 2014 and 2013 are as follows:

PERFORMANCE INDICATORS	**06/30/2014**	**06/30/2013**
Return on average capital employed (ROACE) (1)(2) (%)	6.9	5.5
Earnings per Share (€/share) (1)	0.98	0.68

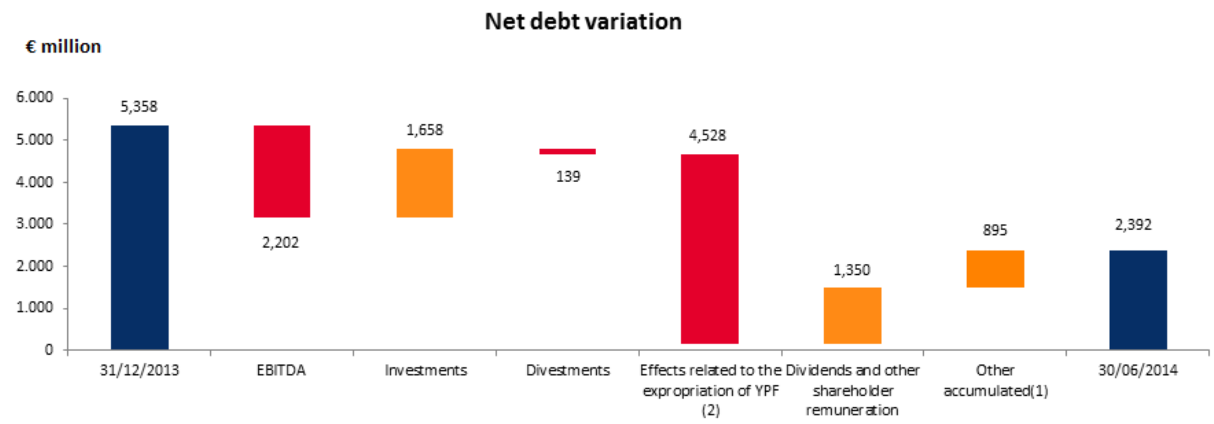
(1) The magnitudes and financial ratios for 30 June 2013 have been reformulated for comparative purposes with respect to the information published in the Interim management report 2013.
(2) ROACE: (net recurring operating income + recurring results of investments) / (average capital employed for the period of continuing operations). The ROACE for the first half of 2014 is an annualised indicator and corresponds to its annual real figure for 2013.

FINANCIAL OVERVIEW

During the first half of 2014, Repsol's financial foundation has improved considerably, thus resulting in an upgrade of its credit rating by leading international ratings agencies.

Indebtedness

Consolidated Group adjusted net financial debt at 30 June 2014 amounts to €2,392 million, against €5,358 million at 31 December 2013, equating to a drop of €2,966 million. The evolution of adjusted net financial debt in the first half of 2014 is described below:



(1) "Others" mainly includes income tax payments, net interest and changes in working capital.
(2) Mainly includes the sale of the Argentinian bonds received as compensation for the expropriation of YPF and Sale of non-expropriated shares in YPF S.A. (see section *2.3.2 Expropriation of Repsol Group shares in YPF S.A. and YPF Gas S.A.* in this document).

Sale of the Argentinian sovereign bonds in payment of compensation for the expropriation of YPF and the sale of non-expropriated YPF shares have provided joint income of €4,592 million. In addition, the sale of interests in Repsol Comercializadora de Gas, S.A. and in TGP has generated income of €513 million and €109 million, respectively.

Main financing operations, maturities and cancellations of gross debt

During the first half of 2014, the Group has issued European commercial papers (ECP) for a par amount of €592 million, USD342 million and £5 million, amounting to a total counter value of €847 million.

In March, a bond issued by Repsol International Finance B.V. dated 27 March 2009 matured, for the sum of €1,000 million. This bond, with a coupon of 6.5%, has meant a reduction in current financial liabilities for the period, and cash outflow for the same amount.

On 17 June 2014, Repsol S.A. announced the early cancellation of all Simple Bonds Series I/2013. The cancellation of this liability resulted in the recognition of a €71 million pre-tax loss in the first half of 2014. In conjunction with payment of the cash due to the holders of the Series I/2013 Simple Bonds, these bonds were derecognized on 1 July 2014, as described in section b) *"Financial liabilities"* of Note 5 and Note 12 *"Subsequent events"* of the interim condensed consolidated financial statements for the six-month period ended 30 June 2014.

Financial prudence

Repsol holds available cash resources and other liquid financial instruments and unused credit lines that enable the Group to cover the gross debt maturities including preference shares.

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

INDICATORS OF FINANCIAL POSITION	**Consolidated Group**	
Amounts in millions of euros, except ratios in %	**06/30/2014**	**12/31/2013**
Net financial debt	2,392	5,358
Net financial debt / total capital employed (1)	8.2%	16.3%
EBITDA(2)/ Net financial debt (x times)	1.8	0.9

(1) In 2013 included capital employed corresponding to discontinued operations that was written-off as of 30 June 2014 owing to the monetization of the compensation received for the expropriation of 51% of YPF (see Note 2.3.2).
(2) The EBITDA for the first half of 2014 is an annualised indicator obtained by a mere extrapolation of this period´s figures; that corresponding to the 2013 financial year corresponds to the annual real data.

Credit rating

Currently, following announcements by Fitch and Moody's of an upgrading, Repsol S.A.'s current credit rating is as follows:

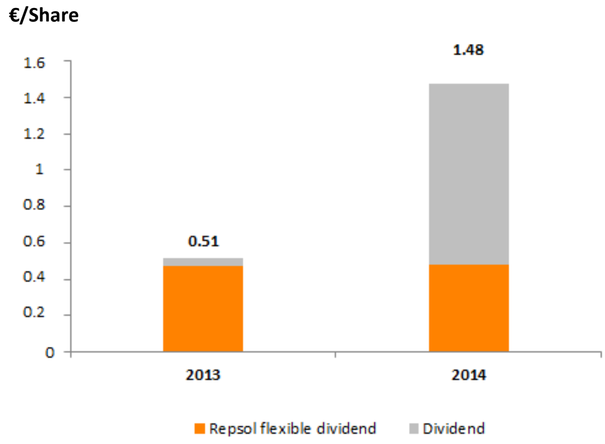
TERM	**STANDARD & POOR'S**	**MOODY'S**	**FITCH RATINGS**
Long-term	BBB-	Baa2	BBB
Short-term	A-3	P-2	F-3
Outlook	Positive	Stable	Positive
Latest data review	05/15/2014	05/20/2014	05/15/2014

Treasury shares and own equity investments

No significant transactions have occurred with treasury shares and equity instruments. For further information on treasury shares and equity instruments, please see Note 3.f).2 of the interim condensed consolidated financial statements for the six-month period ended 30 June 2014.

SHAREHOLDER REMUNERATION

Shareholder remuneration in the first half of 2014 and 2013, including cash dividend and script dividend under the *"Repsol flexible dividend"* program, was as follows:



Remuneration indicated in the above table for the first half of 2014 includes the sum of the irrevocable purchase commitment of free of charge allocation rights assumed by Repsol in its paid-up capital increase executed in January 2014 (0.477 euros per right), under the remuneration scheme called *"Repsol flexible dividend"*, and an extraordinary interim dividend from results for the ongoing financial year of 1 euro per share. Consequently, Repsol has paid a total gross amount of €1,557 million to its shareholders in the first half of 2014, and has delivered 22,044,113 new shares for an equivalent amount of €389 million, to those who opted to receive new-issue company shares.

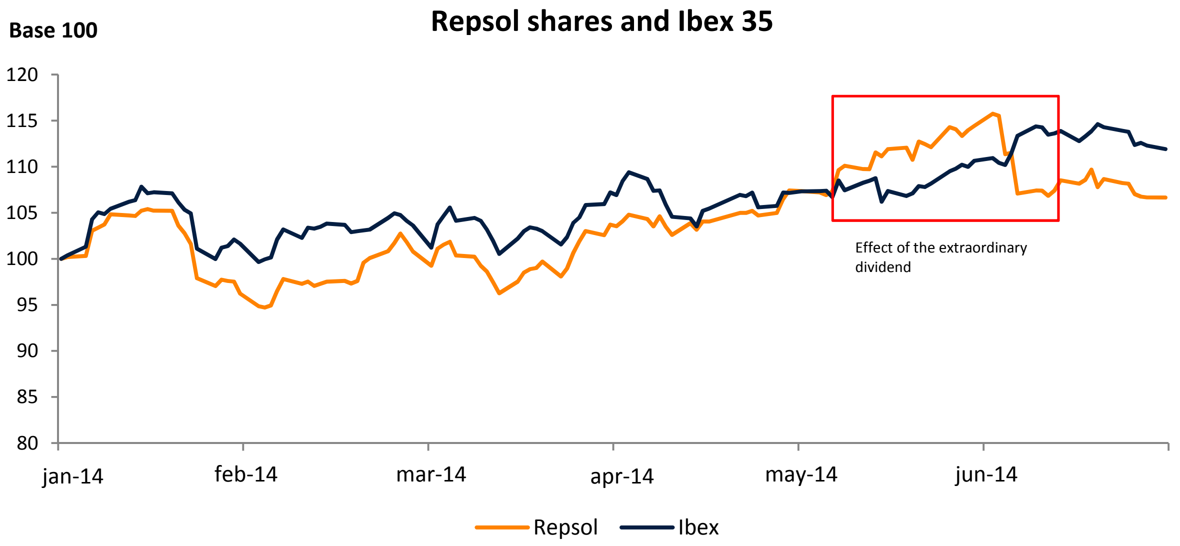
Likewise, in July 2014 under the remuneration scheme *"Repsol flexible dividend"*, and in substitution of the final dividend for 2013, Repsol made a cash disbursement of €155 million (0.485 euros gross per right) to those shareholders who chose to sell the free of charge allocation rights to the Company, and has remunerated those who chose to receive new-issue company shares with 25,756,369 shares, of an equivalent value of €487 million.

For additional information on the total remuneration received by shareholders, the aforementioned paid-up capital increases issued under the *"Repsol flexible dividend"* scheme, see section 3.f) *"Net Equity"* of Note 3 and Note 6 *"Shareholder remuneration"* of the interim condensed consolidated financial statements for the six-month period ended 30 June 2014.

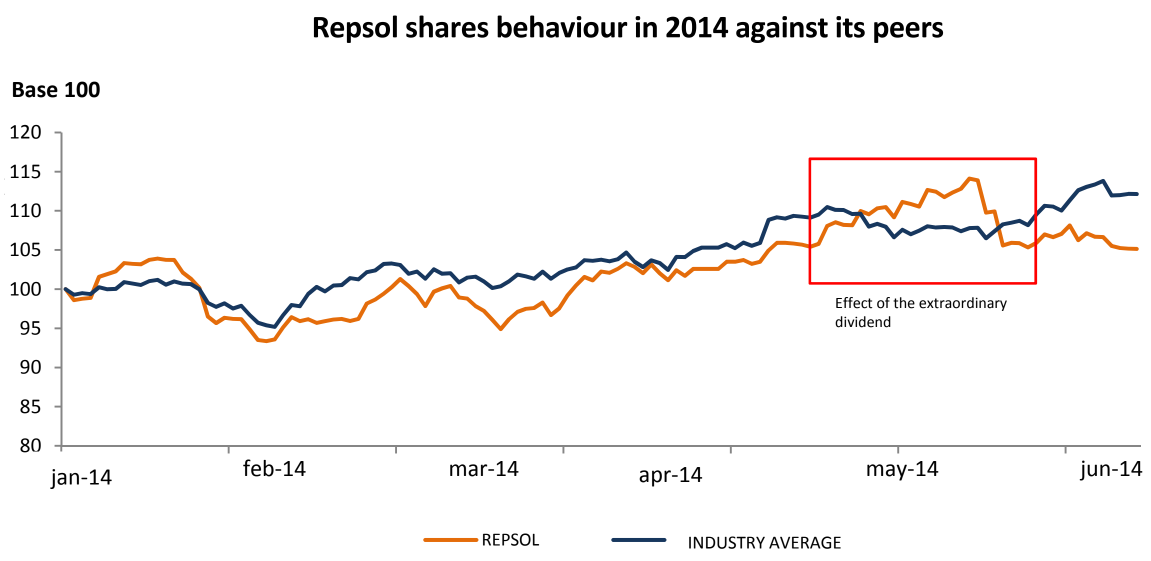
Our shares

Overall, first half of 2014 has been positive for the Spanish stock markets, closing the year with revaluation of the Ibex 35 index of 10.15%. This increase is mainly due to a change in the perception of the Spanish economy by investors. The risk premium fell 62.2 points during the first six months of the year, and the interest on Spanish debt fell from 4% to 2.66%, showing that the market considers the political reforms and stability as positive signals for investing in Spanish companies.

Repsol shares, driven in part by the announcement of the extraordinary interim gross dividend of one euro per share and the successful monetization of the Argentinian sovereign bonds, outperformed the Ibex 35 index for most of the period. Repsol closed the half-year with a gain of 5.13% once the share prices discounted the payment of the extraordinary interim dividend and the price of free of charge allocation rights under the "*Repsol flexible dividend*" scheme. However, in terms of total return, Repsol was above the Ibex average, becoming the leading Spanish company in shareholder remuneration.



In relation to the industry, Repsol shares have performed better than the average of its European peers, until the payment of the extraordinary interim dividend. European companies in the industry have revaluated on an average of 10.03% and, akin to the comparison with Ibex 35, the performance of Repsol securities against the sector at the end of the semester has been influenced by the effects of the discount in share prices of the extraordinary interim dividend and the *"Repsol flexible dividend"* scheme.



Note: sector average includes BP, ENI, Total, RDS (B), OMV, Galp and Statoil.

The main stock-exchange indicators of the Group during the first half of 2014 and 2013 are detailed bellow:

MAIN STOCK EXCHANGE INDICATORS	**06/30/2014**	**06/30/2013**
Share price at close of financial year[1] (euros)	19.26	16.21
Average share price (euros)	18.79	16.81
Maximum price for the period (euros)	20.90	18.49
Minimum price for the period (euros)	17.10	15.14
Market capitalisation at closing (million euros) [2]	25,510	20,789
Book value per share [3] [4]	20.16	20.89

(1) This item represents the quoted year-end price per share in the Continuous Market of the Spanish Stock Exchanges.
(2) Corresponds to the trading price per share at closing multiplied by the number of outstanding shares.
(3) Corresponds to the Net Equity attributable to the parent / number of shares outstanding at closing.
(4) Comparative figure or indicator corresponding to 31 December 2013.

5. PERFORMANCE OF OUR BUSINESS AREAS

5.1) UPSTREAM

Main figures and indicators

UPSTREAM:	June 2014	June 2013
Net production of liquids (kbbl/d)	126	150
Net production of gas (kboe/d)	214	210
Net production of hydrocarbons (kboe/d)	340	360
Average crude realisation price ($/bbl)	86.9	90.0
Average gas realisation price ($/Thousand Scf)	4.1	4.1
Extraction cost (1) ($/boe)	5.14	4.31
Finding cost (three-year average) ($/boe)(2)	6.21	9.45

(1) Net Lifting Cost: Lifting Costs / Net Production
(2) Finding cost: (Investments Acreage Acquisition+Exploration)/Discoveries and Extensions

Results and investments

Millions of euros	June 2014	June 2013	Variation
North America and Brazil	154	94	64%
North Africa	-23	157	-115%
Rest of the world	269	383	-30%
Adjusted Net Income	**400**	**634**	**-37%**
EBITDA	**1,359**	**1,725**	**-21%**
Operating investments(1)	**1,275**	**1,151**	**11%**
Exploration Costs	**379**	**196**	**93%**
Effective Tax Rate	**40%**	**48%**	**-8%**

(1) Development investments represented 59% of the total, and they have mainly been made in U.S.A. (31%), Venezuela (21%), Trinidad and Tobago (16%), Brazil (15%) and Bolivia (9%).Exploration investments represented a 34% of the total investments, with U.S.A. (42%), Brazil (10%), Angola (9%), Russia (8%), Namibia (8%), Iraq (7%) and Mauritania (5%).

Main events of the first semester 2014

- At the end of January 2014 **a sale agreement was signed for Repsol's 10% share in the "Transportadora de Gas del Perú" (TGP) gas pipeline**. TGP is the company responsible for the transport of natural gas and liquids from the Camisea production field to the Peru LNG liquefaction plant located in Pampa Melchorita and on to the city of Lima.
- On 8 January 2014, the service agreement in the **Reynosa-Monterrey block in Mexico came to an end as planned,** and the facilities were returned to the state-owned company with all commitments fulfilled.
- Under the framework of the Development Plan of the **Sapinhoá field**, another of the company's strategic projects, located in the BM-S-9 block in the offshore Santos basin, Brazil, **the production of a second well began in mid-February**. In April **a third well came on line, and a fourth in July**. Repsol Sinopec Brazil holds a 25% stake in this important Brazilian pre-salt project, in association with Petrobras (45% and operator) and BG (30%).
- At the end of March, **gas production in the Kinteroni field** (Block 57) in Peru, one of the ten key projects of the company's Strategic Plan for 2012-2016, **started**. Repsol is the project's operator and holds a 53.84% stake with Brazilian company Petrobras (46.16%). Block 57 is located to the east of the Andes, one of the most prolific exploratory gas areas in Peru.
- Also in March 2014, **the Gabi-1 survey in the Karabashsky 1 block, Russia, concluded with a positive outcome**, which Repsol operates and owns fully. This important discovery **is in addition to the Gabi-2 survey in the Karabashsky block 2**, also fully owned and operated by Repsol. The blocks are located in Western Siberia, and show their great potential for hydrocarbons.
- The "*Rowan Renaissance*" rig, a cutting edge drilling vessel for ultra-deep water, and contracted for construction in 2012, **began drilling operations in April**.
- In Algiers on 15 May, Groupement Reggane, a consortium formed by Sonatrach, Repsol, RWE Dea and Edison International, operator of the Reggane Nord project in Algeria, which includes the Reggane, Kahlouche, Kahlouche Sur, Azrafil Sureste, Sali and Tiouliline fields, **signed an Engineering, Procurement, Construction and Commissioning contact for the Project's Surface Facilities (EPCCS),** located in the Algerian south-western Saharan region. This is an important milestone in the development work of what is a strategic project for the company, which foreseeably will begin gas production in the first half of 2017.

- Exploratory campaign: **10 exploratory surveys** have been completed: one with a positive outcome, seven negative and two undergoing evaluation. Nine exploratory surveys are ongoing at the end of the six month period. Additionally, 22 new exploration blocks have been added to the **acreage**, entailing a total new gross exploratory surface area of 13,838 km^2.
- In the second quarter of the year, an agreement was reached for the **entrance of Total** (35%) and **BG** (30%) in the **exploratory block in Aruba waters**. Repsol remains the operator of the block with a 35% stake.
- In July, as part of additional drilling works in the **TSP (Teak, Samaan and Poui) production asset, in the waters of Trinidad and Tobago**, the **discovery of additional hydrocarbon volumes** in the TB14 well was announced. This well is located to the north of the Teak field. In addition the **TB13 well began production** in June. Repsol is the operator of the project with a 70% stake.

5.2) DOWNSTREAM

Main figures and indicators

	June 2014	June 2013
Refining capacity (kbbl/d)	**998**	**998**
Europe (including stake at ASESA)	896	896
Rest of the world	102	102
Conversion index (%)	**59**	**59**
Crude processed (million t)	**19.2**	**19.3**
Europe	17.6	17.7
Rest of the world	1.6	1.6
Refining margin indicator ($/Bbl)		
Spain	3.5	3.2
Peru	1.8	2.4
Number of service stations	**4,618**	**4,589**
Europe	4,258	4,249
Rest of the world	360	340
Oil product sales (kt)	**21,143**	**21,290**
Europe	19,046	19,148
Rest of the world	2,097	2,142
Petrochemical product sales (kt)	**1,334**	**1,197**
Europe	1,105	1,033
Rest of the world	229	164
LPG sales (kt)	**1,219**	**1,273**
Europe	721	779
Rest of the world	498	494
LNG sold in North America (Tbtu)	**149.6**	**86.2**
LNG regasified in Canaport (Tbtu)	**13.6**	**27.5**

Results and investments

Millions of euros	June 2014	June 2013	Variation
Europe	299	240	25%
Rest of the world	153	110	39%
Adjusted Net Income (1)	**452**	**350**	**29%**
Inventory Effect (1)	-54	-153	65%
MIFO recurrent net income (1)	**398**	**197**	**102%**
EBITDA	**948**	**635**	**49%**
Operating Investments(2)	**283**	**226**	**25%**
Effective Tax Rate	**27%**	**32%**	**-5%**

(1) In 2014, the majority of investments for the period were used for operating improvements at facilities and to fuel quality, in addition to safety and the respect of the environment.

Main events of the first semester 2014

- On 1 January 2014, having obtained the necessary authorisations, the sale of the share in **Repsol Comercializadora de Gas S.A.,was completed**, which mainly sells, transports and trades natural gas.
- On 3 April, the Spanish Markets and Competition Commission authorised Repsol's purchase of 45% of Petrocat from CEPSA, which is subject to the fulfilment of commitments offered by Repsol.

- On 4 July, Royal Decree 8/2014 was passed, on urgent measures for growth, competition and efficiency, which, **with respect to bottled LPG, liberalises the pricing** of bottles with an empty weight of less than 9 kg. Additionally, the Royal Decree includes measures on energy efficiency which include the creation of the Energy Efficiency Fund, to which gas and electricity companies must make an annual financial contribution, as must wholesale oil product operators and wholesale liquid gas operators, thus affecting LPG and fuels.
- On 9 May, three favourable sentences were notified by the Contentious Administrative Court of the National High Court ("Audiencia Nacional") awarding Repsol's right to compensation for damages caused by the application of a price cap formula on **regulated bottled LPG** arising from Order ITC 2608/2009, in force between October 2009 and September 2012.
- During the six month period, progress has been made as planned to the **new cutting edge lubricant bases production plan** in Cartagena (facility owned jointly by Repsol with the Korean company SKL), which is planned for commissioning in the last quarter of 2014.
- With respect to the Dynasol growth project in Asia, via a joint venture in China for the **installation of a 100 ktn per year synthetic rubber plant** with a local partner (Shanxi Norther Xing´an Chemical Industry), the financing requested was approved in the first half of this year, construction has moved forward and the process of hiring personnel has begun, with training and commissioning planned to begin in the second half of the year.
- During the first six months of the year, the Group has maintained its policy of **associations with the market's leading companies**:
  - Repsol and **El Corte Inglés** have expanded their collaboration, to now have up to 100 Supercor Stop & Go shops in Repsol Service Stations.
  - Repsol and **Renault** have reached an agreement to promote sales of Renault and Dacia cars fuelled by **AutoGas**.
  - Repsol and **Michelin** continue to have a strategic agreement in place to **boost the distribution and sale of their respective products**.
  - **AIMIA**, the international leader in loyalty programmes, has bought a stake in Air Miles, a company partly owned by Repsol, which manages the **Travel Club** programme.
- Continuing its **AutoGas business expansion policy**, Repsol has increased the number of service stations offering the product in Spain by 40.

APPENDIX I: RECONCILIATION OF ADJUSTED RESULTS WITH IFRS ADOPTED BY THE EUROPEAN UNION

	FIRST HALF OF 2014					
		ADJUSTMENTS				
€ Million	**Adjusted Result**	**Joint Ventures reclassification**	**Non-recurring items**	**Inventory Effect**	**Total adjustments**	**IFRS-EU RESULTS**
Operating Income	1,158	(464)	(183)	(81)	(728)	430
Financial Result	(176)	(57)	443	-	386	210
Share of results of companies accounted for using the equity method- net of tax	295	335	49	-	384	679
Net Income before tax	**1,277**	**(186)**	**309**	**(81)**	**42**	**1,319**
Income tax	(342)	186	(118)	24	92	(250)
Net income from continued operations	**935**	**-**	**191**	**(57)**	**134**	**1,069**
Net income from continuing operations attributable to minority interests	(13)	-	0	3	3	(10)
Net income from continuing operations attributable to the parent	**922**	**-**	**191**	**(54)**	**137**	**1,059**
Income from discontinued operations						268
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT	**922**	**-**	**191**	**(54)**	**137**	**1,327**

	FIRST HALF OF 2013					
		ADJUSTMENTS				
€ Million	**Adjusted Result**	**Joint Ventures reclassification**	**Non-recurring items**	**Inventory Effect**	**Total adjustments**	**IFRS-EU RESULTS**
Operating Income	1,476	(407)	(42)	(232)	(681)	795
Financial Result	(248)	-	3	-	3	(245)
Share of results of companies accounted for using the equity method- net of tax	282	143	(21)	-	122	404
Net Income before tax	**1,510**	**(264)**	**(60)**	**(232)**	**(556)**	**954**
Income tax	(591)	264	(27)	69	306	(285)
Net income from continued operations	**919**	**-**	**(87)**	**(163)**	**(250)**	**669**
Net income from continuing operations attributable to minority interests	6	-	-	10	10	16
Net income from continuing operations attributable to the parent	**925**	**-**	**(87)**	**(153)**	**(240)**	**685**
Income from discontinued operations						216
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT	**925**	**-**	**(87)**	**(153)**	**(240)**	**901**

APPENDIX II: RECONCILIATION OF OTHER ECONOMIC DATA WITH IFRS ADOPTED BY THE EUROPEAN UNION

NET FINANCIAL DEBT (€ Million)	**DECEMBER 2013**	**FIRST HALF OF 2014**
Net financial debt of integrated businesses	**(5,358)**	**(2,392)**
Net financial debt of arrangement ventures	(2,147)	(2,018)
Net market valuation of derivatives ex-exchange rate	(62)	(97)
Net financial debt according to financial statements IFRS-UE	**(7,567)**	**(4,507)**
Non-current financial instruments	665	460
Other current financial assets	354	1,616
Cash and cash equivalents	5,716	6,845
Non-current financial liabillities	(8,469)	(7,222)
Current financial liabilities	(5,833)	(6,206)

OTHER ECONOMIC DATA 1S 2014 (€ Million)	**According to net debt evolution**	**Joint arragement adjustments**	**Financial Investments / Divestments**	**According to CFS IASB-UE**
EBITDA	2,202	(643)	-	1,559
Investment payments	(1,658)	458	(904)	(2,104)
Divestments (1)	4,731	(6)	-	4,725

(1) Includes €139 million of divestments and €4,592 million corresponding to the monetization of Argentinian sovereign bonds and the sale of non-expropriated YPF shares (included in *"Effects related to the expropriation of YPF"*, in the *"Net debt variation"* graph in Note 4).

APPENDIX III: CONVERSION TABLE AND GLOSSARY

			OIL				GAS		ELECTRICITY
			Litres	**Barrels**	**Cubic metres**	**toe**	**Cubic metres**	**Cubic feet**	**kWh**
OIL	1 barrel [1]	bbl	158.99	1	0.16	0.14	162.60	5,615	$1.7x10^6$
	1 cubic metre [1]	m^3	1,000	6.29	1	0.86	1,033	36,481	10,691.5
	1 ton of oil equivalent [1]	toe	1,160.49	7.30	1.16	1	1,187	41,911	12,407.4
GAS	1 cubic metre	m^3	0.98	0.01	0.001	0.001	1	35.32	10.35
	1,000 cubic feet=$1.04x10^6$ Btu	ft^3	27.64	0.18	0.03	0.02	28.3	1,000	293.1
ELECTRICITY	1 megawatt hour	MWh	93.53	0.59	0.10	0.08	96.62	3,412.14	1,000

[1] Reference measurement: 32.35 °API and relative density 0.8636

			Metre	**Inch**	**Foot**	**Yard**
LENGTH	metre	m	1	39.37	3.281	1.093
	inch	in	0.025	1	0.083	0.028
	foot	ft	0.305	12	1	0.333
	yard	yd	0.914	36	3	1

			Kilogram	**Pound**	**Ton**
MASS	kilogram	kg	1	2.2046	0.001
	pound	lb	0.45	1	0.00045
	ton	t	1,000	22.046	1

			Cubic feet	**Barrel**	**Litre**	**Cubic metres**
VOLUME	cubic foot	ft^3	1	0.1781	28.32	0.0283
	barrel	bbl	5,615	1	158.984	0.1590
	litre	l	0.0353	0.0063	1	0.001
	cubic metre	m^3	35.3147	6.2898	1,000	1

Term	Description
bbl	Barrel
bcf	Billion cubic feet
bcm	Billion cubic meters
boe	Barrels of oil equivalent
Btu	British thermal unit
LPG	Liquefied Petroleum Gas.
LNG	Liquefied Natural Gas.
Gwh	Gigawatts per hour

Term	Description
kbbl	Thousand barrels of oil
kbbl/d	Thousand barrels of oil per day
kboe	Thousand barrels of oil equivalent
kboe/d	Thousand barrels of oil equivalent per day
km^2	Square kilometre
kt	Thousand tons
Mbbl	Million barrels
Mboe	Million barrels of oil equivalent

Term	Description
Mm^3/d	Million cubic metres per day
Mscf/d	Million standard cubic feet per day
MW	Million watts
Mwe	Million electric watts
MWh	Million watts per hour
TCF	Trillion cubic feet
toe	ton of oil equivalent
USD	US dollar