

**INTERIM CONDENSED
CONSOLIDATED FINANCIAL
STATEMENTS FOR THE FIRST HALF 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.*

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

ASSETS	Note	Millions of euros	
		06/30/2015	12/31/2014
Intangible Assets:		4,396	1,859
a) Goodwill	3	2,796	498
b) Other intangible assets		1,600	1,361
Property, plant and equipment	5.3	32,545	17,141
Investment property		25	23
Investments accounted for using the equity method	5.4	12,342	11,110
Non-current financial assets	5.2	787	593
Deferred tax assets		6,074	3,967
Other non-current assets		238	155
NON-CURRENT ASSETS		56,407	34,848
Non current assets held for sale		146	98
Inventories		4,263	3,931
Trade and other receivables:		6,751	5,685
a) Trade receivables		3,769	3,083
b) Other receivables		2,188	1,970
c) Income tax assets		794	632
Other current assets		348	176
Other current financial assets	5.2	1,478	2,513
Cash and cash equivalents	5.2	2,092	4,638
CURRENT ASSETS		15,078	17,041
TOTAL ASSETS		71,485	51,889

Notes 1 to 11 are an integral part of this consolidated balance sheet at June 30, 2015.

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

	Note	Millions of euros	
		06/30/2015	12/31/2014
LIABILITIES AND EQUITY			
NET EQUITY			
Issued share capital	5.1	1,400	1,375
Share premium		6,428	6,428
Reserves		259	259
Treasury shares and own equity instruments		(84)	(127)
Retained earnings and other reserves		19,320	19,524
Profit attributable to the equity holders of the parent	4.3	1,053	1,612
Dividends and remunerations		-	(1,569)
Other equity instruments		1,003	-
EQUITY		29,379	27,502
Financial assets available for sale		4	(5)
Hedge transactions		(194)	(163)
Translation differences		1,813	603
ADJUSTMENTS FOR CHANGES IN VALUE		1,623	435
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT AND OTHER HOLDERS OF EQUITY INSTRUMENTS		31,002	27,937
MINORITY INTERESTS		256	217
TOTAL EQUITY	5.1	31,258	28,154
Grants		8	9
Non-current provisions	5.5	6,990	2,386
Non-current financial liabilities:	5.2	11,469	7,612
a) Bank borrowings, bonds and other securities		11,382	7,524
b) Other financial liabilities		87	88
Deferred tax liabilities	3	4,368	1,684
Other non-current liabilities		2,035	1,801
NON-CURRENT LIABILITIES		24,870	13,492
Liabilities related to non-current assets held for sale		13	-
Current provisions	5.5	677	240
Current financial liabilities:	5.2	7,893	4,086
a) Bank borrowings, bonds and other securities		7,565	3,952
b) Other financial liabilities		328	134
Trade payables and other payables:		6,774	5,917
a) Trade payables		2,566	2,350
b) Other payables		3,889	3,402
c) Current income tax liabilities		319	165
CURRENT LIABILITIES		15,357	10,243
TOTAL EQUITY AND LIABILITIES		71,485	51,889

Notes 1 to 11 are an integral part of this consolidated balance sheet at June 30, 2015.

*Translation of a report originally issued in Spanish.
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Repsol, S.A. and investees comprising the Repsol Group

Consolidated income statement for the periods ended June 30, 2015 and 2014

	Note	Millions of euros	
		06/30/2015	06/30/2014
Sales		20,043	23,531
Services rendered and other income		76	178
Changes in inventories of finished goods and work in progress inventories		59	28
Income from reversals of impairment losses and gains on disposal of non-current assets		227	4
Other operating income		694	515
OPERATING REVENUE		21,099	24,256
Supplies		(14,766)	(19,648)
Personnel expenses		(1,024)	(860)
Other operating expenses		(3,129)	(2,142)
Depreciation and amortization of non-current assets		(1,360)	(942)
Impairment losses recognized and losses on disposal of non-current assets	5.3	(137)	(234)
OPERATING EXPENSES		(20,416)	(23,826)
OPERATING INCOME		683	430
Finance income		65	65
Finance expenses		(332)	(322)
Changes in fair value of financial instruments	5.2	980	27
Net exchange gains/(losses)		(265)	72
Impairment and gains/(losses) on disposal of financial instruments		(7)	368
FINANCIAL RESULT		441	210
Share of results of companies accounted for using the equity method after taxes	5.4	258	679
NET INCOME BEFORE TAX		1,382	1,319
Income tax	6	(299)	(250)
NET INCOME FROM CONTINUING OPERATIONS		1,083	1,069
NET INCOME FROM DISCONTINUED OPERATIONS AFTER TAXES		-	268
NET INCOME FOR THE PERIOD		1,083	1,337
Net income attributable to minority interests		(30)	(10)
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT		1,053	1,327
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	5.1	Euros ⁽¹⁾	Euros ⁽²⁾
Basic		0.75	0.95
Diluted		0.75	0.95

(1) The earnings per share for the first half of 2015 include the adjustment regarding the interest corresponding to the perpetual subordinated bonds, detailed in heading 5.1.4.

(2) Includes the necessary modifications with respect to the interim condensed consolidated financial statements for the first half of 2014 in connection with the paid-up capital increase carried out as part of the shareholder compensation scheme known as the “*Repsol Flexible Dividend*”, detailed in Note 5.

Notes 1 to 11 are an integral part of this consolidated income statement corresponding to the six-month period ended June 30, 2015.

Repsol, S.A. and investees comprising the Repsol Group
Consolidated statement of recognized income and expenses for the periods ended June 30, 2015 and 2014

	Millions of euros	
	<u>06/30/2015</u>	<u>06/30/2014</u>
CONSOLIDATED NET INCOME FOR THE YEAR ⁽¹⁾ (from the Consolidated Income Statement)	1,083	1,337
INCOME AND EXPENSES RECOGNIZED DIRECTLY IN EQUITY:		
From actuarial gains and losses and other adjustments	5	-
Total items not reclassified to the income statement	5	-
From measurement of financial assets available for sale	6	(224)
From measurement of other financial instruments	-	(42)
From cash flow hedges ⁽²⁾	(555)	(41)
Translation differences	1,165	120
Entities accounted for using the equity method	42	17
Tax effect	8	78
Total items reclassified to the income statement	666	(92)
TOTAL	671	(92)
AMOUNTS TRANSFERRED TO THE CONSOLIDATED INCOME STATEMENT:		
From measurement of financial assets available for sale	6	(452)
From measurement of other financial instruments	-	42
From cash flow hedges	(13)	8
Translation differences	7	(5)
Entities accounted for using the equity method	(3)	8
Tax effect	6	112
TOTAL	3	(287)
Other transfers:		
From cash flow hedges ⁽²⁾	525	-
TOTAL	525	-
TOTAL RECOGNIZED INCOME/ (EXPENSES)	2,282	958
a) Attributable to the parent company	2,243	947
b) Attributable to minority interests	39	11

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

⁽²⁾ Includes the effect of foreign exchanges cash flow hedges on the purchase Price of Talisman (see Note 5.2.), which has been considered as greater investment value.

Notes 1 to 11 are an integral part of this consolidated statement of recognized income and expenses corresponding to the six-month period ended June 30, 2015.

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

Consolidated statement of changes in equity for the periods ended June 30, 2015 and 2014

	Equity attributable to equity holders of the parent								
	Capital and reserves								
Millions of euros	Issued share capital	Share premium and reserves	Treasury shares and own equity instruments	Total net income attributable to the parent	Other equity instruments	Adjustm ents for changes in value	Total equity attributable to the parent	Minority interests	Total Equity
Closing balance at 12/31/2013	1,324	26,240	(26)	195	-	(526)	27,207	243	27,450
Adjustments	-	-	-	-	-	-	-	-	-
Initial adjusted balance	1,324	26,240	(26)	195	-	(526)	27,207	243	27,450
Total recognized income/ (expense)	-	-	-	1,327	-	(380)	947	11	958
Transactions with shareholders or owners									
Increase/ (decrease) of share capital	26	(26)	-	-	-	-	-	-	-
Dividend payments	-	(1,324)	-	-	-	-	(1,324)	-	(1,324)
Transactions with treasury shares or own equity instruments (net)	-	2	23	-	-	-	25	-	25
Increases / (decreases) due to changes in the scope of consolidation	-	-	-	-	-	-	-	-	-
Other transactions with shareholders and owners	-	(155)	-	-	-	-	(155)	-	(155)
Other changes in equity									
Transfers between equity accounts	-	195	-	(195)	-	-	-	-	-
Other changes	-	(19)	-	-	-	18	(1)	1	-
Closing balance at 06/30/2014	1,350	24,913	(3)	1,327	-	(888)	26,699	255	26,954
Total recognized income/ (expense)	-	(5)	-	285	-	1,331	1,611	(36)	1,575
Transactions with shareholders or owners									
Increase / (Decrease) of share capital	25	(25)	-	-	-	-	-	-	-
Dividend payments	-	-	-	-	-	-	-	(1)	(1)
Transactions with treasury shares or own equity instruments (net)	-	-	(124)	-	-	-	(124)	-	(124)
Increases / (decreases) due to changes in the scope of consolidation	-	-	-	-	-	-	-	-	-
Other transactions with shareholders and owners	-	(245)	-	-	-	-	(245)	-	(245)
Other changes in equity									
Payments based on equity instruments	-	-	-	-	-	-	-	-	-
Transfers between equity accounts	-	-	-	-	-	-	-	-	-
Other changes	-	4	-	-	-	(8)	(4)	(1)	(5)
Closing balance at 12/31/2014	1,375	24,642	(127)	1,612	-	435	27,937	217	28,154
Total recognized income/ (expense)	-	5	-	1,053	-	1,185	2,243	39	2,282
Transactions with shareholders or owners									
Increase / (Decrease) of share capital	25	(25)	-	-	-	-	-	-	-
Dividend payments	-	-	-	-	-	-	-	-	-
Transactions with treasury shares or own equity instruments (net)	-	3	43	-	-	-	46	-	46
Increases / (decreases) due to changes in the scope of consolidation	-	-	-	-	-	-	-	-	-
Other transactions with shareholders and owners	-	(243)	-	-	-	-	(243)	-	(243)
Other changes in equity									
Transfers between equity accounts	-	1,612	-	(1,612)	-	-	-	-	-
Issues of perpetual subordinated obligations	-	(8)	-	-	1,003	-	995	-	995
Other changes	-	21	-	-	-	3	24	-	24
Closing balance at 06/30/2015	1,400	26,007	(84)	1,053	1,003	1,623	31,002	256	31,258

Notes 1 to 11 are an integral part of this consolidated statement of changes in equity corresponding to the six-month period ended June 30, 2015.

Repsol, S.A. and investees comprising the Repsol Group
Consolidated cash flow statement for the periods ended June 30, 2015 and 2014

	Millions of euros	
	06/30/2015	06/30/2014
Net income before tax	1,382	1,319
Adjustments to net income:	607	240
Depreciation and amortization of non-current assets	1,360	942
Other adjustments to results (net)	(753)	(702)
Changes in working capital	(450)	(466)
Other cash flows from operating activities:	(241)	(326)
Dividends received	133	199
Income tax received / (paid)	(142)	(394)
Other proceeds from / (payments for) operating activities	(232)	(131)
Cash flows from operating activities ⁽¹⁾	1,298	767
Payments for investing activities:	(9,876)	(2,104)
Group companies and associates	(8,407)	(18)
Property, plant and equipment, intangible assets and investment properties	(1,331)	(1,171)
Other financial assets	(138)	(915)
Proceeds from divestments:	1,331	4,725
Group companies and associates	255	109
Property, plant and equipment, intangible assets and investment properties	14	24
Other financial assets	1,062	4,592
Other Cash Flows	494	-
Cash flows used in investing activities ⁽¹⁾	(8,051)	2,621
Proceeds from/ (payments for) equity instruments:	1,024	22
Issuances	995	-
Acquisition	(154)	(50)
Disposal	183	72
Proceeds from / (payments for) financial liabilities:	2,576	(900)
Issues	6,621	2,358
Return and depreciation	(4,045)	(3,258)
Payments for dividends and payments on other equity instruments:	(245)	(1,350)
Payments for dividends	(245)	(1,350)
Other cash flows from financing activities:	789	(498)
Interest payments	(395)	(410)
Other proceeds from/ (payments for) financing activities	1,184	(88)
Cash flows used in financing activities ⁽¹⁾	4,144	(2,726)
Effect of changes in exchange rates	63	27
Net increase / (decrease) in cash and cash equivalents	(2,546)	689
Cash flows from operating activities from discontinued operations	-	(72)
Cash flows from investment activities from discontinued operations	-	513
Cash flows from financing activities from discontinued operations	-	(1)
Net increase / (decrease) in cash and cash equivalents discontinued operations	-	440
Cash and cash equivalents at the beginning of the period	4,638	5,716
Cash and cash equivalents at the end of the period	2,092	6,845
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	06/30/2015	06/30/2014
Cash and banks	1,550	4,882
Other financial assets	542	1,963
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	2,092	6,845

⁽¹⁾ Includes cash flows from continuing operations.

Notes 1 to 11 are an integral part of this consolidated cash flow statement corresponding to the six-month period ended June 30, 2015.

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

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

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(1) GENERAL INFORMATION

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

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

These interim condensed consolidated financial statements for the six-month period ended June 30, 2015, were approved by the Board of Directors of Repsol, S.A. at their meeting on July 29, 2015.

(2) BASIS OF PRESENTATION

2.1 General principles

The accompanying interim condensed consolidated financial statements are presented in millions of euros (except where otherwise indicated), and were prepared based on the accounting records of Repsol, S.A. and its investees in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union at June 30, 2015, and specifically in accordance with the requirements established in the International Accounting Standard (IAS) 34 - *Interim Financial Reporting*, which establishes the accounting principles in relation with interim financial statements, in conformity with article 12 of RD 1362/2007, and with the required disclosures based on the Circular 1/2008 of January 30, from the Spanish Securities Exchange Regulator.

In this regard, the interim condensed consolidated financial statements present fairly the Group’s consolidated equity and financial position at June 30, 2015, as well as the results of its operations, the changes in equity and the consolidated cash flows for the six-month period then ended.

In accordance with IAS 34, the interim condensed consolidated financial report is only intended to provide an update on the Company’s latest Consolidated financial statements, focusing on new activities, events, and circumstances occurred during the semester, and do not duplicate information previously reported in the Consolidated financial statements for the prior year. Therefore, for an appropriate understanding of the information provided in these interim condensed consolidated financial statements, they should be read in conjunction with the Repsol Group’s Consolidated financial statements for the financial year 2014, which were approved by the Annual General Meeting of Repsol S.A. held on April 30, 2015.

2.2 Accounting policies: new 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 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.

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

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 ⁽¹⁾.
- Annual amendments to IAS 19 “*Defined benefit plans: Employee contributions*” ⁽²⁾.

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

2.3 Comparison of information

The earnings per share figures for the six-month period ended June 30, 2014 have been restated with respect to the figures presented in the interim condensed consolidated financial statements at June 30, 2014, in accordance with the applicable accounting standard, as the average number of outstanding shares considered in the calculation should be based on the new number of shares issued after the capital increases, carried out as part of the shareholder remuneration scheme denominated “*Repsol Flexible Dividend*”, detailed in heading 5.1 “*Equity*”, which have been registered as of June 30, 2015.

2.4 Changes in accounting estimates and judgments

Estimates made by Management were used in the interim condensed consolidated financial statements to measure certain assets, liabilities, revenue, and expenses reported herein. 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 half of 2015 in the methodology used to calculate the estimates made as of year-end 2014, it is worth highlighting 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 3).

2.5 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.

¹ “*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.

² “*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.

(3) CHANGES IN THE GROUP'S COMPOSITION

Repsol prepares its consolidated financial statements including the investments in all of its subsidiaries, associates and joint arrangements. Appendix I of 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 I of this interim condensed consolidated financial statements details the main changes in the Group's composition taken place during the first half of 2015; which mainly correspond to the incorporation of all Talisman Group companies.

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 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 million¹, which includes \$ 8,289 million paid for its ordinary shares, and CAD 201 million, paid for its preferred shares.

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.

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 market²) 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 prices³.

Repsol obtained two expert reports from independent appraisers for the purpose of allocating Talisman's purchase price to the assets acquired and the 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.

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* fixed assets, located primarily in the United States, Indonesia, Vietnam and Colombia (€4,439 million).

¹ Includes the effect of exchange rate hedging transactions on the acquisition price (see heading 5.2.2.).

² Level 3 inputs according to the fair value hierarchy defined in IFRS 13 "Fair value measurement".

³ Level 2 inputs according to the fair value hierarchy defined in IFRS 13 "Fair value measurement".

- Provisions to cover possible future payments resulting from the acquired business, as well as legal, tax and environmental liabilities and other contingent liabilities, in an aggregate amount of €2,500 million (see Note 5.4 “*Investments accounted for using the equity method*”, Note 6 “*Tax situation*” and Note 7 “*Litigation*”).
- Net deferred taxes mainly as a result of the revaluation of the aforementioned “*Upstream*” assets in the net amount of €1,524 million.
- Financial liabilities corresponding to the difference between the estimated fair value of the financial debt and their carrying amount in the amount of €234 million.

The difference between the acquisition cost and fair value of the assets acquired and liabilities assumed is assigned to goodwill (€2,283 million), being mainly attributable to the recognition of the deferred taxes corresponding to differences between the fair value of the assets acquired and their tax bases, calculated using the tax rate applicable in the corresponding country. The balance for the goodwill is greatly justified by the synergies of the improved efficiency in the operations, decrease in general and administrative expenses, and the existence of other intangible assets not recognized as per prevailing accounting rules, which are expected to be materialized after the acquisition. Goodwill is neither depreciated, neither deductible, but periodically impairment tests are performed to evaluate its recoverability.

The 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	157	421
Property, plant and equipment	14,728	10,289
Investments accounted for using the equity method	432	508
Deferred tax assets	2,163	1,685
Other non-current assets	100	100
Other current assets	714	732
Cash and cash equivalents	494	461
Total Assets	18,788	14,196
Non-current provisions	(4,525)	(2,084)
Non-current financial liabilities	(3,654)	(3,420)
Deferred tax liabilities	(2,522)	(520)
Other non-current liabilities	(118)	(101)
Current provisions	(585)	(526)
Current financial liabilities	(991)	(991)
Other financial liabilities	(671)	(671)
Total Liabilities	(13,066)	(8,313)
NET ASSETS ACQUIRED	5,722	5,883
ACQUISITION COST	8,005	
GOODWILL	2,283	

The consolidated revenue and net income of the period contributed by Talisman since the acquisition date amounted to €433 and €-103 million, respectively. If the acquisition had closed on January 1, 2015, the revenue and net income contribution by Talisman would have been €1,200 and €-367 million, respectively.

The expenses related to the transaction incurred during the first half of the year amounted to €34 million and are recognized under the heading “*Other operating expenses*”.

This business combination has been accounted for provisionally (see Appendix IV “Accounting policies”), as the process of measuring the assets acquired and liabilities assumed remained ongoing as of the date of authorizing the accompanying interim condensed consolidated financial statements for issue and the twelve-month period for so doing (starting from the Talisman acquisition date), as provided under IFRS 3 “Business combinations”, had not yet elapsed.

(4) SEGMENT REPORTING

4.1 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 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 Committee) 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.

At June 30, 2015, the operating segments of the Group are:

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

4.2 Segment results

The results for each segment include those from joint ventures¹, or other managed companies operated as such², 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 profit 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.

¹ See heading 5.4 “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.

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

The Adjusted Net Income is prepared by using the inventory valuation method widely used in the industry, current cost of supply (CCS), which 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 sector. Under CCS methodology, the purchase price of volumes of inventories sold during the period is based on current prices of purchases during the period. Consequently, Adjusted Net Income does not include the so-called “Inventory Effect”, which is the difference between the net income using CCS and the net income using MIFO. The Inventory Effect is presented separately net of the tax effect and excluding non-controlling interests.

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 Gas Natural Fenosa segment includes the company’s net income in accordance with the equity method³.

At any rate, for each of the metrics identified by segments in this Note (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.

4.3 Income for the period by segment

SEGMENTS	Millions of euros			
	2Q 2015	2Q 2014	06/30/2015	06/30/2014
Upstream	(48)	145	(238)	400
Downstream	439	162	973	452
Gas Natural Fenosa	105	159	227	282
Corporation and adjustments	(184)	(76)	278	(212)
Adjusted net income of the detailed segments	312	390	1,240	922
Inventory effect	83	5	(57)	(54)
Non-recurring income	(103)	156	(130)	191
Results from discontinued operations	-	(31)	-	268
Net income	292	520	1,053	1,327

Below, Repsol Group’s **net income evolution for the second quarter of 2015** is included, being compared with the same period in the previous year. For further information about Repsol Group’s results evolution for the first quarter of 2015, see section 4.3 of the Quarterly Condensed Consolidated Financial Statements for the three-month period ended March 31, 2015 and for the explanation for the cumulative results for the six-month period ended June 30, 2015, see section 4 of the Interim Management Report for the six-month period ended June 30, 2015.

Results for the second quarter of 2015 should be viewed against the backdrop of economic recovery, widening margins internationally across the industrial businesses, low crude oil and gas prices and the revaluation of the US dollar against the euro.

Adjusted Net Income amounted to € 312 million, 20% 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* -which in 2014 included results for divestment in YPF and in 2015 included Talisman’s cost- have partially offset the better *Downstream* results, especially in the industrial business.

³ 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...).

Regarding *Upstream*, production increased 55%, reaching 525 kboe/d in the quarter, mainly due to the Talisman results since May 8, 2015 (182 kboe/d), and the greater production in Sapinhoá (Brazil). Despite the increase in production and the lower exploration costs, the strong decline in crude oil and gas prices determined a negative result for the quarter of €48 million.

During the quarter, drilling concluded in nine exploratory wells and five appraisal wells, six of them with positive results (two exploratory, Q-9 in Alaska “North Slope” and TESO-2 in Algeria and the rest of appraisal), four negative (exploratory) and four wells under evaluation.

Adjusted net income of *Downstream* amounted to €439 million, which represents a 171% increase with respect to the same period in 2014. This increase is mainly due to (i) improved Refining margins due to strengthening of product spreads, lower energy costs and improved efficiency, (ii) improved margins and sale volumes in the Chemical business.

With respect to *Gas Natural Fenosa*, in the second quarter of 2015 adjusted net income amounted to €105 million, 34% lower than the same period in 2014. This decline in earnings is mainly attributable to the materialization of the non-recurring gain on the sale of Gas Natural Fenosa Telecomunicaciones and its investees in the second quarter of 2014, compared to the same period in 2015. On a like-for-like basis, by all means, adjusting the after-tax gain on the sale from 2Q14 profits, second-quarter adjusted net income would have increased by 2.1%, thanks to balanced business diversification and tighter financial discipline.

Corporation and adjustments disclose an adjusted net income of €-184 million, with respect to the €-76 million for the second quarter of 2014. The difference is mainly driven by the obtained results as a consequence of the YPF expropriation in 2014, as well as the financial and corporate expenses of Talisman in 2015.

Finally, **Net Income** amounted to €292 million, compared to the €520 million with respect the same period in 2014. The difference is mainly explained by the lower adjusted net income in 2015 as a result of lower crude oil prices and the positive non-recurring results obtained in 2014 as a consequence of the sale of the non-expropriated YPF shares.

4.4 Other information by segments

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

Millions of euros	First half of 2015 and 2014							
	Operating revenue ⁽¹⁾		Adjusted Net Income		Net operating investments ⁽²⁾		Capital employed	
	06/30/2015	06/30/2014	06/30/2015	06/30/2014	06/30/2015	06/30/2014	06/30/2015	12/31/2014
Upstream	2,077	2,119	(238)	400	9,649	1,154	25,315	11,167
Europe, Africa and Brazil	456	459	(55)	151	193	167	-	-
South America	977	1,184	87	365	550	254	-	-
North America	395	387	(19)	111	253	273	-	-
Asia and Russia	249	89	29	14	36	15	-	-
Exploration and Other	-	-	(280)	(241)	8,617	445	-	-
Downstream	19,410	23,199	973	452	283	267	11,830	11,492
Europe	17,788	20,688	951	299	205	214	-	-
Rest of the world	2,686	3,850	22	153	78	53	-	-
Adjustments	(1,064)	(1,339)	-	-	-	-	-	-
Gas Natural Fenosa	-	-	227	282	-	-	4,690	4,567
Corporation and Adjustments	(492)	(689)	278	(212)	69	30	2,687	2,863
TOTAL	20,995	24,629	1,240	922	10,001	1,451	44,522	30,089

- (1) The operating revenue corresponds to the addition of the headings “Sales” and “Services rendered and other income” of the consolidated income statement for the periods ended June 30, 2015 and 2014. It includes the figures corresponding to joint ventures and other managed companies operated as such in 2015 amounting €834, €41 and €1 million in *Upstream*, *Downstream* and *Corporation*, respectively, and in 2014 amounting €886 and €34 million, in *Upstream* and *Downstream*, respectively.
- (2) Includes operating investments net of divestments during the period but not investments in “Other Financial Assets”. Adjusted operating investments at June 30, 2015 and 2014 include figures corresponding to joint ventures and other managed companies operated as such in the amount of € 596 million (*Upstream* and *Downstream*, €586 and €10 million, respectively) in 2015 and €473 million (*Upstream* and *Downstream*, €462 and €11 million, respectively) in 2014.

4.5 Reconciliation between IFRS-EU Group results and results by segment

Reconciliation between net adjusted income and IFRS-EU net income at June 30, 2015 and 2014 is as follows:

<i>Millions of euros</i>	First half of 2015 and 2014											
	ADJUSTMENTS										IFRS-EU Net Income	
	Adjusted Net Income		Joint Venture Reclassification		Non-Recurring Income		Inventory effect		Total adjustments			
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Operating result	1,109	1,158	(102)	(464)	(236)	(183)	(88)	(81)	(426)	(728)	683	430
Financial result	456	(176)	(37)	(57)	22	443	-	-	(15)	386	441	210
Net share of results of companies accounted for using the equity method after taxes	235	295	23	335	-	49	-	-	23	384	258	679
Net income before tax	1,800	1,277	(116)	(186)	(214)	309	(88)	(81)	(418)	42	1,382	1,319
Income tax	(524)	(342)	116	186	84	(118)	25	24	225	92	(299)	(250)
Net income from continuing operations	1,276	935	-	-	(130)	191	(63)	(57)	(193)	134	1,083	1,069
Net income from continuing operations attributable to minority interests	(36)	(13)	-	-	-	-	6	3	6	3	(30)	(10)
Net income from continuing operations attributable to the parent	1,240	922	-	-	(130)	191	(57)	(54)	(187)	137	1,053	1,059
Net income from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	268
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT	1,240	922	-	-	(130)	191	(57)	(54)	(187)	137	1,053	1,327

(5) OTHER INFORMATION FOR THE PERIOD

This section outlines the most significant changes affecting the consolidated balance sheet and income statement headings in the first half of 2015 and 2014.

5.1 Equity

5.1.1 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 is detailed below:

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

Significant shareholders (Latest available information)	% of share capital
Fundación Bancaria Caixa d’Estalvis y Pensions de Barcelona ⁽¹⁾	11.51
Sacyr, S.A. ⁽²⁾	8.73
Temasek Holdings (Private) Limited ⁽³⁾	5.92
Blackrock, Inc. ⁽⁴⁾	3.09

- (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.
(3) Temasek holds its stake through its subsidiary, Chembra Investment PTE, Ltd.
(4) Blackrock holds its stake through several controlled subsidiaries, all of which subject to a vote syndication arrangement. The information 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.

5.1.2 Treasury shares and own equity investments

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

	Millions of €		
	No. of shares	Cost	% of capital
Balance at 12/31/2014	7,689,371		0.56%
Open-market purchases	8,187,573	(137)	0.58%
Open-market sales ⁽¹⁾	(11,042,495)	183	0.79%
Loyalty Programs ⁽²⁾	54,435	1	0.00%
Repsol Flexible Dividend ⁽³⁾	135,861	-	0.01%
Balance at 06/30/2015	4,970,310		0.36%

- (1) Includes disposal of options on treasury shares (400,000 shares), amounting to €6 million.

- (2) All of the shares bought back under the scope of the second cycle of the (2012-2015) Loyalty Program are delivered to employees (see Note 9 “*Staff and remuneration*”).
- (3) New shares received under the “*Repsol Flexible Dividend*” scheme bonus share issues corresponding to treasury shares.

5.1.3 Other equity instruments

On March 25, 2015, Repsol International Finance, B.V. (RIF) issued € 1,000 million of subordinated debt in the Euromarket, 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 has:

- 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 has the option of deferring 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 bonds.

The bonds were placed with qualified investors and admitted to trading on the Luxembourg Stock Exchange following presentation and registration of the corresponding prospectus with the competent authorities.

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. Finance expense associated to the bond has been recorded under “*Retained earnings and other reserves*”, amounting €8 million.

5.1.4 Earnings per share

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

EARNINGS PER SHARE (EPS) ATTRIBUTABLE TO THE PARENT	2015	2014
Net income attributable to the parent ⁽¹⁾ (millions of euros)	1,053	1,327
Adjustment of the interest expense for the subordinated perpetual debt (millions of euros)	(8)	-
Weighted average number of shares outstanding at June 30 ⁽²⁾ (shares)	1,397	1,399
EPS basic/diluted (€/ share)	0.75	0.95

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

⁽²⁾ Share capital registered in the consolidated balance sheet at June 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.

5.1.5 Shareholder remuneration

The following table breaks down the dividend payments received by Repsol shareholders during 2015 and 2014, carried out under the “*Repsol Flexible Dividend*” program, which is described in heading 5.1.1.:

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 2013 / January 2014	486,839,688	0.477	232	22,044,113	389
June / July 2014	320,017,594	0.485	155	25,756,369	487
December 2014 / January 2015	519,930,192	0.472	245	24,421,828	392
June / July 2015	502,021,533	0.484	243	25,666,842	422

During the six-month period ended June 30, 2014, the Company's shareholders also received a special dividend from 2014 profits in the amount of €1 (before tax) per Company share carrying dividend rights.

5.2 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	
	06/30/2015	12/31/2014
Non-current financial assets	787	593
Other current financial assets	1,478	2,513
Current derivatives on trading transactions ⁽¹⁾	72	503
Cash and cash equivalents	2,092	4,638
Total financial assets	4,429	8,247
Non-current financial liabilities	11,469	7,612
Current financial liabilities	7,893	4,086
Current derivatives on trading transactions ⁽²⁾	117	144
Total financial liabilities	19,479	11,842

⁽¹⁾ Recognized in heading “*Other receivables*” of the consolidated balance sheet.

⁽²⁾ Recognized in heading “*Other payables*” of the consolidated balance sheet.

5.2.1 Financial assets

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

Million of euros	June 30, 2015 and December 31, 2014													
	Financial assets held for trading ⁽⁴⁾		Other financial assets at fair value through profit or loss ⁽⁴⁾		Financial assets available for sale ⁽⁴⁾		Loans and receivables ⁽²⁾⁽³⁾		Held to maturity investments ⁽²⁾		Hedging derivatives ⁽⁴⁾		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Equity instruments	-	-	-	-	84	60	-	-	-	-	-	-	84	60
Other financial assets	-	-	90	90	-	-	611	441	2	2	-	-	703	533
Long term/Non-current	-	-	90	90	84	60	611	441	2	2	-	-	787	593
Derivatives	140	618	-	-	-	-	-	-	-	-	-	25	140	643
Other financial assets	-	-	12	12	-	-	1,410	2,373	2,080	4,626	-	-	3,502	7,011
Short term/Current	140	618	12	12	-	-	1,410	2,373	2,080	4,626	-	25	3,642	7,654
TOTAL⁽¹⁾	140	618	102	102	84	60	2,021	2,814	2,082	4,628	-	25	4,429	8,247

⁽¹⁾ In heading "Other non-current assets," and in headings "Trade receivables" and "Other receivables" of the balance sheet, an amount of €238 million classified under long term and €5,885 million classified under short-term are included at June 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 €1,046 million were cancelled, upon maturity, during the first half.

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

5.2.2 Financial liabilities

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

Millions of euros	June 30, 2015 and December 31, 2014									
	Financial liabilities held for trading ⁽²⁾		Financial liabilities and other payables		Hedging derivatives ⁽²⁾		Total		Fair Value	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Bank borrowings	-	-	1,421	1,359	-	-	1,421	1,359	1,421	1,359
Bonds and other securities	-	-	9,895	6,165	-	-	9,895	6,165	10,168	6,734
Derivatives	-	-	-	-	87	88	87	88	87	88
Other financial liabilities	-	-	66	-	-	-	66	-	66	-
Long-term/ Non-current	-	-	11,382	7,524	87	88	11,469	7,612	11,742	8,181
Bank borrowings	-	-	2,633	645	-	-	2,633	645	2,633	645
Bonds and other securities	-	-	2,093	671	-	-	2,093	671	2,120	671
Derivatives	427	190	-	-	18	88	445	278	445	278
Other financial liabilities	-	-	2,839	2,636	-	-	2,839	2,636	2,839	2,636
Short-term/ Current	427	190	7,565	3,952	18	88	8,010	4,230	8,037	4,230
TOTAL⁽¹⁾	427	190	18,947	11,476	105	176	19,479	11,842	19,779	12,411

⁽¹⁾ At June 30, 2015 and December 31, 2014 this heading includes €1,521 and €1,414 million, respectively, corresponding to "Other non-current liabilities"; and €201 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 V, the classification of financial instruments by level of fair value hierarchy, is being detailed.

Bank borrowings

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

Bonds and other securities

The chart below discloses the issues, repurchases and reimbursements of marketable debt securities (recognized under current and non-current “Bonds and other securities”) taking place in the six-month periods ended 30 June 2015 and 2014:

Millions of euros	Balance at 12/31/2014	(+ Issuances	(-) Repurchases or reimbursements	(+/-) Exchange rate and other adjustments ⁽¹⁾	Balance at 06/30/2015
Bonds and debt securities issued in the European Union with prospectus	6,836	3,168	(1,748)	(46)	8,210
Bonds and debt securities issued outside the European Union	-	646	(1,050)	4,182	3,778
TOTAL	6,836	3,814	(2,798)	4,136	11,988

⁽¹⁾ Includes the first-time recognition of the debt securities issued by Talisman and acquired as a result of the business combination described in Note 3.

During the period of six months ended June 30, 2015, the main bond and other marketable securities issues are as follows:

- On March 25, 2015, Repsol International Finance B.V. (RIF), issued subordinated debt 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 has the option of deferring 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 bond terms and conditions.

The bonds were placed with qualified investors and admitted to trading on the Luxembourg Stock Exchange, following presentation and registration of the corresponding prospectus with the competent authorities.

In anticipation of this bond issue, 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.
- 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. The following issues were carried out under this program in the first half of 2015:

Concept	Issuer	Currency	Face value (millions)	Average Rate %	Equivalent in euros
ECP	Repsol International Finance B.V.	Euros	1,670	0.14%	1,670
ECP	Repsol International Finance B.V.	Dollars	508	0.58%	455
ECP	Repsol International Finance B.V.	Pounds Sterling	15	0.87%	20
ECP	Repsol International Finance B.V.	Swiss francs	24	-0.78%	23

During the first half, ECPs were canceled amounting €1,748 million.

- Talisman Energy Inc. holds a US Commercial Paper Program (USCP), arranged in October 2011 under which it can issue up to \$1,000 million. Since May 8, 2015 it issued \$721 million under this shelf program (equivalent amount in euros €646 million), all of which paper had matured by June 30, 2015.

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

Security	Issuer	Date	Currency	Face Value (millions)	Average Rate %	Maturity	Market ⁽⁵⁾
Bond ⁽³⁾	Talisman Energy Inc.	oct-97	Dollar	300	7.250%	oct-27	NYSE
Bond	Talisman Energy Inc.	apr-02	Pound Sterling	250	6.625%	may-17	LSE
Bond ⁽³⁾	Talisman Energy Inc.	may-05	Dollar	125	5.750%	may-35	NYSE
Bond ⁽³⁾	Talisman Energy Inc.	jan-06	Dollar	500	5.850%	feb-37	NYSE
Bond ⁽³⁾	Talisman Energy Inc.	nov-06	Dollar	600	6.250%	feb-38	NYSE
Bond ⁽¹⁾	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	P.P.
Bond ⁽³⁾	Talisman Energy Inc.	jun-09	Dollar	700	7.750%	jun-19	NYSE
Bond ⁽³⁾	Talisman Energy Inc.	nov-10	Dollar	600	3.750%	feb-21	NYSE
Bond ⁽¹⁾	Repsol International Finance, B.V.	dec-11	Euro	850	4.250%	feb-16	LuxSE
Bond ⁽¹⁾	Repsol International Finance, B.V.	jan-12	Euro	1,000	4.875%	feb-19	LuxSE
Bond ⁽³⁾	Talisman Energy Inc.	may-12	Dollar	600	5.500%	may-42	NYSE
Bond ⁽¹⁾	Repsol International Finance, B.V.	sep-12	Euro	750	4.375%	feb-18	LuxSE
Bond ⁽¹⁾	Repsol International Finance, B.V.	may-13	Euro	1,200	2.625%	may-20	LuxSE
Bond ⁽¹⁾	Repsol International Finance, B.V.	oct-13	Euro	1,000	3.625%	oct-21	LuxSE
Bond ⁽¹⁾	Repsol International Finance, B.V.	dec-14	Euro	500	2.250%	dic-26	LuxSE
Bond ⁽²⁾	Repsol International Finance, B.V.	mar-15	Euro	1,000	4.500% ⁽⁴⁾	mar-75	LuxSE

- ⁽¹⁾ Issues under the “€10,000,000,000 Guaranteed Euro Medium Term Note Programme” (EMTNs), guaranteed by Repsol S.A.
- ⁽²⁾ 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.
- ⁽³⁾ 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.
- ⁽⁴⁾ Reviewed interest on March 25, 2025 and on March 25, 2045.
- ⁽⁵⁾ LuxSE (Luxembourg Stock Exchange), LSE (London Stock Exchange), NYSE (New York Stock Exchange) and PP (private placement).

The outstanding balance of commercial paper at June 30, 2015 is as follows:

<u>Concept</u>	<u>Issuer</u>	<u>Currency</u>	<u>Open balance at 06/30/2015 (millions)</u>	<u>Equivalent Amount in Euros</u>
ECP	Repsol International Finance B.V.	Euros	754	754
ECP	Repsol International Finance B.V.	Dollars	188	168
ECP	Repsol International Finance B.V.	Pounds Sterling	10	14
ECP	Repsol International Finance B.V.	Swiss francs	8	8

Derivatives

Short term forward currency contracts and currency swap contracts (EUR/USD) were contracted during the period for various amounts. Settlement of these contracts generated a positive result of €699 million before taxes.

In addition, during the month of March, the Group purchased a nominal amount of \$ 8,289 million and CAD 201 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 3).

Other financial liabilities

The loan granted by Repsol Sinopec Brasil B.V. is noteworthy, the related balance at June 30, 2015 and December 31, 2014, amounting to €2,746 and €2,535 million, respectively.

5.3 Property Plant and Equipment

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

Millions of euros	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	
COST								
Balance at January 1, 2014	8,563	1,724	1,206	2,383	16,923	1,218	912	32,929
Additions	351	393	56	1	5	4	246	1,056
Disposals and derecognition	-	(9)	(1)	(5)	(117)	(6)	(14)	(152)
Translation differences	78	12	12	4	11	2	1	120
Changes in the scope of consolidation	-	(1)	-	-	-	-	-	(1)
Reclassifications and other changes	(89)	65	(11)	7	211	11	(240)	(46)
Balance at June 30, 2014	8,903	2,184	1,262	2,390	17,033	1,229	905	33,906
Balance at January 1, 2015	10,345	2,715	1,458	2,505	17,487	1,283	714	36,507
Additions	353	554	31	3	5	6	300	1,252
Disposals and derecognition	-	(1)	(12)	(2)	(23)	(4)	(3)	(45)
Translation differences	861	171	120	40	110	19	14	1,335
Changes in the scope of consolidation	13,585	1,051	92	-	-	-	-	14,728
Reclassifications and other changes	28	(15)	3	(3)	(11)	16	(124)	(106)
Balance at June 30, 2015	25,172	4,475	1,692	2,543	17,568	1,320	901	53,671
Accumulated depreciation and impairment losses								
Balance at January 1, 2014	(3,721)	(1,161)	(272)	(909)	(9,806)	(1,034)	-	(16,903)
Depreciation change for the year	(285)	(242)	(24)	(21)	(269)	(29)	-	(870)
Disposals and derecognition	-	-	1	5	115	5	-	126
Impairment losses (recognised) / reversed	(223)	-	-	-	(3)	-	-	(226)
Translation differences	(33)	(6)	(3)	(3)	(8)	(2)	-	(55)
Changes in the scope of consolidation	-	1	-	-	-	-	-	1
Reclassifications and other changes	-	3	-	-	-	-	-	3
Balance at June 30, 2014	(4,262)	(1,405)	(298)	(928)	(9,971)	(1,060)	-	(17,924)
Balance at January 1, 2015	(5,255)	(1,674)	(355)	(958)	(10,155)	(969)	-	(19,366)
Depreciation change for the year	(557)	(358)	(40)	(23)	(282)	(31)	-	(1,291)
Disposals and derecognition	-	-	6	1	20	4	-	31
Impairment losses (recognised) / reversed	(103)	-	-	-	-	(2)	-	(105)
Translation differences	(397)	(79)	(28)	(29)	(65)	(12)	-	(610)
Changes in the scope of consolidation	(1)	1	-	-	-	-	-	-
Reclassifications and other changes	-	115	3	4	102	(9)	-	215
Balance at June 30, 2015	(6,313)	(1,995)	(414)	(1,005)	(10,380)	(1,019)	-	(21,126)
Net carrying amount at June 30, 2014	4,641	779	964	1,462	7,062	169	905	15,982
Net carrying amount at June 30, 2015	18,859	2,480	1,278	1,538	7,188	301	901	32,545

The heading “Changes in the scope of consolidation” primarily includes the oil and gas exploration and production assets corresponding to Talisman (see Note 3).

The main investments made by the Group by geographical area are detailed in section 4.4 "Other information by segments" with information developed on the Group's reporting model.

Commitments

During the first half of 2015, commitments for investment in Peru have been made to develop Project RLP 21 on La Pampilla refinery, in connection with EPC Gas Block amounting €160 million.

Impairment of assets

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

During the first half of 2015, the Group recognized net provisions for asset impairment losses of €105 million, before taxes. It mainly includes the impairment of the non-conventional assets at the Mississippian Lime field located in the states of Kansas and Oklahoma in the US, 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 7.8%.

5.4 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 €399 million at June 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., Dynasol Gestión, S.A. and Compania Logistica de Hidrocarburos CLH, 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, is provided in the table below:

	Millions of euros			
	Carrying amount of the investment		Share of their results	
	06/30/2015	12/31/2014	06/30/2015	12/31/2014
Joint ventures	12,084	10,857	271	617
Associates	258	253	(13)	62
TOTAL	12,342	11,110	258	679

Movement in this consolidated balance sheet heading during 2015 and 2014 is as follows:

Million of euros	2015	2014
Balance at January 1	11,110	10,340
Net investments	210	18
Changes in the scope of consolidation	432	-
Share of results of companies accounted for using the equity method after taxes	258	679
Dividends distributed	(227)	(420)
Translation differences	599	69
Reclasifications and other changes	(40)	(34)
Balance at June 30	12,342	10,652

5.5 Provisions

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

Million of euros	2015	2014
Balance at January 1	2,626	2,949
Allowances of provisions charged to results	201	129
Reversals of provisions with a credited to results	(85)	(112)
Provisions released due to payment	(232)	(67)
Changes in the scope of consolidation	5,110	-
Translation differences	146	13
Reclasifications and other	(99)	(34)
Balance at June 30	7,667	2,878

The heading “*Changes in the scope of consolidation*” includes provisions relating to Talisman business combination (see Note 3), which mainly correspond to:

- Decommissioning provisions of oil and gas exploration and production assets totaled €2,075 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 obligations deriving from tax claims (see Note 6), legal and arbitration proceedings (see Note 7) and pension commitments in an aggregate amount of €1,438 million.
- Provisions related to other possible future disbursements as a result of Talisman business amounting €1,597 million.

Furthermore, the heading “*Provisions released due to payment*”, among other concepts, it includes the settlement of Talisman’s share-based payments to employees amounting € 78 million.

(6) 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 the impact on income tax from the company Talisman Energy Inc. and its subsidiaries, from the acquisition date (see Note 3).

The effective tax rate for the first half of 2015 applicable to continuing operations, before taxes and before the share of results from companies accounted for using the equity method, has been 26.6%. It is lower compared to the same period last year (39.1%), mainly due to decreased results in businesses with higher tax burdens, such as *Upstream*.

The variance of the deferred tax assets and liabilities during the first half of 2015, highlights the net deferred tax liability amounting €1,524 million, recognized within the Talisman business combination, as a consequence of the revaluations made in the process of allocating the purchase price.

Government and legal proceedings with tax implications

As detailed in Note 3, the Repsol Group closed the acquisition of Talisman Energy Inc. (Talisman) on May 8, 2015. The main tax claims which Talisman and its subsidiaries are parties at June 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 are based the above actions are pending in courts. These proceedings are pending a court hearing.

Malaysia

Talisman Malaysia Ltd. and Talisman Malaysia (PM3) Ltd., the Talisman Group's operating subsidiaries in Malaysia, have received notifications from the Inland Revenue Board (IRB) in respect of the years 2007, 2008 and 2011 questioning, primarily, the deductibility of certain costs. These proceedings are pending a 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 pending a court hearing.

Timor-Leste

The authorities of Timor-Leste, questioned the deduction by TLM Resources (JPDA 06-105) Pty Limited, the 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 the Group at December 31, 2014, there have been no changes as of June 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 rulings 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 unfavorable Supreme Court resolution. The judgment does not enter into the merits, therefore no 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, Law 4115, September 26, 2009.

Canada

The Canadian tax authorities have rejected the application of certain tax breaks 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 returns in respect of corporate income tax, value added tax and other duties and withholdings between 2010 and 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 June 30, 2015 is € 1,476 million against € 649 million at December 31, 2014. This sum includes the provisions and the fair value of the contingent liabilities identified during purchase price allocation process conducted as part of the Talisman business combination (see Note 3).

(7) LITIGATION

The information herein updates the status of the information included under Note 29 "*Contingencies, commitments and guarantees*"¹, since the preparation of the 2014 consolidated financial statements.

Galley pipeline lawsuit

In August 2012, a portion of the Galley pipeline, in which TSEUK has a 67.41% interest, suffered an upheaval buckle.

In September 2012, TSEUK, in which Talisman holds 51% interest, claimed for the suffered losses as a consequence of the incidence to Oleum Insurance Company ("Oleum"), a wholly-owned Talisman subsidiary. TSEUK delivered a proof of loss seeking recovery under the insuring agreement of \$315 million.

In November 2014, TSEUK delivered extensive documentation purporting to substantiate its claim. The information delivered to date does not support a determination of coverage and Oleum is seeking additional information from TSEUK to facilitate final coverage determination.

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. and Talisman Colombia Holdco Limited in connection with the purchase of 49% shares of Talisman Energy (UK) Limited (now known as TSEUK). In the Company's 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 ("Chemicals") to Occidental Chemical Corporation ("OCC"). Maxus agreed to indemnify Occidental for certain contingencies relating to the business and activities of Chemicals prior to September 4, 1986, the date of the Chemicals share purchase agreement, including certain environmental liabilities relating to certain chemical plants and waste disposal sites used by Chemicals prior to the Closing Date. In 1995, YPF S.A. ("YPF") acquired Maxus and in 1999, Repsol S.A. acquired YPF.

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

¹ See headings 5.3 and note 8 for contingencies and guarantees, respectively.

March 2, 2015 by OCC.

On July 1, 2015, the judge issued a new procedural calendar, among other things, the act of the trial was fixed for the hearing to June 2016.

As of June 30, 2015, Repsol consolidated balance sheet heading includes provisions for litigation totaling € 155 million (excluding provisions for tax contingencies). This amount includes provisions recorded as a result of the acquisition of Talisman (see Note 3) in which legal provisions and contingencies have been recognized for a total amount of € 118 million, corresponding to a large number of causes, without any of them individually representing a significant amount.

(8) RELATED PARTY TRANSACTIONS

Repsol undertakes transactions with related parties under general market conditions. For the purposes of presenting this information, the following are considered to be related parties:

- a. Significant Shareholders: as of June 30, 2015, the significant shareholders of the Company, deemed related parties of Repsol are Fundació Bancaria Caixa d'Estalvis i Pensions de Barcelona, Sacyr Vallerhemoso S.A. and Temasek Holdings (Private) Limited (see heading 5.1.)
- b. Executives and directors: includes members of the Board of Directors as well as members of the Corporative Executive Committee, created on May 8, 2015; and members of the former Executive Committee, whose members are considered as "executives" for purposes of this section (see heading 9.3).
- c. People, companies or entities within the Group: includes operations with companies or entities in the Group which have not been eliminated during the consolidation process. These are mainly transactions with integrated companies by the equity method.

Income, expenses and other transactions recorded for the six-months period ended June 30, 2015 with related parties were as follows:

EXPENSES AND INCOME: Thousand of euros	June 30, 2015			
	Significant shareholders	Executives and Directors ⁽¹⁾	People, companies or entities within the Group	Total
Financial expenses	2,676	-	20,029	22,705
Management or collaboration contracts	-	-	-	-
R & D transfers and license agreements	-	-	266	266
Operating leases	622	-	1,246	1,868
Receipts from services	4,634	-	159,195	163,829
Purchase of goods (finished or in progress) ⁽²⁾	-	-	3,316,576	3,316,576
Uncollectible or doubtful corrections	34	-	-	34
Losses on derecognition or disposal of assets	-	-	643	643
Other expenses	7,447	-	724	8,171
TOTAL EXPENSES	15,413	-	3,498,679	3,514,092
Financial income	38,458	1	43,092	81,551
Management or collaboration contracts	-	-	5,255	5,255
R & D transfers and license agreements	-	-	-	-
Operating leases	399	-	1,893	2,292
Services rendered	4,216	-	800	5,016
Sale of goods (finished or in progress) ⁽³⁾	41,285	-	342,650	383,935
Gains on derecognition or disposal of assets	-	-	21,842	21,842
Other income	160	-	49,434	49,594
TOTAL INCOME	84,518	1	464,966	549,485

OTHER TRANSACTIONS: Thousand of euros	June 30, 2015			
	Significant shareholders	Executives and Directors ⁽¹⁾	People, companies or entities within the Group	Total
Purchase of property, plant and equipment and other assets	19,359	-	-	19,359
Finance agreements: loans and capital contributions (lender) ⁽⁴⁾	-	64	2,757,626	2,757,690
Finance lease agreements (lessor)	-	-	4,978	4,978
Disposal of property, plant and equipment and other assets	14,789	-	-	14,789
Finance agreements: credits and capital contributions (lessor) ⁽⁵⁾	515,295	-	3,852,505	4,367,800
Guarantees given ⁽⁶⁾	65,259	-	2,654,963	2,720,222
Guarantees received	48,452	-	193	48,645
Commitments acquired ⁽⁷⁾	(2,642,429)	-	6,000,375	3,357,946
Cancelled commitments / guarantees	-	-	-	-
Dividends and other profit distributed ⁽⁸⁾	-	172,601	-	172,601
Other transactions ⁽⁹⁾	1,303,505	-	-	1,303,505

Note: includes the related-party transactions performed by Talisman (Note 3) since the Group took control of the latter on May 8, 2015.

- (1) Includes transactions performed with executives and directors not included in Note 9 "Staff and Remunerations", regarding remunerations perceived by the Executives and Directors, corresponding to the outstanding balance at the reporting date of the loans granted to members of senior management and the corresponding accrued interest, as well as dividend and other remuneration received as a result of holding shares in the Company.
- (2) It mainly includes purchases with the group Gas Natural Fenosa (GNF), BPRY Caribbean Ventures LLC (BPRY) and the group Repsol Sinopec Brasil (RSB), entities consolidated by the equity method (see heading 5.4 "Investments accounted for using the equity method") amounting €471, €249 and €209 million.
- (3) It mainly includes sales to Gas Natural Fenosa (GNF) and BPRY Caribbean Ventures LLC (BPRY), consolidated by the equity method, amounting €121 and €88 million.
- (4) It includes loans to Group companies integrated by the equity method, as well as unused credit lines for these companies.

- (5) "Significant shareholders" includes credit lines with La Caixa for the maximum amount granted of €370 million. "People, companies or entities within the Group" mainly includes the loan granted by Repsol Sinopec Brasil S.A. to its shareholders (see heading 5.2 "Financial Instruments"), financing granted in favour of TSEUK, is part of the investment value (see heading 5.4), as well as the unused credit lines of the entities integrated societies by the equity method.
- (6) It mainly includes €1,602 million corresponding to 3 guarantees issued by Repsol, S.A. in relation with 3 operating floating leases of the subsidiary Guar BV and €865 million, corresponding to the counter granted by Talisman Energy Inc associated with issued bank guarantees on behalf of its subsidiary Talisman Sinopec Energy UK Ltd (TSEUK) covering decommissioning obligations arising from its exploration activity in the North Sea.
- (7) Corresponds to firm purchase commitments net of firm sales commitments outstanding at the reporting date. It highlights the commitment to sell gas of 367.5 mmBtu daily, of Talisman in the Corridor Block in Indonesia to Gas Supply Pte. Ltd, subsidiary of significant shareholder Temasek Holdings Limited and maturing in 2023.
- (8) The amounts recorded under dividends and other profit distributions include the amounts corresponding to the sale to Repsol, at the guaranteed fixed price, of free-of-charge allocation rights as part of the paid-up capital increase closed in January 2015 under the framework of the remuneration program named "Repsol Flexible Dividend". In contrast, this sub-heading does not include the amounts corresponding to the sale to Repsol, at the guaranteed fixed price, of free-of-charge allocation rights as part of the paid-up capital increase closed in July 2015, which in the case of the significant shareholders amounted to €177 million. Nor does it include the shares acquired as a result of the aforementioned capital increase.
- (9) Includes remunerated accounts and deposits in the amount of €873 million, exchange rate hedges in the amount of €21 million and interest rate hedges in the amount of €78 million arranged with La Caixa Group.

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

June 30, 2014				
EXPENSE AND INCOME:				
Thousands of euros	Significant shareholders	Executives and Directors	People, companies or entities within the Group	Total
Financial expenses	16,639	-	16,111	32,750
Management or collaboration constructs	-	-	-	-
R&D transfers and license agreements	-	-	-	-
Operating leases	699	-	1,085	1,784
Receipts from services	5,342	-	158,109	163,451
Purchase of goods (finished or in progress)	1,514,589	-	3,212,798	4,727,387
Uncollectible or doubtful corrections	-	-	-	-
Losses on derecognition or disposals of assets	-	-	-	-
Other expenses	4,157	-	399	4,556
TOTAL EXPENSES	1,541,426	-	3,388,502	4,929,928
Financial income	16,283	1	25,161	41,445
Management or collaboration constructs	-	-	2,472	2,472
R&D transfers and license agreements	-	-	1	1
Operating leases	370	-	-	370
Services rendered	4,039	-	982	5,021
Sale of goods (finished or in progress)	47,947	-	346,287	394,234
Gains on derecognition or disposal of assets	-	-	-	-
Other income	232	-	47,344	47,576
TOTAL INCOME	68,871	1	422,247	491,119

June 30, 2014

OTHER TRANSACTIONS:

Thousands of euros

	Significant shareholders	Executives and Directors	People, companies or entities within the Group	Total
Purchase of property, plant and equipment and other assets	-	-	-	-
Finance agreements: loans and capital contributions (lender)	587	88	1,049,369	1,050,044
Finance lease agreements (lessor)	-	-	-	-
Disposal of property, plant and equipment, and other assets	19,413	-	-	19,413
Finance agreements: credits and capital contributions (lessor)	474,867	-	2,386,523	2,861,390
Guarantees given	43,841	-	1,415,349	1,459,190
Guarantees received	30,802	-	106	30,908
Commitments acquired	117,992	-	8,218,403	8,336,395
Cancelled commitments/guarantees	-	-	-	-
Dividends and other profit distributed	552,578	878	-	553,456
Other transactions	1,698,871	-	-	1,698,871

Note: The information included in the above charts for the previous period, is detailed in the interim condensed consolidated financial statements of the Repsol Group for the six-month period ended June 30, 2014

(9) STAFF AND REMUNERATIONS

9.1 Average headcount

The average headcount at June 30, 2015 and 2014 was:

	06/30/2015	06/30/2014
Men	18,526	16,125
Women	8,984	7,686
Average headcount	27,510	23,811

The increase in average headcount at June 30, 2015 is primarily attributable to the acquisition of Talisman (see Note 3).

9.2 Loyalty programs and share acquisition plans

As for the share-based plans of Repsol, S.A. approved at the Annual General Meeting, duly reported in the 2014 annual consolidated financial statements, the following developments occurred during the first half of 2015:

i.) *“Loyalty Program”*

Repsol has a “Plan for Delivery of Shares to Beneficiaries of the Pluri-Annual Remuneration Program” (regarding the description and conditions of this Plan, see Note 28 of the consolidated financial statements for the financial year 2014).

A total of 219 employees and executives took part in the fifth cycle of the Plan (2015-2018), having acquired a total of 170,302 shares on May 29 2015, with an average price of € 17.4126 per share. Consequently, the Group is committed corresponding to this fifth plan to deliver a maximum of 56,698 shares to those employees who fulfill the Plan requirements after the three-year vesting period ends.

During this fifth cycle, the current members of the Corporate Executive Committee have acquired a total of 63,040 shares.

Additionally, the second cycle of the plan vested on May 31, 2015. As a result, the rights of 171 beneficiaries to 71,932 shares vested (receiving a total of 54,435 shares net of the payment on account of the personal income tax to be made by the Company). In parallel, the rights of the members of the Corporate Executive Committee (including those that are also Directors) to 29,994 shares also vested (net of the withholding retained by the Company, these individuals received a total of 20,487 shares).

ii.) “Share Acquisition Plan”

At the Annual General Meeting held on April 30, 2015, the Company's shareholders approved the 2016-2018 Share Acquisition Plan, which continues with the similar plans ratified at the Annual General Meetings of April 15, 2011 (the 2011-2012 Share Acquisition Plan) and May 31, 2012 (the 2013-2015 Share Acquisition Plan).

The 2016-2018 Share Acquisition Plan is targeted at executives and employees of the Repsol Group in Spain and is designed to enable those so wishing to receive up to €1,200 of their annual remuneration in Company shares. In determining the Plan's specific terms and conditions, the Company will attempt to draft them in such a way that the Plan complies with the requirements under prevailing tax legislation for exemption from personal income tax.

During the first half of 2014, the Group has purchased 199,839 treasury shares for €3.7 million, to be delivered to Group employees. At the date of issue of this document, the Share Purchase Plan 2015 has not been launched.

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

9.3 Compensation of Board members and executive officers

During the first half of 2015 a total of 17 members have been part of the Board of Directors.

For the purposes of this section, Repsol deems as “*executive officers*”¹ the members of the Corporate Executive Committee created on May 8, 2015 and the members of the former Executive Committee. In the first half of 2015, a total of 12 members have been part of the Executive Committee/Corporate Executive Committee.

The table below itemizes the remuneration accrued during the first half of 2015 by the people who, at some point during the six-month period and during the time they occupied such positions, were members of the Board of Directors, and by the people who, similarly for the same period and duration, were members of the Group's former Executive Committee or its current Corporate Executive Committee. Unless indicated otherwise, the compensation figures provided for “*executive officers*” do not include the compensation accrued in their capacity as directors of Repsol, S.A., as the director compensation disclosures for these individuals is included in the section on directors remuneration.

The information provided for the interim period of 2014 is prepared using the same criteria for comparative purposes.

¹ The aforementioned classification of “*executive officers*” to mere informational purposes, does neither replace nor is configured as an interpreting element of other senior management concepts contained in the regulations applicable to the Company (as contained in Royal Decree 1382/1985), and it does not seek the creation, recognition, modification or termination of legal or contractual rights or obligations.

Directors ⁽¹⁾	Thousands of euros	
	06/30/2015	06/30/2014
Compensation:		
Fixed compensation	1,971	2,017
Variable compensation	1,512	1,350
Bylaw stipulated remunerations	2,901	2,627
Others ⁽²⁾	473	333
Total compensation received by directors	6,857	6,327

Executives	Thousands of euros	
	06/30/2015	06/30/2014
Total compensation received by executives ^{(2) (3)}	23,141	6,147

⁽¹⁾ The composition and number of members of the Board of Directors varied between 2015 and 2014.

⁽²⁾ Includes settlement of the second cycle of the Loyalty Plan and in-kind benefits received. In-kind benefits include the corresponding payments on account.

⁽³⁾ Includes the amounts for compensation when terminating contracts and covenant not to compete amounting € 15.3 million at June 30, 2015.

During the first half of 2015 the accrued cost of the retirement, disability, and death insurance policies for Board Members, including the corresponding tax payments on account, amounts to €198 thousand (€206 thousand in the first half of the previous year); and the contributions to pension plans and long-service bonuses amount to €230 thousand (€149 thousand for the same period in the previous year).

As for the Group's executives, the amount accrued during the first half of 2015 in respect of contributions to the pension plans offered to these individuals by the Group, contributions to savings plans and life and accident insurance premiums (including in the latter instance the corresponding payments on account) totaled €1,112 thousand (€1,186 thousand during the first semester of the previous period).

(10) SUBSEQUENT EVENTS

As part of its proactive strategy of reducing its already limited presence in territories classified as tax havens, on July 23, 2015, Repsol culminated the process of liquidating Repsol International Capital, Ltd. In 1997 and 2002, this entity issued preferred shares in the amounts of \$725 million (NYSE-listed) and €3,000 million, respectively; these shares were bought back in 2011 and 2013.

(11) 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 12 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: MAIN CHANGES IN THE SCOPE OF CONSOLIDATION

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 ⁽¹⁾	% of total voting rights acquired in the entity post-acquisition
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 Wirigar 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 (Sageni) 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 Groundbirch 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%
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%

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Name of the entity (or business activity) acquired/absorbed	Type of transaction	Transaction close date	% of voting rights acquired ⁽¹⁾	% of total voting rights acquired in the entity post - acquisition
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%
TECSI (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 Banyunas B.V. ⁽²⁾	Acquisition	may-15	100.0%	100.0%
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%

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Name of the entity (or business activity) acquired/absorbed	Type of transaction	Transaction close date	% of voting rights acquired ⁽¹⁾	% of total voting rights acquired in the entity post - acquisition
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 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%
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%
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%	100.00%
Gas Natural Fenosa SDG, S.A.	Part. Increase	jun-15	0.25%	30.3%

⁽¹⁾ Corresponds to the equity shareholding in the acquired company.

⁽²⁾ See Note 3 “Changes in the Groups Composition”.

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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) ⁽²⁾
Enirepsa Gas, Limited	Liquidation	march-15	30.0%	0.0%	3
Perú Hunt Pipeline Development Company, Lc. ⁽¹⁾	Liquidation	april-15	44.7%	0.0%	-

⁽¹⁾ 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.

⁽²⁾ Corresponds to recognized pre-tax profit.

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

APPENDIX II: JOINT OPERATIONS AT JUNE 30, 2015

The main joint operations in which Repsol holds interests through Talisman (see Note 3) at June 30, 2015 are:

Name	Ownership interest % ⁽¹⁾	Operator	Activity
Algeria			
Block 405a	35.00%	Pertamina	Production
Australia			
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
Canada ⁽¹⁾			
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 ⁽²⁾
Nunavut	75.00%	Shell	Exploration ⁽²⁾
Northwest Territories	25.00%	BP	Exploration ⁽²⁾
Northwest Territories	2.08%	Suncor	Exploration ⁽²⁾
Colombia			
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
USA ⁽¹⁾			
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
Indonesia			
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 Komering PSC	50.00%	Joint Operating Body Pertamina-Talisman Ogan Komering	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 ⁽³⁾	3.06%	BP Berau Ltd.	Production
Kurdistan			
Block Topkhana	60.00%	Talisman (Block K39) BV	Exploration
Block Kurdamir	40.00%	Talisman (Block K44) BV	Development

Name	Ownership interest % ⁽¹⁾	Operator	Activity
Norway			
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
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	Exporación 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
Malaysia			
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
Papua New Guinea			
Licence no. 4	40.00%	Talisman Niugini Pty Ltd	Exploration
Licence no. 10	40.00%	Talisman Niugini Pty Ltd	Development y Pipelines
Licence no. 8	22.29%	Oil Search Limited	Exploration
Licence no. 21	32.50%	Horizon Oil (Papua) Limited	Exploration
Licence no. 28	30.00%	Eaglewood Energy (BVI) Limited 40%	Exploration
Licence no. 38	25.00%	Talisman Energy Niugini Limited	Exploration
Licence no. 235	60.00%	Foreland Oil Limited	Exploration
Licence no. 239	55.00%	Talisman Energy Niugini Limited	Exploration
Licence no. 261	30.00%	Foreland Oil Limited	Exploration
Licence no. 269	50.00%	Talisman Niugini Pty Ltd	Exploration
Licence no. 287	50.00%	Talisman Energy Niugini Limited	Exploration
Licence no. 426	70.00%	Talisman Energy Niugini Limited	Exploration
Peru			
Batch 76	35.00%	Hunt Oil Exploration and Production Company of Perú L.L.C. Sucursal	Exploration
Batch 103	60.00%	Talisman Perú B.V. Sucursal	Exploration
Batch 109	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
Vietnam			
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

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

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

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

APPENDIX III: 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.

Gas Natural

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 IV: 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 3 "*Changes in the Group's Composition*" 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 establish 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 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. 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 V: OTHER DETAILED INFORMATION

Operating revenue by geographic area

The distribution of operating revenue (corresponding to the headings “Sales” and “Services rendered and other income” in the accompanying IFRS-EU consolidated income statement attached) by geographical area, based on the markets they are intended, is as follows:

Geographic Area	Millions of euros	
	06/30/2015	06/30/2014
Spain	10,555	12,340
European Union	3,028	3,655
O.C.D.E.	2,765	3,265
Rest of countries	3,771	4,449
TOTAL	20,119	23,709

Operating revenue by segments

Operating revenue by segments is disclosed below (segment delimitation, their income and results is detailed in heading 4.2):

Segments	Millions of euros					
	Operating revenue from customers		Operating revenue inter segments		Operating revenue ⁽¹⁾	
	06/30/2015	06/30/2014	06/30/2015	06/30/2014	06/30/2015	06/30/2014
Upstream	1,643	1,784	434	335	2,077	2,119
Downstream	19,350	22,839	60	360	19,410	23,199
Gas Natural Fenosa Corporation	2	6	-	9	2	15
(-) Inter-segment adjustments and eliminations of operating income	-	-	(494)	(704)	(494)	(704)
TOTAL	20,995	24,629	-	-	20,995	24,629

⁽³⁾ The operating revenue corresponds to the addition of the headings “Sales” and “Services rendered and other income” of the consolidated income statement for the periods ended June 30, 2015 and 2014. It includes the figures corresponding to joint ventures and other managed companies operated as such in 2015 amounting €834, €41 and €1 million in *Upstream*, *Downstream* and *Corporation*, and in 2014 amounting €886 and €34 million, in *Upstream* and *Downstream*, respectively.

Fair value of financial instruments

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

Millions of euros	June 30, 2015 and December 31, 2014							
	Level 1		Level 2		Level 3		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Financial assets								
Financial assets held for trading	17	356	123	262	-	-	140	618
Other financial assets at fair value through profit and loss	102	102	-	-	-	-	102	102
Financial assets available for sale ⁽¹⁾	1	1	-	-	30	-	31	1
Hedging derivatives	-	2	-	23	-	-	-	25
Total	120	461	123	285	30	-	273	746
Financial liabilities								
Financial liabilities held for trading	-	28	427	162	-	-	427	190
Hedging derivatives	15	-	90	176	-	-	105	176
Total	15	28	517	338	-	-	532	366

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.

⁽¹⁾ Does not include €53 and €59 million at June 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.