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Independent auditor's report

To: The Shareholder and Management Board of Repsol International Finance B.V.

Report on the audit of the financial statements 2014

Our opinion

We have audited the financial statements 2014 of Repsol International Finance B.V. (the "Company"), based in The Hague. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The consolidated financial statements give a true and fair view of the financial position of the Company as at December 31, 2014, and of its result and its cash flows for 2014 in accordance with International Financial Reporting Standards as adopted by the European Union ("EU-IFRS") and with Part 9 of Book 2 of the Dutch Civil Code; and
- The company financial statements give a true and fair view of the financial position of the Company as at December 31, 2014, and of its results for 2014 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at December 31, 2014;

   The following statements for 2014:
2. The consolidated statements of profit and loss and other comprehensive income, changes in equity and cash flows; and
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The company balance sheet on December 31, 2014;
2. The company profit and loss account for 2014; and
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

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Basis for our Opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of the Company in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" ("ViO") and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

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

Materiality

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgement we determined the materiality for the financial position USD 174,000,000 and profit & loss account USD 26,000,000. The materiality is based on 1% of total assets for financial position and 10% of profit before tax for profit & loss. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Management Board that misstatements in excess of USD 1,000,000 which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

The Company is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of the Company.

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Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial statements or specific items.

Our group audit mainly focused on significant group entities as defined in International Standard on Auditing 600. We have:

- Performed audit procedures ourselves at group entities Repsol Netherlands Finance B.V and Repsol Investeringen B.V.;
- Used the work of other auditors within the Deloitte network when auditing Repsol Capital S.L and Repsol International Capital Ltd; and
- Used the work of other auditors outside the Deloitte network when auditing Caveant S.A; and
- Performed review procedures or specific audit procedures at other group entities.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Management Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The valuation of the loans to affiliated companies

The Company has provided a number of loans to affiliated companies to finance their respective business operations. We have examined and discussed the relevant factors that may affect the valuation of the loans to affiliated companies. We have verified the liquidity, profitability and solvency of the relevant affiliated companies to determine whether there are possible signs of impairment of the loans.

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Responsibilities of the Management Board for the financial statements

The Management Board is responsible for the preparation and fair presentation of the financial statement in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Management Board is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Management Board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Management Board should prepare the financial statements using the going concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Management Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows sufficient and appropriate audit evidence to be obtained for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may have not detected all errors and fraud.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements.

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Our audit included e.g.:

- Identifying and assessing the risk of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events and or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Management Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Management Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Management Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

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Report on other legal and regulatory requirements

Report on the management board report and the other information

Pursuant to legal requirements Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the management board report and other information):

- We have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code had been annexed.
- We report that the management board report, to the extent we can assess, is consistent with the financial statements.

Engagement

We were engaged by the shareholder of the Company as auditor of the Company on March 23, 2015 as of the audit for the year 2014 and have operated as statutory auditor ever since 2002.

Rotterdam, April 22, 2015

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J.A. de Bruin

Repsol International Finance B.V.

Consolidated EU-IFRS Financial statements for the year ended 31 December 2014

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For identification purposes.
Related to the independent auditor's report dated:

April 22, 2015

Contents

Financial report

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Management board report

The Managing Directors present their report together with the audited consolidated financial statements for the year ended December 31, 2014. The consolidated financial statements of the Company as at and for the year ended December 31, 2014 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in associates and joint ventures. The company-only financial statements are part of the consolidated financial statements of Repsol International Finance B.V. (the 'Company').

General information

The Company is part of Repsol Group, a Spanish integrated oil group engaged in all aspects of the petroleum business and one of the largest industrial groups in Spain. The Company is a wholly owned subsidiary of Repsol S.A., Madrid, Spain.

Funds denominated in U.S. Dollars and in Euros are raised on the international capital markets using a short-term commercial paper programme and a medium and long-term notes programme, which are lent to subsidiaries and affiliated companies, also in other currencies than U.S. Dollars. In this case the Group hedges the foreign currency exposure by entering into foreign exchange contracts with major international banks.

Currently, as part of the required Repsol S.A. financing needs, the Repsol Group, through Repsol International Finance B.V. is engaged in a Euro Medium Term Note Programme (hereinafter "EMTN" and a Euro Commercial Paper Programme (hereinafter "ECP").

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

In November 2014, the Group, through Repsol International Finance B.V., closed a 500 million euro 12 years bond at 99.709 per cent with a coupon of 2.25 per cent equivalent to mid swap + 113 b.p., listed on the regulated market of the Luxembourg Stock Exchange. This bond, guaranteed by Repsol, S.A., is issued under the Repsol International Finance, B.V. Euro 10,000,000,000 Guaranteed Euro Medium Term Note Programme, approved by the Luxembourg Commission de Surveillance du Secteur Financier.

The outstanding bonds as of 31 December 2014 are the following, maturing in 2016 for an amount of EUR 850 million (USD 1,172.2 million), maturing in 2017 for an amount of EUR 885.8 million (USD 1,221.6 million), maturing in 2018 for an amount of EUR 750 million (USD 1,034.3 million), maturing in 2019 for an amount of EUR 1,000 million (USD 1,379.1 million), maturing in 2020 for an amount of EUR 1,200 million (USD 1,654.9 million), maturing in 2021 for an amount of EUR 1,000 million (USD 1,379.1 million), and maturing in 2026 for an amount of EUR 500 million euro (USD 607.05 million).

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

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

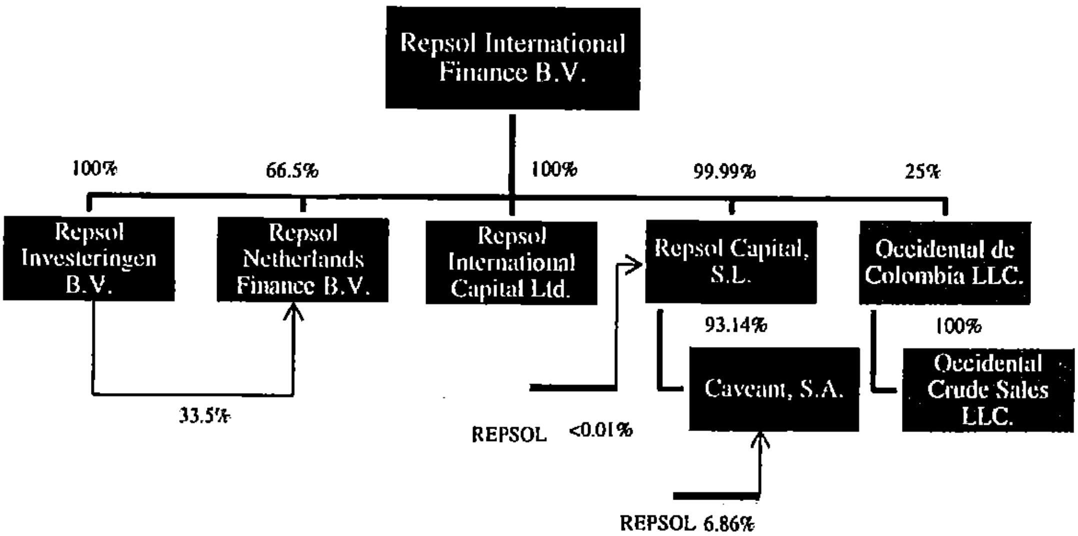
On 17 June 2014, Repsol, S.A. announced the early cancellation of all of the Series I/2013 Simple Bonds issued in 2013 for delivery to the investors accepting its offer to buy back the Series B and Series C preference shares issued by Repsol International Capital Limited. Following the related payment of cash to the Series I/2013 bondholders, these bonds were derecognized on 1 July 2014 in the amount of EUR 1,458 million, corresponding to principal (EUR 500 per bond) and EUR 13 million in respect of the ordinary gross coupon (EUR 4,375 per bond).

In November 2013, the Group, through Repsol International Finance B.V., sold the investment in Gaviota RE, S.A. to Albatros S.à.r.l, a subsidiary of Repsol S.A. sited in Luxembourg, which resulted in a loss of USD 9,076 thousand.

On 26 February 2013 Repsol Group reached an agreement with the Shell group for the sale of part of its LNG assets and related business which included the shares in Repsol LNG Port Spain B.V. As part of this transaction the Company sold its investment in Repsol LNG Port Spain B.V. and its subsidiaries to Repsol Exploracion S.A. on 30 December 2013 for an amount of USD 974,056 thousand which resulted in a profit of USD 28,402 thousand, which is recognized in "Result from discontinued operations".

Corporate structure

The corporate structure of the Group during fiscal year 2014 is shown below according to the major companies comprising the Group:



Statement of compliance

The consolidated financial statements for the year ended 31 December 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs). These are the Group first consolidated financial statements prepared in accordance with IFRSs and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied. The transition date is 1 January 2013.

Until the financial year ended on 31 December 2013 the Company made use of the exemption of Article 408 of Book 2 Title 9 of the Netherlands Civil Code, whereby no consolidated financial statements were prepared. The financial information of the Company and its subsidiaries are included in the consolidated financial statements of Repsol S.A.

On November 19, 2013, Dutch parliament formally adopted the Financial Markets Supervision Act Amendment 2014. Under this amendment act, Public Interest Entities, such as Repsol International Finance B.V., are no longer allowed to make use of this exemption for intermediate consolidation. Repsol International Finance B.V. is accordingly required to prepare consolidated financial statements for the financial year 2014.

In conclusion these are the Group's first consolidated financial statements. In previous years no consolidated financial statements were prepared based on Dutch GAAP. Explanation of differences between the Equity as presented in the Dutch GAAP financial statements per 1 January 2013 and the Equity as presented in these consolidated EU-IFRS financial statements as at 1 January 2013 are included in Note 2(a) in the consolidated financial statements.

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Financial information

The Group made a profit of USD 163,874 thousand (2013: loss of USD 15,453 thousand). This profit is primarily caused by positive result due to finance income, and the share of profit of equity-accounted investees.

The issued and paid-in share capital of the Group amounts to USD 356,316 thousand (2013: USD 356,316 thousand).

Total assets of the Company amounts to USD 17,422,741 thousand (2013: USD 21,586,799 thousand).

Risk management

The Group identifies, evaluates and hedges financial risks in close co-operation with its Parent Company's Financial Risk Department. The Parent Company's Financial Risk Department, with the aim to promote best practices, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks.

The Groups activities expose it primarily to the market risks of changes in foreign currency exchange rates and interest rates. Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Groups income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Currency exchange risk

In the normal course of business the Group uses forward exchange contracts, to hedge currency exchange rate risks resulting from financing arrangements in foreign currencies.

The Group has procedures and policies in place to control risks related to financial instruments. These policies and procedures include a clear segregation of duties between operating, settlement, accounting and controlling of all financial instruments used. The management of each group entity is involved in the risk management process.

Interest rate risk

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

The Group occasionally enters into interest rate derivative transactions to mitigate the risk of changes in its finance costs or in the market value of its debt.

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Liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Credit risk

The Group attempts to minimize the counterparty credit risk associated with the financial instruments used by selecting counterparties that it assumes to be creditworthy, given their high credit ratings.

For further information, please refer to note 24 in the consolidated financial statements.

Corporate Governance

The board took into consideration the enactment of the EU Directive 2006/43/EU by a Royal Decree of July 2008 and the obligations from the fact that the Company, because of its listed securities, is a public interest organisation. It was decided to delegate the public governance compliance obligations as regards the Company in respect to article 2, section 3, sub a to d of the Decree to the audit committee of its parent company, Repsol S.A.

Research and Development

The Group, due to its nature of business primarily being financing, does not engage in Research and development activities.

Corporate Responsibility

Repsol Group in general, is strengthening its business strategy with the search for better energy solutions that contribute to sustainable development. This is possible thanks to a forward-looking vision that is based on corporate responsibility environment as one of its key attributes.

Throughout 2014, the Group, through its Parent Company has continued to expand the implementation of its corporate responsibility coordination system, with the creation of new Corporate Responsibility Committees, the development of studies for identifying expectations and the publication of sustainability plans.

Other information

End to the controversy of Expropriation of YPF

On 16 April 2012, the government of Argentina announced the expropriation of 51% of YPF share capital represented by the same proportion of YPF Class D shares owned by Repsol S.A.

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The Company owns 99.99% of Repsol Capital S.L., a company that directly and indirectly held 6.67% of the share capital of YPF S.A., of which 5.30% was subject to expropriation.

At the close of the 2013 financial year, the Board of Directors of Repsol S.A. reappraised the expropriated shares in YPF S.A. and YPF Gas S.A. to adjust their value to the amount that would be recovered as a result of the potential negotiated agreement with the Republic of Argentina, estimating their value to be € 3,625 million ($ 5,000 million), which was subject to the inherent uncertainty of the final outcome of the ongoing negotiations.

On February 27, 2014, Repsol, S.A., Repsol Capital S.L. and Repsol Butano, S.A., and the Republic of Argentina, signed the agreement known as Agreement for the Amicable Settlement and Expropriation Compromise Agreement (hereinafter, the "Agreement"), designed to put an end to the controversy originated by the expropriation of 51% of the equity of YPF S.A. and YPF Gas S.A.

Under the terms of the Agreement, the Republic of Argentina recognized an irrevocable debt to Repsol of $5,000 million as compensation for the expropriation of these shares. In payment of the compensation, the Republic of Argentina delivered to Repsol, a portfolio of sovereign bonds for a total par value of $5,317 million. These bonds were subsequently sold in their entirety to J.P. Morgan Securities, for a total price of $4,997 million, thus extinguishing the full debt recognised by the Republic of Argentina.

Moreover, the Repsol, S.A. Group has sold in 2014 its non-expropriated stake in YPF S.A. (12.38%) mostly to foreign institutional investors, for the amount of $1,316 million.

Number of employees

During 2014 the average number of employees was 7 (2013: 8).

Male/female partitioning of board members

Pursuant to article 2:276 Dutch civil code, the Company is obliged to achieve that at least 30 per cent of the board members are female and to take this into consideration when appointing new board members. At the end of the financial year 2014 the board consists of one female and three males.

In the financial year 2013 the Company appointed one female member to the Board and is still in the process to appoint a second female. In 2014, no new board member has been appointed. For the future years the Company, when a board vacancy appears, will strive to appoint one or more, as the case may be, female board members, if suitable candidates can be identified.

Significant matters after balance sheet date

Subordinated hybrid bond issuances for a total amount of € 2,000 million

On the 25 of March 2015, the Company issued two subordinated bonds for a total amount of 2,000 million euro, with the subordinated guarantee of Repsol, S.A.

- A 1,000 million euro perpetual subordinated bond (EURO 6-Year Non-Call Perpetual Securities) at 100 per cent of its face value.
- A 1,000 million euro 60-years subordinated bond (EURO 10-Year Non-Call Securities Due 2075) at 100 per cent of its face value.

The notes have been admitted to trading on the Luxembourg Stock Exchange upon the filing with the competent authorities of the relevant prospectus in accordance with laws and regulations governing public offers of securities and their admission to trading.

Voluntary liquidation of group entity Repsol International Capital Ltd.

On the 22 of April 2015, the group entity Repsol International Capital Ltd. has been liquidated voluntarily. A report and account pertaining to how the winding up of the group entity has been conducted and how the entity's property has been disposed of has been prepared. The short term loan to group entity Repsol Netherlands Finance B.V. for an amount of EUR 35,021 thousand was fully repaid upon liquidation.

Future outlook

It is envisaged that the Company will continue to provide loan capital to subsidiaries and affiliated companies. The future level of profits will be dependent on developments of the investments and financing activities. In the forecast environment, the Group will maintain its financial strength to perform the required demand while maintaining its competitive returns.

The Hague, the Netherlands,
April 22, 2015

The Board of Directors of the Company:

G.A.L.R. Diepenhorst

F.J. Sanz Cedrón

M.L. González-Poveda González

F.J. Nogales Aranguez

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Consolidated statement of financial position as at 31 December 2014

(before appropriation of results)

		31 December 2014 USD 1,000	31 December 2013 USD 1,000	1 January 2013 USD 1,000
Assets				
Property, plant and equipment	*14*	10	54	234
Intangible assets	*15*	–	–	202,824
Equity-accounted investees	*16*	51,057	40,692	385,234
Trade and other receivables	*12*	8,330,604	9,368,531	12,596,956
Other investments	*17*	–	707,816	814,222
Deferred tax assets	*11*	1,107	–	20
Deferred expenses		32,591	37,958	24,894
Total non-current assets		8,415,369	10,155,051	14,024,384
Inventories		–	–	3,803
Trade and other receivables	*12*	8,908,569	11,445,037	8,515,330
Other investments, including derivatives	*17*	84,013	363	–
Cash and cash equivalents	*13*	4,274	14,577	12,495
Total current assets		8,996,856	11,459,977	8,531,628
Total assets		17,412,225	21,615,028	22,556,012
Equity				
Share capital	*18*	356,316	356,316	356,316
Share premium		337,272	337,272	337,272
Translation reserve		(60,944)	9,907	(9,770)
Hedging reserve		–	(2,011)	(126,655)
Fair value reserve		–	124,780	2,157
Retained earnings		2,470,616	2,486,028	1,776,795
Unappropriated result		159,913	(15,412)	709,233
Total equity attributable to owners of the Company		3,263,173	3,296,880	3,045,348
Non-controlling interests		954	14,587	5,609
Total equity (carry forward)		3,264,127	3,311,467	3,050,957

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		31 December 2014 USD 1,000	31 December 2013 USD 1,000	1 January 2013 USD 1,000
Total equity (brought forward)		**3,264,127**	3,311,467	3,050,957
Liabilities				
Loans and borrowings	*20*	**8,279,524**	7,963,006	11,475,737
Trade and other payables	*21*	**–**	1	–
Provisions	*22*	**4**	–	–
Deferred tax liabilities	*11*	**422**	424	422
Total non-current liabilities		**8,279,950**	7,963,431	11,476,159
Loans and borrowings	*20*	**5,778,511**	10,304,643	7,972,016
Trade and other payables	*21*	**89,637**	35,487	56,880
Total current liabilities		**5,868,148**	10,340,130	8,028,896
Total liabilities		**14,148,098**	18,303,561	19,505,055
Total equity and liabilities		**17,412,225**	21,615,028	22,556,012

The notes on pages 14 to 74 are an integral part of these consolidated financial statements.

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Repsol International Finance B.V.

Consolidated statement of profit or loss and other comprehensive income as at 31 December 2014

		2014 USD 1,000	2013 USD 1,000
Other income	7	3,092	29,874
Employee benefit costs	10	(2,389)	(1,468)
Depreciation and amortisation	14	(12)	(96)
Other operating expenses		(8,138)	(7,466)
Result from operating activities		(7,447)	20,844
Finance income	8	999,642	731,492
Finance costs	8	(1,421,481)	(999,277)
Foreign currency translation difference	8	660,273	119,651
Net finance costs		238,434	(148,134)
Share of profit of equity-accounted investees	16	36,740	54,661
Dividend income		9	821
Gain on disposal of subsidiaries	5	-	(8,867)
Result before tax		267,736	(80,675)
Income tax benefit	11	(103,862)	(65,957)
Result from continuing operations		163,874	(146,632)
Result from discontinued operations	6	-	131,179
Result for the year		163,874	(15,453)
Other comprehensive income	18		
Items that are of may be reclassified to profit or loss			
Translation difference		(73,608)	19,717
Held for sale assets – change in fair value		(133,758)	131,601
Cash flow hedges – effective portion of changes is fair value		-	23,730
Cash flow hedges – reclassified to profit and loss		2,011	100,914
		(205,355)	275,962
Total other comprehensive income		(41,480)	260,509

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	2014 USD 1,000	2013 USD 1,000
Result attributable to:		
• Owners of the Company	159,913	(15,412)
• Non-controlling interests	3,961	(41)
	163,874	(15,453)
Total other comprehensive attributable to:		
• Owners of the Company	(33,706)	251,531
• Non-controlling interests	(7,774)	8,978
	(41,480)	260,509

The notes on pages 14 to 74 are an integral part of these consolidated financial statements.

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Consolidated statement of changes in equity for the year ended 31 December 2014

	Issued share capital	Share premium reserve	Translation reserve	Hedging reserve	Fair value reserve	Retained earnings	Result attributable to owners	Total	Non-controlling interests	Total equity
	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000
Balance as at 1 January 2014	356,316	337,272	9,907	(2,011)	124,780	2,486,028	(15,412)	3,296,880	14,587	3,311,467
Result for the year	-	-	-	-	-	-	159,913	159,913	3,961	163,874
Total other comprehensive income	-	-	(70,851)	2,011	(124,780)	-	-	(193,620)	(11,735)	(205,355)
Total comprehensive income for the year	-	-	(70,851)	2,011	(124,780)	-	159,913	(33,706)	(7,774)	(41,480)
Transactions with owners of the Company recognised directly in equity										
Contributions by and distributions to owners of the company										
• Dividends	-	-	-	-	-	-	-	-	(5,859)	(5,859)
Total contributions by and distributions to owners of the Company	-	-	-	-	-	-	-	-	(5,859)	(5,859)
Allocation of prior year result	-	-	-	-	-	(15,412)	15,412	-	-	-
Balance as at 31 December 2014	356,316	337,272	(60,944)	-	-	2,470,616	159,913	3,263,173	954	3,264,127

The notes on pages 14 to 74 are an integral part of these consolidated financial statements.

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	Issued share capital	Share premium reserve	Translation reserve	Hedging reserve	Fair value reserve	Retained earnings	Result attributable to owners	Total	Non-controlling interests	Total equity
	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000
Balance as at 1 January 2013	356,316	337,272	(9,770)	(126,655)	2,157	1,776,795	709,233	3,045,348	5,609	3,050,957
Result for the year	-	-	-	-	-	-	(15,412)	(15,412)	(41)	(15,453)
Total other comprehensive income	-	-	19,676	124,644	122,623	-	-	266,943	9,019	275,962
Total comprehensive income for the year	-	-	19,676	124,644	122,623	-	(15,412)	251,531	8,978	260,509
Transactions with owners of the Company recognised directly in equity										
Allocation of prior year result	-	-	-	-	-	709,233	(709,233)	-	-	-
Balance as at 31 December 2013	356,316	337,272	9,907	(2,011)	124,780	2,486,028	(15,412)	3,296,880	14,587	3,311,467

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Consolidated statement of cash flows for the year ended 31 December 2014

	2014 USD 1,000	2013 USD 1,000
Net income before tax	267,736	(80,675)
Adjustments to net income:	(275,162)	102,330
Depreciation and amortization of non-current assets	12	96
Other adjustments to results (net)	(275,174)	102,234
Changes in working capital	6,233	6,387
Other cash flows from operating activities	(12,319)	15,299
Dividends received	26,375	42,750
Income tax received / (paid)	(38,694)	(3,047)
Other proceeds from / (payments for) operating activities	-	(24,404)
I. Cash flows from operating activities	(13,512)	43,341
Payments for investing activities:	(8,364,514)	(17,014,761)
Group companies, associates and business units	-	-
Property, plant and equipment, intangible assets and investment properties	(0)	(11)
Other financial assets	(8,364,514)	(17,014,751)
Proceeds from divestments:	10,254,104	18,492,528
Group companies, associates and business units	-	178,630
Property, plant and equipment, intangible assets and investment properties	18	-
Other financial assets	10,254,086	18,313,898
Other cash flows	-	(3,407)
II. Cash flows used in investing activities	1,889,589	1,474,360
Proceeds from/ (payments for) financial liabilities:	(3,107,461)	(1,616,679)
Issues	5,045,040	6,212,075
Return and depreciation	(8,152,501)	(7,828,754)
Payments for dividends and payments on other equity instruments	(5,859)	-
Other cash flows from financing activities:	251,844	88,124
Interest payments	(521,530)	(520,151)
Other proceeds from/ (payments for) financing activities	773,374	608,275
III. Cash flows used in financing activities	(2,861,477)	(1,528,555)
Effect of changes in exchange rates	393	1,031

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	2014 USD 1,000	2013 USD 1,000
Net increase / (decrease) in cash and cash equivalents	**(985,007)**	(9,823)
Cash Flows from operating activities from discontinued operations	-	151,859
Cash Flows from investment activities from discontinued operations	974,704	(147,395)
Cash Flows from financing activities from discontinued operations	-	7,441
Net increase / (decrease) in cash and discontinued operations	**974,704**	11,905
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**14,577**	12,495
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**4,274**	14,577
Net increase / (decrease) in cash and cash equivalents	**(10,303)**	2,082

The notes on pages 14 to 74 are an integral part of these consolidated financial statements.

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Notes to the consolidated financial statements

1 Reporting entity

Repsol International Finance B.V. (hereafter the "Company" or the "Parent"), is a company domiciled in the Netherlands. The address of the Company's registered office is Koninginnegracht 19, 2514 AB, The Hague, The Netherlands.

The consolidated financial statements of the Company as at and for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in associates and jointly controlled entities.

The Company is a wholly owned subsidiary of Repsol S.A., located in Madrid, Spain. The Company and its subsidiaries belong to the Repsol Group, a Spanish integrated oil group engaged in all aspects of the petroleum business and one of the largest industrial groups in Spain.

The principal activity of the Company is the investing in and financing of subsidiaries and affiliated companies.

The Group primarily is involved in:

- On lending funds to a limited number of affiliated companies;
- Issue bonds under a Euro Medium Term Note Programme and commercial paper under a Euro Commercial Paper Programme in various markets and advance the net proceeds to various non-Spanish members of the Repsol Group;

2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements for the year ended 31 December 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs). These are the Group first consolidated financial statements prepared in accordance with IFRSs and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. The transition date is 1 January 2013.

Until the financial year ending on 31 December 2013 the Company made use of the exemption of Article 408 of Book 2, Title 9 of the Dutch Civil Code, whereby no consolidated financial statements were prepared. The financial information of the Company and its subsidiaries were included in the consolidated financial statements of Repsol S.A. A copy of the consolidated financial statements of Repsol S.A. was filed at the Chamber of Commerce in The Hague.

On November 19, 2013, Dutch parliament formally adopted the Financial Markets Supervision Act Amendment 2014. Under this amendment act, Public Interest Entities, such as Repsol International Finance B.V., are no longer allowed to make use of this exemption for intermediate consolidation. Repsol International Finance B.V. is accordingly required to prepare consolidated financial statements for the financial year 2014.

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The change in the legislation implies that Repsol International Finance B.V., being a holding company with its listed bonds in Luxembourg, can no longer make use of the consolidation exemption, and therefore is obliged to prepare consolidated financial statements based on EU-IFRS as of the financial year 2014.

In conclusion these are the Group's first consolidated financial statements. In previous years no consolidated financial statements were prepared based on Dutch GAAP. The table below contains the differences between the Equity as presented in the Dutch GAAP financial statements per 1 January 2013 and the Equity as presented in these consolidated EU-IFRS financial statements as at 1 January 2013:

	Issued share capital	Share premium reserve	Translation reserve	Hedging reserve	Fair value reserve	Retained earnings	Result attributable to owners	Total	Non-controlling interests	Total equity
	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000
Balance as at 1 Jan. 2013 – IFRS First-time adoption	356,316	337,272	(9,770)	(126,655)	2,157	1,776,795	709,233	3,045,348	5,609	3,050,957
Balance as at 1 Jan. 2013 – Dutch GAAP	396,581	337,272	(40,265)	–	–	1,246,869	538,448	2,478,905	-	2,478,905
Difference	40,265	–	(50,035)	126,655	(2,157)	(529,926)	(170,785)	(566,443)	(5,609)	(572,053)

Main reasons for the differences are:

1. The First-time adoption of the IFRS financial statements are prepared on a consolidated basis, while the Dutch GAAP financial statements are prepared on a stand-alone basis;
2. The participations under Dutch GAAP are stated at cost, while the participations under IFRS are consolidated based on their net asset values;

The consolidated financial statements were authorised for issue by the Board of Directors on 22 April 2015.

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(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured at fair value:

- derivative financial instruments;
- non-derivative financial instruments at fair value through profit or loss;
- available-for-sale financial assets.

(c) Functional and presentation currency

These consolidated financial statements are presented in USD, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

(d) Use of estimates and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Judgements

Information about judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the note 3 (a) '*Basis of consolidation*': whether the Group has de facto control over an investee.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2014 are (i) provision for litigations and other contingencies; (ii) the calculation of corporate income tax and deferred tax assets; (iii) impairment testing and the calculation of the recoverable value of Group's assets; (iv) the measurement of fair value of derivatives and financial instruments.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: Valuation based on a quoted price in an active market for identical assets or liabilities.

- Level 2: Valuation is based on a quoted price in an active market for similar financial assets or liabilities that rely on observable market inputs.
- Level 3: Valuation based on inputs for the asset or liability that are not directly observable in the market.

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the note 20 '*Financial instruments*'.

3 Significant accounting policies

(a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The accounting policies used by the Group's companies have been adjusted so that they are consistent with those applied by the Parent and so that the consolidated financial statements are presented using uniform accounting policies.

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(iii) Non-controlling interests

Non-controlling interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. The share of the non- controlling interest in the equity of Repsol group's subsidiaries is presented under '*Non-controlling interests*' within '*Equity*' heading in the consolidated financial position and '*Profit attributable to non-controlling interests*' and '*Other comprehensive income attributable to non-controlling interests*' in the consolidated statement of profit and loss and other comprehensive income.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees after adjustments to align with the accounting policies of the group from the date that significant influence or joint control commences, until the date on which significant influence or joint control ceases.

(vi) Discontinued operations

The Group classifies as discontinued operations any component (a cash-generating unit or a group of cash-generating units) that represents a separate major line of business or geographical area of operations, or has been sold or disposed of by other means, or that qualifies for classification as held for sale.

The after-tax profits or losses generated by discontinued operations are presented in a single heading "*Result from discontinued operations*".

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(viii) *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(viii) *Presentation currency*

The financial statements of the investees whose functional currency differs from the presentation currency are translated as follows:

- The assets and liabilities in each of the balance sheets presented are translated applying the closing exchange rate on the balance sheet date.
- For practical reasons, the Group generally applies the average exchange rate for the period in which the transactions were performed. However, the transaction-date exchange rate is used to measure significant transactions and also when exchange rates have fluctuated significantly during the reporting period.
- Any exchange differences arising as a result of the foregoing are recognized as "*Translation reserve*" under "*Equity*" heading.

The exchange rates against the USD of the main currencies used by the Group companies at 31 December 2014, 2013 and 1 January 2013 were as follows:

	31 December 2014		31 December 2013		1 January 2013	
	Year-end rate	Cumulative average rate	Year-end rate	Cumulative average rate	Year-end rate	Cumulative average rate
Euro	1.2141	1.3285	1.3791	1.3281	1.3194	1.2848
Argentine Peso	0.1176	0.1238	0.1653	0.1832	0.2042	0.2207

(b) Revenue

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

(c) Employee benefits

Pluri-annual incentive plan

The annual cost of these plans is recognized under "Employee benefit costs" in the consolidated income statement.

Defined contribution pension plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Repsol International Finance B.V. has recognized defined contribution pension plans for employees groups (see Note 20).

The annual cost of these plans is recognized under "Employee benefit costs" in the consolidated income statement

(d) Finance income and finance costs

Finance income comprises interest income on funds invested, gains on hedging instruments that are recognised in profit or loss and reclassifications of amounts previously recognised in other comprehensive income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration, impairment losses recognised on financial assets (other than trade receivables), losses on hedging instruments that are recognised in profit or loss and reclassifications of amounts previously recognised in other comprehensive income.

Borrowing costs that are not directly attributable to the acquisition of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(e) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent the hedges are effective.

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(ii) *Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into USD at exchange rates at the reporting date. The income and expenses of foreign operations are translated into USD at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(f) Income tax benefits

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

(i) *Current tax*

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

(ii) *Deferred tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used.

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Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(g) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- Buildings: 20 years
- Transport equipment: 5 years.
- Other items of property, plant and equipment: 3 - 10 years.

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Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(h) Intangible assets

(i) Recognition and measurement

The Group initially recognizes intangible assets at acquisition cost.

On 31 December 2012, the main intangible assets of the Group is the costs associated with the agreements for selling LNG. This cost is amortized on a straight-line basis over pending period of the contract.

On 31 December 2014 and 2013 there are not recognized intangible assets in the Group.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(i) *Financial instruments*

The Group classifies non-derivative financial assets into the following categories:

- financial assets at fair value through profit or loss
- held-to-maturity financial assets
- loans and receivables
- available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred,

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or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(ii) *Non-derivative financial assets – measurement*

Financial assets at fair value through profit or loss

This category has, in turn, the following sub-categories:

a. Financial assets held for trading: this category comprises derivatives not designated as hedging instruments.

b. Other financial assets at fair value with changes in profit and loss: this category comprises those financial assets acquired for trading or sale which are not derivatives.

Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest and dividend income, are recognised in profit or loss. Directly attributable transaction costs are directly recognised in profit or loss, as incurred.

Held-to-maturity financial assets

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold from the date of purchase to the date of maturity.

These assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for whose the Group does not intend to sell immediately or in the near term. They arise when the Group delivers goods or provides services or financing directly to a related or third party.

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

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Available-for-sale financial assets

Financial assets available for sale are financial assets that have either been designated as available for sale or have not been classified in any other financial asset category.

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments (see (d)(i)), are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

(iii) Non-derivative financial liabilities – measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

(iv) Share capital

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

Preference shares

Non-redeemable preference shares are classified as equity, because they bear discretionary dividends, do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the Group's equity instruments. Discretionary dividends thereon are recognised as equity distributions on approval by the Company's shareholders.

The preference shares issued by the Company are classified as financial liabilities because of the obligation to pay dividends if Repsol, S.A. reports a distributable profit.

Consequently the preference dividend is being classified as a finance cost. Transaction costs directly related to the issuance of the preference shares are deducted from the amount of debt originally recognized, and they are subsequently amortized through the income statement.

(v) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

Derivatives are initially recognised at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The amount accumulated in equity is retained in OCI and reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss. The gain or loss relating to the ineffective portion of the interest rate swaps hedging variable rate series B preference shares is recognised in the statement of income within '*Interest on IRS*'.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

(j) *Deferred expenses*

Deferred expenses relate to the Guaranteed Euronotes issues. They are measured at amortised cost using the effective interest method.

(k) Impairment

(i) Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security;
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

Financial assets measured at amortised cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified.

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Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Availability-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss.

If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through OCI.

Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(ii) *Non-financial assets*

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

Amendments to IAS 19 Defined benefit plans: Employee contributions

Amendments to IAS 19 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.

The Group believes that application of the amendments to IAS 19 will not have a significant impact on its consolidated financial statements, with the exception of certain additional disclosure requirements

Amendments to IFRS 11 Acquisitions of interests in joint operations

At the date of issuance of these consolidated financial statements, Amendments to IFRS 11 have been issued by the IASB but not yet approved by the European Union.

Amendments to IFRS 11 are effective for annual reporting periods beginning on or after 1 January 2016.

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The Group is assessing the potential impact on its consolidated financial statements resulting from the application of Amendments to IFRS 11.

Amendments to IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortization

At the date of issuance of these consolidated financial statements, Amendments to IAS 16 and IAS 38 have been issued by the IASB but not yet approved by the European Union.

Amendments to IAS 16 and IAS 38 are effective for annual reporting periods beginning on or after 1 January 2016.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of Amendments to IAS 16 and IAS 38.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

At the date of issuance of these consolidated financial statements, IFRS 15 has been issued by the IASB but not yet approved by the European Union.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

5 Changes in the scope of consolidation

Repsol International Finance B.V. prepares its consolidated financial statements including the investments in all of its subsidiaries, associates and joint arrangements. Note 29 of these consolidated financial statements contains a list of the main subsidiaries, associates and joint arrangements in which Repsol International Finance B.V. has direct and indirect interests that were included into the scope of consolidation in 2014.

The next section describes the main changes in the consolidation scope and their impact on the consolidated financial statements for the year 2013. There were no significant changes in the scope of consolidation for the year 2014.

Disposal of Gaviota RE S.A.

On 21 November 2013, the Company sold its investment in Gaviota RE, S.A. and its subsidiary Greenstone Assurance Ltd. to Albatros S.a.r.l., for an amount USD 178,630 thousand which resulted in a loss of USD 9,076 thousand, recognized in "Gain on disposal of subsidiaries".

The purpose of sale was to channel through a specific holding entity (Albatros S.a.r.l.) all the participations of the Repsol group in the reinsurance business.

The financial information of Gaviota RE S.A. and Greenstone Assurance Ltd. are included in the consolidated financial statement until the date of loss of control, which is 21 November 2013, as of that date the assets and liabilities are derecognised in the consolidated financial statements of the Group.

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

	USD 1,000
Non-current assets	2,328
Other current assets	413,254
Cash and cash equivalents	(1,507)
Total assets	**414,076**
Non-current liabilities	179,084
Current liabilities	47,285
Total liabilities	**226,369**
Net assets	**187,707**

Disposal of Repsol LNG Port Spain B.V.

On 26 February 2013 Repsol Group reached an agreement with the Shell group for the sale of part of its LNG assets and related business which included the shares in Repsol LNG Port Spain B.V. As part of this transaction the Company sold its investment in Repsol LNG Port Spain B.V. and its subsidiaries to Repsol Exploracion S.A. on 30 December 2013 for an amount of USD 974,056 thousand which resulted in a profit of USD 28,402 thousand, which is recognized in "*Result from discontinued operations*" (see Note 3a(*vi*)).

The scope of the transaction with Repsol Exploracion S.A. includes the following group companies and equity accounted investees (hereafter jointly referred to as "Repsol LNG"):

(i) Repsol LNG Port Spain B.V.

(ii) Repsol LNG Trinidad & Tobago Ltd.

(iii) Atlantic LNG Company of Trinidad & Tobago

(iv) Atlantic LNG 2/3 Company of Trinidad & Tobago and

(v) Atlantic 4 LNG Company of Trinidad & Tobago

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The financial information of Repsol LNG are included in the consolidated financial statement until the date of loss of control, which is 30 December 2013, as of that date the assets and liabilities are derecognised in the consolidated financial statements of the Group.

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

	USD 1,000
Non-current assets	767,293
Other current assets	258,957
Cash and cash equivalents	3,537
Total assets	**1,029,787**
Non-current liabilities	41
Current liabilities	84,092
Total liabilities	**84,133**
Net assets	**945,654**

6 Discontinued operations

In 2013, "Result from discontinued operations" includes the results generated by the LNG assets sold as well as the gain generated by the sale. The table below provides a breakdown by nature of the income and expenses corresponding to the discontinued operations:

	2013 USD 1,000
Operating revenues	401,237
Operating expenses	(409,778)
Result from operating activities	(8,541)
Financial result	7,248
Share of profit of equity-accounted investees	108,777
Net income from discontinued operations before tax	**107,484**
Tax expense in respect of net income from discontinued operations	(4,707)
Net income from discontinued operations	**102,777**
After-tax gain on the sale of the LNG assets	**28,402**
RESULT FROM DISCONTINUED OPERATIONS - NET OF TAXES	**131,179**

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7 Income and expenses

Other income

	2014 USD 1,000	2013 USD 1,000
Other income	3,092	29,874

Other income for the years 2014 and 2013 mainly relates to reimbursements of insurance companies.

8 Net finance costs

	2014 USD 1,000	2013 USD 1,000
Interest income on:		
Loans and receivables to shareholder	33,623	85,109
Loans and receivables to related parties	588,984	624,156
Other financial income	68,343	1,165
Total interest income arising from financial assets not measured at fair value	690,950	710,430
Re-measurement to fair value of pre-existing interest in acquire-available for sale financial assets		
Financial assets at fair value through profit and loss – net change in fair value		
Changes in the fair value of financial instruments	308,692	21,062
Finance income	999,642	731,492
Interest expenses on:		
Loans and receivables from related parties	(59,060)	(83,138)
Other finance costs	(409,050)	(698,763)
Cash flow hedge – interest on IRS	(4,421)	(75,735)
Financial assets at fair through profit and loss – net change in fair value	-	-
Changes in the fair value of financial instruments	(948,950)	(141,641)
Finance costs	(1,421,481)	(999,277)
Foreign currency translation difference and other financial income (expenses)	660,273	119,651
Net finance costs recognised in profit or loss	238,434	(148,134)

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9 Earnings per share

In general, basic and diluted Earnings per share (EPS) are presented in the statement of profit or loss and OCI by entities whose ordinary shares or potential ordinary shares are traded in a public market - i.e. a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets - or that file, or are in the process of filing, their financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of ordinary shares in a public market.

For RIF the above-mentioned is not applicable, as it does not have ordinary shares traded in a public market nor does it meet the other criteria of IAS 33 to disclose EPS information.

10 Employee benefit expenses

	2014	2013
	USD 1,000	USD 1,000
Wages and salaries	**(2,263)**	(1,272)
Social security contribution	**(126)**	(196)
	(2,389)	(1,468)
Average number of employees	**7**	8

Defined contribution pension plans

Repsol International Finance B.V. has defined contribution plans for its employees, which conform to current legislation.

The annual cost charged to "Employee benefit costs" in the consolidated income statement in relation to the defined contribution plans detailed above amounted to USD 4 thousand in 2014 and USD 7 thousand in 2013.

11 Income taxes

Corporate income tax

The Group is subject to tax in several jurisdictions. For this reason, the Group's effective tax rate is shaped by the breakdown of earnings by each of the Group entities concerned at the applicable tax rates.

a) In the Netherlands

The Company is the parent company of a fiscal unity for Dutch corporate income tax purposes along with its Dutch subsidiaries Repsol Netherlands Finance B.V. and Repsol Investeringen B.V. The Dutch corporate income tax due by the fiscal unity has been fully allocated to each company in proportion to its individual result.

The Company is jointly and severally liable for the total Dutch corporate income tax payable by the fiscal unity.

The companies included in the fiscal unity are subject to Dutch corporate income tax at the general rate of 25% (20% on the first € 200,000 taxable profit).

The fiscal unity is entitled to calculate its taxable profits using USD as functional currency. The Dutch corporate income tax due on the taxable profit in USD is calculated in EUR against the average exchange rate for the book year concerned as published by the Dutch Central Bank (DNB).

b) Other countries

The rest of the Group entities pay tax in each of the countries in which they operate, applying the prevailing income tax rate under applicable local tax regulations.

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

Country	Tax rate
Argentina	35%
Cayman Islands	0%
Spain	30%

Income tax recognised in profit or loss

	2014 USD 1,000	2013 USD 1,000
Current tax expense		
Current year	102,713	65,867
Adjustment for prior years	2,256	90
	104,969	**65,957**
Deferred tax expense		
Change in recognised deductible temporary differences	(1,107)	-
Tax expense on continuing operations	**103,862**	**65,957**

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Reconciliation of effective tax rate

	2014		2013	
	%	USD 1,000	%	USD 1,000
Profit before tax from continuing operations		267,736		-80,675
Tax using the Company's domestic tax rate	25.0	64,756	25.0	(20,169)
Effect of tax rates in foreign jurisdictions	6.0	15,456	5.7	(4,618)
Reduction in tax rate				
Tax effect of:				
• Non-deductible expenses	5.2	13,443	-111.7	90,094
• Effect of share of profits of equity-accounted investees	10.5	27,121	-139.6	112,649
• Tax-exempt income	-11.8	(30,460)	140.0	(112,972)
• Adjustments related to differences between tax and commercial	4.9	12,779	16.4	(13,197)
• Current year losses for which no deferred tax asset was recognised			-0.1	105
Recognition of tax effect of previously unrecognised tax losses	-0.1	(199)	-17.3	13,975
Change in unrecognised deductible temporary differences	-0.5	(1.290)		
Change in estimates related to prior years	0.9	2,256	-0.1	90
	40.1	103,862	-81.7	65,957

The tax expense related to the accounting profit of discontinued operations included in "Result from discontinued operations" (see Note 6) amounted to USD 4,707 thousand in 2013.

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Movement in deferred tax balances

2014	Net balance at 1 January USD 1,000	Recognised in profit or loss USD 1,000	Recognised in OCI USD 1,000	Recognised directly in equity USD 1,000	Acquired in business combinations USD 1,000	Other USD 1,000	Net balance at 31 December USD 1,000	Deferred tax assets USD 1,000	Deferred tax liabilities USD 1,000
Bonds and other securities	-	1,107	-	-	-	-	1,107	1,107	-422
Tax assets (liabilities) before set-off	-	1,107	-	-	-	-	1,107		
Set off of tax	-	-	-	-	-	-	-		
Net tax assets (liabilities)	-	1,107	-	-	-	-	-	1,107	-422

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2013	Net balance at 1 January	Recognised in profit or loss	Recognised in OCI	Recognised directly in equity	Acquired in business combinations	Other	Net balance at 31 December	Deferred tax assets	Deferred tax liabilities
	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000
Bonds and other securities									
Other items	20	-	-	-	-	-20	-	-	-424
Tax assets (liabilities) before set-off	**20**	-	-	-	-	**-20**	-		
Set off of tax	-	-	-	-	-	-	-		
Net tax assets (liabilities)	**20**	-	-	-	-	**-20**	-	-	-424

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Unrecognised deferred tax liabilities

As at 31 December 2014, the Company does not have unrecognised deferred tax liabilities. The Company also did not have unrecognised deferred tax liabilities as at 31 December 2013.

Unrecognised deferred tax assets

As at 31 December 2014, the Company does not have unrecognised deferred tax assets. The Company also did not have unrecognised deferred tax assets as at 31 December 2013.

12 Trade and other receivables

	2014 USD 1,000	2013 USD 1,000	1 January 2013 USD 1,000
Loans to shareholders	346	1,394,612	2,106,049
Loans to related parties	17,238,398	18,432,963	18,799,074
Accounts receivable from related parties	–	974,056	–
Other receivables	374	8,524	175,311
Tax receivables	55	3,413	31,852
	17,239,173	20,813,568	21,112,286
Non-current	8,330,604	9,368,531	12,596,956
Current	8,908,569	11,445,037	8,515,330
	17,239,173	20,813,568	21,112,286

Loans to shareholders

	2014 USD 1,000	2013 USD 1,000	1 January 2013 USD 1,000
Repsol S.A.	346	1,394,612	2,106,049

Loans to related parties

Information about the loans to related parties is included in note 25 "Related parties".

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Tax receivables

	2014 USD 1,000	2013 USD 1,000	1 January 2013 USD 1,000
Corporate income tax	-	-	31,524
Value added tax	55	425	328
Other tax receivables	-	2,988	-
	55	3,413	31,852

13 Cash and cash equivalents

	2014 USD 1,000	2013 USD 1,000	1 January 2013 USD 1,000
Bank balances	4,274	11,388	7,038
Short term deposit	-	3,189	5,457
Cash and cash equivalents in the statement of financial position	4,274	14,577	12,495

14 Property, plant and equipment

Reconciliation of the carrying amount

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	Buildings	Transport equipment	Other items of property, plant and equipment	Total
	USD 1,000	USD 1,000	USD 1,000	USD 1,000
Cost				
Balance at 1 January 2014	-	70	52	122
Additions	-	-	-	-
Disposals	-	(70)	(20)	(90)
Balance at 31 December 2014	-	-	32	32
Accumulated depreciation and impairment losses				
Balance at 1 January 2014	-	(33)	(35)	(68)
Depreciation for the year	-	(3)	(9)	(12)
Disposals	-	36	22	58
Balance at 31 December 2014	-	-	(22)	(22)
Cost				
Balance at 1 January 2013	67	70	575	712
Additions	-	-	9	9
Change in scope of consolidation	(67)	-	(532)	(599)
Disposals	-	-	-	-
Balance at 31 December 2013	-	70	52	122
Accumulated depreciation and impairment losses				
Balance at 1 January 2013	(14)	(14)	(450)	(478)
Depreciation for the year	(3)	(19)	(74)	(96)
Disposals	-	-	-	-
Change in scope of consolidation	17	-	489	506
Balance at 31 December 2013	-	(33)	(35)	(68)
Carrying amounts				
At 1 January 2013	53	56	125	234
At 31 December 2013	-	37	17	54
At 31 December 2014	-	-	10	10

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15 Intangible assets

	Intangible assets USD 1,000	Total USD 1,000
Cost		
Balance at 1 January 2014	-	-
Balance at 31 December 2014	-	-
Accumulated depreciation and impairment losses		
Balance at 1 January 2014	-	-
Balance at 31 December 2014	-	-
Cost		
Balance at 1 January 2013	204,039	202,824
Discontinued operations movements[1]	(204,039)	(202,824)
Balance at 31 December 2013	-	-
Accumulated depreciation and impairment losses		
Balance at 1 January 2013	(1,215)	(1,215)
Discontinued operations movements[1]	1,215	1,215
Balance at 31 December 2013	-	-

(1) Includes the movements generated by the LNG assets in connection with the sale process.

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16 Equity-accounted investees

	2014 USD 1,000	2013 USD 1,000	1 January 2013 USD 1,000
Interest in associates	**51,057**	40,692	385,234

The movements in interest in associates are as follows:

	2014 USD 1,000	2013 USD 1,000
Balance at beginning of year	**40,692**	385,234
Payment of dividends	**(26,375)**	(144,914)
Profit for the year	**36,740**	163,438
Other changes	**-**	392
Divestments of equity accounted investees	**-**	(363,458)
	51,057	40,692

The disposal of equity accounted investees relates to the disposal of Repsol LNG Port Spain B.V. and its subsidiaries on 30 December 2013 (refer note 5).

The following table summarises the financial information of the interest in associates as included in their own financial statements, adjusted for differences in accounting policies, as of 1 January 2013 (disclosures for 2013 and 2014 are not included since these are not material). The table also reconciles the summarised financial information to the carrying amount of the interest in associates.

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	1 January 2013 Occidental de Colombia LLC	1 January 2013 Atlantic 2/3Holdings LLC (consolidated)	1 January 2013 Atlantic 1 Holdings LLC (consolidated)	1 January 2013 Atlantic 4 Holdings LLC (consolidated)	1 January 2013 Total
	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000
Country	USA	USA	USA	USA	
Activity	Ownership of exploratory and productive assets in Colombia	Portfolio company	Portfolio company	Portfolio company	
Percentage ownership	25.00%	25.00%	20.00%	22.22%	
Percentage of control	25.00%	25.00%	20.00%	22.22%	
Non-current assets	131,021	950,612	572,271	1,047,287	2,701,191
Current assets	82,784	143,471	244,010	102,870	573,135
Non-current liabilities	(40,621)	(704,861)	(422,437)	(857,663)	(2,025,582)
Liabilities	(58,063)	(121,932)	(130,854)	(33,061)	(343,910)
Net assets (100%)	115,121	267,290	262,990	259,433	904,834
Group's share in net assets	28,780	66,823	52,598	57,646	205,847
Revenue	460,289	-	705,359	345,473	1,511,121
Profit	223,218	110,618	153,876	107,783	595,495
Other comprehensive income	-	-	-	-	-
Total other comprehensive income (100%)	223,218	110,618	153,876	107,783	595,495
Group's share of profit and total comprehensive	55,805	27,655	30,775	23,949	138,184

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The following table analyses, in aggregate, the carrying amount and share of profit and OCI of these associates.

	2014 USD 1,000	2013 USD 1,000
Share of profit from continuing operations	36,740	54,661
	36,740	54,661

The share of profit from continuing operations can be specified as follows:

	2014 USD 1,000	2013 USD 1,000
Occidental de Colombia	36,740	54,661
	36,740	54,661

17 Other investments, including derivatives

Non-current investments

	2014 USD 1,000	2013 USD 1,000	1 January 2013 USD 1,000
Financial assets – held for sale subject to expropriation	–	516,789	735,744
Financial assets available for sale	–	191,027	78,478
	–	707,816	814,222

Current investments

	2014 USD 1,000	2013 USD 1,000	1 January 2013 USD 1,000
Derivatives	83,637	363	–
Other financial assets	376	–	–
	84,013	363	–

Financial assets – held for sale subject to expropriation

Expropriation of YPF

On 16 April 2012, the government of Argentina announced the expropriation of 51% of YPF share capital represented by the same proportion of YPF Class D shares owned by Repsol S.A. The Company owns 99.99% of Repsol Capital S.L., a company that directly and indirectly held 6.67% of the share capital of YPF, S.A., of which 5.30% is subject to expropriation.

At the close of the 2013 financial year, the Board of Directors of Repsol S.A. reappraised the expropriated shares in YPF S.A. and YPF Gas S.A. to adjust their value to the amount that would be recovered as a result of the potential negotiated agreement with the Argentine Republic, estimating their value to be EUR 3,625 million (USD 5,000 million), which is subject, in any case, to the inherent uncertainty of the final outcome of the ongoing negotiations. On February 27, 2014, Repsol, S.A., Repsol Capital S.L. and Repsol Butano, S.A., and the Republic of Argentina, signed the agreement known as Agreement for the Amicable Settlement and Expropriation Compromise Agreement (hereinafter, the "Agreement"), designed to put an end to the controversy originated by the expropriation of 51% of the equity of YPF S.A. and YPF Gas S.A.

Under the terms of the Agreement, the Republic of Argentina recognized an irrevocable debt to Repsol of $5,000 million as compensation for the expropriation of these shares. In payment of the compensation, the Republic of Argentina delivered to Repsol, a portfolio of sovereign bonds for a total par value of USD 5,317 million. These bonds were subsequently sold in their entirety to J.P. Morgan Securities, for a total price of USD 4,997 million, thus extinguishing the full debt recognised by the Republic of Argentina.

Moreover, the Repsol, S.A. Group has sold its non-expropriated stake in YPF S.A., a 12.38%, mostly to foreign institutional investors, for the amount of USD 1,316 million.

18 Capital and reserves

Share capital

The authorized and paid in capital of the company consist of 300,577 shares with a par value of EUR 1,000 translated to U.S. Dollars at an exchange rate of EUR 0.8435 per U.S. Dollar.

Share premium reserve

The share premium reserve concerns the income from issuing of shares in so far as this exceeds the nominal value of the shares (above par income).

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation.

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Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.

OCI movements in reserves, net of tax

	Translation reserve	Fair value reserve	Hedging reserve	Retained earnings	Total	Non-controlling interests	Total OCI
	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000
2013							
Foreign operations – foreign currency translation differences	19,676	-	-	-	19,676	41	19,717
Cash flow hedges - effective portion of changes in fair value	-	-	23,730	-	23,730	-	23,730
Cash flow hedges - reclassified to profit or loss	-	-	100,914	-	100,914	-	100,914
Available-for-sale financial assets - net change in fair value	-	122,623	-	-	122,623	8,978	131,601
Total	19,676	122,623	124,644	-	266,942	9,019	275,962
2014							
Foreign operations – foreign currency translation differences	(70,851)	-	-	-	(70,851)	(2,757)	(73,608)
Cash flow hedges - reclassified to profit or loss	-	-	2,011	-	2,011	-	2,011
Available-for-sale financial assets - net change in fair value	-	(124,780)	-	-	(124,780)	(8,978)	(133,758)
Total	(70,851)	(124,780)	2,011	-	(193,620)	(11,735)	(205,355)

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19 Capital management

The Group's primary objective is to maintain an optimal capital structure that supports its ability to continue as a going concern and safeguard the return for its shareholders, as well as the profits for the holders of equity instruments.

The Group's capital structure includes share capital, reserves and retained earnings. Specifically, the capital management policy is designed to ensure that a reasonable level of debt is maintained and to maximise the creation of shareholder value.

20 Loans and borrowings

Non-current liabilities

	2014	2013	1 January 2013
	USD 1,000	USD 1,000	USD 1,000
Bond and other securities	7,516,525	7,963,006	11,291,594
Loans from related parties	762,999	-	184,143
	8,279,524	7,963,006	11,475,737

Current liabilities

	2014	2013	1 January 2013
	USD 1,000	USD 1,000	USD 1,000
Bond and other securities	814,210	3,879,336	1,849,089
Loans from shareholder	1,811	708	86
Loans from related parties	4,953,198	6,402,449	6,120,496
Other financial liabilities	9,292	22,150	2,345
	5,778,511	10,304,643	7,972,016

Information about the Group's exposure to interest rate, foreign currency and liquidity risk is included in note 24.

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21 Current Trade and other payables

Current trade and other payables

	2014	2013	1 January 2013
	USD 1,000	USD 1,0000	USD 1,000
Tax liabilities	89,086	34,685	23,940
Other financial liabilities	551	802	32,940
	89,637	35,487	56,880

Tax liabilities

	2014	2013	1 January 2013
	USD 1,000	USD 1,000	USD 1,000
Corporate income tax payable	89,055	33,955	24,205
Value added tax	31	730	(265)
	89,086	34,685	23,940

Information about the Group's exposure to currency and liquidity risk is included in note 24.

Other financial liabilities

	2014	2013	1 January 2013
	USD 1,000	USD 1,000	USD 1,000
Short term payables to suppliers	7	40	42
Other payables	544	762	32,896
	551	802	32,938

22 Provisions

Medium and long-term incentive plan

Repsol International Finance B.V., as a member of Repsol Group, has implemented a loyalty building program aimed at senior executives and other persons occupying positions of responsibility in Group,

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consisting of medium/long-term incentives as part of their benefit package. The purpose of this program is to strengthen the identification of executives and managers with shareholders' interests, based on the company's medium and long-term earnings sustainability as well as the compliance with the strategic business plan targets, while at the same time facilitating the retention by the Group of key personnel.

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

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

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

To reflect the commitments assumed under these incentive plans, the Group recognized a charge of USD 5 thousand in 2014 in the consolidated income statement. In 2014 the Group had recognized provisions totalling USD 5 thousand to meet its obligations under all the aforementioned plans respectively.

23 Financial instruments

Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

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Current and non-current financial assets

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

	2014 USD 1,000	2013 USD 1,000
Non-current financial assets	8,330,606	9,368,494
Other current financial assets	8,908,138	10,459,080
Currents derivatives on trading transactions and other financial assets	84,013	363
Cash and cash equivalents	4,274	14,577
Total	17,327,031	19,842,515

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

31 December 2014	Financial assets held-for-trading USD 1,000	Other financial assets at fair value through profit or loss USD 1,000	Loans and receivables USD 1,000	Held to maturity investments USD 1,000	Total USD 1,000
Other Financial assets	-	-	8,330,606	-	8,330,606
Long term/Non-current	-	-	8,330,606	-	8,330,606
Derivatives	83,637	-	-		83,637
Other financial assets	-	376	8,908,138	4,274	8,912,788
Short term/current	83,637	376	8,908,138	4,274	8,996,425
Total	83,637	376	17,238,744	4,274	17,327,031

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31 December 2013	Assets held for sale subject to expropriation USD 1,000 (See Note 17)	Financial assets held-for-trading USD 1,000	Other financial assets available for sale USD 1,000 (See Note 17)	Loans and receivables USD 1,000	Held to maturity investments USD 1,000	Total USD 1,000
Other Financial assets	516,789	-	191,027	9,368,494	-	10,076,310
Long term/Non-current	516,789	-	191,027	9,368,494	-	10,076,310
Derivatives	-	363	-	-	-	363
Other financial assets	-	-	-	10,459,080	14,577	10,473,657
Short term/current	-	363	-	10,459,080	14,577	10,474,020
Total	516,789	363	191,027	19,827,574	14,577	20,550,330

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

	Level 1 2014	Level 1 2013	**Level 2 2014**	Level 2 2013	**Level 3 2014**	Level 3 2013	**Total 2014**	Total 2013
Financial assets held for trading[1]	-	-	**83,637**	363	-	-	**83,367**	363
Other financial assets at fair value through profit and loss	**376**	-	-	-	-	-	**376**	-
Financial assets available for sale	-	191,027	-	-	-	-	-	191,027
Total	**376**	191,027	**83,637**	363	-	-	**84,013**	191,390

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]Regarding the shares of YPF and subject to expropriation, which are presented within "Non-current assets held for sale subject to expropriation" at their fair value in accordance with IFRS 5, see Note 17, "Other investments, including derivatives".

The valuation techniques used for the instruments classified under level 2, which mainly correspond to derivative financial instruments, are based on the income approach, in accordance with accounting regulations, which entail the discounting to present value of future cash flows associated with said instruments, estimated using forward curves offered in the market,

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including adjustments for credit risk based on the duration of the instruments. In the case of options, price-setting models based on the Black & Scholes formula are used.

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

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

(i) Financial assets held for trading

Derivatives not designated as hedging instruments are included within this category.

(ii) Other financial assets at fair value through profit or loss

Financial assets measure at fair value through profit or loss in the years 2014.

(iii) Financial assets available for sale

As of December 31, 2013, this heading included 1.37% of the shares of YPF S.A. owned at the time by Caveant, S.A. that were not subject to expropriation by the Argentine government in the amount of USD 191,027 million.

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

	2014	2013
	USD 1,000	USD 1,000
Balance at beginning of year	**191,027**	78,479
Disposals	**(191,027)**	-
Adjustments to fair value	-	112,548
Balance at end of year	-	**191,027**

(iv) Loans and receivables

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

	Carrying amount		Fair value	
	2014	2013	**2014**	2013
	USD 1,000	USD 1,000	**USD 1,000**	USD 1,000
Non-current	**8,330,606**	9,368,494	**9,065,121**	9,870,101
Current	**8,908,138**	10,459,080	**8,908,138**	10,459,080
Total loans and receivables	**17,238,744**	19,827,574	**17,973,259**	20,329,181

The return accrued on the financial assets disclosed in the table above was equivalent to an average interest rate of 3.23% in 2014 and of 3.59% in 2013, respectively.

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

	2014	2013
	USD 1,000	USD 1,000
2015	-	758,505
2016	1,025,195	1,164,522
2017	1,493,437	1,455,962
2018	1,325,343	1,592,415
2019	1,232,961	1,386,366
Subsequent years	3,253,670	3,010,724
Balance at end of year	**8,330,606**	**9,368,494**

Financial liabilities

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

	2014	2013
	USD 1,000	USD 1,000
Non-current financial liabilities	**8,279,524**	7,963,006
Current financial liabilities	**5,769,228**	10,282,493
Currents derivatives on trading transactions and other financial assets	**9,283**	22,150
	14,058,035	18,267,649

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

	31 December 2014			
	Financial liabilities held for trading	**Financial liabilities at amortized cost**	**Total**	**Fair value**
	USD 1,000	**USD 1,000**	**USD 1,000**	**USD 1,000**
Bonds and other securities	-	7,516,525	7,516,525	8,182,419
Other liabilities	-	762,999	762,999	762,999
Long-term debts/non-current financial liabilities	-	8,279,524	8,279,524	8,945,418
Bonds and other securities	-	814,210	814,210	814,210
Derivatives	9,279	–	9,279	9,279
Other liabilities	-	4,955,022	4,955,022	4,955,022
Short-term debts/current financial liabilities	9,279	5,769,232	5,778,511	5,778,511
Total	9,279	14,048,756	14,058,035	14,723,929

	31 December 2013			
	Financial liabilities held for trading	Financial liabilities at amortized cost	Total	Fair value
	USD 1,000	USD 1,000	USD 1,000	USD 1,000
Bonds and other securities	-	7,963,006	7,963,006	8,404,753
Long-term debts/non-current financial liabilities	-	7,963,006	7,963,006	8,404,753
Bonds and other securities	-	3,879,336	3,879,336	3,933,924
Derivatives	22,150	–	22,150	22,150
Other liabilities	-	6,403,157	6,403,157	6,403,157

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	31 December 2014			
	Financial liabilities held for trading	Financial liabilities at amortized cost	Total	Fair value
	USD 1,000	USD 1,000	USD 1,000	USD 1,000
Short-term debts/current financial liabilities	22,150	10,282,493	10,304,643	10,359,231
Total	22,150	18,245,499	18,267,649	18,763,984

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

	Level 1		Level 2		Level 3		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Hedging derivatives	-	-	9,279	22,150	-	-	9,279	22,150
	-	-	9,279	22,150	-	-	9,279	22,150

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.

The techniques used to value the financial liabilities classified as level 2 for fair value hierarchy purposes are based, in keeping with prevailing accounting rules, on an income approach and consist of discounting known or estimated future cash flows (estimated using implied forward curves provided by the market in the case of derivatives) to present value using discount curves built from benchmark market interest rates adjusted for credit risk as a function of the terms of the various instruments. Options are valued using pricing models based on the Black & Scholes formula.

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

In relation with liquidity risk, disclosure of maturities relevant to Repsol funding at 31 December 2014 and 2013 is provided in Note 24.

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

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	2014		2013	
	Average volume	Average cost	Average volume	Average cost
	USD 1,000	%	USD 1,000	%
Borrowings	**5,812**	**0.88**	6,622	0.98
Preference shares (1)	**95**	**3.72**	2,109	3.72
Obligations	**7,947**	**3.92**	10,208	4.45
	13,854	**2.64**	18,939	3.15

(1) Series B and Series C preference shares of Repsol International Capital Ltd. cancelled ahead in December 2014.

Bonds and other securities

The chart below discloses issues, buybacks and repayments of debt securities (recognized under current and non-current "*Bonds and other debt securities*") in 2014 and 2013 (face value):

	Balance at 31-12-2013	(+) Issuances	(-) Repurchases or re-imbursement(3)	(+/-) Exchange rate and other adjustments	**Balance at 31-12-2014**
	USD 1,000	USD 1,000	USD 1,000	USD 1,000	**USD 1,000**
Bonds and other debt securities issued in the European Union with prospectus	11,523,522	3,340,211	(5,596,004)	(1,147,677)	**8,120,051**
Total	11,523,522	3,340,211	(5,596,004)	(1,147,677)	**8,120,051**

	Balance at 31-12-2012	(+) Issuances	(-) Repurchases or re-imbursement(3)	(+/-) Exchange rate and other adjustments	Balance at 31-12-2013
	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000
Bonds and other debt					

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	Balance at 31-12-2012	(+) Issuances	(-) Repurchases or re-imbursement(3)	(+/-) Exchange rate and other adjustments	Balance at 31-12-2013
	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000
securities issued in the European Union with prospectus	12,851,761	5,193,058	(7,059,884)	538,587	11,523,522
Total	12,851,761	5,193,058	(7,059,884)	538,587	11,523,522

Key issues, buybacks and repayments carried out in 2014

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

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

Date	Security	Issuer	Currency	Face value (millions)	Coupon	Issue price	Maturity
December	Bonds	Repsol International Finance B.V.	Euros	500	2.250%	99.709%	12 years

In addition, through its subsidiary Repsol International Finance, B.V. ("RIF"), the Group has a EUR 1,500 million Euro Commercial Paper (ECP) Program (arranged on March 26, 2010) which is guaranteed by Repsol YPF S.A. The ECP Program was increased to EUR 2,000 million on 25 October 2010.

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

Program	Issuer	Currency	Face value (millions)	Average rate %	Equivalent amount in Euros
ECP	Repsol International Finance B.V.	Euros	1,239	0.331	1,239
ECP	Repsol International Finance B.V.	Dollars	1,037	0.376	790
ECP	Repsol International Finance B.V.	Pounds sterling	5	0.668	6
ECP	Repsol International Finance B.V.	Swiss francs	28	0.068	23

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The outstanding balances of issues made under this program at 31 December 2014, were EUR 289 million, USD 256 million and CFH 5 million.

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

On 17 June 2014, Repsol, S.A. announced the early cancellation of all of the Series I/2013 Simple Bonds issued in 2013 for delivery to the investors accepting its offer to buy back the Series B and Series C preference shares issued by Repsol International Capital Limited. Following the related payment of cash to the Series I/2013 bondholders, these bonds were derecognized on 1 July 2014 in the amount of EUR 1,458 million, corresponding to principal (EUR 500 per bond) and EUR 13 million in respect of the ordinary gross coupon (EUR 4,375 per bond).

In December 2014 Repsol International Capital Ltd redeemed early all of the Series B and Series C preference shares that had not been bought back pursuant to the 2013 repurchase offer for EUR 84 million.

Key issues, buybacks and repayments carried out in 2013

The Group completed the following issues under the *EUR 10,000,000,000 Guaranteed Euro Medium Term Note (EMTN) Programme* in 2013:

Date	Security	Issuer	Currency	Face value (millions)	Coupon	Issue price	Maturity
May	Bonds	Repsol International Finance B.V.	Euros	1,200	2.625%	99.414%	7 years
October	Bonds	Repsol International Finance B.V.	Euros	1,000	3.625%	99,734%	8 years

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

Program	Issuer	Currency	Face value (millions)	Average rate %	Equivalent amount in Euros
ECP	Repsol International Finance B.V.	Euros	1,382	0.467	1,382
ECP	Repsol International Finance B.V.	Dollars	430	0.514	321
ECP	Repsol International Finance B.V.	Swiss francs	20	0.140	16

The outstanding balances of issues made under this program at 31 December 2013, were EUR 479 million, USD 143 million and CFH 5 million.

On 31 May 2013, the respective boards of Repsol International Capital Ltd. and Repsol, S.A agreed to launch the following offer consisting of: (i) a voluntary Repurchase Offer in cash of the Series B and C preference shares issued by Repsol International Capital Ltd., in May and December 2001, respectively, and simultaneously,

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and linked to the Repurchase Offer (ii) a public Subscription Offer of Repsol, S.A. Series I/2013 Bonds addressed to the holders accepting the Repurchase Offer.

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

On 1 July 2013, with the cash disbursement of the repurchase price made by the acceptants, the repurchased preference shares were derecognized from the balance sheet.

Guaranteed debt security issues

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

Bond issues, representing ordinary debt, of Repsol International Finance B.V. and guaranteed by Repsol S.A., face value of USD 8,120,051 thousands, contain clauses whereby Repsol undertakes to pay interest when due and liabilities before maturity (cross-default provisions) and to not constitute charges or guarantees on Repsol S.A. assets for this issue or in future issues of debt securities.

In the event of default, the trustee, at its sole discretion or at the request of the holders of at least one-fifth of the debentures, or by means of an extraordinary resolution, can declare all the aforementioned debentures issues due and payable. In addition, the holders of the bonds issued in 2011, 2012, 2013 and 2014 may choose to have their bonds redeemed upon a change of control at Repsol and provided such change in control results in, if and only if Repsol's credit ratings fall below investment grade status as a result of the change of control.

As long as any of the notes remain outstanding, RIF Group will no create or have outstanding any mortgage, charge, pledge, lien or other security interest upon the whole or any part of its undertaking, assets or revenues or to secure any guarantee of or indemnity in respect to any relevant indebtedness.

The RIF Group's directors believe that at the date of this writing there are no reasons, nor there be foreseeable reasons in the future, which will make it necessary to apply the clauses providing for early maturity of the debt.

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

Other financial liabilities

Mainly includes the loans granted by Group companies that are not eliminated upon consolidation; they consist primarily of transactions between equity-accounted investees in the amount of USD 4,955,018 thousand at year-end 2014 (USD 6,403,197 thousand at year-end 2013).

Derivative transactions

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

Thousands of dollars Classification December 31, 2014	Non-current Assets	Current Assets	Non-current Liabilities	Current Liabilities	Fair Value
Other derivatives instruments	**-**	**83,637**	**-**	**(9,292)**	**74,345**
Exchange Rate	-	83,637	-	(9,292)	74,345
Total	**-**	**83,637**	**-**	**(9,292)**	**74,345**

Thousands of dollars Classification December 31, 2013	Non-current Assets	Current Assets	Non-Current Liabilities	Current Liabilities	Fair Value
Other derivatives instruments	**-**	**363**	**-**	**(22,150)**	**(21,787)**
Exchange rate	-	363	-	(22,150)	(21,787)
Total	**-**	**363**	**-**	**(22,150)**	**(21,787)**

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

	Financial Result		Adjustment for changes in value	
Thousands of dollars	2014	2013	2014	2013
Cash Flow Hedges	(2,011)	(100,914)	2,011	124,644
Other transactions	447,651	(86,300)	-	-
Total	**445,640**	**(187,214)**	**2,011**	**124,644**

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

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Accounting hedges

Starting June 30, 2011 the dividend on each Series B Preference Share changed to a floating rate per annum equal to three month Euribor plus a margin equal to 3.5%. The Company signed from June 30, 2011, several interest rate swap (IRS) for a notional amount of EUR 1,000,000,000 to hedge the interest rate risk arising from the floating rate preference shares Series B. At inception the IRS was intended to mature on June 30, 2016. Under interest rate swap contracts, the Company agrees to exchange the difference between fixed and floating interest rate amounts calculated on the agreed notional principal amounts. Such contracts enabled the Company to cancel off the risk of cash flow exposures on the issued variable rate of Preference Shares Series B. From its inception the IRS were designated, qualified and accounted as "cash flow hedges".

From June 30, 2013 hedge accounting for the IRS were discontinued as a consequence of the repurchase of the Preference Shares Series B. As consequence of the discontinuance, the corresponding loss recognized in other comprehensive income and accumulated in equity has been recognized in profit and loss under the caption "Finance Costs". On July 2, 2013 the IRS was cancelled early and settled in cash.

During the first quarter of 2007, a swap qualified as a cash flow hedge, failed the effectiveness test and accordingly the Company proceeded with its discontinuance starting December 31, 2006. The cumulative loss deferred in equity is also affected by the repurchase of the Preference Shares Series B and C. The corresponding part of the cumulative loss deferred in equity related to the Preference Shares subject to the repurchase agreement has been recognized immediately as an expense under the caption "Finance Costs".

The cumulative loss related to Preference Shares not subject to the repurchase agreement for the swaps continues to be separately recognized in equity until December 17th, 2014 under the caption "Revaluation reserve". In 2014 all the preference shares have been cancelled ahead of maturity. As a consequence of such cancelation, on December 16th, 2014, the market valuation reserve for IRS associates to the preference shares was canceled for a negative amount of USD 2,011 thousands.

Other derivative transactions

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

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

Guarantees

At 31 December 2014, the Repsol International Finance Group's companies don't have extended guarantees to third parties or Group companies whose assets, liabilities and earnings are not presented in the consolidated financial statements (joint-ventures and equity-accounted investees).

Measurement of fair values

The valuation methods and inputs used for financial assets are:

- Valuations based on a quoted price in an active market for an identical instrument
- 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.

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

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

The valuation methods and inputs used for financial liabilities are:

- Valuations based on a quoted price in an active market for an identical instrument.
- 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.

The techniques used to value the financial liabilities are based, in keeping with prevailing accounting rules, on an income approach and consist of discounting known or estimated future cash flows (estimated using implied forward curves provided by the market in the case of derivatives) to present value using discount curves built from benchmark market interest rates adjusted for credit risk as a function of the terms of the various instruments. Options are valued using pricing models based on the Black & Scholes formula.

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

24 Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk;
- market risk.

Risk management framework

The Group identifies, evaluates and hedges financial risks in close co-operation with its Parent Company's Financial Risk Department. The Parent Company's Financial Risk Department, with the aim to promote best practices, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks.

The Group´s activities expose it primarily to the market risks of changes in foreign currency exchange rates and interest rates. Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group´s income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations Credit risk arises principally from the Group's loans receivable from related parties and unsettled derivatives whose fair value is positive.

The Group attempts to minimize the counterparty credit risk associated with the financial instruments used by selecting counterparties that it assumes to be creditworthy, given their high credit ratings.

The carrying amount of financial assets represents the maximum credit exposure.

Loans receivable from related parties

The credit risk of each loan is influenced by the individual characteristics of each counterparty. However the Group is not exposed to a significant credit risk due to the credit rating and liquidity of the debtors. No loan was due as of 31 December 2014 and 31 December 2013 nor was impaired during 2014 and 2013.

Cash and cash equivalents

The Group held cash and cash equivalents of USD 4,274 thousand at 31 December 2014 (2013: USD 14,577 thousand). The cash and cash equivalents are held with bank and financial institution counterparties.

Derivatives

The derivatives are entered into with high credit quality bank and financial institution counterparties that meet the standards of solvency in accordance with the market conventions regulating these kinds of financial transactions.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. In this regard, the Group has a positive net debt balance of USD 3,301,579 thousand at 31 December 2014 (2013: USD 1,612,783 thousand) and an excess of short-term receivables and cash and cash equivalents over short-term payables of USD 3,217,905 thousand at 31 December 2014 (2013: USD 169,338 thousand).

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and excluding the impact of netting agreements:

	2014						
USD (million)	2015	2016	2017	2018	2019	...	TOTAL
Preference shares	0	0	0	0	0	0	0
Obligations and borrowings	6,068	1,322	2,177	1,106	1,369	3,500	15.542
TOTAL	6,068	1,322	2,177	1,106	1,369	3,500	15.542

	2013						
USD (million)	2014	2015	2016	2017	2018	...	TOTAL
Preference shares	4	4	4	4	4	120	141
Obligations and borrowings	10.772	1.151	1.486	1.486	1.240	4.717	20.852
TOTAL	10.776	1.155	1.490	1.490	1.244	4.837	20.992

The gross inflows/(outflows) disclosed in the above table represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are not usually closed out before contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement.

As disclosed in note 20, some of the debt instruments issued by the Group contains covenants. A future breach of covenant may require the Group to repay the loan earlier than indicated in the above table.

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Market risk

The Company's activities expose it primarily to the market risks of changes in foreign currency exchange rates and interest rates. Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Currency risk

In the normal course of business the Company uses forward exchange contracts, to hedge currency exchange rate risks resulting from financing arrangements in foreign currencies.

The Company has procedures and policies in place to control risks related to financial instruments. These policies and procedures include a clear segregation of duties between operating, settlement, accounting and controlling of all financial instruments used. The Company's management is involved in the risk management process.

	31 December 2014		31 December 2013	
	EUR (millions)	ARP (millions)	EUR (millions)	ARP (millions)
Net assets	-458	11	-407	1,173
Net liabilities	-5	-416	-218	-10
Net exposure	-463	-405	-625	1.163

Sensitivity analysis

A reasonably possible strengthening (weakening) of the EUR, USD, GBP or CHF against all other currencies at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

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MM USD	Profit or loss, net of tax		Equity	
31-dic-14	USD Strengthening (5% movement)	USD Weakening (5% movement)	USD Strengthening (5% movement)	USD Weakening (5% movement)
USD Against EUR	-0,93	0,93	0,00	0,00
USD Against ARP	1,88	-2,08	2,27	-2,51
31-dic-13				
USD Against EUR	-0,17	0,17	0,00	0,00
USD Against ARP	0,05	-0,05	-8,52	9,42

Interest rate risk

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

The Group occasionally enters into interest rate derivative transactions to mitigate the risk of changes in its finance costs or in the market value of its debt.

Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments as reported to management of the Group is as follows:

USD (million)	2014	2013
Fixed-rate instruments		
Net debt balance	-611	-936
Variable rate instruments		
Net debt balance	3,913	2,549

A reasonably possible change of 50 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

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MM USD	Profit or loss, net of tax		Equity	
	50 basis points increase	50 basis points decrease	50 basis points increase	50 basis points decrease
31-dic-14				
	11,85	-11,85	-	-
31-dic-13				
	6,53	-6,53	-	-

25 Related parties

Parent and ultimate controlling party

The company is a wholly owned subsidiary of Repsol S.A, Madrid, Spain. Repsol S.A. is a Spanish integrated oil company engaged in all aspects of the petroleum business and one of the largest industrial groups in Spain.

Repsol International Finance undertakes transactions with related parties on an arm's length basis. For the purposes of presenting this information, the following are considered to be related parties:

a. Significant shareholders: according to the latest information available, the Company's significant shareholders that are deemed related parties are Repsol, S.A. (100% over share capital 31 December 2014) and its Group companies.

b. Executives and directors: includes members of the Board of Directors.

c. People or Group Companies: includes transactions with Group companies or entities for the part not eliminated in the consolidation process (corresponding mainly to transactions undertaken with companies accounted for using the equity method).

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

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	Major shareholders	Executive and Directors	People, Group companies or entities	Total
	USD 1,000	USD 1,000	USD 1,000	USD 1,000
Expense and income				
Financial expenses	56,627	–	–	56,627
Other expenses	2,790			2,790
Total expenses	59,417	–	–	59,417
Financial income	621,629	–	–	621,629
Dividends received	-		26,375	26,375
Other income	3,092			3,092
Total income	624,721	–	26,375	651,096

	Major shareholders	Executive and Directors	People, Group companies or entities	Total
	USD 1,000	USD 1,000	USD 1,000	USD 1,000
Other transactions				
Finance agreements: credits and capital contributions (lender)	17,238,842	–	–	17,238,842
Finance agreements: credits and capital contributions (lessor)	(5,717,919)	–	–	(5,717,919)
Other transactions	(652,162)	(5) (*)	–	(652,167)

* Includes the cost pluri-annual incentive plan in respect of the members of the board of directors discharging executive duties, amounted to USD 5 thousand

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

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	Major shareholders USD 1,000	Executive and Directors USD 1,000	People, Group companies or entities USD 1,000	Total USD 1,000
Expense and income				
Financial expenses	62,920	–	–	62,920
Other expenses	318,359	–	92,101	410,460
Total expenses	381,279	–	92,101	473,380
Financial income	709,998	–	6,709	716,707
Dividends received	–	–	144,914	144,914
Other income	610,689	–	458	611,147
Total income	1,320,687	–	152,081	1,472,768

	Major shareholders USD 1,000	Executive and Directors USD 1,000	People, Group companies or entities USD 1,000	Total USD 1,000
Other transactions				
Finance agreements: credits and capital contributions (lender)	20,800,983	–	–	20,800,983
Finance agreements: credits and capital contributions (lessor)	(6,403,193)	–	–	(6,403,193)
Other transactions	(654,260)			(654,260)

The transactions performed by Repsol International Finance, B.V. with its Group companies and those performed by the Group companies among themselves form part of the Company's ordinary business activities in terms of their purpose and terms and conditions.

26 Subsequent events

Subordinated bond issuances for a total amount of EUR 2,000 million

On the 25 of March 2015, the Company issued two subordinated bonds for a total amount of 2,000 million euro, with the subordinated guarantee of Repsol S.A.

- A 1,000 million euro perpetual subordinated bond (EURO 6-Year Non-Call Perpetual Securities) at 100 per cent of its face value. The securities will bear interest on their principal amount from (and including) the issue date to 25 March 2021 at a rate of 3.875 per cent per

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annum, payable annually in arrears commencing on 25 March 2016; and from (and including) 25 March 2021, at the applicable 6 year Swap Rate plus:

a. 3.56 per cent per year up to 25 March 2025
b. 3.81 per cent per year as from (and including) 25 March 2025 up to 25 March 2041
c. 4.56 per cent per year as from (and including) 25 March 2041

- A 1,000 million euro 60-years subordinated bond (EURO 10-Year Non-Call Securities Due 2075) at 100 per cent of its face value. The securities will bear interest on their principal amount from (and including) the issue date to 25 March 2025 at a rate of 4.5 per cent per annum, payable annually in arrears commencing on 25 March 2016; and from (and including) 25 March 2025, at the applicable 10 year Swap Rate plus:

  a. 4.20 per cent per year up to 25 March 2045
  b. 4.95 per cent per year as from (and including) 25 March 2045 until maturity (25 March 2075).

The notes have been admitted to trading on the Luxembourg Stock Exchange upon the filing with the competent authorities of the relevant prospectus in accordance with laws and regulations governing public offers of securities and their admission to trading.

Voluntary liquidation of group entity Repsol International Capital Ltd.

On the 22 of April 2015, the group entity Repsol International Capital Ltd. will be liquidated voluntarily. A report and account pertaining to how the winding up of the group entity has been conducted and how the entity's property has been disposed of has been prepared. The short term loan to group entity Repsol Netherlands Finance B.V. for an amount of EUR 35,021 thousand was fully repaid upon liquidation.

No other significant events occurred between year-end 2014 and the date on which the Directors approved and authorized these consolidated financial statements for issue that could have a material effect on them.

Repsol International Finance B.V.

Company-Only Financial Statements for the year ended 31 December 2014

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Company-only balance sheet as at 31 December 2014

(before profit appropriation)

		2014		2013	
		USD 1,000	USD 1,000	USD 1,000	USD 1,000
Fixed assets					
Financial fixed assets	*29*	8,324,761		9,508,327	
Total fixed assets			8,324,761		9,508,327
Current assets					
Trade and other receivables	*30*	3,497,655		5,722,305	
Cash and cash equivalents		899		7,949	
Total current assets			3,498,554		5,730,254
Total assets			11,823,315		15,238,581
Shareholders' equity	*31*				
Issued share capital		356,316		356,316	
Share premium		337,272		337,272	
Translation reserve		(60,944)		9,907	
Other statutory reserves		-		122,769	
Other reserves		2,470,616		2,486,028	
Unappropriated result		159,913		(15,412)	
Total equity			3,263,173		3,296,880
Provisions	*32*		4		-
Non-current liabilities	*33*		7,516,947		7,848,114
Current liabilities	*34*		1,043,191		4,093,587
Total equity and liabilities			11,823,315		15,238,581

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Company-only profit and loss statement for the year ended 31 December 2014

		2014 USD 1,000	2013 USD 1,000
Share in results from participating interests	*37*	124,078	(82,281)
Other result after taxation		35,835	66,869
Net result		159,913	(15,412)

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Notes to the company-only financial statements

27 General

The company-only financial statements are part of financial statements of Repsol International Finance B.V. (the 'Company') for the year ended 2014.

With reference to the profit and loss statement of the company, use has been made of the exemption pursuant to Section 402 of Book 2 of the Netherlands Civil Code.

28 Principles for the measurement of assets and liabilities and the determination of the result

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company-only financial statements, the Company makes use of the option provided in section 2:362(8) of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the company-only financial statements of the Company are the same as those applied for the consolidated EU-IFRS financial statements. See pages 14 to 61 for a description of these principles.

Participating interests in group companies

Participating interests in group companies are accounted for in the company-only financial statements according to the equity method. Refer to the basis of consolidation accounting policy in the consolidated financial statements.

Result of participating interests

The share in the result of participating interests consists of the share of the Company in the result of these participating interests. In so far as gains or losses on transactions involving the transfer of assets and liabilities between the Company and its participating interests or between participating interests themselves can be considered unrealised, they have not been recognised.

29 Financial fixed assets

	2014	2013
	USD 1,000	USD 1,000
Participating interests	**801,933**	904,186
Accounts receivable	**7,522,828**	8,604,141
	8,324,761	9,508,327

Movements in financial fixed assets were as follows:

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	Participating interests in group companies USD 1,000	Accounts Receivable USD 1,000	Total USD 1,000
Balance at 1 January 2014	904,186	8,604,141	9,508,327
Investments and loans provided	–	8,246,635	8,246,635
Dividend payment	(26,375)	–	(26,375)
Share in result of participating interests	124,078	–	124,078
Divestments and redeemed loans	–	(7,636,409)	(7,636,409)
Reclass to current account receivables	–	(676,225)	(676,225)
Translation difference	(62,141)	(1,015,314)	(1,077,455)
Other movements	(137,815)	–	(137,815)
	801,933	7,522,828	8,324,761

For details on the accounts receivable from participating interests and the other receivables, reference is made to note 30.

Repsol International Finance B.V., with its statutory seat in The Hague is the holding company and has the following participating interests:

Name	Location	Share in issued capital %
Consolidated participating interests		
Direct		
Repsol International Capital ltd.	Cayman Islands	100
Repsol Investeringen B.V.	The Hague	100
Repsol Capital S.L.	Madrid	99.99
Repsol Netherlands Finance B.V.	The Hague	66.50
Indirect		
Caveant S.A	Madrid	93.14
Other participating interests		
Occidental de Colombia LLC	Delaware	25.00

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30 Trade and other receivables

	2014 USD 1,000	2013 USD 1,000
Accounts receivable from group companies	3,430,245	5,719,073
Value added tax	55	425
Derivatives	67,355	–
Other receivables	–	2,807
	3,497,655	5,722,305

The trade and other receivable are due within one year.

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31 Shareholders' equity

Reconciliation of movement in capital and reserves

	Issued share capital USD 1,000	Share premium USD 1,000	Translation reserve USD 1,000	Other statutory reserve USD 1,000	Other reserves USD 1,000	Unappropriated result USD 1,000	Total USD 1,000
Balance at 1 January 2014	356,316	337,272	9,907	122,769	2,486,028	(15,412)	3,296,880
Result for the year	-	-	-	-	-	159,913	159,913
Appropriation of prior years' result	-	-	-	-	(15,412)	15,412	-
Mutation translation reserve	-	-	(70,851)	-	-	-	(70,851)
Mutation legal reserve	-	-	-	(122,769)	-	-	(122,769)
Balance at 31 December 2014	**356,316**	**337,272**	**(60,944)**	-	**2,470,616**	**159,913**	**3,263,173**

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Share capital and share premium

Ordinary shares

The authorized capital of the company consist of 300,577 shares with a par value of EUR 1,000 translated to U.S. Dollars at an exchange rate of EUR 0.8435 per U.S. Dollar.

Share premium reserve

The share premium concerns the income from the issuing of shares in so far as this exceeds the nominal value of the shares (above par income).

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation.

Other statutory reserve

Other statutory reserves consist of a statutory reserve for participating interests.

Other reserves

The other reserves comprise the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.

Unappropriated result

At the General Meeting, the following appropriation of the result 2014 will be proposed: an addition of the result of USD 159,913 thousand to the retained earnings.

32 Provisions

Reference is made to note 22 of the consolidated financial statements.

33 Non-current liabilities

	2014 USD 1,000	2013 USD 1,000
Bonds and Euro Commercial Papers	7,516,525	7,847,690
Other liabilities	422	424
	7,516,947	7,848,114

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34 Current liabilities

	2014 USD 1,000	2013 USD 1,000
Commercial paper and medium	814,210	3,879,336
Debts to group companies	178,864	156,503
Taxes	45,295	40,676
Other payables	4,822	17,072
	1,043,191	4,093,587

The current liabilities are due within one year.

35 Financial instruments

General

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk.
- Liquidity risk.
- Market risk.

In the notes to the consolidated financial statements information is included about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

These risks, objectives, policies and processes for measuring and managing risk, and the management of capital apply also to the company-only financial statements of Repsol International Finance B.V. Further quantitative disclosures are included below:

Fair value

The fair values of most of the financial instruments stated on the balance sheet, including accounts receivable, cash at bank and in hand and current liabilities, are close to their carrying amounts.

The fair value of the other financial instruments stated on the balance sheet can be specified as follows:

	2014		2013	
	Fair value	Carrying amount	Fair value	Carrying amount
	USD 1,000	USD 1,000	USD 1,000	USD 1,000
Financial fixed assets				
Accounts receivable from participating interests	7,490,237	7,490,237	8,566,183	8,566,183

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	2014		2013	
	Fair value	Carrying amount	Fair value	Carrying amount
	USD 1,000	USD 1,000	USD 1,000	USD 1,000
Non-current liabilities				
Euro Commercial Papers	**8,182,419**	**7,516,525**	8,289,437	7,847,690
Other liabilities	**422**	**422**	424	424

The fair value of the accounts receivable from participating interests is in line with its carrying value. For further information, please refer to note 21 and note 35 - Financial fixed assets and financial instruments.

36 Off-balance sheet commitments

Fiscal unity

The Company constitutes a fiscal unity with its subsidiaries Repsol Netherlands Finance B.V. and Repsol Investeringen B.V. for corporate income tax purposes; the standard conditions prescribe that all companies of the tax entity are liable for the corporate income tax payable.

37 Share in results from participating interests

An amount of USD 124,078 thousand (2013: USD -82,281 thousand) of share in results from participating interests relates to group companies.

38 Average number of employees

Reference is made to note 10 of the consolidated financial statements.

39 Related parties

Parent and ultimate controlling party

The company is a wholly owned subsidiary of Repsol S.A, Madrid, Spain. Repsol S.A. is a Spanish integrated oil company engaged in all aspects of the petroleum business and one of the largest industrial groups in Spain.

Repsol International Finance undertakes transactions with related parties on an arm's length basis. For the purposes of presenting this information, the following are considered to be related parties:

a. Significant shareholders: according to the latest information available, the Company's significant shareholders that are deemed related parties are Repsol, S.A. (100% over share capital 31 December 2014) and its Group companies.

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b. Executives and directors: includes members of the Board of Directors and of the Executive Committee.

c. People or Group Companies: includes transactions with Group companies or entities for the part not eliminated in the consolidation process (corresponding mainly to transactions undertaken with companies accounted for using the equity method).

Transactions with key management personnel

For further information, please refer to note 26 in the consolidated financial statements.

40 Emoluments of directors and supervisory directors

The emoluments, including pension costs as referred to in Section 2:383(1) of the Netherlands Civil Code, charged in the financial year to the company and group companies amounted to USD 257 thousand (2013 USD 283 thousand) for managing directors and former managing directors. The supervisory directors do not receive any remuneration from the Company.

There are no loans, advances and guarantees granted by the Company to its managing and supervisory directors.

There are no emoluments granted to managing and former managing directors related to the crisis tax ('crisisheffing'). In March 2014, an employer only levy of wage tax (additional crisis tax) of 16% was due to the extent the gross wages paid to one employee in 2013 exceeded EUR 150 thousand. Based on case law, Repsol has taken the position that such provision is (partially) not allowed under the First Protocol to the European Convention on Human Rights and hence filed an objection to the payment of the additional crisis levy with the Dutch tax authorities.

The Hague, 22 April 2015

The Board of Directors:

G.A.L.R. Diepenhorst

F.J. Sanz Cedrón

M.L. González-Poveda González

F.J. Nogales Aranguez

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Other information

Provisions in the Articles of Association governing the appropriation of profit

Under article 19 of the company's Articles of Association, the profit is at the disposal of the General Meeting of Shareholders, which can allocate said profit either wholly or partly to the formation of – or addition to – one or more general or special reserve funds.

Proposal for profit appropriation

The General Meeting of Shareholders will be asked to approve the following appropriation of the 2014 profit after tax: an amount of USD 159,913 thousand to be added to the other reserves. The result after taxes for 2014 is included under the unappropriated result item in the shareholders' equity.

The company can only make payments to the shareholders and other parties entitled to the distributable profit in so far as (1) the company can continue to pay its outstanding debts after the distribution (the so-called distribution test), and (2) the shareholders' equity exceeds the legal reserves and statutory reserves under the articles of association to be maintained (the so-called balance sheet test). If not, management of the company shall not approve the distribution. Preliminary tests carried out by management revealed no indications that the proposed distribution of dividend will not be possible, but these tests have to be finalized (and management has to approve the distribution) prior to the actual payment of the dividend.

Subsequent events

Subordinated bond issuances for a total amount of EUR 2,000 million

On the 25 of March 2015, the Company issued two subordinated bonds for a total amount of 2,000 million euro, with the subordinated guarantee of Repsol S.A.

- A 1,000 million euro perpetual subordinated bond (EURO 6-Year Non-Call Perpetual Securitiesat 100 per cent of its face value. The securities will bear interest on their principal amount from (and including) the issue date to 25 March 2021 at a rate of 3.875 per cent per annum, payable annually in arrears commencing on 25 March 2016; and from (and including) 25 March 2021, at the applicable 6 year Swap Rate plus:

  a. 3.56 per cent per year up to 25 March 2025
  b. 3.81 per cent per year as from (and including) 25 March 2025 up to 25 March 2041
  c. 4.56 per cent per year as from (and including) 25 March 2041

- A 1,000 million euro 60-years subordinated bond (EURO 10-Year Non-Call Securities Due 2075) at 100 per cent of its face value. The securities will bear interest on their principal amount from (and including) the issue date to 25 March 2025 at a rate of 4.5 per cent per annum, payable annually in arrears commencing on 25 March 2016; and from (and including) 25 March 2025, at the applicable 10 year Swap Rate plus:

  a. 4.20 per cent per year up to 25 March 2045

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b. 4.95 per cent per year as from (and including) 25 March 2045 until maturity (25 march 2075).

The notes have been admitted to trading on the Luxembourg Stock Exchange upon the filing with the competent authorities of the relevant prospectus in accordance with laws and regulations governing public offers of securities and their admission to trading.

Voluntary liquidation of group entity Repsol International Capital Ltd.

On the 22 of April 2015, the group entity Repsol International Capital Ltd. will be liquidated voluntarily. A report and account pertaining to how the winding up of the group entity has been conducted and how the entity's property has been disposed of has been prepared. The short term loan to group entity Repsol Netherlands Finance B.V. for an amount of EUR 35,021 thousand was fully repaid upon liquidation.

No other significant events occurred between year-end 2014 and the date on which the Directors approved and authorized these consolidated financial statements for issue that could have a material effect on them.

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april 22, 2015

STATEMENT

The members of the Board of Directors of REPSOL INTERNATIONAL FINANCE B.V. ("The Company") state that, to the best of our knowledge, the Financial Statements for the year ended on the 31^{st} of December 2014, approved by the Board of Directors on 22 of April 2015, and prepared in accordance with the applicable accounting principles give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and that the management reports include a fair view of the development and performance of the business and the position of the Company, as well as a description of the principal risk and uncertainties facing it.

Javier Francisco Nogales Aranguez
Director

G.A.L.R Diepenhorst
Director

Javier Sanz Cedrón
Director

Lourdes Gonzalez-Poveda Gonzalez
Director