Repsol International Finance B.V.

Consolidated EU-IFRS Financial statements
for the year ended 31 December 2015

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Management board report

The Managing Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2015. The consolidated financial statements of the Company as at and for the year ended 31 December 2015 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').

Amounts in this Management board report are presented in thousands of USD, unless otherwise indicated.

General information

The Company is part of 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 Company is a wholly owned subsidiary of Repsol S.A., Madrid, Spain (the 'Parent Company').

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 Repsol Group financing needs, the Company is engaged in a Euro Medium Term Note Programme (hereinafter "EMTN" and a Euro Commercial Paper Programme (hereinafter "ECP").

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

- A EUR 1,000 million perpetual subordinated bond (EURO 6-Year Non-Call Perpetual Securities) at 100 per cent of its face value.
- A EUR 1,000 million 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.

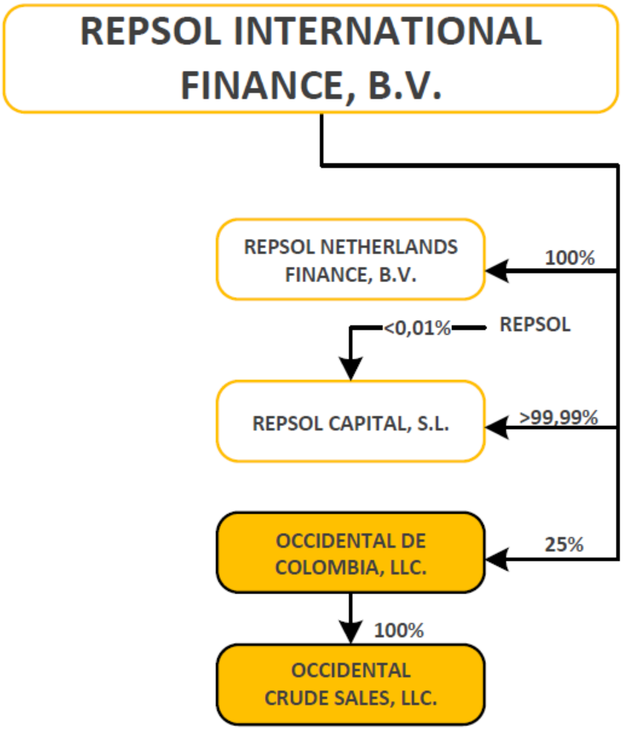
In December 2015, the Group, through Repsol International Finance B.V., closed a EUR 600 million 5-year bond at 99.897 per cent with a coupon of 2.125 per cent, listed on the regulated market of the Luxembourg Stock Exchange. This bond, guaranteed by Repsol, S.A., is issued under the Repsol International 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 2015 are the following: maturing in 2016 for an amount of EUR 850 million (USD 925 million), maturing in 2017 for an amount of EUR 886 million (USD 964 million), maturing in 2018 for an amount of EUR 750 million (USD 817 million), maturing in 2019 for an amount of EUR 1,000 million (USD 1,089 million), maturing in 2020 for an amount of EUR 1,800 million (USD 1,960 million), maturing in 2021 for an amount of EUR 1,000 million (USD 1,089 million), maturing in 2026 for an amount of EUR

500 million (USD 544 million), maturing in 2075 for an amount of EUR 1,000 million (USD 1,089 million), besides a perpetual bond of EUR 1,000 million (USD 1,089 million).

Corporate structure

The corporate structure of the Group as at 31 December 2015 is shown below:



During the year, the group entities Repsol International Capital Ltd., Repsol Investeringen B.V. and Caveant S.A. have been voluntarily liquidated. Assets and liabilities were fully settled during the liquidation process.

Statement of compliance

The consolidated financial statements for the year ended 31 December 2015 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS). These are the Group's second consolidated financial statements prepared in accordance with EU-IFRS.

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 19 November 2013, the 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 as of the financial year 2014.

Financial information

The Group made a profit of USD 183,312 thousand (2014: USD 163,874 thousand). This profit is primarily caused by positive result due to finance income.

The issued and paid-in share capital of the Group amounts to USD 356,316 thousand (2014: USD 356,316 thousand).

Total assets of the Company amounts to USD 21,780,308 thousand (2014: USD 17,379,634 thousand).

Risk management

Considering the nature of the activities of the Group the most important category of risks to be considered are financial risks. The Group identifies, evaluates and mitigates financial risks in close cooperation with its Parent Company's Financial Risk Department. This 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 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. Management qualifies itself as risk averse.

The main financial risks are market risk, credit risk and liquidity risk.

Market risk

The Group's activities expose it primarily to the market risks of changes in currency exchange rates, interest rates and credit ratings. Market risk (the risk of 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.

Exchange rate fluctuation risk

Fluctuations in exchange rates may adversely affect the result of transactions and the value of the Group's equity. In general this exposure to fluctuations in currency exchange rates stems from the fact that the Group has assets, liabilities and cash flows denominated in a currency other than the functional currency of the Group.

In order to mitigate the risk, and when considered appropriate, the Group performs investing and financing transactions, using the currency for which risk exposures have been identified. The Group can also carry out transactions by means of financial derivative instruments for currencies that have a liquid market, with reasonable transaction costs.

The Group effectively monitors and limits its net financial position in financial instruments by currency. The Group effectively monitors and limits the exposure to the statement of income to a minimum. The main uncertainty in achieving this objective is the timing of cash flows.

Interest rate risk

The market value of the Group's net financing and net interest expenses could be affected as a consequence of interest rate fluctuations which could affect the interest income and interest costs of financial assets and liabilities tied to floating interest rates, as well as the fair value of financial assets and financial liabilities tied to a fixed interest rate.

When considered appropriate, the Group may decide to mitigate the interest rate risk by means of derivative financial instruments for which there is a liquid market, these hedging mechanisms are limited and, therefore, could be insufficient. Consequently, changes in interest rates could have an adverse effect on the Group's business, results and financial position.

The Group effectively monitors and limits its net financial position in financial instruments tied to fixed interest rates. Furthermore the Group effectively monitors and limits the interest rate spreads applied in order to ensure positive financial margin irrespective of the fluctuations in interest rates.

Credit rating risk

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

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 Company'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 Group's Treasury department monitors the above.

The carrying amount of financial assets represents the maximum credit exposure. The credit risk of each loan and receivable 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 2015 and 31 December 2014 nor was impaired during 2015 and 2014. The derivative financial instruments 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. The Group holds minimal amount of cash and banks, which are all held with bank and financial institution counterparties. The Group's Treasury department monitors the above.

Liquidity risk

Liquidity risk is the risk that the Company 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. The Group's Treasury department monitors the above.

For further information, including quantitative information and sensitivity analyses, please refer to Notes 20 and 21 in the consolidated financial statements.

Other risks

The exposure to other than financial risks is mainly due to the fact that the Group is part of the Repsol Group. Repsol Group's operations and results are subject to risks as a consequence of changes in the competitive, economic, political, legal, regulatory, social, industrial, business and financial conditions, such as the following:

- Uncertainty in the current economic context
- Fluctuations in international prices and demand of crude oil and reference products
- Regulatory and tax framework
- Extensive environmental and safety legislation risks
- Operating risks related to Repsol Group's activities
- Location of reserves
- Oil and gas reserves estimation
- Projects and transactions carried out through joint ventures and partnerships
- Repsol Group may engage in acquisitions, investments and disposals as part of its strategy
- Current insurance coverage may not be sufficient for all the operational risks
- Natural gas operations are subject to particular operational and market risks
- Cyclical nature of the petrochemical industry
- Repsol Group's strategy requires efficiency and innovation in a highly competitive market
- Effects of administrative, judicial and arbitration proceedings
- Reliability and robustness of information technology
- Reputation damage as a result of misconduct and violations of applicable legislation by employees
- Negative opinion trends which could have an adverse impact on Repsol Group's image and reputation, thereby affecting business opportunities.

For further information on Repsol Group's risks and risk management, please refer to the Consolidated Management Report for the financial year 2015, available on Repsol Group's website.

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 2015, 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.

Number of employees

During 2015 the average number of employees was 7 (2014: 9).

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 2015 the board consists of one female and three males.

In the financial year 2015 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.

Subsequent events

On 27 January 2016 the Company issued a bond in the amount of EUR 100 million, carrying a fixed annual coupon of 5.375% and maturing on 27 January 2031.

On 12 February 2016 a bond issued by the Company in the amount of EUR 850 million, carrying a fixed annual coupon of 4.25% matured.

On 28 January 2016 the Company declared a dividend in the amount of USD 834 million.

No other significant events, which could have a material impact, occurred between year-end 2015 and the date on which the Directors approved and authorized these consolidated financial statements for issue.

Future outlook

It is envisaged that the Group will continue to provide loan capital to related parties. 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.

Signing

The Hague, 19 April 2016

The Board of Directors:

G.A.L.R. Diepenhorst

F.J. Sanz Cedrón

M.L. González-Poveda González

F.J. Nogales Aranguez

Consolidated statement of financial position
as at 31 December 2015

(before appropriation of result)

		31 December 2015	31 December 2014
		USD 1,000	USD 1,000
Assets			
Property, plant and equipment	*13*	**-**	10
Equity-accounted investees	*14*	**36,885**	51,057
Trade and other receivables	*11*	**11,116,698**	8,330,604
Deferred tax assets	*10*	**-**	1,107
Total non-current assets		**11,153,583**	8,382,778
Trade and other receivables	*11*	**10,596,581**	8,908,569
Other investments, including derivatives	*15*	**27,409**	84,013
Cash and cash equivalents	*12*	**2,735**	4,274
Total current assets		**10,626,725**	8,996,856
Total assets		**21,780,308**	17,379,634
Equity			
Share capital	*16*	**356,316**	356,316
Share premium	*16*	**337,272**	337,272
Translation reserve	*16*	**(135,054)**	(60,944)
Retained earnings	*16*	**2,630,529**	2,470,616
Unappropriated result	*16*	**182,904**	159,913
Total equity attributable to owners of the Company		**3,371,967**	3,263,173
Non-controlling interests	*16*	**61**	954
Total equity (carry forward)		**3,372,028**	3,264,127

	Note	**31 December 2015 USD 1,000**	31 December 2014 USD 1,000
Total equity (brought forward)		**3,372,028**	3,264,127
Liabilities			
Loans and borrowings	*18*	**8,802,434**	8,246,933
Deferred tax liabilities	*10*	**694**	422
Total non-current liabilities		**8,803,128**	8,247,355
Loans and borrowings	*18*	**9,535,209**	5,769,219
Trade and other payables, including derivatives	*19*	**69,943**	98,933
Total current liabilities		**9,605,152**	5,868,152
Total liabilities		**18,408,280**	14,115,507
Total equity and liabilities		**21,780,308**	17,397,634

The notes on pages 15 to 69 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
for the year ended 31 December 2015

		2015	2014
		USD 1,000	USD 1,000
Other income	*6*	**32**	3,092
Employee benefit costs	*9*	**(1,224)**	(2,389)
Depreciation and amortisation	*13*	**(10)**	(12)
Other operating expenses		**(8,978)**	(8,138)
Result from operating activities		**(10,180)**	(7,447)
Finance income	*7*	**636,400**	690,950
Finance costs	*7*	**(407,522)**	(472,531)
Changes in the fair value of financial instruments	*7*	**251,161**	(640,258)
Foreign currency translation difference	*7*	**(244,908)**	660,273
Net finance costs		**235,131**	238,434
Share of profit of equity-accounted investees	*14*	**12,578**	36,740
Dividend income		**-**	9
Result before tax		**237,529**	267,736
Income tax	*10*	**(54,217)**	(103,862)
Result for the year		**183,312**	163,874
Other comprehensive income	*16*		
Items that are of may be reclassified to profit or loss			
Translation differences		**(74,539)**	(73,608)
Held for sale assets – change in fair value		**-**	(133,758)
Cash flow hedges – reclassified to profit and loss		**-**	2,011
Total other comprehensive income		**(74,539)**	(205,355)
Total comprehensive income (carry forward)		**108,773**	(41,480)

	2015	2014
	USD 1,000	USD 1,000
Total comprehensive income (brought forward)	**108,773**	(41,480)
Result attributable to:		
• Owners of the Company	**182,904**	159,913
• Non-controlling interests	**408**	3,961
	183,312	163,874
Total comprehensive income attributable to:		
• Owners of the Company	**108,794**	(33,706)
• Non-controlling interests	**(21)**	(7,774)
	108,773	(41,480)

The notes on pages 15 to 69 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
for the year ended 31 December 2015

	Issued share capital USD 1,000	Share premium reserve USD 1,000	Translation reserve USD 1,000	Retained earnings USD 1,000	Result attributable to owners USD 1,000	Total USD 1,000	Non-controlling interests USD 1,000	Total equity USD 1,000
Balance as at 1 January 2015	**356,316**	**337,272**	**(60,944)**	**2,470,616**	**159,913**	**3,263,173**	**954**	**3,264,127**
Result for the year	–	–	–	–	182,904	**182,904**	408	**183,312**
Total other comprehensive income	–	–	(74,110)	–	–	**(74,110)**	(429)	**(74,539)**
Total comprehensive income for the year	**–**	**–**	**(74,110)**	**–**	**182,904**	**108,794**	**(21)**	**108,773**
Total transactions with owners of the Company	**–**	**–**	**–**	**–**	**–**	**–**	**(872)**	**(872)**
Allocation of prior year result	**–**	**–**	**–**	**159,913**	**(159,913)**	**–**	**–**	**–**
Balance as at 31 December 2015	**356,316**	**337,272**	**(135,054)**	**2,630,529**	**182,904**	**3,371,967**	**61**	**3,372,028**

The notes on pages 15 to 69 are an integral part of these consolidated financial statements.

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

	Issued share capital USD 1,000	Share premium reserve USD 1,000	Trans-lation reserve USD 1,000	Hedging reserve USD 1,000	Fair value reserve USD 1,000	Retained earnings USD 1,000	Result attributable to owners USD 1,000	Total USD 1,000	Non-controlling interests USD 1,000	Total equity 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)**
Total transactions with 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 15 to 69 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2015

	2015	2014
	USD 1,000	USD 1,000
Result before tax	**237,529**	267,736
Adjustments for:		
- Depreciation and amortization of non-current assets	10	12
- Change in provisions	(4)	4
- Fair value changes derivative financial instruments	76,561	(96,321)
- Net finance costs investing and financing activities	20,280	286,039
- Share of profit of equity-accounted investees	(12,578)	(36,740)
Changes in working capital	6,180	9,533
Income tax paid	(107,657)	(49,871)
I. Cash flows from operating activities	**220,411**	380,581
Investments in loans and receivables	(6,312,867)	(1,692,141)
Proceeds from loans and receivables settlement	630,804	2,997,258
Interest on loans and receivables received	603,746	662,085
Proceeds from sale of property, plant and equipment	-	32
Dividends received	26,750	26,375
II. Cash flows used in investing activities	**(5,051,567)**	1,993,609
Proceeds from loans and borrowings	12,809,999	8,779,868
Repayments of loans and borrowings	(7,640,042)	(11,610,407)
Dividend payments and payments on other equity instruments	-	(5,859)
Interest on loans and borrowings paid	(340,340)	(522,799)
III. Cash flows used in financing activities	**4,829,617**	(3,359,197)
Net increase / (decrease) in cash and cash equivalents from continuing operations	***(1,539)***	*(985,007)*
IV. Cash flows from investing activities from discontinued operations	-	974,704
Net increase / (decrease) in cash and cash equivalents	**(1,539)**	(10,303)
Cash and cash equivalents at the beginning of the year	4,274	14,577
Cash and cash equivalents at the end of the year	2,735	4,274
Net increase / (decrease) in cash and cash equivalents	**(1,539)**	(10,303)

The notes on pages 15 to 69 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Reporting entity

Repsol International Finance B.V. (hereafter the ‘Company’), 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 2015 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 and gas 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 financing of affiliated companies.

The Group primarily is involved in:

- lending funds to affiliated companies;
- issuing subordinated bonds, bonds under a Euro Medium Term Note Programme and issuing commercial paper under a Euro Commercial Paper Programme in various markets and advancing the net proceeds to various members of the Repsol Group.

The consolidated financial statements were authorised for issue by the Board of Directors on 19 April 2016.

The Company has reclassified items in the comparative period when a reclassification contributes to the fair presentation of the financial statements in the current year. These reclassifications have no impact on the result for the year or the shareholders’ equity. As a result the deferred expenses, related to bond issuance transaction fees, amounting to USD 32,591 thousand as at 31 December 2014, have been reclassified from non-current assets to non-current loans and borrowings.

2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements for the year ended 31 December 2015 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS).

The changes in accounting standards that have been applied by the Group as of January 1, 2015 have not had a significant impact on disclosures in the financial statements. The standards applicable from January 1, 2015 are: i) IFRIC 21 “*Levies*”; ii) Annual improvements to EU-IFRS, “*2011-2013 Cycle*”; iii) Annual improvements to EU-IFRS, “*2010-2012 Cycle*” (early application); and iv) Amendments to IAS 19 "*Defined benefit plans: Employee contributions* (early application).

(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 judgments

In preparing these consolidated financial statements, management has made judgments, 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.

Judgments

Information about judgments 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 de facto has 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 2015 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 Note 20.

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 the statement of income 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 Company and so that the consolidated financial statements are presented using uniform accounting policies.

(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) *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.

(vii) *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 were as follows:

	31 December 2015		**31 December 2014**	
	Year-end rate	**Cumulative average rate**	**Year-end rate**	**Cumulative average rate**
Euro	1.0887	1.1095	1.2141	1.3285
Argentine Peso	0.0895	0.1086	0.1176	0.1238

(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.

(c) Employee benefits

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.

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

(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 and derivatives), 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.

Changes in the fair value of derivatives are reported on a net basis as either finance income or finance costs depending on whether the changes in the fair value of derivatives represent a net gain or net loss position.

Foreign currency gains and losses are reported on a net basis as either finance income or finance costs 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.

(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 taxes*

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. 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.

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

(h) *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, 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.

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

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

(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 other comprehensive income and reclassified to the statement of income 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 Finance costs.

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.

(i) Impairment

(i) Non-derivative financial assets

Financial assets not classified as financial assets 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. 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 cash-generating units (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) The standards and amendments to standards that have been issued by the IASB and endorsed by the European Union and which will be mandatory in future reporting periods are listed below:

Mandatory application in 2016:

- Amendments to IFRS 11 *Accounting for acquisitions of interests in joint operations.*
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer plants*.
- Amendments to IAS 16 and IAS 38 *Clarification of acceptable methods of depreciation and amortization.*
- Annual Improvements to EU-IFRS, 2012-2014 Cycle.
- Amendments to IAS 1 *Disclosure initiative*.
- Amendments to IAS 27 *Equity method in separate financial statements*.

Note that the amendments to IFRS 11 *Accounting for acquisitions of interests in joint operations* will apply prospectively upon first-time application, so that any potential impact will depend on the transactions, if any, undertaken in the future.

With respect to the other standard amendments outlined above, given their nature and scope, the Group believes that their application will not have a significant impact on its consolidated financial statements other than certain specific presentation improvements which may be introduced under the scope of the Amendments to IAS 1.

B) At the date of issuance of these consolidated financial statements, the standards and amendments that have been issued by the IASB but not yet endorsed by the European Union are the following:

Mandatory application in 2016:

- IFRS 14 *Regulatory Deferral Accounts*.

- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment entities: Applying the consolidation exception*.

Mandatory application in 2017:

- Amendments to IAS 12 *Recognition of deferred tax assets for unrealized losses.*
- Amendments to IAS 7 *Disclosure initiative.*

Mandatory application in 2018:

- IFRS 9 *Financial instruments.*
- IFRS 15 *Revenue from contracts with customers.*

Mandatory application in 2019:

- IFRS 16 *Leases.*

Mandatory application has been deferred indefinitely:

- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.*

With regard to the other standards, interpretations and amendments outlined in this section, the Group is currently assessing the impact their application may have on the consolidated financial statements. The accounting development which the Group believes could have significant effects on its consolidated financial statements is the following:

i) Application of the expected loss model under IFRS 9 *Financial instruments*, to the extent that this model, in contrast to that prescribed by the current IAS 39, would entail the early recognition of credit losses from as soon as a financial instrument is recognized for the first time even when no loss has materialized. The Group does not expect to incur significant costs in order to implement IFRS 9 insofar as it already has the information it needs to apply the expected loss model properly.

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 27 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 2015.

There were no significant changes in the scope of consolidation for the year 2015, except that three Group entities, Repsol International Capital Ltd, Repsol Investeringen B.V. and Caveant S.A. have been voluntarily liquidated during 2015, without a significant impact on the results of the Group.

6 Income and expenses

Other income

	2015	2014
	USD 1,000	USD 1,000
Other income	**32**	3,092

Other income for the years 2015 and 2014 mainly relates to reimbursements of insurance companies.

7 Net finance costs

	2015	2014
	USD 1,000	USD 1,000
Interest income on:		
Loans and receivables to shareholder	**74,154**	33,623
Loans and receivables to related parties	**560,272**	588,984
Other financial income	**1,974**	68,343
Finance income	**636,400**	690,950
Interest expenses on:		
Loans and receivables from related parties	**(60,766)**	(59,060)
Bonds and other securities	**(346,068)**	(382,493)
Cash flow hedge – interest on IRS	**-**	(4,421)
Other finance costs	**(688)**	(26,557)
Finance costs	**(407,522)**	(472,531)
Changes in the fair value of financial instruments	**251,161**	(640,258)
Foreign currency translation difference and other financial income (expenses)	**(244,908)**	660,273
Net finance costs	**235,131**	238,434

8 Earnings per share

In general, basic and diluted Earnings per share (EPS) are presented in the statement of profit or loss and other comprehensive income 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 the Group 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.

9 Employee benefit expenses

	2015	2014
	USD 1,000	USD 1,000
Wages and salaries	**(1,025)**	(2,263)
Social security contributions	**(199)**	(126)
	(1,224)	(2,389)
Average number of employees	**7**	9

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 61 thousand in 2015 and USD 4 thousand in 2014.

10 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) 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. (until voluntarily liquidated in 2015). 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 other Group entities are subject to corporate income tax in the countries in which they operate, against the prevailing income tax rate under applicable local regulations.

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

Country	***Tax rate***
Spain	28%

Income tax recognised in profit or loss

	2015	2014
	USD 1,000	USD 1,000
Current tax expense		
Current year	59,028	102,713
Adjustment for prior years	(6,190)	2,256
	52,838	**104,969**
Deferred tax expense		
Change in recognised deductible temporary differences	1,379	(1,107)
Tax expense on continuing operations	**54,217**	**103,862**

Reconciliation of effective tax rate

	2015		2014	
	%	**USD 1,000**	%	USD 1,000
Profit before tax from continuing operations		**237,529**		**267,736**
Tax using the Company's domestic tax rate	**25.0**	**59,382**	25.0	66,934
Effect of tax rates in foreign jurisdictions	**0.5**	**1,251**	5.0	13,278
Tax effect of:				
• Non-deductible expenses	**1.4**	**3,360**	4.5	12,153
• Effect of share of profits of equity-accounted investees	**(1.3)**	**(3,145)**	(1.2)	(3,339)
• Adjustments related to differences between tax and commercial	**0**	**-**	4.8	12,779
Recognition of tax effect of previously unrecognised tax losses	**0**	**-**	0.1	(199)
Change in estimates related to prior years	**(2.9)**	**(6,794)**	0.8	2,256
Other impact	**0.1**	**163**	0.1	**-**
	22.8	**54,217**	38.8	**103,862**

Movement in deferred tax balances

2015	**Net balance at 1 January USD 1,000**	**Recognised in profit or loss 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)	-	-	-
Other items	**(424)**	(270)	(694)	-	(694)
Net deferred tax assets (liabilities)	**683**	**(1,377)**	**(694)**	**-**	**(694)**

2014	**Net balance at 1 January USD 1,000**	**Recognised in profit or loss 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	-
Other items	**(424)**	2	(422)	-	(422)
Net deferred tax assets (liabilities)	**(424)**	**1,109**	**683**	**1,107**	**(422)**

Unrecognised deferred tax liabilities

As at 31 December 2015, the Company does not have unrecognised deferred tax liabilities. The Company also did not have unrecognised deferred tax liabilities as at 31 December 2014.

Unrecognised deferred tax assets

As at 31 December 2015, the Company does not have unrecognised deferred tax assets. The Company also did not have unrecognised deferred tax assets as at 31 December 2014.

11 Trade and other receivables

	2015	2014
	USD 1,000	USD 1,000
Loans to shareholders	**2,239,895**	346
Loans to related parties	**19,473,349**	17,238,398
Accounts receivable from related parties	**35**	-
Other receivables	**-**	374
Tax receivables	**-**	55
	21,713,279	17,239,173
Non-current	**11,116,698**	8,330,604
Current	**10,596,581**	8,908,569
	21,713,279	17,239,173

Loans to shareholders

	2015	2014
	USD 1,000	USD 1,000
Repsol S.A.	**2,230,895**	346

Loans to related parties

Information about the loans to related parties is included in Note 22.

Tax receivables

	2015 USD 1,000	2014 USD 1,000
Corporate income tax	-	-
Value added tax	-	55
Other tax receivables	-	-
	-	55

12 Cash and cash equivalents

	2015 USD 1,000	2014 USD 1,000
Cash (equivalents) at bank and on hand	**2,735**	4,274

All cash and bank balances are available on demand.

13 Property, plant and equipment

Reconciliation of the carrying amount

	Transport equipment USD 1,000	Other items of property, plant and equipment USD 1,000	Total USD 1,000
Cost			
Balance at 1 January 2015	-	**32**	**32**
Additions	-	-	-
Disposals	-	**(32)**	**(32)**
Balance at 31 December 2015	-	-	-
Accumulated depreciation and impairment losses			
Balance at 1 January 2015	-	**(22)**	**(22)**
Depreciation for the year	-	**(10)**	**(10)**
Disposals	-	**32**	**32**
Balance at 31 December 2015	-	-	-

	Transport equipment USD 1,000	Other items of property, plant and equipment USD 1,000	Total USD 1,000
Cost			
Balance at 1 January 2014	70	52	122
Additions	-	-	-
Change in scope of consolidation	-	-	-
Disposals	(70)	(20)	(90)
Balance at 31 December 2014	0	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)
Carrying amounts			
At 31 December 2015	-	-	-
At 31 December 2014	-	10	10

14 Equity-accounted investees

	2015 USD 1,000	2014 USD 1,000
Interest in associates	**36,885**	51,057

The movements in interest in associates are as follows:

	2015 USD 1,000	2014 USD 1,000
Balance at beginning of year	**51,057**	40,692
Dividends	**(26,750)**	(26,375)
Share of profit from continuing operations	**12,578**	36,740
	36,885	51,057

Occidental de Colombia LLC is the only equity-accounted investee of the Group. The percentage of ownership and control is 25%.

15 Other investments, including derivatives

Current investments

	2015	2014
	USD 1,000	USD 1,000
Derivatives	**27,409**	83,637
Other financial assets	-	376
	27,409	84,013

16 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.

There are no specific rights, preferences and/or restrictions applicable.

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.

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.

Other comprehensive income movements in reserves, net of tax

	Translation reserve	Fair value reserve	Hedging reserve	Total	Non-controlling interests	Total OCI
	USD 1,000	**USD 1,000**	**USD 1,000**	**USD 1,000**	**USD 1,000**	**USD 1,000**
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)
2015						
Foreign operations – foreign currency translation differences	**(74,110)**	**-**	**-**	**(74,110)**	**(429)**	**(74,539)**
Total	**(74,110)**	**-**	**-**	**(74,110)**	**(429)**	**(74,539)**

17 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.

18 Loans and borrowings

Non-current liabilities

	2015	2014
	USD 1,000	USD 1,000
Bond and other securities	**8,607,249**	7,483,934
Loans from related parties	**195,185**	762,999
	8,802,434	8,246,933

Current liabilities

	2015	2014
	USD 1,000	USD 1,000
Bond and other securities	**2,442,842**	814,210
Loans from shareholder	**-**	1,811
Loans from related parties	**7,092,367**	4,953,198
Other financial liabilities	-	-
	9,535,209	5,769,219

Information about the Group's exposure to interest rate, foreign currency and liquidity risk is included in Note 21.

19 Trade and other payables, including derivatives

	2015	2014
	USD 1,000	USD 1,000
Accounts payable to shareholder	**2,523**	-
Accounts payable to related parties	**2,399**	-
Tax liabilities	**34,663**	89,086
Other financial liabilities	**30,358**	9,848
	69,943	98,934

Tax liabilities

	2015	2014
	USD 1,000	USD 1,000
Corporate income tax	**34,326**	89,055
Value added tax	**304**	31
Wage tax and social securities	**33**	-
	34,663	89,086

Other financial liabilities

	2015	2014
	USD 1,000	USD 1,000
Derivative financial instruments	**29,625**	9,292
Trade payables to suppliers	**28**	7
Other payables	**705**	549
	30,358	9,848

Information about the Group’s exposure to currency and liquidity risk is included in Note 21.

20 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.

Current and non-current financial assets

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

	2015 **USD 1,000**	2014 USD 1,000
Non-current non-derivative financial assets	**11,116,698**	8,330,604
Current non-derivative financial assets	**10,599,316**	8,913,219
Current derivative financial assets	**27,409**	83,637
Total	**21,743,423**	17,327,460

The details, by type of assets, of the group's financial assets at 31 December 2015 and 2014, are as follows:

31 December 2015	**Financial assets held-for-trading** **USD 1,000**	**Other financial assets at fair value** **USD 1,000**	**Loans and receivables** **USD 1,000**	**Held to maturity investments** **USD 1,000**	**Total** **USD 1,000**
Other financial assets	-	-	11,116,698	-	11,116,698
Non-current	**-**	**-**	**11,116,698**	**-**	**11,116,698**
Derivatives	27,409	-	-		27,409
Other financial assets	-	-	10,596,581	2,735	10,599,316
Current	**27,409**	**-**	**10,596,581**	**2,735**	**10,626,725**
Total	**27,409**	**-**	**21,713,279**	**2,735**	**21,743,423**

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	-	-	8,330,604	-	8,330,604
Non-current	**-**	**-**	**8,330,604**	**-**	**8,330,604**
Derivatives	83,637	-	-		83,637
Other financial assets	-	376	8,908,569	4,274	8,913,219
Current	**83,637**	**376**	**8,908,569**	**4,274**	**8,996,856**
Total	**83,637**	**376**	**17,239,173**	**4,274**	**17,327,460**

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 2015	Level 1 2014	**Level 2 2015**	Level 2 2014	**Level 3 2015**	Level 3 2014	**Total 2015**	Total 2014
Financial assets held for trading	-	-	**27,409**	83,637	-	-	**27,409**	83,637
Other financial assets at fair value through profit and loss	-	376	-	-	-	-	-	376
Total	-	376	**27,409**	83,637	-	-	**27,409**	84,013

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 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, 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 year.

The movement in financial assets available for sale during the years ended 31 December 2015 and 2014 is the following:

	2015 USD 1,000	2014 USD 1,000
Balance at beginning of year	-	191,027
Disposals	-	(191,027)
Balance at end of year	-	-

(*iv*) Loans and receivables

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

	Carrying amount		Fair value	
	2015	2014	**2015**	2014
	USD 1,000	USD 1,000	**USD 1,000**	USD 1,000
Non-current	**11,116,698**	8,330,604	**10,994,161**	9,065,121
Current	**10,596,581**	8,908,569	**10,596,581**	8,908,569
Total loans and receivables	**21,713,279**	17,239,173	**21,590,742**	17,973,259

The return accrued on the financial assets disclosed in the table above was equivalent to an average interest rate of 3.26% in 2015 and 3.36% in 2014, respectively.

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

	2015	2014
	USD 1,000	USD 1,000
Year 2	1,194,786	1,025,193
Year 3	2,414,953	1,493,437
Year 4	1,105,667	1,325,343
Year 5	2,066,594	1,232,961
Subsequent years	4,334,698	3,253,670
Balance at end of year	**11,116,698**	**8,330,604**

Financial liabilities

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

	2015	2014
	USD 1,000	USD 1,000
Non-current non-derivative financial liabilities	**8,802,434**	8,279,524
Current non-derivative financial liabilities	**9,540,159**	5,769,219
Current derivative financial liabilities	**29,625**	9,292
Total financial liabilities	**18,372,218**	14,058,035

Following is a breakdown of the financial liabilities acquired, most of which are secured with a guarantee, at 31 December 2015 and 2014:

	31 December 2015			
	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	-	**8,607,249**	**8,607,249**	**8,515,865**
Other liabilities	-	**195,185**	**195,185**	**195,170**
Non-current financial liabilities	-	**8,802,434**	**8,802,434**	**8,711,035**
Bonds and other securities	-	**2,442,842**	**2,442,842**	**2,442,842**
Derivatives	**29,625**	–	**29,625**	**29,625**
Other liabilities	-	**7,097,317**	**7,097,317**	**7,097,317**
Current financial liabilities	**29,625**	**9,540,159**	**9,569,784**	**9,569,784**
Total	**29,625**	**18,342,593**	**18,372,218**	**18,280,819**

	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
Non-current financial liabilities	-	8,279,524	8,279,524	8,945,418
Bonds and other securities	-	814,210	814,210	814,210
Derivatives	9,292	-	9,292	9,292
Other liabilities	-	4,955,009	4,955,009	4,955,009
Current financial liabilities	9,292	5,769,219	5,778,511	5,778,511
Total	9,292	14,048,743	14,058,035	14,723,929

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	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
Derivatives	**-**	-	**29,625**	9,283	**-**	-	**29,625**	9,283
	-	-	**29,625**	9,283	**-**	-	**29,625**	9,283

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 2015 and 2014 is provided in Note 21.

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

	2015		2014	
	Average volume USD 1,000	**Average cost %**	Average volume USD 1,000	Average cost %
Bonds	**8,538**	**4.0**	8,160	4.5
Other securities	**937**	**0.3**	365	1.2
Loans from related parties	**6,465**	**0.9**	5,812	0.9
Preference shares (1)	-	-	95	3.7
	15,938	**2.6**	14,432	2.6

(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 securities*") in 2015 and 2014 (face value):

	Balance at 31-12-2014	(+) Issuances	(-) Repurchases or reimbursement	(+/-) Exchange rate and other adjustments	**Balance at 31-12-2015**
	USD 1,000	USD 1,000	USD 1,000	USD 1,000	**USD 1,000**
Bonds and other securities issued in the European Union with prospectus	**8,120,051**	**9,812,716**	**(6,255,297)**	**(849,130)**	**10,828,340**
Total	**8,120,051**	**9,812,716**	**(6,255,297)**	**(849,130)**	**10,828,340**

	Balance at 31-12-2013	(+) Issuances	(-) Repurchases or re-imbursement	(+/-) 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 securities issued in the European Union with prospectus	11,523,522	8,000,407	(10,256,201)	(1,147,677)	**8,120,051**
Total	11,523,522	8,000,407	(10,256,201)	(1,147,677)	**8,120,051**

Key issues, buybacks and repayments carried out in 2015

Through the Company, 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 22 September 2015, with a limit up to EUR 10,000,000,000.

Under the scope of this program:

in December 2015, the Group, through the Company, closed a EUR 600 million 5-year bond at 99.897 per cent with a coupon of 2.125 per cent , listed on the regulated market of the Luxembourg Stock Exchange and guaranteed by Repsol, S.A.

On 25 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 EUR 1,000 million perpetual subordinated bond (EURO 6-Year Non-Call Perpetual Securities) at 100 per cent of its face value.
- A EUR 1,000 million 60-years subordinated bond (EURO 10-Year Non-Call Securities Due 2075) at 100 per cent of its face value.

The subordinated bonds 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.

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

The outstanding balances of issues made under this program at 31 December 2015, were EUR 1,234 million, USD 271 million, GBP 21 million and CHF 7 million. ECPs are short-term in nature.

Key issues, buybacks and repayments carried out in 2014

Through the Company, 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 10,000,000,000.

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 it's the Company, 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

The outstanding balances of issues made under this program at 31 December 2014, were EUR 289 million, USD 256 million and CFH 5 million. ECPs are short-term in nature.

Two bonds issued by the Company 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.

Guaranteed debt security issues

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

Bond issues of the Company and guaranteed by Repsol S.A., face value of USD 10,828,340 thousand, 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 through 2015 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, the Group will not 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 Group's directors believe that at this date there are no reasons, which will make it necessary to apply the clauses providing for early maturity of the debt.

At the date of preparation of 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 7,132,685 thousand at year-end 2015 (USD 4,955,018 thousand at year-end 2014).

Derivative transactions

The table below reflects the impact on the balance sheet of derivative financial instruments at 31 December 2015 and 2014 as a result of changes in their fair value since their origination and their maturities:

Classification 31 December 2015	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Fair value
Other derivative financial instruments					
Exchange Rate	-	27,409	-	(29,625)	(2,216)
Total	**-**	**27,409**	**-**	**(29,625)**	**(2,216)**

Classification 31 December 2014	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Fair value
Other derivative financial instruments					
Exchange Rate	-	83,637	-	(9,292)	74,345
Total	**-**	**83,637**	**-**	**(9,292)**	**74,345**

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	
	2015	**2014**	**2015**	**2014**
Cash flow hedges	-	(2,011)	-	2,011
Other transactions	-	447,651	-	-
Total	**-**	**445,640**	**-**	**2,011**

Below a detailed disclosure of the Group's most significant transactions related to financial instruments at year end 2015 and 2014 is set out.

Accounting hedges

As of 30 June 2011, the dividend on each Series B Preference Share issued by Repsol International Capital Ltd, changed to a floating rate per annum equal to three month Euribor plus a margin equal to 3.5%. As of this date the Company signed several interest rate swaps (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".

As from 30 June 2013, hedge accounting for the IRS were discontinued as a consequence of the repurchase of the Preference Shares Series B issued by Repsol International Capital Ltd. 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 31 December 2006. The cumulative loss deferred in equity is also affected by the repurchase of the Preference Shares Series B and C issued by Repsol International Capital Ltd. 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 17 December 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 16 December 2014, the market valuation reserve for IRS associates to the preference shares was canceled for a negative amount of USD 2,011 thousand.

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 2015, the Group does not have extended guarantees to third parties or Repsol 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 corresponds 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.

21 Financial risk management

The Group identifies, evaluates and mitigates financial risks in close cooperation with its Parent Company's Financial Risk Department. This 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 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.

The main financial risks are market risk, credit risk and liquidity risk.

Market risk

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

Exchange rate fluctuation risk

Fluctuations in exchange rates may adversely affect the result of transactions and the value of the Group's equity. In general this exposure to fluctuations in currency exchange rates stems from the fact that the Group has assets, liabilities and cash flows denominated in a currency other than the functional currency of the Group.

In order to mitigate the risk, and when considered appropriate, the Group performs investing and financing transactions, using the currency for which risk exposures have been identified. The Group can also carry out transactions by means of financial derivative instruments for currencies that have a liquid market, with reasonable transaction costs.

Sensitivity analysis

A reasonably possible strengthening (weakening) of the USD against all other currencies at 31 December 2015 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.

USD (million)	**Result for the year 2015**	Result for the year 2014	**Equity 2015**	Equity 2014
USD strengthens 5%	**(2)**	(1)	**0**	0
USD weakens 5%	**2**	1	**0**	0

Interest rate risk

The market value of the Group's net financing and net interest expenses could be affected as a consequence of interest rate fluctuations which could affect the interest income and interest costs of financial assets and liabilities tied to floating interest rates, as well as the fair value of financial assets and financial liabilities tied to a fixed interest rate.

When considered appropriate, the Group may decide to mitigate the interest rate risk by means of derivative financial instruments for which there is a liquid market, these hedging mechanisms are limited and, therefore, could be insufficient. Consequently, changes in interest rates could have an adverse effect on the Group's business, results and financial position.

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 millions)	**2015**	**2014**
Fixed-rate financial instruments	(11)	(611)
Variable rate financial instruments	3,382	3,801
Net interest bearing financial instruments	**3,371**	**3,190**

Sensitivity analysis

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.

USD (million)	**Result for the year 2015**	Result for the year 2014	**Equity 2015**	Equity 2014
Increase of 50 bps	**13**	12	**0**	0
Decrease of 50 bps	**(13)**	(12)	**0**	0

Credit rating risk

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

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 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 overdue as of 31 December 2015 and 31 December 2014 nor was impaired during 2015 and 2014.

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.

Cash and cash equivalents

The Group held cash and cash equivalents of USD 2,735 thousand at 31 December 2015 (2013: USD 4,274 thousand). The cash and cash equivalents are held with bank and financial institution counterparties.

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 3,370,686 thousand at 31 December 2015 (2014: USD 3,190,430 thousand) and an excess of short-term receivables and cash and cash equivalents over short-term payables of USD 1,056,422 thousand at 31 December 2015 (2014: USD 3,139,350 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:

(USD million)	2015						
	2016	**2017**	**2018**	**2019**	**2020**	**2021…**	**TOTAL**
Bonds and other securities	**2,769**	**1,290**	**1,096**	**1,333**	**2,151**	**8,938**	**17,577**
Other liabilities	**7,099**	**196**	**-**	**-**	**-**	**-**	**7,295**
TOTAL	**9,868**	**1,486**	**1,096**	**1,333**	**2,151**	**8,938**	**24,872**

(USD million)	2014						
	2015	**2016**	**2017**	**2018**	**2019**	**2020…**	**TOTAL**
Bonds and other securities	6,068	1,322	2,177	1,106	1,369	3,500	15,542
Other liabilities	4,957	3	764	-	-	-	5,724
TOTAL	**11,025**	**1,325**	**2,941**	**1,106**	**1,369**	**3,500**	**21,266**

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

22 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 shareholder that is deemed a related party is Repsol, S.A. (100% share capital as at 31 December 2015).

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 2015 with related parties were as follows:

	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	60,766	–	–	60,766
Other expenses	5,101	–	–	5,101
Total expenses	65,867	–	–	65,867
Financial income	634,426	–	–	634,426
Dividends received	–	–	26,750	26,750
Other income	–	–	–	–
Total income	634,426	–	26,750	661,176

	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)	21,713,244	–	–	21,713,244
Other receivables	13,325	–	–	13,325
Finance agreements: credits and capital contributions (borrower)	(7,287,552)	–	–	(7,287,552)
Other payables	(4,922)	–	–	(4,922)

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

	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	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 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)	17,238,842	–	–	17,238,842
Finance agreements: credits and capital contributions (lessor)	(5,717,919)	–	–	(5,717,919)
Other transactions	(652,162)	–	–	(652,162)

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. All transactions are considered to be at arm's length.

23 Subsequent events

On 27 January 2016 the Company issued a bond in the amount of EUR 100 million, carrying a fixed annual coupon of 5.375% and maturing on 27 January 2031.

On 12 February 2016 a bond issued by the Company in the amount of EUR 850 million, carrying a fixed annual coupon of 4.25% matured.

On 28 January 2016 the Company declared a dividend in the amount of USD 834 million.

No other significant events, which could have a material impact, occurred between year-end 2015 and the date on which the Directors approved and authorized these consolidated financial statements for issue.

24 Signing of the financial statements

The Hague, 19 April 2016

The Board of Directors:

G.A.L.R. Diepenhorst

F.J. Sanz Cedrón

M.L. González-Poveda González

F.J. Nogales Aranguez

Repsol International Finance B.V.

Company-Only Financial Statements
for the year ended 31 December 2015

Company-only balance sheet
as at 31 December 2015

(before appropriation of result)

		2015		2014	
		USD 1,000	**USD 1,000**	USD 1,000	USD 1,000
Fixed assets					
Financial fixed assets	*27*	**10,548,616**		8,292,170	
Total fixed assets			**10,548,616**		8,292,170
Current assets					
Trade and other receivables	*28*	**4,414,325**		3,497,655	
Cash and cash equivalents		**1,510**		899	
Total current assets			**4,415,835**		3,498,554
Total assets			**14,964,451**		11,790,724
Shareholders' equity					
Issued share capital	*29*	**356,316**		356,316	
Share premium	*29*	**337,272**		337,272	
Translation reserve	*29*	**(135,054)**		(60,944)	
Other reserves	*29*	**2,630,529**		2,470,616	
Unappropriated result	*29*	**182,904**		159,913	
Total equity			**3,371,967**		3,263,173
Non-current liabilities	*30*		**8,607,249**		7,484,356
Current liabilities	*31*		**2,985,235**		1,043,195
Total equity and liabilities			**14,964,451**		11,790,724

Company-only income statement
for the year ended 31 December 2015

		2015	2014
		USD 1,000	USD 1,000
Share in results from participating interests	*34*	**127,835**	124,078
Other results after taxation		**55,069**	35,835
Result for the year		**182,904**	159,913

Notes to the company-only financial statements

25 General

The company-only financial statements are part of financial statements of Repsol International Finance B.V. (the 'Company') for the year ended 2015.

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.

26 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.

27 Financial fixed assets

	2015	2014
	USD 1,000	USD 1,000
Participating interests	**791,481**	801,933
Loans to related parties	**9,757,135**	7,489,130
Deferred income tax	**-**	1,107
	10,548,616	8,292,170

Movements in financial fixed assets were as follows:

	Participating interests	**Loans to related parties**	**Deferred income tax**	**Total**
	USD 1,000	**USD 1,000**	**USD 1,000**	**USD 1,000**
Balance at 1 January 2015	**801,933**	**7,489,130**	**1,107**	**8,292,170**
Investments and loans provided	**-**	**8,901,277**	**-**	**8,901,277**
Dividends / liquidation payments received	**(64,177)**	**-**	**-**	**(64,177)**
Share in result of participating interests	**127,835**	**-**	**-**	**127,835**
Redeemed loans	**-**	**(4,290,723)**	**-**	**(4,290,723)**
Transfer to current accounts receivable	**-**	**(1,504,996)**	**-**	**(1,504,996)**
Translation difference	**(74,110)**	**(837,553)**	**-**	**(911,663)**
Other movements	**-**	**-**	**(1,107)**	**(1,107)**
Balance at 31 December 2015	**791,481**	**9,757,135**	**-**	**10,548,616**

	Participating interests	Loans to related parties	Deferred income tax	Total
	USD 1,000	USD 1,000	USD 1,000	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	-	(7,669,000)	-	(7,669,000)
Reclass to current account receivables	-	(676,225)	-	(676,225)
Translation difference	(62,141)	(1,016,421)	-	(1,078,562)
Other movements	(137,815)	-	1,107	(136,708)
Balance at 31 December 2014	801,933	7,489,130	1,107	8,292,170

For details on the accounts receivable from participating interests and the other receivables, reference is made to Note 28.

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

Name	Location	Share in issued capital %
Consolidated participating interests		
Direct		
Repsol Netherlands Finance B.V.	The Netherlands	**100**
Repsol Capital S.L.	Spain	**99.99**
Other participating interests		
Direct		
Occidental de Colombia LLC	United States	**25.00**
Indirect		
Occidental Crude Sales LLC	United States	**25.00**

During the year, the group entities Repsol International Capital Ltd., Repsol Investeringen B.V. and Caveant S.A. have been voluntarily liquidated.

28 Trade and other receivables

	2015	2014
	USD 1,000	USD 1,000
Loans to shareholders	**72,947**	-
Loans to related parties	**4,265,980**	3,430,245
Accounts receivable from related parties	**58,086**	-
Derivatives	**17,312**	67,355
Value added tax	**-**	55
	4,414,325	3,497,655

The trade and other receivables are due within one year.

29 Shareholders' equity

	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 2015	356,316	337,272	(60,944)	-	2,470,616	159,913	3,263,173
Result for the year	-	-	-	-	-	182,904	182,904
Appropriation of prior years' result	-	-	-	-	159,913	(159,913)	-
Translation differences	-	-	(74,110)	-	-	-	(74,110)
Balance at 31 December 2015	**356,316**	**337,272**	**(135,054)**	**-**	**2,630,529**	**182,904**	**3,371,967**

	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

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.

There are no specific rights, preferences and/or restrictions applicable.

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 2015 will be proposed: an addition of the result to the retained earnings.

30 Non-current liabilities

	2015	2014
	USD 1,000	USD 1,000
Bonds and other securities	**8,607,249**	7,483,934
Other liabilities	**-**	422
	8,607,249	7,484,356

31 Current liabilities

	2015	2014
	USD 1,000	USD 1,000
Bonds and other securities	**2,442,842**	814,210
Loans from related parties	**488,268**	178,689
Tax liabilities	**47,823**	45,295
Accounts payable to shareholder	**482**	82
Accounts payable to related parties	**2,396**	93
Derivatives	**2,717**	4,582
Other financial liabilities	**707**	244
	2,985,235	1,043,195

The current liabilities are due within one year.

32 Financial instruments

General

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

- market risk.
- credit risk;
- liquidity 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:

	2015		2014	
	Fair value	**Carrying amount**	Fair value	Carrying amount
	USD 1,000	**USD 1,000**	USD 1,000	USD 1,000
Financial fixed assets				
Loans to related parties	**9,634,300**	**9,757,135**	7,489,130	7,489,130
Non-current liabilities				
Bonds and other securities	**8,515,865**	**8,607,249**	8,182,419	7,483,934
Other liabilities	-	-	422	422

The fair value of the accounts receivable from participating interests is in line with its carrying value. For further information, please refer to Note 20 and Note 27.

33 Contingent liabilities

Fiscal unity

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. (until voluntarily liquidated in 2015). As a result the Company is jointly and severally liable for the total Dutch corporate income tax payable by the fiscal unity.

34 Share in results from participating interests

An amount of USD 127,835 thousand (2014: USD 124,078 thousand) of share in results from participating interests relates to group companies.

35 Average number of employees

Reference is made to Note 9 of the consolidated financial statements.

36 Auditor's remuneration

The fees listed below relate to procedures applied to the Company and its consolidated group entities by Deloitte Accountants N.V., the Netherlands, the external auditor as referred to in Section 1(1) of the Dutch Accounting Firms Oversight Act (Dutch acronym: Wta), as well as by other Dutch and foreign-based Deloitte individual partnerships and legal entities, including their tax services and advisory groups:

	2015	2014
	USD 1,000	USD 1,000
Financial statements audit fees	**226**	78
Other assurance fees	**109**	24
	335	102

37 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.

The Company 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 shareholder that is deemed a related party is Repsol, S.A. (100% share capital as at 31 December 2015.

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).

The Company recorded an interest income from related parties of USD 409,312 thousand (2014: USD 448,179 thousand) of which USD 185,453 thousand (2014: USD 429,110 thousand) from consolidated group companies and USD 74,268 thousand (2014: nil) from its shareholder. The total interest expenses to related parties amounts to USD 769 thousand (2014: USD 1,275 thousand). The dividend received from equity accounted investees amounts to USD 26,750 thousand (2014: USD 26,375 thousand).

For further information, please refer to Note 22 in the consolidated financial statements.

The Company is statutory director of its subsidiaries for which it receives no remuneration.

Except for the transaction disclosed above, all transactions with related parties are considered to be at arm’s length.

38 Directors’ remuneration

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 amounted to USD 392 thousand

(2014: USD 458 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.

39 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.

40 Signing of the financial statements

The Hague, 19 April 2016

The Board of Directors:

G.A.L.R. Diepenhorst

F.J. Sanz Cedrón

M.L. González-Poveda González

F.J. Nogales Aranguez

Other information

Independent auditor’s report

Reference is made to the independent auditor’s report included hereafter.

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.

Appropriation of result for the financial year 2014

The Annual report 2014 was adopted in the General Meeting held on 3 June 2015. The General Meeting has determined the appropriation of result in accordance with the proposal being mate to that end.

Proposal for appropriation of result

The General Meeting of Shareholders will be asked to approve the following appropriation of the 2015 profit after tax: an amount of USD 182,904 thousand to be added to the other reserves. The result after taxes for 2015 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

On 27 January 2016 the Company issued a bond in the amount of EUR 100 million, carrying a fixed annual coupon of 5.375% and maturing on 27 January 2031.

On 12 February 2016 a bond issued by the Company in the amount of EUR 850 million, carrying a fixed annual coupon of 4.25% matured.

On 28 January 2016 the Company declared a dividend in the amount of USD 834 million.

No other significant events, which could have a material impact, occurred between year-end 2015 and the date on which the Directors approved and authorized these consolidated financial statements for issue.

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 31st of December 2015, approved by the Board of Directors on 19 April 2016, 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 risks and uncertainties facing it.

Mr. F. Javier Nogales Aránguez Director	Mr. G.A.L.R. Diepenhorst Director
Mr. F. Javier Sanz Cedrón Director	Mrs. Lourdes González-Poveda González Director

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Independent auditor's report

To: the Shareholder and Audit Committee of Repsol International Finance B.V.

Report on the audit of the financial statements 2015

Our opinion

We have audited the financial statements 2015 of Repsol International Finance B.V. (the "Company"), based in The Hague.

In our opinion the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015, and of its result for 2015 in accordance with International Financial Reporting Standards as adopted bij the European Union ("EU-IFRS") and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- the consolidated and company statements of financial position as at 31 December 2015;
- the following statements for 2015:
  - the consolidated and company income statements, changes in equity and cash flows; and
  - the notes comprising a summary of the significant accounting policies and other explanatory information.

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 Repsol International Finance B.V 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.

Deloitte.

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 statements as a whole at USD 23 million. The materiality is based on 10% of total profit before tax. Also based on our professional judgement we determined the materiality for presentation misstatements within the statement of financial position at USD 100 million. This materiality is based on 3% of total equity. 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 audit committee that misstatements in excess of USD 1.15 million (USD 5 million for presentation misstatements within the statement of financial position), 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 financial statements of the Company.

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 information or specific items.

Our group audit mainly focused on significant group entities Repsol Netherlands Finance B.V. ("RNF") and Repsol Investeringen B.V. ("RINV"). We have:

- performed audit procedures ourselves at group entities RNF and RINV;
- performed review procedures or specific audit procedures at other group entities; and
- used the work of other auditors when auditing the IT environment and the internal controls.

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 financial statements.

Deloitte.

Our key audit matter

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

This matter was 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 this matter.

The valuation of the loans to affiliated companies

The Company has provided loans to related companies within the Repsol S.A. group amounting to USD 19,473 million as at 31 December 2015 (2014: USD 17,239 million) to finance their respective business operations. After initial recognition, these financial instruments are measured at amortised cost using the effective interest method, less any loss allowances for expected credit losses. We have examined the relevant factors that may affect the measurement of these loans. We have e.g. verified the liquidity, profitability and solvency of the counterparties to determine if the recognised loss allowances appropriately reflect the counterparties' credit risk. Based on those audit procedures we identified several counterparties that may not be able to meet their liabilities to the Company in the foreseeable future on a standalone basis. For those counterparties, we obtained confirmation from the Company's ultimate shareholder Repsol S.A. that it will continue to financially support the relevant counterparties, thus supporting the Company's measurement of the related loan receivables.

Responsibilities of management and the Management Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements 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, management is responsible for such internal control as management 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, management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Management 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 audit committee is responsible for overseeing the Company's financial reporting process.

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Our responsibilities for the audit of the financial statements

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

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

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks 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 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.

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee 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 audit committee 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 audit committee, 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.

Report on other legal and regulatory requirements

Report on the management board report and the other information

Pursuant to legal requirements of 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 has 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 its 2015 financial statements on 3 June 2015. We have operated as statutory auditor ever since the Company's 1991 financial statements.

Rotterdam, 19 April 2016

Deloitte Accountants B.V.

Signed on the original: J.A. de Bruin