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## Official Notice

Madrid, December 11, 2019

Repsol discloses information in connection with the paid-up capital increase approved by the 2019 Annual Shareholders' Meeting under item six on the Agenda, as part of the shareholder remuneration program "*Repsol Flexible Dividend*" (scrip dividend). The informative document required by Article 1.5.(g) of Regulation (EU) 2017/1129 of the European Parliament and the Council of 14 June 2017 is enclosed.



## **Informative Document**

### **Capital increase charged to share issue premium reserves**

**Repsol, S.A.**

December 11, 2019

This document has been prepared in accordance with article 1.5.(g) of Regulation (EU) 2017/1129 of the European Parliament and the Council of 14 June 2017.

*Translation of the original in Spanish.  
In case of any discrepancy, the Spanish version prevails*



## 1. Background and purpose

The Annual Shareholders' Meeting of Repsol S.A. ("**Repsol**" or the "**Company**") held on May 31, 2019, under item six on the agenda, approved an increase in the share capital of Repsol, with full charge to reserves set forth in article 303.1 of the Spanish Companies Act, in an amount to be determined in accordance with the terms and conditions set out in the resolution (the "**Capital Increase**"), and delegated the execution of such Capital Increase to the Board of Directors of Repsol, with authority to delegate further, pursuant to article 297.1.a) of the Companies Act.

In exercise of said delegation, the Company's Board of Directors, at its meeting held on May 31, 2019 approved, among other matters, to delegate to the Delegate Committee and the CEO Mr. Josu Jon Imaz San Miguel, each acting severally, all the powers granted to it by the Annual Shareholders' Meeting in relation to the Capital Increase, and in particular the power to execute the Capital Increase, to fix the date of its execution and all other aspects not contemplated in the resolution of the Annual Shareholders' Meeting.

In order to inform to the market properly and in advance, on October 31, 2019 the Company announced an estimated timetable for the execution of the Capital Increase, registering the corresponding official notice.

In addition, the Board of Directors, at its meeting held on November 27, 2019, fixed the market value of the Capital Increase (ie the "Amount of the Alternative Option") at 687,328,224 euros, registering the corresponding official notice.

According to the resolutions of May 31, 2019, the Company's CEO approved the commencement of the Capital Increase on December 11, 2019, pursuant to the terms approved by the Annual Shareholders' Meeting, as reflected in this document.

This document is issued in accordance with article 1.5.(g) of Regulation (EU) 2017/1129 of the European Parliament and the Council, of 14 June 2017, on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, which is directly applicable in the Member States of the European Union from July 21, 2019, by virtue of which the preparation and publication of a prospectus related to the listing of the shares issued as a result of the Capital Increase will not be necessary "*if the aforementioned shares are of the same class as the shares already admitted to trading on the same regulated market and a document is made available containing information on the number and nature of the shares and the reasons for and details of the offer*", the purpose of this Informative Document. This document is available on the Company's website ([www.repsol.com](http://www.repsol.com)) and on the website of the Spanish Securities Market Commission ([www.cnmv.es](http://www.cnmv.es)).

The purpose of this document is, therefore, to provide all the information in relation to the Capital Increase that is available as at this date.



## **2. Purpose of the Increase: Repsol Flexible Dividend Program**

The Capital Increase serves as an instrument to implement the shareholder remuneration “Repsol Flexible Dividend” program, in substitution of the payment of the 2019 interim dividend. The purpose of this remuneration system, that was first established by the Company in 2012, is to offer all of the Company’s shareholders the option, at their election, to receive new paid-up shares of the Company, or an amount in cash by selling their free allocation rights to the Company (if not sold on the market), as explained herein.

The “Repsol Flexible Dividend” program is similar to those programs implemented by other companies in IBEX-35. With it, the Company offers its shareholders an alternative which, without affecting their right to receive the entire remuneration in cash if they so wish, gives them the opportunity to receive paid-up shares of the Company.

The “Repsol Flexible Dividend” program operates as follows. Each shareholder will receive a free allocation right for every Repsol share held on the date mentioned in section 3.1 below. These rights will be listed and may be traded on the Spanish Stock Exchanges during a 22 calendar day period. Following the end of this period, the rights will be automatically converted into new Repsol shares. Each shareholder may elect one of the following alternatives:

- (a) Not to sell their free allocation rights. In this case, once the Capital Increase is declared subscribed and paid up, the shareholder will receive the corresponding number of new paid-up shares.
- (b) To sell all or part of their free allocation rights to the Company under the Purchase Commitment at a guaranteed fixed price, mentioned in this document. Shareholders choosing this option would monetize their rights and would receive a remuneration in cash, as in previous years. The Purchase Commitment will only be applicable with respect to those rights freely received by the shareholders, not to those purchased or otherwise acquired on the market, and will be in force and may be accepted during such time, within the trading period of the rights, mentioned in section 3.4 below.
- (c) To sell all or part of their free allocation rights on the market, during the trading period mentioned in section 3.4 below. Shareholders choosing this option would also monetize their rights, although in this case they would not receive a guaranteed fixed price, as in option (b) above, but instead the consideration payable for the rights would depend on market conditions in general and the quotation price of those rights in particular.

In consideration of their own needs, Company’s shareholders may combine any or all of the alternatives mentioned above.



### 3. Details of the offer

#### 3.1. Number of free allocation rights needed to receive a new share, maximum number of new shares to be issued and face value of the Capital Increase.

In application of the formulas approved by the Annual Shareholders' Meeting, the CEO has established the following terms of the Capital Increase:

- (i) The number of free allocation rights needed to receive one new share ("**No. Rights per share**") is 33. Free allocation rights will be allocated to shareholders whose shares were acquired up until December 16, 2019 (last trading date), so long as such acquired shares are settled by December 18, 2019 (record date), according to *Sociedad de Gestión de los Sistemas de Registro, Compensación and Liquidación de Valores, S.A. Unipersonal (Iberclear)*, on the basis of one free allocation right for each share held in the Company at that time. Accordingly, such shareholders shall be entitled to receive one new share for every 33 old shares that they hold on the mentioned date.

"**No. Rights per share**" have been calculated as described below, taking into account that the number of Company shares at the date of this report is 1,527,396,053 ("**NES**").

No. Rights per share = NES / Provisional no. shares = 1,527,396,053 / 47,641,798 = 32.06 = 33 rights (rounded up);

where

"Provisional no. shares" = Amount of the Alternative Option / Share Price = 687,328,224 / 14.427 = 47,641,798; and

"Share Price" = 14.427 euros, is the arithmetic mean of the weighted average prices of the Company's shares on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges over the five (5) trading sessions prior to the date of the CEO's approval to commence the Capital Increase (days 4, 5, 6, 9 and 10 of December 2019), rounded up or down to the nearest thousandth of a euro and, in the event of half a thousandth of a euro, rounded up to the nearest thousandth of a euro.

- (ii) The maximum number of new shares to be issued in the Capital Increase ("**MNNS**") is 46,284,728 resulting from the formula approved by the Annual Shareholder's Meeting of Repsol, which is reproduced below, rounded down to the nearest whole number:

MNNS = NES / No. Rights per share = 1,527,396,053 / 33 = 46,284,728 new shares (rounded down to the nearest whole number)

where, "NES", "No. Rights per share" and "Share Price" have the meanings specified in paragraph



(i) above.

The final number of shares to be issued will depend on the number of shareholders who elect to receive their remuneration in cash at the fixed price of the Company's undertaking to acquire rights.

Repsol will waive the rights acquired by virtue of the undertaking to acquire rights, such that the capital will increase only by the amount corresponding to free allocation rights not acquired by Repsol pursuant to this undertaking<sup>1</sup>. The final number of shares to be issued in the Capital Increase will be promptly published in the official notice regarding the closing of the Capital Increase, which is expected to occur on January 9, 2019.

(iii) Consequently, the face value amount of the Capital Increase is 46,284,728 euros. However, as already mentioned, the final amount of the share capital increase will be calculated by multiplying the number of final shares by 1 euro.

Due to the number of free allocation rights required for the allocation of one new share (33, according to the previous calculations), multiplied by the maximum number of new shares to be issued (46,284,728, according to the previous calculations), is 1,527,396,024 (lower than the number of shares issued and outstanding (1,527,396,053), Repsol has waived a number of free allocation rights equal to the difference between the two figures (29 rights) for the sole purpose of ensuring that the maximum number of new shares to be issued is a whole number and not a fraction.

### **3.2. Price of the purchase commitment of free allocation rights**

The guaranteed fixed price of Repsol's purchase commitment of rights (the "**Purchase Commitment**") is 0.424 euros gross per right, which results from the following formula of the Capital Increase:

Purchase Price = Share Price / (No. Rights per share + 1) = 14.427 / (33 + 1) = 0.4243 = 0.424 (rounded up or down to the nearest thousandth of a euro and, in the event of half a thousandth of an euro, rounded up to the nearest thousandth of an euro).

Shareholders who wish to receive their remuneration in cash, may sell their rights to Repsol at a guaranteed fixed price of 0.424 euros gross.

### **3.3. Reserves to which the purchase commitment will be charged**

According to the resolution of Capital Increase, the acquisition of the free allocation rights by the Company, as a result of the purchase commitment, will be made against reserves set forth in article

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<sup>1</sup> Also, if the final number of shares to be issued (i.e, the number of outstanding rights at the end of the trading period divided into the number of rights needed to receive one new share) is not a whole number, the Company will waive the number of rights as necessary.



303.1 of the Spanish Companies Act and, from among them, against the voluntary reserves from retained earnings, which was 7,640,132,843 euros as of December 31, 2018.

### 3.4. Timetable

The Capital Increase is expected to be executed in accordance with the following timetable:

- (i) **December 16, 2019:** Publication of the announcement of the Capital Increase in the Official Gazette of the Commercial Registry. The last trading date of Repsol shares entitled to participate in the “Repsol Flexible Dividend” program.
- (ii) **December 17, 2019:** Rights trading period begins. Also the period to elect payment in cash begins. Repsol shares are traded “ex-coupon”.
- (iii) **December 18, 2019:** Effective settlement date for transactions made on December 16, 2019 (record date).
- (iv) **December 31, 2019:** Deadline for requesting payment in cash (sale of rights to Repsol).
- (v) **January 7, 2020:** Rights trading period ends. Repsol acquires rights of those shareholders who elected payment in cash (sale of rights to Repsol).
- (vi) **January 9, 2020:** Repsol waives the rights so acquired. Closing of the Capital Increase. Official Notice announcing the final results.
- (vii) **January 9, 2020:** Payment date to shareholders who elected payment in cash (sale of rights to Repsol).
- (viii) **January 10 to 20, 2020:** Procedures for the registration of the Capital Increase and the admission to trading of the new shares on the Spanish Stock Exchanges.
- (ix) **January 23, 2020:** Estimated first ordinary trading session of the new shares on the Spanish stock exchanges, subject to the receipt of all necessary approvals.

Note, however, that there are specific requirements related to the alternatives, schedule and procedures in respect of holders of American Depositary Shares which may differ from those contained herein.

### 3.5. Allocation of rights and procedure to elect cash or new shares

As noted above, free-of charge allocation rights will be allocated to shareholders whose shares were acquired up until December 16, 2019 (last trading date), so long as such acquired shares are settled by



December 18, 2019 (record date), according to Iberclear. The trading period of the rights will begin on the next business day following the publication of the announcement of the closing of the Capital Increase on the BORME and will have a term of 22 calendar days (from December 17, 2019 to January 7, 2020 inclusive). During this period, the rights will be tradable in the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia.

During the trading period of the rights, shareholders may elect cash or new shares as described above, and they may also acquire to free allocation rights to subscribe new shares in the market. However, those shareholders who wish to accept the undertaking to purchase rights offered by Repsol and receive cash at the guaranteed price must communicate their decision no later than December 31, 2019. The undertaking to purchase rights is limited to the rights allocated free to shareholders, and not to those purchased or otherwise acquired in the market. To choose among the alternatives offered by the “Repsol Flexible Dividend” program, shareholders must contact the entities where their Repsol shares and corresponding free allocation rights are deposited.

Those shareholders who wish to receive cash at the guaranteed fixed price shall need to communicate their decision no later than December 31, 2019. In the absence of an express communication, shareholders will receive new shares of Repsol<sup>2</sup>.

The Capital Increase will be made free of charges and commissions with respect to the allocation of new shares issued. The Company will bear the costs of issuance, subscription, listing and any other charges or costs related to the Capital Increase.

Nevertheless, the Company’s shareholders should bear in mind that the members of Iberclear at which they have deposited their shares may, under prevailing laws, establish such charges and commissions as they may freely determine for subscribing the new shares and maintaining the securities in the accounting records. In addition, these entities may, under prevailing laws, establish such charges and commissions as they may freely determine for handling purchase and sale orders in respect of free allocation rights.

#### **4. Nature of the shares to be issued**

##### **4.1. Face value, issue price and representation of shares**

The new shares to be issued in the Capital Increase will be ordinary shares with a face value of one (1) euro each, of the same class and series as those currently outstanding and already admitted for trading in the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia.

The new shares will be issued at an issue price of one (1) euro, that is, without an issuance premium, and will be represented in book-entry form, the records of which will be kept by Iberclear and its

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<sup>2</sup> The holders of American Depositary Shares may have certain specialties with respect to those described herein.



participant entities.

#### **4.2. Reserves to which the shares will be charged and balance sheet used for the Increase**

The balance sheet used for purposes of the Capital Increase is that corresponding to December 31, 2018, duly audited by PricewaterhouseCoopers Auditores, S.L. on February 28, 2019 and approved by the Annual Shareholders' Meeting on May 31, 2019 under item first of its agenda.

According to the resolution of Capital Increase approved by the Annual Shareholders' Meeting, which establish that it will be made against reserves set forth in article 303.1 of the Spanish Companies Act, the Capital Increase will be made, from among those reserves, against share issue premium reserves, which was 6,428,192,383 euros as of December 31, 2018.

#### **4.3. Shares on deposit**

At the end of the trading period for the free allocation rights, any new share that have not been allocated for reasons beyond the Company's control will be held on deposit for any investors who can prove that they are the legitimate owners of the corresponding free allocation rights. If any new shares are still pending allocation three years after the end of the trading period of the free allocation rights, they may be sold, pursuant to Article 117 of the Companies Act, for the account and at the risk of interested parties. The net proceeds from such sale will be deposited at the Bank of Spain or Government Depository (*Caja General de Depósitos*) at the disposal of the interested parties.

#### **4.4. Rights of the new shares**

As from the date on which the Capital Increase is declared subscribed and paid up, expected on January 9, 2020, the new shares will confer upon their holders the same voting and economic rights as the Company's currently outstanding ordinary shares.

#### **4.5. Listing of the new shares**

The Company will apply for the listing of the new shares on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges through the Spanish Automated Quotation System (Mercado Continuo). Subject to the granting of the relevant authorizations, it is expected that the ordinary trading of the new shares in the Spanish Stock Exchanges will begin on January 23, 2020.

### **5. Foreign jurisdictions where Repsol is listed**

In consideration of the terms and conditions of their respective programs and the rules of the securities market where the American Depositary Shares are admitted for trading, the options, procedures and terms available for holders of American Depositary Shares may differ from those described herein.



## 6. Taxation

### *General comments*

The most important tax implications associated with a Capital Increase are set forth below. They are based on the tax regulations in force in the national territory and on the interpretation made by the Directorate General of Taxes (“DGT”) through the reply to various binding queries.

Although the tax regime applicable to shareholders resident in Basque Country and Navarra, Ceuta and Melilla is similar to that of the common territory, certain differences may arise in the tax treatment (particularly for individual shareholders resident in certain territories, in connection with the sale of their free allocation rights in the market).

Shareholders not resident in Spain, the holders of *American Depositary Shares* representing shares in the Company and the holders of Company shares listed on markets or stocks exchanges other than the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges should consult their tax advisers on the effects deriving from the different options for the Capital Increase, including the right to apply the provisions of double taxation treaties signed by Spain.

It should be borne in mind that the taxation of the different options for the Capital Increase set out herein does not cover all possible tax consequences nor future potential changes in the legislation that may affect the applicable taxation.

Consequently, shareholders are recommended to consult their tax advisers on the specific tax impact of the proposed operation and to pay attention to any changes or amendments that may be made in both the laws in place at the date of this operation and the interpretation criteria, as well as the specific circumstances of each shareholder or holder of free allocation rights.

### *Specific comments*

In relation to the applicable tax scheme, the following considerations must be taken into account in light of the different options available in Repsol’s Flexible Dividend programme:

- Receipt of new shares under the Capital Increase framework

The receipt of new shares does not constitute income for the purposes of i) personal income taxes (“IRPF”), or ii) non-resident income taxes (“IRNR”) if the non-resident taxpayer does not operate in Spain through permanent establishment. In line with the foregoing, the delivery of new shares is not subject to withholding or advanced payments.

The acquisition value of the new shares and the shares from which they derive is calculated by



dividing the total cost by the number of both old and new shares. The seniority of the released shares will correspond to the shares from which they derive.

Consequently, in the event of a subsequent transfer, the income obtained will be calculated with reference to this new value.

Under corporate income taxation (“IS”) and the IRNR of non-resident with permanent establishment in Spain, to the extent that a full business cycle is completed, the delivery of free allocation rights and the released shares included in the option are subject to the treatment specified in the accounting regulations, taking into consideration the aspects established in the Resolution issued by the Accounting and Auditing Institute on 5 March 2019, defining the criteria for the presentation of financial instruments and other accounting aspects related to the commercial regulation of corporate enterprises (“**ICAC Resolution**”<sup>3</sup>) for fiscal years beginning on or after 1 January 2020. The foregoing is notwithstanding the special valuation rules established for the purposes of determining a tax base that may apply given the nature of the reserves to which the capital increase is charged.

The Company has submitted a query to DGT requesting clarification about any tax implications that the ICAC Resolution may have on Repsol’s Flexible Dividend programme, specifically as regards withholding and advanced payments of the aforementioned taxes. The Company will promptly report the response received to this query.

- Full or partial transfer of free allocation rights on the market

If shareholders sell their free allocation rights on the market—and under this programme specifically—the amount obtained from transferring these rights to the market will be subject to the following tax scheme:

- a) Under the IRPF and the IRNR for non-resident taxpayers without permanent establishment in Spain, the amount obtained from transferring these free allocation rights on the market is subject to the same scheme established by the tax regulations for pre-emptive rights of purchase.

Consequently, the amount obtained from transferring these rights on the market will be considered capital gains, notwithstanding the potential application to IRNR taxpayers without permanent establishment of agreements to avoid double taxation signed by Spain to which they may be entitled, as well as the exemptions established by IRNR regulations.

In the case of IRPF taxpayers, these capital gains are subject to withholding tax. This

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<sup>3</sup> Article 35.4 of the ICAC Resolution governs shareholder treatment of shareholder remuneration programmes that are rendered effective by acquiring new fully released shares, transferring the free allocation rights on the market or selling them to the issuing company.



withholding is performed by the corresponding depository entity (or, failing that, by the financial intermediary or notary public intervening in the transfer of these rights).

- b) Under the IS and the IRNR with permanent establishment in Spain, to the extent that a full business cycle is completed, taxation is based the results of the applicable accounting regulations, including article 35.4 of the ICAC Resolution and, if applicable, the special schemes that apply to shareholders subject to the above taxes.

The Company has submitted a query to the DGT requesting clarification about any tax implications that the ICAC Resolution may have on Repsol's Flexible Dividend programme, specifically as regards withholding and advanced payments of the aforementioned taxes. The Company will promptly report the response received to this query.

- Full or partial transfer of free allocation rights to the issuer under the Commitment to Buy at the Purchase Price

Finally, if holders of the free allocation rights decide to take up the Repsol Purchase Commitment, the proceeds from sale to Repsol of such rights received as shareholders will be given the same tax treatment as a cash dividend and, therefore, they will be subject to withholding tax and the corresponding taxation.

*The information included in this document is published pursuant to the provision of article 226 of the Spanish Securities Market Law.*

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