BASE PROSPECTUS

REPSOL INTERNATIONAL FINANCE B.V.

(A private company with limited liability incorporated under the laws of The Netherlands and having its statutory seat in The Hague)

EURO 10,000,000,000
Guaranteed Euro Medium Term Note Programme
Guaranteed by
REPSOL, S.A.
(formerly known as Repsol YPF, S.A.)

(*A sociedad anónima* organised under the laws of the Kingdom of Spain)

On 5 October 2001, Repsol International Finance B.V. and Repsol, S.A. entered into a euro 5,000,000,000 Guaranteed Euro Medium Term Note Programme (the **Programme**) and issued a base prospectus in respect thereof. The maximum amount of the Programme was increased from euro 5,000,000,000 to euro 10,000,000,000 on 2 February 2007. Further base prospectuses describing the Programme were issued on 21 October 2002, 4 November 2003, 10 November 2004, 2 February 2007, 28 October 2008, 23 October 2009, 25 October 2010 and 27 October 2011. With effect from the date hereof, the Programme has been updated. Any Notes (as defined below) to be issued on or after the date hereof under the Programme are issued subject to the provisions set out herein, save that Notes which are to be consolidated and form a single series with Notes issued prior to the date hereof will be issued subject to the terms and conditions of the Notes applicable on the date of issue for the first tranche of Notes of such series. Subject as aforesaid, this does not affect any Notes issued prior to the date hereof.

Under the Programme, Repsol International Finance B.V. (the **Issuer**), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Guaranteed Euro Medium Term Notes guaranteed by Repsol, S.A. (the **Guarantor**) (the **Notes**). The aggregate nominal amount of Notes outstanding will not at any time exceed euro 10,000,000,000 (or the equivalent in other currencies), subject to increase as provided herein.

Application has been made to the *Commission de Surveillance du Secteur Financier* (**CSSF**) in its capacity as the competent authority for the purpose of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, as amended (the **Prospectus Directive**) and relevant implementing measures in Luxembourg for approval of this base prospectus (the **Base Prospectus**) as a base prospectus issued in compliance with the Prospectus Directive and *loi relative aux prospectus pour valeurs mobilières du 10 juillet 2005* (the Luxembourg law on prospectuses for securities of 10 July 2005), as amended by the Luxembourg law of 3 July 2012 (the **Luxembourg Act**) for the purpose of giving information with regard to the issue of the Notes under the Programme described in this Base Prospectus during the period of twelve months after the date of approval of this Base Prospectus. The CSSF assumes no responsibility as to the economic and financial soundness of the transaction and the quality or solvency of the Issuer in line with the provisions of article 7(7) of the Luxembourg Act. This Base Prospectus constitutes a base prospectus for the purposes of Article 5.4 of the Prospectus Directive. For the purposes of the Transparency Directive 2004/109/EC, the Issuer has selected Luxembourg as its 'home member state'. The 'home member state' of the Guarantor for such purposes is Spain.

Application has also been made to the Luxembourg Stock Exchange for the Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market (which is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC) and to be listed on the official list of the Luxembourg Stock Exchange. Application may also be made to list such Notes on such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer and the Guarantor. Unlisted Notes and Notes to be listed and admitted to trading on other or additional regulated markets may also be issued pursuant to the Programme. According to the Luxembourg Act, the CSSF is not competent for approving prospectuses for the listing of money market instruments having a maturity at issue of less than 12 months and complying with the definition of securities.

Notice of the aggregate amount of the Notes, interest (if any) payable in respect of the Notes and the issue price of the Notes, which are applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in the relevant Final Terms (as defined in "*General Description of the Programme*" below). Such Final Terms will also specify whether or not such Notes will be listed on the official list of the Luxembourg Stock Exchange (or any other regulated market) and admitted to trading on the regulated market thereof (or any such other regulated market).

Notes will not be issued in the United States of America (the **United States** or **U.S.**) or to U.S. persons or for the account or benefit of a U.S. person (as such term is defined in Regulation S of the United States Securities Act of 1933, as amended (the **Securities Act**)) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Each Series (as defined in "*General Description of the Programme*" below) of Notes will be represented on issue by a temporary global note in bearer form (each a **Temporary Global Note**) or a permanent global note in bearer form (each a **Permanent Global Note** and together with the Temporary Global Note, the **Global Notes**). If the Global Notes are stated in the applicable Final Terms to be issued in new global note (**NGN**) form, the relevant clearing systems will be notified whether or not such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility and, if so, will be delivered on or prior to the original issue date of the Tranche (as defined in "*General Description of the Programme*" below) to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking SA (**Clearstream, Luxembourg**). Global Notes that are not issued in NGN form (**Classic Global Notes** or **CGNs**) may (or, in the case of Notes listed on the official list of the Luxembourg Stock Exchange, will) be deposited on the issue date of the Tranche to a common depositary on behalf of Euroclear and Clearstream, Luxembourg (the **Common Depositary**). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "Summary of Provisions Relating to the Notes while in Global Form" below.

Tranches of Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 (as amended) on credit rating agencies (the **CRA Regulation**) will be disclosed in the relevant Final Terms. A list of rating agencies registered under the CRA Regulation can be found at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs.

Prospective investors should have regard to the factors described under the section headed "*Risk Factors*" on pages 15 to 26 in this Base Prospectus.

Arranger

BofA Merrill Lynch

Dealers

Banco Bilbao Vizcaya Argentaria, S.A
Bankia, S.A.
Barclays
BNP PARIBAS
BofA Merrill Lynch
CaixaBank S.A.
Crédit Agricole CIB
Deutsche Bank
Goldman Sachs International
HSBC
ING Commerical Banking
Morgan Stanley
Santander Global Banking & Markets
Société Générale Corporate & Investment Banking
The Royal Bank of Scotland
UBS Investment Bank

The date of this Base Prospectus is 25 October 2012.

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge of each of the Issuer and the Guarantor (each having taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and contains no omissions likely to affect its import.

In this Base Prospectus, **Repsol**, the **Repsol Group**, the **Group** and **the Company** refers to Repsol, S.A. together with its consolidated subsidiaries, unless otherwise specified or the context otherwise requires, and the **Guarantor** refers to Repsol, S.A. only.

This Base Prospectus is to be read in conjunction with all the documents that are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*" below).

No person has been authorised to give any information or to make any representation other than those contained in this Base Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor or any of the Dealers or the Arranger (each as defined in "*General Description of the Programme*"). Neither the delivery of this Base Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer, the Guarantor or Repsol since the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that there has been no adverse change in the financial position of the Issuer, the Guarantor or Repsol since the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer, the Guarantor, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the Securities Act and include Notes in bearer form that are subject to U.S. tax law requirements. The Notes are being offered and sold by the Dealers outside the United States to non-U.S. persons in accordance with Regulation S of the Securities Act. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a description of certain restrictions on offers and sales of Notes and on the distribution of this Base Prospectus, see "*Subscription and Sale*" below.

This Base Prospectus may only be used for the purposes for which it has been published.

To the fullest extent permitted by law, none of the Dealers, the Arranger or the Trustee accepts any responsibility for the contents of this Base Prospectus or for any other statement, made or purported to be made by the Arranger, the Trustee or a Dealer or on its behalf in connection with the Issuer, the Guarantor, or the issue and offering of the Notes. The Arranger, the Trustee and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Base Prospectus or any such statement. Neither this Base Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation, offer or invitation by any of the Issuer, the Guarantor, the Dealers or the Arranger to any recipient of this Base Prospectus or any other financial statements to subscribe for or purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial position or affairs of the Issuer or the Guarantor during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of the Stabilising Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting

on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

In this Base Prospectus, unless otherwise specified or the context otherwise requires, references to **Ps.** and **Argentine pesos** are to the lawful currency/units of currency of Argentina; references to **U.S.$** and **U.S. dollars** are to the lawful currency/units of currency of the United States; references to **£** or **sterling** are to the lawful currency for the time being of the United Kingdom; and references to **€** and **euro** are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended. Where U.S. dollar and Argentine peso amounts are converted into euro, the conversion rate applied is U.S.$*1.29*: €1.00 and Ps. *5.54*: €1.00, respectively.

SUPPLEMENTS TO THE BASE PROSPECTUS

If at any time the Issuer shall be required to prepare a supplement to this Base Prospectus pursuant to the Luxembourg Act, the Issuer shall prepare and make available an appropriate supplement to this Base Prospectus or a further base prospectus, which, in respect of any subsequent issue of Notes to be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's regulated market, shall constitute a **Supplement to the Base Prospectus**, as required by the Luxembourg Act.

DOCUMENTS INCORPORATED BY REFERENCE

The documents set out below, which have been filed with the CSSF, shall be deemed to be incorporated in, and to form part of, this Base Prospectus. As long as any of the Notes are outstanding, this Base Prospectus, any Supplement to the Base Prospectus and each document incorporated by reference into this Base Prospectus will be available for inspection, free of charge, at the specified offices of the Issuer, at the specified office of the Luxembourg Paying Agent, during normal business hours, and on the website of the Luxembourg Stock Exchange at www.bourse.lu. The page references indicated for each document are to the page numbering of the electronic copies of such documents as available at www.bourse.lu. In addition, copies of the documents incorporated by reference into this Base Prospectus can be obtained at the websites of the Guarantor specified below.

Information incorporated by reference			**Page references**
(A)	**The sections listed below of the Interim Condensed Consolidated Financial Statements of Repsol, S.A. and investees composing the Repsol Group for the Six-Month Period ended 30 June 2012, including the Limited Review Report and the Interim Management's Report thereon:**		
	(a)	*Limited Review Report*	1-3
	(b)	*Interim Condensed Consolidated Financial Statements of Repsol, S.A. and investees composing the Repsol Group for the Six-Month Period ended 30 June 2012*	**4-53**
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		- Consolidated income statements for the interim periods ended 30 June 2012 and 2011	7
		- Consolidated statements of recognised income and expenses corresponding to the interim periods ended 30 June 2012 and 2011	8
		- Consolidated statements of changes in equity corresponding to the interim periods ended 30 June 2012 and 2011	9
		- Consolidated statements of cash flow corresponding to the interim periods ended 30 June 2012 and 2011	10
		- Explanatory notes to the interim condensed consolidated financial statements for the six-month period ended 30 June 2012	11-51

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(c) Interim Management's Report for the Six-Month Period ended 30 June 2012	54-84

Copies of the documents set out in sub-paragraphs (a) to (c) of this paragraph (A) can be obtained at: http://www.repsol.com/es_en/corporacion/accionistas-inversores/informacion-financiera/resultados-trimestrales/.

(B) The sections listed below of the Annual Report 2011 of Repsol YPF, S.A., including the audited consolidated financial statements for the year ended 31 December 2011 together with the notes to such financial statements and the audit report thereon:

(a)	*Auditors' report on consolidated annual financial statements*	*1-2*
(b)	*Consolidated financial statements of Repsol YPF, S.A. and Investees comprising the Repsol YPF, S.A. Group for the financial year 2011:*	***3-181***
-	Consolidated balance sheets at 31 December 2011 and 2010	4-5
-	Consolidated income statements for the years ended 31 December 2011 and 2010	6
-	Consolidated statements of recognised income and expenses for the years ended 31 December 2011 and 2010	7
-	Consolidated statements of changes in equity for the years ended 31 December 2011 and 2010	8
-	Consolidated cash flow statements for the years ended 31 December 2011 and 2010	9
-	Notes to the 2011 consolidated financial statements	10-167
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(d)	*Annual Report on Corporate Governance:*	***287-396***
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	-	Other Information of Interest	364-372
	-	Annex to Repsol YPF, S.A. 2011 Corporate Governance Annual Report	373-393
	-	Auditor's Report on the System of the Internal Control over Financial Reporting	394-396

Copies of the documents set out in sub-paragraphs (a) to (d) of this paragraph (B) can be obtained at: http://www.repsol.com/es_en/corporacion/accionistas-inversores/informacion-financiera/informes-financieros/default.aspx.

(C) The sections listed below of the Annual Report 2010 of Repsol YPF, S.A., including the audited consolidated financial statements for the year ended 31 December 2010 together with the notes to such financial statements and the audit report thereon:

(a)	*Auditors' report on consolidated annual financial statements*		*1-2*
(b)	*Consolidated financial statements of Repsol YPF, S.A. and Investees comprising the Repsol YPF, S.A. Group for the financial year 2010:*		***3-167***
	-	Consolidated balance sheets at 31 December 2010 and 2009	4-5
	-	Consolidated income statements for the years ended 31 December 2010 and 2009	6
	-	Consolidated statements of recognised income and expenses for the years ended 31 December 2010 and 2009	7
	-	Consolidated statements of changes in equity for the years ended 31 December 2010 and 2009	8
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	Copies of the documents set out in sub-paragraphs (a) to (d) of this paragraph (C) can be obtained at: http://www.repsol.com/es_en/corporacion/accionistas-inversores/informacion-financiera/informes-financieros/default.aspx.	
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	Copies of the document referred to in this paragraph (D) can be obtained at: http://www.repsol.com/es_en/corporacion/accionistas-inversores/informacion-financiera/informes-financieros/default.aspx.	
(E)	**The audited non-consolidated financial statements of the Issuer, including the notes to such financial statements and the audit reports thereon, for the financial year ended 31 December 2011:**	
	- Management Report 2011	1-2
	- Balance sheet as at 31 December 2011	3-4
	- Income statement for the year ended 31 December 2011	5
	- Notes to financial statements at 31 December 2011	6-13
	- Additional information	14
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	Copies of the documents referred to in this paragraph (E) can be obtained at: http://www.repsol.com/es_en/corporacion/accionistas-inversores/informacion-financiera/financiacion/repsol-international-finance/informes-financieros.aspx.	
(F)	**The audited non-consolidated financial statements of the Issuer, including the notes to such financial statements and the audit reports thereon, for the financial year ended 31 December 2010:**	
	- Management Report 2010	1
	- Balance sheet as at 31 December 2010	3-4
	- Statement of income for the year ended 31 December 2010	5
	- Notes to financial statements at 31 December 2010	6-13
	- Additional information	14
	- Auditors' report	15-16
	Copies of the documents referred to in this paragraph (F) can be obtained at: http://www.repsol.com/es_en/corporacion/accionistas-inversores/informacion-financiera/financiacion/repsol-international-finance/informes-financieros.aspx.	
(G)	The terms and conditions set out on pages 66 to 85 of the base prospectus dated 2 February 2007 relating to the Programme under the heading "Terms and Conditions of the Notes" (the **2007 Conditions**)	1-20
(H)	The terms and conditions set out on pages 75 to 95 of the base prospectus dated 28 October 2008 relating to the Programme under the heading "Terms and Conditions of the Notes" (the **2008 Conditions**)	1-21
(I)	The terms and conditions set out on pages 81 to 100 of the base prospectus dated 27 October 2011 relating to the Programme under the heading "Terms and Conditions of the Notes" (the **2011 Conditions**)	1-20
	Copies of the documents referred to in paragraph (G) to (I) can be obtained at: http://www.repsol.com/es_en/corporacion/accionistas-inversores/informacion-financiera/financiacion/repsol-international-finance/programas-2011.aspx.	

Any information not listed in the cross reference list above but included in the documents incorporated by reference is given for information purposes only.

The non-incorporated parts of the base prospectuses dated 2 February 2007, 28 October 2008 and 27 October 2011 are not relevant for investors. Any information contained in any of the documents specified in paragraphs (G) to (I) above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus.

Any statement contained in a document that is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement. In addition, any statement contained herein or in a document that is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in any Supplement to the Base Prospectus, or in any document which is subsequently incorporated by reference herein by way of such supplement, modifies or supersedes such earlier statement. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

To the extent that any document or information incorporated by reference in this Base Prospectus itself incorporates any information by reference, either expressly or impliedly, such information will not form part of this Base Prospectus.

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GENERAL DESCRIPTION OF THE PROGRAMME

Issuer:	Repsol International Finance B.V.
Guarantor:	Repsol, S.A.
Description:	Guaranteed Euro Medium Term Note Programme
Size:	Up to €10,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. The Issuer may increase the size of the Programme in accordance with the terms of the Dealer Agreement (as defined in the section entitled "*Subscription and Sale*" below.
Arranger:	Merrill Lynch International
Dealers:	Banco Bilbao Vizcaya Argentaria, S.A. Banco Santander, S.A. Bankia, S.A. Barclays Bank PLC BNP PARIBAS CaixaBank S.A. Crédit Agricole Corporate and Investment Bank Deutsche Bank AG, London Branch Goldman Sachs International HSBC Bank plc ING Bank N.V. Merrill Lynch International Morgan Stanley & Co. International plc Société Générale The Royal Bank of Scotland plc UBS Limited The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Base Prospectus to **Permanent Dealers** are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and to **Dealers** are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Trustee:	Citicorp Trustee Company Limited

Issuing and Paying Agent:	Citibank, N.A., London Branch
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*" below) including the following restrictions applicable at the date of this Base Prospectus.
Notes having a maturity of less than one year	Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale*".
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a **Series**) having one or more issue dates and on terms otherwise identical to (or identical other than in respect of the first payment of interest) the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in one or more tranches (each a **Tranche**) on the same or different issue dates. Each Tranche of Notes will be issued on the terms set out herein under "Terms and Conditions of the Notes" (the **Conditions**), save where the first Tranche of an issue which is being increased was issued under a base prospectus with an earlier date, in which case the Notes will be issued on the terms set forth in that base prospectus. The specific terms of each Tranche will be set forth in the final terms for such Tranche (the **Final Terms**).
Issue Price:	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.
Form of Notes:	The Notes may be issued in bearer form only. Each Tranche of Notes will be represented on issue by a Temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in "*Selling Restrictions*" in this section "*General Description of the Programme*"), otherwise such Tranche will be represented by a Permanent Global Note.
Clearing Systems:	Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Guarantor, the Issuing and Paying Agent, the Trustee and the relevant Dealer.
Initial Delivery of Notes:	If the Global Note is intended to be issued in NGN form, the Global Note representing Notes will, on or before the issue date for each Tranche, be delivered to a Common Safekeeper for Euroclear and

Clearstream, Luxembourg. If the Global Note is not intended to be issued in NGN form, the Global Note representing Notes may (or, in the case of Notes listed on the official list of the Luxembourg Stock Exchange, will), on or before the issue date for each Tranche, be deposited with a common depositary for Euroclear and/or Clearstream, Luxembourg. Global Notes relating to Notes that are not listed on the official list of the Luxembourg Stock Exchange may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Guarantor, the Issuing and Paying Agent, the Trustee and the relevant Dealer.

Currencies: Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer, the Guarantor and the relevant Dealer(s).

Maturities: Subject to compliance with all relevant laws, regulations and directives, any maturity from one month from the date of original issue.

Specified Denomination: Definitive Notes will be in such denominations as may be specified in the relevant Final Terms, save that: (i) the minimum denomination of each Note will be such amount as may be allowed or required, from time to time, by the relevant regulatory authority or any laws or regulations applicable to the relevant Specified Currency; and (ii) the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area (**EEA**) or offered to the public in a Member State of the EEA in circumstances which would otherwise require the publication of a prospectus under the Prospectus Directive will be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

So long as the Notes are represented by a Temporary Global Note or Permanent Global Note and the relevant clearing system(s) so permit, the Notes will be tradeable as follows: (a) if the Specified Denomination stated in the relevant Final Terms is €100,000 (or its equivalent in another currency), in the authorised denomination of €100,000 (or its equivalent in another currency) and integral multiples of €100,000 (or its equivalent in another currency) thereafter, or (b) if the Specified Denomination stated in the relevant Final Terms is €100,000 (or its equivalent in another currency) and integral multiples of €1,000 (or its equivalent in another currency) in excess thereof, in the minimum authorised denomination of €100,000 (or its equivalent in another currency) and higher integral multiples of €1,000 (or its equivalent in another currency), notwithstanding that no definitive notes will be issued with a denomination above €199,000 (or its equivalent in another currency).

Fixed Rate Notes: Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.

Floating Rate Notes: Floating Rate Notes will bear interest determined separately for each Series as follows:

(i) on the same basis as the floating rate under a notional interest

rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the issue date of the first Tranche of a Series; or

(ii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR as adjusted for any applicable margin.

Interest periods will be specified in the relevant Final Terms.

Zero Coupon Notes: Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.

Interest Periods and Interest Rates: The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period.

Redemption: The relevant Final Terms will specify the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000, must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).

Redemption by Instalments: The Final Terms issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.

Optional Redemption: The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders.

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, no selection of Notes to be redeemed will be required under the Conditions in the event that the Issuer exercises its option pursuant to Condition 5(d) in respect of less than the aggregate principal amount of the Notes outstanding at such time. In such event, the partial redemption will be effected in accordance with the rules and procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion).

Risk Factors: The section titled "*Risk Factors*" of this Base Prospectus sets out, among other things, certain factors that may affect the Issuer's and/or the Guarantor's ability to fulfil their respective obligations under Notes issued under the Programme and certain other factors that are material for the purpose of assessing the market risks associated with such Notes.

Status of Notes:	The Notes and the guarantee in respect of them will constitute unsubordinated and unsecured obligations of the Issuer and the Guarantor, respectively, all as described in "*Terms and Conditions of the Notes—Guarantee and Status*".
Negative Pledge:	See "*Terms and Conditions of the Notes—Negative Pledge*".
Cross Default:	See "*Terms and Conditions of the Notes—Events of Default*".
Early Redemption:	Except as provided in "*Optional Redemption*" above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See "*Terms and Conditions of the Notes—Redemption, Purchase and Options*".
Withholding Tax:	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of The Netherlands and the Kingdom of Spain, subject to customary exceptions (including the ICMA Standard EU Exceptions), all as described in "*Terms and Conditions of the Notes—Taxation*".
Governing Law:	English.
Listing and Admission to Trading:	Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the official list of the Luxembourg Stock Exchange or as otherwise specified in the relevant Final Terms. As specified in the relevant Final Terms, a Series of Notes may be unlisted.
Selling Restrictions:	United States, the EEA, United Kingdom, Spain, The Netherlands, Japan, Switzerland, Hong Kong, Singapore and the Republic of Italy. See "*Subscription and Sale*". The Issuer and the Guarantor are Category 2 for the purposes of Regulation S under the Securities Act. The Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the ***D Rules***) unless (i) the relevant Final Terms state that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the ***C Rules***) or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 (***TEFRA***), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.
Rating:	Tranches of Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation

will be disclosed in the relevant Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused or (2) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (3) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

RISK FACTORS

Prospective investors should carefully consider all the information set forth in this Base Prospectus, the applicable Final Terms and any documents incorporated by reference into this Base Prospectus, as well as their own personal circumstances, before deciding to invest in any Notes. Prospective investors should have particular regard to, among other matters, the considerations set out in this section of this Base Prospectus. The following is not intended as, and should not be construed as, an exhaustive list of relevant risk factors. There may be other risks that a prospective investor should consider that are relevant to its own particular circumstances or generally.

Each of the Issuer and the Guarantor believes that each of the following factors, many of which are beyond the control of the Issuer and the Guarantor or are difficult to predict, may materially affect its financial position and its ability to fulfil its obligations under Notes issued under the Programme. Neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring. In addition, factors that are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and neither the Issuer nor the Guarantor represents that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus, including the descriptions of the Issuer and the Guarantor, as well as the documents incorporated by reference, and reach their own views prior to making any investment decisions.

Before making an investment decision with respect to any Notes, prospective investors should consult their own stockbroker, bank manager, lawyer, accountant or other financial, legal and tax advisers and carefully review the risks entailed by an investment in the Notes and consider such an investment decision in the light of the prospective investor's personal circumstances.

Words and expressions defined in "Term and Conditions of the Notes" shall have the same meanings in this section.

1. Risk Factors relating to the Issuer and/or the Guarantor

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

OPERATIONS-RELATED RISKS

Expropriation of Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A.

On 16 April 2012, the National Executive Power of Argentina announced the submission to the legislative body of a draft bill, which, among other measures, declared to be of public interest and subject to expropriation 51% of YPF, S.A., represented by an equal percentage of Class D shares of YPF, S.A. held, directly or indirectly, by Repsol and its affiliates.

On that same date, 16 April 2012, the Argentinian government ordered the temporary intervention of YPF, S.A. for a 30-day period, appointing a government minister as the intervenor of YPF, S.A. and empowering him with all of the faculties of its Board of Directors of YPF, S.A. On 18 April 2012, the Argentinian government extended the scope of the intervention to Repsol YPF Gas, S.A. (together with its consolidated subsidiaries, **Repsol YPF Gas**).

On 7 May 2012, Law 26,741 was published, coming into force on the same date, which declared to be of public interest and subject to expropriation 51% of YPF, S.A., represented by an equal percentage of

Class D shares of YPF, S.A. held, directly or indirectly, by Repsol and its subsidiaries as well as 51% of Repsol YPF Gas, S.A., equivalent to 60% of the Class A shares held by Repsol Butano, S.A. and its affiliates.

The matters described above (the **YPF Expropriation**) led to Repsol's loss of control of YPF, S.A. and Repsol YPF Gas, S.A. and their relevant subsidiaries and, as a result, the deconsolidation for accounting purposes of both companies. The accounting impact of these events is reflected in the interim condensed consolidated financial statements of the Repsol Group as of and for the six months ended 30 June 2012.

Please refer to the paragraph titled "*Expropriation of Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A.—a) YPF, S.A. and Repsol YPF Gas, S.A. intervention decree and expropriation law*" in the section of this Base Prospectus titled "*Information on Repsol, S.A.*" for a more detailed description of the expropriation process and an overview of the events and the relevant laws related, and to "*Information on Repsol, S.A.—Expropriation of Repsol Group Shares in YPF, S.A. and Repsol YPF Gas, S.A.—c) Accounting treatment in relation to YPF Expropriation*" for detailed information regarding the accounting impact of the YPF Expropriation on the interim condensed consolidated financial statements of the Repsol Group as of and for the six months ended 30 June 2012.

For Repsol, the main risk arising from the illegal expropriation of shares held by the Repsol Group in YPF, S.A. and Repsol YPF Gas, S.A. lies in the uncertainty that exists as to the restitution of the shares in YPF, S.A. and Repsol YPF Gas, S.A. subject to expropriation to Repsol and/or the final amount of compensation which the Argentinian government will eventually pay to Repsol for the appropriation of control of both companies, as well as the timing and manner in which the payment will be made. Repsol has been forced to assert its rights against the Argentinian state before the courts of Argentina and other jurisdictions, including the International Centre for Settlement of Investment Disputes (ICSID). Any amendment to the hypotheses considered reasonable in jurisdictional processes and the valuation of the rights expropriated could result in positive or negative changes in the value attributed to the shares in YPF, S.A. and Repsol YPF Gas, S.A. and could, therefore, have an impact on the Group's financial position and results of operations. The lower the price or compensation received per share of YPF, S.A. and Repsol YPF Gas, S.A., the greater the negative impact will be on Repsol's financial position and results of operations. Repsol cannot foresee all of the consequences, uncertainties and risks; nor can it quantify the total future impact the expropriation could have on the business, financial position and results of operations of the Repsol Group. See also "*Legal and Arbitration Proceedings*" below.

YPF, S.A. and Repsol YPF Gas, S.A. were consolidated, using the global integration method, in the historical audited consolidated financial statements of the Repsol Group for the years ended 31 December 2011 and 2010, given that they were, at the respective balance sheet dates (and throughout the respective financial periods), under the control of the Repsol Group. These audited consolidated financial statements do not, therefore, reflect the impact of the YPF Expropriation, which, if reflected, would have resulted in the deconsolidation of both companies. Accordingly, the historical audited consolidated financial statements of the Repsol Group for 2011 and 2010 are not indicative of the financial position and the results of operations of the Repsol Group in the future.

Uncertainty in the economic context

Economic tensions are causing a rise in social tensions as well as the upsurge of protectionist tendencies in various parts of the world. The Eurozone remains especially vulnerable, the main risk to the global outlook is a new escalation of the crisis in the area. The key focus is on the ability of peripheral countries to repay their debt. The fundamental problem behind this is their difficulties in stimulating growth and increasing competitiveness without being able to benefit from currency devaluation. In countries such as Italy and Spain the expectation is that a combination of policies that includes support to the banking sector and sovereign debt will decrease the spreads from their current highs and give them time to improve their public finances and their banking sector balance sheets. In the meantime, in order to address the imbalances that the crisis has revealed, the Eurozone leaders are studying the next steps to move forward European integration.

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

International benchmark crude oil prices and demand for crude oil may fluctuate due to factors beyond Repsol's control

World oil prices have fluctuated widely over the last ten years and are driven by international supply and demand factors over which Repsol has no control. The world oil market and oil prices are swayed heavily by political developments throughout the world (especially in the Middle East); the evolution of stocks of oil and derivatives; the circumstantial effects of climate changes and meteorological phenomena, such as storms and hurricanes (particularly prevalent over the Gulf of Mexico); technological evolution and improvements in energy efficiency; spiking demand in countries with strong economic growth, such as China and India; major world conflicts, as well as the political instability and threat of terrorism that periodically affect certain producing areas, and also the risk that the supply of crude oil may become employed as a political weapon. In 2011, Brent crude oil prices averaged 111.26 U.S. dollars per barrel, as opposed to an average of 63.69 U.S. dollars per barrel reported over the 2002-2011 period. Over this ten-year period, the maximum average annual price was the 111.26 U.S. dollars per barrel reported in 2011, while the minimum average annual price was 25.02 U.S. dollars in 2002. In 2011, the price range for crude oil (Brent) floated between approximately 94 and 126 U.S. dollars per barrel, meanwhile during the first six months of 2012, the price range stood at approximately 89 to 128 U.S. dollars per barrel, with an average price of 113.61 U.S. dollars per barrel.

International reference crude oil prices and demand for crude oil may also fluctuate significantly during economic cycles.

Reductions in oil prices negatively affect Repsol's profitability, the value of its assets and its plans for capital investment, including projected capital expenditures related to exploration and development activities. Any significant drop in capital investment could have an adverse effect on Repsol's ability to replace its crude oil reserves.

Repsol's operations are subject to regulation

The oil industry is subject to extensive regulation and intervention by governments throughout the world in matters such as the award of exploration and production interests, the imposition of specific drilling and exploration obligations, restrictions on production, price controls, required divestments of assets, foreign currency controls and nationalisations, expropriations and the cancellation of contractual rights. Such legislation and regulations apply to virtually all aspects of Repsol's operations both inside and outside Spain. In addition, the legislation of certain countries envisages the imposition of sanctions on non-domestic companies that make certain investments in other countries.

The terms and conditions of the agreements governing Repsol's oil and gas interests generally reflect the regulatory framework of the country in question and/or negotiations held with governmental authorities and therefore vary significantly from country to country and even from one area to another within the same country. These agreements generally take the form of licences or production-sharing agreements. Under licence agreements, the licence holder finances and bears the risk of the exploration and production activities in exchange for the resulting production, if any. In some cases, part of the production may have to be sold to the state or the state-owned oil company. Licence holders are generally required to make certain tax or royalty payments and pay income tax on their production, which can be high when compared with the taxes paid by other businesses. Production-sharing agreements, by contrast, generally require the contractor to finance the exploration and production activities in exchange for recovering its costs from part of production (cost oil), while the remainder of production (profit oil) is shared with the state-owned oil company.

Furthermore, the natural gas and electricity sectors, in which Repsol operates mainly through Gas Natural Fenosa, tend to be extensively regulated in most countries. These regulations are typically subject to periodic revision by the competent authorities and changes to those regulations can result in a decrease (or a lower increase than expected) in the remuneration received for regulated activities.

Repsol cannot predict changes in the aforementioned laws or how they will be interpreted, nor can it foresee the implementation of specific policies (please refer to the risk factor titled *"Expropriation of Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A."* above). Any such changes could have an adverse impact on the business, financial position and results of operations of the Repsol Group.

The Repsol Group is exposed to administrative, legal and arbitration proceedings

The Repsol Group is exposed to administrative, legal and arbitration proceedings arising in the ordinary course of business. The section of this Base Prospectus titled "*Legal and Arbitration Proceedings*" provides a description of the main legal proceedings in which members of the Repsol Group are currently involved, including the legal proceedings that Repsol has instituted as a result of the YPF Expropriation. Repsol could become involved in other possible future lawsuits in relation to which Repsol is unable to predict the scope, subject-matter or outcome. Any current or future dispute inevitably involves a high degree of uncertainty and any adverse outcome could adversely affect the business, financial position and results of operations of the Repsol Group.

Repsol is subject to extensive environmental regulations and risks

Repsol is subject to extensive environmental laws and regulations in practically all the countries in which it operates, which regulate, among other matters affecting Repsol's operations, environmental quality standards for products, air emissions and climate change, energy efficiency, water discharges, remediation of soil and groundwater and the generation, storage, transportation, treatment and final disposal of waste materials.

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

These laws and regulations have had and will continue to have an impact on Repsol's business, financial position and results of operations.

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

Oil and gas exploration and production activities are subject to particular risks, some of which are beyond the control of Repsol. These activities are exposed to production, equipment and transportation risks, natural hazards and other uncertainties relating to the physical characteristics of oil and natural gas fields. The operations of Repsol may be curtailed, delayed or cancelled as a result of weather conditions, technical difficulties, delays in the delivery of equipment or compliance with administrative requirements. In addition to this, some of the Group's development projects are located in deep waters and other difficult environments, such as the Gulf of Mexico, Brazil and the Amazon rainforest, or in complex oilfields, which could aggravate these risks further. Offshore operations, in particular, are subject to maritime risks, including storms and other adverse meteorological conditions, or shipping collisions. Also, the transportation of oil products, by any means, always has inherent risks: during road, rail or sea transport, or by pipeline, oil and other hazardous substances could leak. This is a significant risk due to the potential impact a spill could have on the environment and on people, especially considering the high volume of products that can be carried at any one time. Should these risks materialise, Repsol may suffer major losses, interruptions to its operations and harm to its reputation.

Moreover, Repsol must replace depleted oil and gas reserves with new proven reserves in a cost-effective manner that enables subsequent production to be economically viable. Repsol's ability to acquire or discover new reserves is, however, subject to a number of risks. For example, drilling may involve negative results, not only with respect to dry wells, but also with respect to wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs are taken into account. In addition, crude oil and natural gas production blocks are typically auctioned by governmental authorities and Repsol faces intense competition in bidding for such production blocks, in particular those blocks offering the most attractive potential reserves. Such competition may result in Repsol's failing to obtain desirable production blocks, or acquiring them at a higher price, which could render subsequent production economically unviable.

If Repsol fails to acquire or discover, and, thereafter, develop new oil and gas reserves in a cost-effective manner, or if any of the aforementioned risks materialise, its business, financial position and results of operations could be adversely affected.

Location of reserves

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

Reserves in these areas as well as related production operations may be exposed to risks, including increases in taxes and royalties, the establishment of limits on production and export volumes, the compulsory renegotiation or cancellation of contracts, the nationalisation or denationalisation of assets (see the risk factor titled *"Expropriation of Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A."* above), changes in local government regimes and policies, changes in business customs and practices, payment delays, currency exchange restrictions and losses and impairment of operations due to the actions of insurgent groups. In addition, political changes may lead to changes in the business environment. Economic downturns, political instability or civil disturbances may disrupt the supply chain or limit sales in the markets affected by such events.

If any of the aforementioned risks were to materialise, it could have an adverse impact on Repsol's business, financial position and results of operations.

Oil and gas reserves estimation

In calculating proved oil and gas reserves, Repsol relies on the guidelines and the conceptual framework of the Securities and Exchange Commission's (SEC) definition of proved reserves and on the criteria established by the Petroleum Reserves Management System of the Society of Petroleum Engineers (PRMS-SPE). Under these rules, proved oil and gas reserves are those reserves of crude oil, natural gas or natural gas liquids for which, after analysing geological, geophysical and engineering data, have a reasonable certainty of being produced – from a given date, from known reservoirs and under existing economic conditions, existing technology and existing government regulation – prior to the termination of the contracts whereby the corresponding operational rights were awarded, and regardless of whether probabilistic or deterministic approaches were used to arrive at the estimate. The project to extract the gas or oil must have started, or otherwise the operator must be reasonably certain that the project will commence within a reasonable timeframe.

The accuracy of these estimates depends on a number of different factors, assumptions and variables, some of which are beyond Repsol's control. Factors that fall within Repsol's control include: drilling, testing and production after the date of the estimate, which may entail substantial upward or downward corrections in the estimate; the quality of available geological, technical and economic data used and the interpretation and valuation thereof; the production performance of reservoirs and recovery rates, both of which depend in significant part on available technologies as well as Repsol's ability to implement such technologies and the relevant know-how; the selection of third parties with which Repsol conducts business; and the accuracy of initial estimates of existing hydrocarbons in place at a given reservoir, which may prove to be incorrect or require substantial revisions. Factors that are mainly beyond Repsol's control include changes in prevailing oil and natural gas prices, which could impact on the quantities of proved reserves (since estimates of reserves are calculated under existing economic conditions when such estimates

are made); changes in prevailing tax rules, other government regulations and contractual conditions after the date estimates are made (which could render reserves economically unviable to exploit); and certain actions of third parties, including the operators of fields in which the Group has an interest.

As a result of the foregoing, measures of reserves are not precise and are subject to revision. Any downward revision in estimated quantities of proved reserves could adversely impact the results of operations of the Repsol Group, leading to increased depreciation, depletion and amortisation charges and/or impairment charges, which would reduce net profit and shareholders' equity.

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

Natural gas prices tend to vary between the different regions in which Repsol operates as a result of significantly different supply, demand and regulatory circumstances, and such prices may be lower than prevailing prices in other regions of the world. In addition, excess supply conditions that exist in some regions cannot be utilised in other regions due to a lack of infrastructure and difficulties in transporting natural gas.

In addition, Repsol has entered into long-term contracts to purchase and supply natural gas in various parts of the world. These contracts have different price formulas, which could result in higher purchase prices than the price at which such gas could be sold in increasingly liberalised markets. Furthermore, gas availability could be subject to the risk of counterparties breaching their contractual obligations. Thus, it might be necessary to look for other sources of natural gas in the event of non-delivery from any of these sources, which could require payment of higher prices than those envisaged under the breached contracts.

Repsol also has long-term contracts to sell and deliver gas to clients, mainly in Bolivia, Venezuela, Spain, Trinidad and Tobago, Peru and Mexico. These contracts present additional types of risks to the company as they are pegged to existing proved reserves in Bolivia, Venezuela, Trinidad and Tobago and Peru. Should available reserves in these countries prove insufficient, Repsol might not be able to satisfy its obligations under these contracts, some of which include penalty clauses for breach of contract. The occurrence of any of the aforementioned risks would have an adverse impact on the business, financial condition and results of operations of the Repsol Group.

Conditions in the petrochemicals industry are cyclical

The petrochemicals industry is subject to wide fluctuations in supply and demand, reflecting the cyclical nature of the chemicals market on a regional and global scale. These fluctuations affect the prices and profitability of petrochemicals companies, including Repsol. Repsol's petrochemicals business is also subject to extensive governmental regulation and intervention in matters such as safety and environmental controls. Any such fluctuations or changes in regulation could have an adverse effect on the business, financial position and results of operations of the Repsol Group.

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

As discussed in several of the above risk factors, Repsol's operations are subject to extensive economic, operational, regulatory and legal risks. The Group holds insurance coverage against certain risks inherent in the oil and gas industry in line with industry practice, including loss or damage to property and equipment, control-of-well incidents, loss of production or income incidents, removal of debris, sudden and accidental seepage, pollution, contamination, clean-up costs, and claims for damages brought by third parties, including personal injury and loss of life, among other business risks. However, insurance coverage is subject to deductibles and limits that in certain cases may be materially exceeded by the liabilities incurred. In addition, Repsol's insurance policies contain exclusions that could leave the Group with limited coverage in certain circumstances. Furthermore, Repsol may not be able to maintain adequate insurance at rates or on terms considered reasonable or acceptable to Repsol, or be able to obtain insurance against certain risks that could materialise in the future. If Repsol experiences an incident against which it is not insured, or the costs of which materially exceed its coverage, it could have an adverse effect on its business, financial position and results of operations.

FINANCIAL RISKS

Repsol is exposed to liquidity risk associated with the Group's ability to finance its obligations at reasonable market prices as they fall due, as well as to carry out its business plans with stable financing sources. Repsol is also exposed to credit risk – that is, the possibility of a third party not complying with its contractual obligations, thus creating losses for the Group. Repsol's results of operations and shareholders' equity are, in addition, exposed to market risks due to fluctuations in (i) the exchange rates of the currencies in which the Group operates, (ii) interest rates, and (iii) commodity prices.

Liquidity risk

Liquidity risk is associated with the Group's ability to finance its obligations at reasonable market prices, as well as being able to carry out its business plans with stable financing sources. Repsol keeps, in line with its prudent financial policy, resources available to cover 74% of its entire gross debt (or 61% of such debt including preference shares). If Gas Natural Fenosa is excluded, Repsol has resources sufficient to cover 96% of its entire gross debt (and 71% of such debt including preference shares).

Credit risk

Credit risk is the risk of a third party failing to carry out its contractual obligations resulting in a cost or loss to the Group. The exposure of the Group to credit risk is mainly attributable to commercial debts from trading transactions, which are measured and controlled in relation to the customer or individual third party. The Group has, in line with best practices, its own systems for the permanent credit evaluation of all its debtors and the determination of risk limits with respect to third parties. As a general rule, the Group establishes a bank guarantee issued by financial entities as the most suitable instrument of protection from credit risk. In some cases, the Group has taken out credit insurance policies to transfer partially the credit risk related to the commercial activity of some of its businesses to third parties.

Additionally, the Group is exposed to counterparty risk derived from non-commercial contractual transactions that may lead to defaults. In these cases, the Group analyses the solvency of counterparties with which the Group has or may have non-commercial contractual transactions.

Market risk

Exchange rate fluctuation risk. Repsol is exposed to fluctuations in currency exchange rates since revenues and cash flows generated by oil, natural gas and refined product sales are generally denominated in U.S. dollars or are otherwise affected by dollar exchange rates. Operating income is also exposed to fluctuations in currency exchange rates in countries where Repsol conducts its activities. Repsol is also exposed to exchange risk in relation to the value of its financial assets and investments, predominantly those denominated in U.S. dollars. In order to mitigate the exchange rate risk on results, Repsol may, when it deems appropriate, hedge through the use of derivatives its position in relation to those currencies for which there is a liquid market and where transaction costs, in its opinion, are reasonable.

In addition, Repsol's financial statements are expressed in euros and, consequently, the assets and liabilities of investee companies with a different functional currency are translated into euros at the exchange rate prevailing at the balance sheet date. The revenues and expenses of each of these items in the profit and loss accounts are translated into euros by applying the exchange rate in force on the date of each transaction; for practical reasons, the exchange rate used is, in general, the average of the period in which the transactions were made. Fluctuations in the exchange rates applied in the process for converting the currencies into euros generate variations (gains or losses), which are recognised in the Repsol Group consolidated financial statements and expressed in euros.

Commodity price risk. In the normal course of operations and trading activities, the earnings of the Repsol Group are exposed to volatility in the price of oil, natural gas, and related derivative products (see the risk factors titled "*International benchmark crude oil prices and demand for crude oil may fluctuate due to factors beyond Repsol's control*" and "*Repsol's natural gas operations are subject to particular operational and market risks*" above).

Interest rate risk. The market value of the Group's net financing and net interest expenses could be affected by interest rate fluctuations.

Note 20 "*Financial risk and capital management*" and Note 21 "*Derivative transactions*" in the Group's audited consolidated financial Statements for the financial year ended 31 December 2011, which are incorporated by reference into this Base Prospectus, include additional details on the financial risks to which the Repsol Group is exposed. See also the risk factor above titled "*Expropriation of Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A.*".

Credit rating risk. Credit ratings affect the pricing and other conditions under which the Repsol Group is able to obtain financing. Any downgrade in the credit rating of Repsol, S.A. could restrict or limit the Group's access to the financial markets, increase its borrowing costs and have a negative effect on its liquidity. Further information on the credit ratings of the Guarantor can be found on its website at www.repsol.com.

2. Risk Factors relating to the Notes

Investors are relying solely on the creditworthiness of the Issuer and the Guarantor

The Notes and the Guarantee will constitute unsubordinated and unsecured obligations of the Issuer and the Guarantor, respectively, and will rank equally among themselves and equally with all other unsubordinated and unsecured obligations of the Issuer and the Guarantor, respectively (other than obligations preferred by mandatory provisions of law). If you purchase Notes, you are relying on the creditworthiness of the Issuer and the Guarantor and no other person.

In addition, investment in the Notes involves the risk that subsequent changes in actual or perceived creditworthiness of the Issuer and the Guarantor may materially adversely affect the market value of the Notes.

Exchange rate risks and exchange controls

The principal of, or any interest on, Notes may be payable in, or determined by reference to, one or more Specified Currencies. For Noteholders whose financial activities are denominated principally in a currency or currency unit (the **Noteholder's Currency**) other than the Specified Currency in which the related Notes are denominated, an investment in such Notes entails significant risks that are not associated with a similar investment in a Note denominated and payable in such Noteholder's Currency.

Such risks include, without limitation, the possibility of significant changes in the rate of exchange between the applicable Specified Currency and the Noteholder's Currency and the possibility of the imposition or modification of exchange controls by authorities with jurisdiction over such Specified Currency or the Noteholder's Currency. Such risks generally depend on a number of factors, including financial, economic and political events over which Repsol has no control.

Government or monetary authorities have imposed from time to time, and may in the future impose, exchange controls that could affect exchange rates as well as the availability of the Specified Currency in which a Note is payable at the time of payment of the principal or interest in respect of such Note.

Liquidity risks

The Notes may not have an established trading market when issued. There can be no assurance of a secondary market for the Notes or the continued liquidity of such market if one develops. The secondary market for the Notes will be affected by a number of factors independent of the creditworthiness of the Issuer and the Guarantor, the method of calculating the principal or any interest to be paid in respect of such Notes, the time remaining to the maturity of such Notes, the outstanding amount of such Notes, any redemption features of such Notes, direction and volatility of market interest rates generally. Such factors also will affect the market value of the Notes.

In addition, certain Notes may be designed for specific investment objectives or strategies, and may therefore have a more limited secondary market and experience more price volatility than conventional debt securities. Noteholders may not be able to sell Notes readily or at prices that will enable Noteholders to realise their anticipated yield. No investor should purchase Notes unless such investor understands and is able to bear the risk that certain Notes may not be readily saleable, that the value of Notes will fluctuate over time and that such fluctuations may be significant.

The prices at which Zero Coupon Notes, as well as other instruments issued at a substantial discount from their principal amount payable at maturity, trade in the secondary market tend to fluctuate more in relation to general changes in interest rates than do such prices for conventional interest-bearing securities of comparable maturities.

Investors whose investment activities are subject to legal investment laws and regulations or to review or regulation by certain authorities may be subject to restrictions on investments in certain types of debt securities. Investors should review and consider such restrictions prior to investing in the Notes.

Return on an investment in Notes will be affected by charges incurred by investors

An investor's total return on an investment in any Notes will be affected by the level of fees charged by an agent, nominee service provider and/or clearing system used by the investor. Such a person or institution may charge fees for the opening and operation of an investment account, transfers of Notes, custody services and on payments of interest and principal. Potential investors are, therefore, advised to investigate the basis on which any such fees will be charged on the relevant Notes.

Tax consequences of holding the Notes

Potential investors should consider the tax consequences of investing in the Notes and consult their tax advisers about their own tax situation. See the section of this Base Prospectus titled "*Taxation*" below.

Change of law

The structure of the Programme and, *inter alia*, the issue of Notes and ratings assigned to Notes are based on law (including tax law) and administrative practice in effect at the date of this Base Prospectus, and having due regard to the expected tax treatment of all relevant entities under such law and administrative practice. No assurance can be given that there will not be any change to such law, tax or administrative practice after the date of this Base Prospectus, which change might impact on the Notes and the expected payments of interest and repayment of principal.

Ratings of the Notes

The ratings ascribed to the Notes, if any, reflect only the views of the rating agencies and, in assigning the ratings, the rating agencies take into consideration the credit quality of the Issuer and the Guarantor (i.e., their ability to pay their debts when due) and structural features and other aspects of the transaction. These credit ratings may not, however, fully reflect the potential impact of risks relating to structure, market or other factors discussed in this Base Prospectus on the value of the Notes.

There can be no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by the rating agencies (or any of them) as a result of changes in, or unavailability of, information or if, in the rating agencies' judgment, circumstances so warrant. If any rating assigned to the Notes is lowered or withdrawn, the market value of the Notes may be reduced. Future events, including events affecting the Issuer, the Guarantor, the Repsol Group and/or circumstances relating to the oil industry generally could have a material adverse impact on the ratings of the Notes.

A rating is not a recommendation to buy, sell or hold securities and will depend, among other things, on certain underlying characteristics of the business and financial position of the Issuer and/or the Guarantor, as applicable.

Risks related to the structure of a particular Tranche of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features that contain particular risks for potential investors. Set out below is a description of the most common features.

Notes subject to optional redemption by the Issuer

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than the prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of Notes issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing Notes. Generally, the longer the remaining term of the Notes, the greater the price volatility as compared to conventional interest-bearing Notes with comparable maturities.

Specified Denominations

In relation to any issue of Notes which under the Conditions have a minimum denomination of €100,000 plus a higher integral multiple of another smaller amount (or, where the relevant Specified Currency is not euro, its equivalent in the Specified Currency) (each, a **Specified Denomination**), it is possible that Notes may be traded in the clearing systems in amounts in excess of €100,000 (or its equivalent in the Specified Currency). In such a case, should definitive Notes be required to be issued, a holder who, as a result of trading such amounts, holds a principal amount of less than €100,000 (or its equivalent in the Specified Currency) in his account with the relevant clearing system at the relevant time may not receive all of his entitlement in the form of definitive Notes and, consequently, may not be able to receive interest or principal in respect of all of his entitlement, unless and until such time as his holding becomes an integral multiple of a Specified Denomination.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the **Savings Directive**), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating

to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008, the European Commission issued a report to the Council of the European Union on the operation of the Savings Directive, which included the Commission's advice on the need for changes to the Savings Directive. On 13 November 2008, the European Commission published a more detailed proposal for amendments to the Savings Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of such proposed changes are implemented in relation to the Savings Directive, they may amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

If a payment were to be made or collected through a Member State which has opted for a withholding system pursuant to the Savings Directive and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Savings Directive.

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Modification, waivers and substitution

The conditions of the Notes contain provisions for the calling of meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of, any breach or proposed breach of any of the provisions of Notes, or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such, or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 11.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing, and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should also consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

USE OF PROCEEDS

The net proceeds of the issue of Notes under the Programme will be on-lent by the Issuer to, or invested by the Issuer in, other companies within the Repsol Group for use by such companies for their general corporate purposes.

INFORMATION ON REPSOL INTERNATIONAL FINANCE B.V.

History

The Issuer, Repsol International Finance B.V., was incorporated in The Netherlands on 20 December 1990 as a limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) for an indefinite duration pursuant to the laws of The Netherlands, under which it now operates.

The Issuer is registered in the Commercial Register of the Hague Chamber of Commerce under number 24251372. The Issuer is domiciled in The Netherlands and its registered office and principal place of business is Koningskade 30, 2596 AA The Hague, the Netherlands and its telephone number is +31 70 3141611.

Principal activities

The principal activity of the Issuer is to finance the business operations of the Repsol Group. The Issuer may, from time to time, obtain financing, including through loans or issuing other securities, which securities may rank *pari passu* with the Notes (see "*Terms and Conditions of the Notes—4. Negative Pledge*" below).

Organisational structure

As its direct wholly-owned subsidiary, the Issuer is owned and controlled by the Guarantor.

As at the date of this Base Prospectus, the Issuer holds the following investments:

	Percentage ownership
	%
Gaviota RE, Luxembourg	99.88
Occidental de Colombia LLC., Delaware	25.00
Repsol International Capital, Ltd., Cayman Islands	100.00
Repsol Netherlands Finance BV., The Hague	66.50
Repsol Investeringen, BV., The Hague	100.00
Repsol LNG Port Spain, BV., The Hague	100.00
Repsol Capital, S.L., Madrid [(1)]	99.99

(1) On 16 April 2012, the Issuer held 99.99% of the capital of Repsol Capital, S.L. (formerly known as Repsol YPF Capital, S.L.), a company that directly and indirectly held on that date 6.67% of the share capital of YPF, S.A. For a detailed description of the expropriation process of YPF, S.A. and an overview of the related events and relevant laws, see "Expropriation of Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A." in section "Information on Repsol, S.A." below and the risk factor entitled "Expropriation of Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A" above.

Administrative, management and supervisory bodies

As of the date of this Base Prospectus, the directors of the Issuer are:

Name	Function	Principal activities outside Repsol
Godfried Arthur Leonard Rupert Diepenhorst	Director	On the management board of two holding and finance companies in The Netherlands, DCC International Holdings B.V. and MKS Holding B.V. as well as on the Board of Directors of seven subsidiaries of DCC Group. Honorary Consul of the Republic of Mauritius in The Netherlands.
Francisco Javier Sanz Cedrón	Director	N/A
Fernando Bonastre Capell	Director	N/A
José María Pérez Garrido	Director	N/A

The business address of each of the directors is Koningskade 30, 2596 AA The Hague, The Netherlands.

There are no conflicts of interest between any duties owed by the directors of the Issuer to the Issuer and their respective private interests and/or other duties.

The Issuer's board of directors took into consideration the enactment into Dutch Law of the EU Directive 2006/43/EU by a Royal Decree of July 2008 and the obligation on the Issuer to establish an Audit Committee due to the fact that the Issuer is considered a "public interest organisation". In this regard, the board of directors resolved to delegate the public governance compliance obligations as regards the Issuer in respect of article 2, section 3, sub a to d of the Decree to the Audit and Control Committee of its parent company, Repsol, S.A. See "*Business Description—5. Directors, Senior Management and Employees—Directors and Officers of Repsol—Audit and Control Committee (Comisión de Auditoría y Control)*". As a result, the auditors of the Issuer report to the Guarantor's Audit and Control Committee at least annually with regard to: (i) their key findings and the most important matters considered during the audit of the financial statements of the Issuer, and (ii) any deficiencies observed by the auditors in the Issuer's internal controls and any recommendations they have with regard thereto. The auditors also confirm to the Audit and Control Committee their independence as auditors of the Issuer and provide details of the fees received from the Issuer, describing the nature of the services provided.

Selected non-consolidated financial information

The audited non-consolidated financial statements of the Issuer, including the notes to such financial statements and the auditors' reports thereon, for the years ended 31 December 2011 and 2010, have each been filed with the CSSF and are deemed to be incorporated in, and to form part of, this Base Prospectus (see "*Documents Incorporated by Reference*" above).

The selected non-consolidated financial data set forth below should be read in conjunction with such audited non-consolidated financial statements.

	2011 [(1)]		**2010** [(1)]	
	(millions of euro)	**(millions of U.S.$)**	**(millions of euro)**	**(millions of U.S.$)**
Income statement				
Financial income and expense	173	225	146	195
Income before provision for income taxes	167	217	141	188
Net result	157	204	130	174
Balance sheet				
Financial fixed assets	5,203	6,748	5,491	7,337
Total current assets	3,318	4,303	2,560	3,421
Total assets	8,521	11,051	8,051	10,758
Long-term liabilities	4,726	6,129	4,637	6,196
Short-term liabilities	2,266	2,939	2,083	2,783
Shareholders' equity	1,529	1,983	1,331	1,779
Total shareholders' equity and liabilities	8,521	11,051	8,051	10,758

(1) *The financial information expressed in euro is presented for the convenience of the reader and is translated from U.S. dollars at the noon buying rates in New York City for cable transfers into euro as certified for customs purposes by the Federal Reserve Bank of New York on 31 December 2011 and 2010, which were €0.7711 and €0.7484 per U.S. dollar, respectively. The translated amounts should not be construed as a representation that U.S. dollars have been, could have been, or could in the future be, converted into euro at these or any other rates of exchange.*

The non-consolidated financial statements of the Issuer are prepared in accordance with Dutch GAAP.

As stated above, one of the Issuer's subsidiaries, Repsol Capital, S.L. (formerly known as Repsol YPF Capital, S.L.), directly and indirectly held on 16 April 2012 6.67% of the share capital of YPF, S.A. As of 30 June 2012, the expected recoverable value of the Issuer's shares in Repsol Capital, S.L. is higher than its carrying value and, therefore, no impact has to be recognised in its financial statements due to the expropriation process over the shares of YPF, S.A. held by Repsol Capital, S.L. For a detailed description of the expropriation process and an overview of the events and relevant laws related to the expropriation of YPF, S.A., see "*Expropriation of Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A.*" in section "*Information on Repsol, S.A.*" below and the risk factor entitled "*Expropriation of Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A.*" above.

As the Issuer holds participations in certain subsidiaries, its income from dividends can vary in the ordinary course of business between financial periods in line with the financial performance of these subsidiaries. During the financial year 2012 up to the date of this Base Prospectus, and due to the performance of Occidental de Colombia LLC in which the Issuer currently holds a 25% stake, income from dividends received from such company declined compared to the corresponding period in the previous year (U.S.$6.9 million in that period of 2012 compared to U.S.$62.7 million in the corresponding period of 2011).

Reconciliation between Dutch GAAP and EU-IFRS

Under generally accepted accounting principles in The Netherlands (**Dutch GAAP**), transaction costs that are directly attributable to the issue of notes are deferred and amortised using the straight-line method as opposed to the effective interest method used under International Financial Reporting Standards (**IFRS**), as adopted by the European Union (**EU-IFRS**). As at 31 December 2011, the recognition of the notes at amortised cost, as required under IFRS, had the effect of increasing equity by approximately U.S.$0.1 million.

As applied to the Issuer, there are no other material differences between Dutch GAAP and IFRS.

INFORMATION ON REPSOL, S.A.

Overview

Repsol, S.A. is a limited liability company (*sociedad anónima*) duly incorporated on 12 November 1986 under the laws of the Kingdom of Spain.

The company's full name is Repsol, S.A., sometimes shortened to "Repsol" within a commercial context. The ordinary general shareholders' meeting of Repsol, S.A., held on 31 May 2012, agreed to change the corporate name from Repsol YPF, S.A. to Repsol, S.A.

Repsol is registered with the Commercial Register of Madrid under page number M-65289, and its tax identification number is A-78/374725. Repsol, S.A. is domiciled in Spain and its registered office and principal place of business is Calle Méndez Álvaro, 44, 28045 Madrid, Spain, and its telephone number is (+34) 91 753 8000. The Shareholder Information Office is at the company's registered office. Its telephone number is (+34) 900 100 100.

Repsol, S.A. is an integrated oil and gas company that operates in all business segments of the hydrocarbons sector, including exploration, development and production of crude oil and natural gas, transport of petroleum products, liquefied petroleum gases (**LPG**) and natural gas, refining, production of a wide range of petroleum products, petroleum by-products, and petrochemicals, LPG and natural gas products, along with electricity generation, transport, distribution and marketing activities.

Repsol began operations in October 1987 as part of a reorganisation of the oil and gas businesses then owned by Instituto Nacional de Hidrocarburos, a Spanish government agency which acted as a holding company of government-owned oil and gas businesses. In April 1997, the Spanish government sold in a global public offering its entire remaining participation in Repsol.

During 1999, and as part of its international growth strategy, Repsol acquired 99% of YPF, S.A., a leading Argentinian petroleum company engaged in all businesses within the integrated value chain of oil and gas activities and the former state oil and gas monopolist in Argentina. In 2008, Repsol agreed the sale of 14.9% of YPF, S.A. to Petersen Energía, S.A. (**Petersen Energía**) and granted two purchase options to Petersen Energía for a total additional interest of 10.1% that were exercised. See *"b) Agreement between Repsol and Petersen Energía, S.A. for the sale of up to 25% of YPF, S.A.and other related loan agreements with the Petersen Group"* below. During 2010 and 2011, Repsol sold additional stakes in YPF, S.A. and, as of 31 December 2011, Repsol held a 57.43% interest in YPF, S.A.

Expropriation of Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A.

a) YPF, S.A. and Repsol YPF Gas, S.A. intervention decree and expropriation law

On 16 April 2012, the National Executive Power of Argentina announced the submission to the legislative body of a draft bill on the sovereignty of the Republic of Argentina over its oil and gas resources, declaring of public interest and a priority the self-sufficiency in oil and gas and its exploitation, industrialisation, transport and marketing. Section 7 of the draft bill declared of public interest and subject to expropriation 51% of YPF, S.A., represented by an equal percentage of Class D shares of YPF, S.A. held, directly or indirectly, by Repsol and its subsidiaries. The stake held by the Repsol Group in YPF, S.A. on that day was 57.43%.

On that same date, 16 April 2012, the Argentinian government enacted a Decree ("*Decreto de Necesidad y Urgencia*"), effective on the same day as its approval, which ordered the temporary intervention of YPF, S.A. for a 30-day period, appointing a government minister as the intervenor of YPF, S.A. and empowering him with all of the faculties of the board of directors of YPF, S.A.

Repsol communicated in a "relevant event" (*hecho relevante*) filed with the Spanish Securities Market Commission (**CNMV**) on 16 April 2012 its rejection of the Argentinian government's expropriation measures.

On 18 April 2012, the Argentinian government passed a resolution which extended the scope of the aforementioned Decree to Repsol YPF Gas, S.A., an Argentinian company engaged in the fractioning, bottling, transportation, distribution and marketing of LPG in which Repsol Butano, S.A. had an 84.997% shareholding.

On 23 April 2012, YPF, S.A.'s intervenor resolved to suspend the general shareholders' meeting of YPF, S.A. set for 25 April 2012 to review the 2011 financial statements of YPF, S.A., as well as a proposal to capitalise accumulated results through an issue of fully paid-up share capital totalling 5,789,200,000 Argentine pesos, which capitalisation had been approved by the board of directors of YPF, S.A. on 21 March 2012.

After a rapid parliamentary adoption procedure, on 7 May 2012, Law 26,741 was published in Argentina's Official State Gazette, becoming effective immediately, and establishing the following:

- The self-supply, exploration, export, operation, industrialisation, transportation and commercialisation of hydrocarbon were declared of "national public interest".

- In order to ensure compliance with the objectives indicated above, 51% of YPF, S.A.'s equity, represented by an equivalent percentage of Class D shares in that company, held directly or indirectly by Repsol and its affiliates, were declared of "national public interest" and subject to expropriation, together with 51% of the equity of Repsol YPF Gas, S.A. equivalent to 60% of the Class A shares held by Repsol Butano, S.A. and its affiliates.

- The future distribution of the shares subject to expropriation was determined as follows: 51% to the federal government and 49% to the governments of the provinces that form the National Organisation of Hydrocarbon Producing States, as established in the transfer conditions set out in regulatory framework. However, the National Executive Office retained the right to exercise, directly or through an appointed public entity, all the voting rights associated with the shares subject to expropriation until completion of the transfer of the voting and economic rights to the provinces that form the National Organisation of Hydrocarbon Producing States.

- Independently or through a designated body, the executive branch of the Argentinian government will execute all of the rights conferred by the shares subject to the expropriation in the terms established in the Argentinian expropriation legislation relating to "temporary occupation".

- The expropriation process will be governed by Law 21,499 (the **National Expropriations Act**), with the Argentinian government acting as the expropriating authority. The price of the assets subject to the expropriation will be determined in conformity with Article 10 of the National Expropriations Act (and related provisions) based on the appraisal of the National Appraisal Board.

On 7 May 2012, the president of Argentina's securities market regulator CNV called a general meeting of YPF, S.A. shareholders to be held on 4 June 2012. That same day, Mr. Miguel Matías Galuccio was appointed General Manager of YPF, S.A. as part of the intervention by the executive branch of the Argentinian government.

During the shareholders' meeting held on 4 June 2012, Mr. Galuccio was appointed chairman of the board and such appointment was simultaneously ratified. During the shareholders' meeting, all of the members and alternate members of the board of directors and the supervisory committee of YPF, S.A. were removed, with their substitutes appointed. At Repsol's request, the shareholders' meeting appointed one independent board member to sit on the 17-member board.

On 15 June 2012, the suspension of the notice convening the ordinary general shareholders' meeting of 25 April 2012, previously ordered by the intervenor, was suspended and a new meeting was called for 17 July 2012. Among other matters, the following resolutions were passed at the shareholders' meeting:

a. to approve the financial statements and the supervisory committee's report for 2011;

b. not to approve the management of the members of the board or the supervisory committee for 2011 but, as an exception, to approve the management of those members appointed by the Class A shares (held by the Argentinian government); and

c. to allocate (i) 5,751 million Argentine pesos to an investment reserve; and (ii) 303 million Argentine pesos to a dividend payment reserve, authorising the board of directors to determine when, on or before 31 December 2012, such dividends should be distributed.

The general shareholders' meetings held by YPF, S.A on 4 June 2012 and 17 July 2012 and the general shareholders' meeting held by Repsol YPF Gas, S.A on 6 July 2012 have been challenged by Repsol, S.A. and Repsol Butano S.A., respectively, on the basis that, among other things, such meetings were not validly established given that the expropriation process was illegitimate and unconstitutional.

Repsol considers the expropriation to be illicit and gravely discriminatory (as it only affected YPF, S.A. and Repsol YPF Gas, S.A. and no other gas companies in Argentina, while also only expropriating one of the shareholders of YPF, S.A. and Repsol YPF Gas, S.A., namely Repsol). Repsol also considers that the national public interest is unjustified and that the entire transaction fails to comply with the obligations assumed by the Argentinian state during the privatisation process of YPF, S.A.

Repsol also considers that the expropriation violates the fundamental principles of legal certainty and undermines the confidence of the international investment community. Accordingly, Repsol expressly and fully reserves the right to take all available corresponding actions at its disposal to preserve its rights, the value of all its shareholders' assets and interests under prevailing Argentinian law, standard rules and practices of the securities markets in which YPF, S.A. is present, and international law, including the "Agreement between the Argentinian Republic and the Kingdom of Spain on the Reciprocal Promotion and Protection of Investments" signed in 1991.

Specifically, Repsol has begun legal proceedings based on (i) the "Agreement between the Argentinian Republic and the Kingdom of Spain on the Reciprocal Promotion and Protection of Investments", (ii) the unconstitutional nature of the intervention, and the temporary occupation by the Argentinian government of the rights over 51% of Class D YPF, S.A. shares held by Repsol, (iii) the Argentinian government's failure to comply with its obligation to make a tender offer for the YPF S.A. shares prior to taking control of the company, and (iv) the antitrust claim before the Spanish courts against YPF, S.A.

For an overview of certain legal actions that have been initiated by Repsol in response to the expropriation, see "*Procedures initiated as a consequence of the expropriation of the Group's YPF shares*" below in section "*Legal and Arbitration Proceedings"*.

For an overview of certain risks affecting the Repsol Group as a result of the expropriation, see the risk factor titled "*Expropriation of Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A.*".

b) Agreement between Repsol and Petersen Energía, S.A. for the sale of up to 25% of YPF, S.A.and other related loan agreements with the Petersen Group

After signing a memorandum of understanding on 21 December 2007, Repsol and Petersen Energía formalised a share purchase agreement on 21 February 2008 for the acquisition by Petersen Energía of 58,603,606 shares (Class D) of YPF, S.A. represented by American Depositary Shares (**ADSs**) equal to 14.9% of YPF, S.A.'s share capital. The sale price was U.S.$2,235 million (€1,768 million at an exchange rate of U.S.$0.79 to €1.00), of which U.S.$1,015 million (€803 million at an exchange rate of U.S.$0.79 to €1.00) was lent by Repsol to Petersen Energía under a guaranteed subordinated loan agreement.

In accordance with the by-laws of YPF, S.A., Petersen Energía made a formal takeover offer to acquire the remaining share capital of YPF, S.A. in the hands of third parties at a price of U.S.$49.45 per share or ADS. Repsol expressed its intention not to accept this bid. As a consequence of the bid, Petersen Energía acquired a total of 1,816,879 shares and ADSs in YPF, S.A. representing a further 0.462% of YPF, S.A.'s share capital. Repsol and Petersen Energía also entered into two additional agreements on 21 February 2008 pursuant to which, within a maximum period of four years, Petersen Energía was given the right to exercise

two purchase options over additional shareholdings equal to 0.1% and 10% of YPF, S.A.'s share capital on financially equivalent terms and conditions. These two options were assigned by Petersen Energía to its affiliate company Petersen Energía Inversora, S.A. (**Petersen Inversora,** and together with Petersen Energia, the **Petersen Group**). The first of these purchase options was exercised on 12 November 2008 by Petersen Inversora which acquired 393,313 shares (Class D) of YPF, S.A. represented by ADSs equal to 0.1% of YPF, S.A.'s share capital. The sale price was U.S.$13 million (€10 million). In May 2011, Petersen Inversora exercised the second of the two options over 39,331,279 shares (Class D) of YPF, S.A. represented by ADSs equal to 10% of YPF, S.A.'s share capital. The sale price was U.S.$1,302 million (€913 million). This latter sale was also financed, in part, through a loan from the Repsol Group to the Petersen Group in the principal amount of U.S.$626 million (€439 million). On completion of this second sale, the Petersen Group held shares (Class D) representing 25.46% of the share capital of YPF, S.A.

On 6 June 2008, Banco Santander, S.A. granted a loan of U.S.$198 million to Petersen Inversora for the acquisition of the shares pursuant to the first option over 0.1% of the share capital of YPF, S.A. and for the financing of the mandatory tender offer (referred to above) that the Petersen Group was required to launch in accordance with the by-laws of YPF, S.A. Petersen Inversora drew down U.S.$109 million of the maximum principal amount of the loan, which was guaranteed by Repsol pursuant to a guarantee agreement dated 6 June 2008. As a counter-guarantee in respect of the obligations of Repsol under this guarantee agreement, Petersen Inversora granted a share pledge over 2,210,192 shares (Class D) of YPF, S.A. represented by ADSs.

On 18 May 2012, Banco Santander, S.A. notified Petersen Inversora of its partial breach of the loan agreement as a result of a default in payment by it on 15 May 2012 but did not declare the early termination of the loan. In exercise of its rights under the guarantee agreement, Banco Santander, S.A. claimed payment from Repsol, as guarantor, and Repsol made payment of the corresponding sum of U.S.$4.6 million.

As of 31 December 2011, the total amount outstanding, including principal and accrued interest, under the loans granted by the Repsol Group to the Petersen Group was €1,542 million. Both loans are secured by share pledges over some, but not all, of the shares (Class D) of YPF, S.A. held by the Petersen Group: the 2008 loan is secured by a share pledge over 18,126,746 shares of YPF, S.A. and the 2011 loan is secured by a share pledge over 3,048,174 YPF, S.A. shares.

On 30 May 2012, in exercise of its contractual rights, Repsol notified the relevant members of the Petersen Group of the early termination of both loan agreements with Repsol and demanded the immediate payment of all sums outstanding under both loans. In accordance with the terms of the security documents, Repsol, as secured lender, is entitled to exercise the voting rights corresponding to the shares (ADSs) that are subject to the share pledges, which represent 5.38% of the share capital of YPF, S.A. Repsol does not hold any security or guarantees in respect of the two loans other than the aforementioned share pledges.

Repsol has not, as of the date of this Base Prospectus, executed the pledges over the YPF, S.A. shares (ADSs) because such action is subject to a standstill period of 150 days from the date on which the loans were terminated.

c) Accounting treatment in relation to YPF Expropriation

The financial impact of the YPF Expropriation is reflected in the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2012, which have been filed with the CNMV and the CSSF and are incorporated by reference in, and form part of, this Base Prospectus. Accounting and financial cross-references to headings, captions or items in financial statements in this section below should be read in conjunction with such unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2012.

According to the facts mentioned above, loss of control of YPF, S.A. and Repsol YPF Gas, S.A. has taken place and, consequently, both companies were deconsolidated. As a result, Repsol's assets, liabilities, and minority interests were derecognised, as well as the corresponding translation differences.

In accordance with the prevailing accounting regulation, from the date of loss of control, the activities of YPF, S.A. and Repsol YPF Gas, S.A. were considered discontinued operations, and therefore

the results contributed to the Group from both companies were recognised under their specific headings. At 30 June 2012, the amounts contributed by YPF, S.A. and Repsol YPF Gas, S.A. to "*Net Income for the period attributable to the Parent from discontinued operations"* from the results net of taxes and minority interests, from the beginning of 2012 until the loss of control date, amounted to €147 million and €2 million, respectively.

The following table includes a breakdown of the assets, liabilities, and minority interests of YPF, S.A. and Repsol YPF Gas, S.A. as at 31 March 2012 (the closing date of the last complete financial quarter prior to the expropriation of Repsol's shares in YPF, S.A. and Repsol YPF Gas, S.A.), which formed part of the scope of the Group's consolidated balance sheet and that were derecognised:

	(millions of euro[1])		
ASSETS	**YPF**	**Repsol YPF Gas**	**Total**
Intangible assets	2,040	4	2,044
a) Goodwill	1,804	4	1,808
b) Other intangible assets	236	-	236
Property, plant and equipment	8,781	32	8,813
a) Investments in areas with reserves	5,886	-	5,886
b) Other exploration costs	120	-	120
c) Machinery and installations	1,085	7	1,092
d) Items for transportation	51	1	52
e) Other tangible assets	1,639	24	1,663
Investments accounted for using the equity method	33	1	34
Non-current financial assets	83	-	83
Deferred tax assets	210	3	213
Other non-current assets	97	-	97
NON-CURRENT ASSETS	**11,244**	**40**	**11,284**
Inventories	1,270	3	1,273
Trade and other receivables	1,120	29	1,149
Other current assets	73	-	73
Other current financial assets	12	-	12
Cash and cash equivalents	229	22	251
Current assets	2,704	54	2,758
TOTAL ASSETS	**13,948**	**94**	**14,042**
Equity attributable to the shareholders of the parent[2]	**(589)**	**(16)**	**(605)**
Minority interest	**2,735**	**7**	**2,742**
Grants	46	-	46
Non-current provisions	1,623	5	1,628
Non-current financial liabilities	741	-	741
Deferred tax liabilities	1,063	-	1,063
Other non-current liabilities	30	-	30
NON-CURRENT LIABILITIES	**3,503**	**5**	**3,508**
Current provisions	172	-	172
Current financial liabilities	1,250	.-	1,250
Trade payables and other payables	2,157	39	2,196
CURRENT LIABILITIES	**3,579**	**39**	**3,618**
TOTAL LIABILITIES AND SHAREHOLDERS AND MINORITY INTERESTS	**9,228**	**35**	**9,263**
NET VALUE	**4,720**	**59**	**4,779**

(1) The assets, liabilities and minority interests of each of the companies correspond to those recognised on the consolidated balance sheet at 31 March 2012.

(2) They correspond to the accumulated translation differences in equity related to the Group's ownership interest in YPF and Repsol YPF Gas.

Accumulated translation differences in net equity in the Group's ownership interest in YPF, S.A. and Repsol YPF Gas, S.A. generated until loss of control were transferred to the headings related to discontinued operations on the Group's income statement.

Other assets and liabilities related to investments in YPF, S.A. have been identified as affected by the change in control and the expropriation process. This includes the loans and guarantees granted for the Petersen Group's financing of the acquisition of its ownership interest in YPF, S.A. The accounting effects of the valuation of these transactions were recognised in the income statement headings related to

discontinued operations, since they are closely linked to the expropriation process of the Group's shares in YPF, S.A.

As mentioned above, the Group granted the Petersen Group two loans totalling at 31 March 2012 €1,518 million that are guaranteed by pledged YPF, S.A. Class D shares in the form of ADSs owned by the Petersen Group. On 30 May 2012, Repsol notified the Petersen Group companies of the early termination of their loan agreements. In accordance with the terms of the guarantee, Repsol may exercise the voting rights corresponding to the YPF, S.A. pledged shares, amounting to 5.38% of YPF, S.A.'s share capital. See "*—b) Agreement between Repsol and Petersen Energía, S.A. for the sale of up to 25% of YPF, S.A.and other related loan agreements with the Petersen Group"* above.

At 30 June 2012, the Group recognised a loss on the value of these loans net of the market value of the YPF, S.A. pledged shares, totalling a gross amount of €1,402 million.

Banco Santander, S.A. granted a loan to Petersen Inversora of up to U.S.$198 million, drawn down in the amount of U.S.$109 million, guaranteed by Repsol. As collateral of its obligation under the guarantee, Petersen Inversora pledged 2,210,192 Class D YPF, S.A. shares, in the form of ADSs, in favour of Repsol. On 31 March 2012, the corresponding amount guaranteed by Repsol amounted to U.S.$96 million (€72 million).

On 18 May 2012, Banco Santander, S.A. sent a notice to Petersen Inversora stating that a partial default of the loan agreement had occurred resulting from the failure of the Petersen Group to repay the 15 May 2012 instalment. However, Banco Santander, S.A. did not accelerate the Petersen Group's obligations under the loan. See "*b) Agreement between Repsol and Petersen Energía, S.A. for the sale of up to 25% of YPF, S.A.and other related loan agreements with the Petersen Group"* above.

On 30 June 2012, a provision for the associated risks and expenses was recognised for a gross amount of €54 million that covers the maximum amount of the liabilities assumed by Repsol, less the amount corresponding to the realisable value of the securities pledged as guarantee, representing 0.56% of YPF, S.A.'s share capital.

The Group does not consider that these events will lead to other consequences for Repsol arising from the execution of the contracts with the Petersen Group.

Repsol Group's ownership interest in YPF, S.A. and Repsol YPF Gas, S.A. from the shares subject to expropriation which still belong to the Group and the remaining shares, as a result of the loss of control, are recognised by its nature, that is, as financial instruments. Specifically, the shares subject to expropriation were initially recognised at the amount of €5,373 million under "*Non-current assets held for sale subject to expropriation*" (€5,343 million corresponding to YPF, S.A. shares subject to expropiation and €30 million corresponding to Repsol YPF Gas, S.A. shares). The remaining shares, which were not included in the expropriation, were recognised as "*Available-for-sale financial assets*" at an initial amount of €300 million (€280 million corresponding to YPF, S.A. and €20 million corresponding to Repsol YPF Gas, S.A.).

Shares valuation regarding recognition purposes was carried out in accordance with IAS 39. The accounting standard reference to fair value or realisable value makes it necessary to distinguish between the shares subject to expropriation and the remaining shares held by Repsol.

For the former, recognised under "*Non-current assets held for sale subject to expropriation*", fair value calculation must take as reference the expected recoverable amount as a consequence of the expropriation process, that is, the price or compensation that the Argentinian government would finally pay to Repsol. When estimating this value, Repsol took into account the valuation criteria it can reasonably expect to be applied by the state bodies and courts responsible for deciding on the price or indemnity relating to the shares subject to expropriation. Since this price or indemnity has yet to be set and may have to be decided through legal proceedings in which circumstances beyond the control of the Group will influence the outcome, it should be borne in mind that the estimated recoverable amount is uncertain in terms of both quantity and the date and manner in which it will be settled. Any modifications to the hypotheses considered reasonable in terms of jurisdictional proceedings and valuation of rights subject to expropriation could

generate positive and negative changes in the amount recognised for the interest in YPF, S.A. and Repsol YPF Gas, S.A. and hence in its impact on the Group's financial statements.

Repsol considers that there are legal grounds to claim for the restitution of the shares in YPF, S.A. and Repsol YPF Gas, S.A. subject to expropriation to Repsol or to receive an indemnity from the Argentinian state for the damages suffered as a result of expropriation, amounting to the market value of the expropriated shares prior to expropriation. In addition, Repsol considers there are legal avenues to require compensation, which may be decided upon in the course of the expropriation procedure or through ICSID arbitration. The market value of the shareholdings can be determined for these purposes with valuation methods habitually accepted in the financial community (discounted cash flow, sum-of-the-parts, multiple comparable transactions, etc.), providing results consistent with those arising from application of the stipulations included in the YPF, S.A. by-laws, which establish a precise and objective rule for determining the consideration required should the Argentinian state take control of the interest.

Articles 7 and 28 of the YPF, S.A. by-laws establish that if the Argentinian state takes control of the company, and the foreseen acquisition is equal to or greater than 15% of YPF, S.A.'s share capital, the acquirer must launch a tender offer for all YPF, S.A. shares, the acquisition price of which will be paid in cash and calculated in accordance with predetermined criteria. Application of these criteria results in a valuation of U.S.$18,300 million (€14,535 million, as per the exchange rate at the closing of 30 June 2012) for 100% of YPF, S.A. shares, and U.S.$9,333 million (€7,413 million) for the 51% subject to expropriation. However, despite this reference, the Group must bear in mind the risks and uncertainties inherent in valuation, which are inevitable when estimates must be made regarding future events, particularly when such events are beyond Repsol's control. Consequently, the Group has applied conservative criteria when recognising the shares subject to expropriation, to avoid a situation in which a higher valuation would require initial recognition of net profit from the expropriation process which, at this time, is still of a contingent nature.

Regarding YPF, S.A. shares, recorded under "*Available-for-sale financial assets*" (included in the heading "*Non-current financial assets*" on the balance sheet), they were valuated at their market value, which corresponds to their quoted price given that the shares are listed and actively traded.

Finally, since they are not traded on any active market, all Repsol YPF Gas, S.A. shares were valued using criteria analogous to those applied to the expropriated YPF, S.A. shares.

The income tax effect of all the facts described has originated the recognition of a deferred tax asset amounting to €524 million.

The net effect recognised in the Group's income statement as a result of all the effects described above in connection with the expropriation process, amounts to a loss of €38 million net of tax .

Since initial recognition until 30 June 2012, "*Non-current assets held for sale subject to expropriation*" related to YPF, S.A. and Repsol YPF Gas, S.A. increased by €280 million, mainly due to appreciation of the U.S. dollar against the euro, while "*Available-for-sale financial assets*" decreased by €31 million, mainly as a result of YPF, S.A. share price performance. Both effects were recognised in equity.

In 2012, the caption "*Results from discontinued operations*" recognises the results of consolidating the operations of YPF, S.A., Repsol YPF Gas, S.A. and their respective group companies up to the moment of Repsol's loss of control. In addition, this item also includes the impact in the income statement derived from the loss of control caused by the expropriation process.

Principal activities

For a description of the principal activities of Repsol, please refer to the section entitled "*Business Description*" in this Base Prospectus.

Business segments of Repsol

Repsol currently operates the following business segments:

- ***Upstream***, which is responsible for oil and gas exploration and production activities.
- ***LNG***, which manages liquefied natural gas (**LNG**) midstream and marketing activities.
- ***Downstream***, which is responsible for refining and marketing of oil, chemicals and LPG.
- ***Gas Natural Fenosa***, which corresponds to Repsol's stake in the Gas Natural Fenosa group.

In the audited consolidated financial statements of the Repsol Group for 2011 and 2010, YPF, S.A. was a business segment of the Repsol Group. Following the events referred to in "*Expropriation of Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A.—a) YPF, S.A. and Repsol YPF Gas, S.A. intervention decree and expropriation law*" above in this section and the resulting loss of control, the business activities of both companies are no longer included within the business segments of the Repsol Group. See also the risk factor "*Expropriation of Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A.*".

While Repsol operates in over 40 countries, it has a unified global corporate structure with headquarters in Madrid, Spain.

Below is a list of the significant investee companies of the Repsol Group as at 30 June 2012, including the country of incorporation, main activities and the direct or indirect ownership interest of the Guarantor in such investee companies. There is no difference between the percentage of the share capital held in each of the investee companies listed below and the percentage of voting rights controlled, with the exception of YPF, S.A. (see note 1 to the table below).

Name	Country	Activity	% Control owned
Repsol, S.A.	Spain	Portfolio company	N/A
Repsol Exploración, S.A.	Spain	Exploration and production of oil and gas	100.00%
Repsol Petróleo, S.A.	Spain	Refining	99.97%
Repsol Comercial de Productos Petrolíferos, S.A.	Spain	Marketing of oil products	99.78%
Repsol Butano, S.A.	Spain	Marketing of LPG	100.00%
Repsol Química, S.A.	Spain	Production and sale of petrochemicals	100.00%
Gas Natural SDG, S.A.	Spain	Distribution of gas and electricity	30.01%
Repsol International Finance B.V.	Netherlands	Portfolio company	100.00%
Petróleos del Norte, S.A. (PETRONOR)	Spain	Refining	85.98%
Repsol E&P Bolivia, S.A.	Bolivia	Production and sale of petrochemicals	100.00%
Repsol Trading, S.A.	Spain	Trading of oil products	100.00%
Repsol Lusitania, S.L.	Spain	Portfolio company	100.00%
Repsol LNG, S.L.	Spain	Liquid Natural Gas marketing	100.00%
Repsol Sinopec Brasil, S.A.	Brazil	Exploration and production of oil and gas	60.00%
Repsol Perú B.V.	Netherlands	Portfolio company	100.00%
YPF, S.A.[(1)]	Argentina	Integrated oil and gas company	57.43%

(1) As a result of the expropriation process initiated by the Argentinian government, Repsol has only been able to exercise voting rights in respect of the 6.43% of the capital of YPF, S.A. held by the Repsol Group that is not subject to the expropiation process. Following the enforcement of the security granted in favour of the Repsol Group in connection with loans made by the Group to the Petersen Group to finance its acquisition of a stake in YPF, S.A., Repsol is also entitled to exercise the voting rights attaching to the shares secured as collateral for such loans, which represent 5.38% of the share capital of YPF, S.A. (see item "7. Material Contracts" in section "Business Description" below).

Selected consolidated financial information

Selected historical annual consolidated financial information

The audited consolidated financial statements for 2011 and 2010 have been prepared on the basis of the accounting records of Repsol, S.A. and its subsidiaries, and are presented in accordance with EU-IFRS as

of 31 December 2011 and 2010, respectively. In the mentioned consolidated financial statements YPF, S.A. and Repsol YPF Gas, S.A. were consolidated using the global integration method, given that they were, at the respective balance sheet dates (and throughout the respective financial periods), under the control of the Repsol Group, and these companies' operations were recognised in the headings relating to continuous operations. These audited consolidated financial statements do not, therefore, reflect the impact of the YPF Expropriation, which, if reflected, would have resulted in the deconsolidation of both companies and the reflection of their operations in the headings related to discontinued operations. This information should accordingly be analysed jointly with the information *"—Expropriation of Repsol Group Shares in YPF, S.A. and Repsol YPF Gas, S.A.—c) Accounting treatment in relation to YPF Expropriation*" above and the risk factor "*Expropriation of the Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A.*".

The following table includes selected historical annual consolidated financial information of the Group corresponding to the years ended 31 December 2011 and 2010, and should be read in conjunction with the audited consolidated financial statements as of and for the year ended 31 December 2011 and 2010 incorporated by reference in, and forming part of, this Base Prospectus.

	As of for the year ended 31 December	
	2011	**2010**
	(audited)	**(audited)**
Consolidated income statement data		
Operating revenues	63,732	60,430
Operating income	4,805	7,621
Net income before tax	4,058	6,689
Net income attributable to the parent	2,193	4,693
Net income attributable to minority interests	(351)	(254)
Basic and diluted earnings per share [(1)]	1.80	3.84
Consolidated balance sheet data		
Property, plant and equipment	36,759	33,585
Other non-current assets	13,869	12,168
Total current assets	20,329	21,878
Total assets	70,957	67,631
Non-current financial liabilities	15,345	14,940
Current financial liabilities	4,985	4,362
Equity attributable to the shareholders of the parent	23,538	24,140
Equity attributable to minority interest	3,505	1,846
Total equity	27,043	25,986
Share capital	1,221	1,221
Consolidated cash flow data		
Cash flow from operating activities	4,120	5,642
Cash flow from investing activities	(5,304)	(562)
Cash flow (from) used in financing activities [(2)]	(2,503)	(970)
Dividends per share [(3)]	1.050	0.425

(1) Earnings per share has been calculated taking into account the average number of shares outstanding as of this date, while also considering the treasury shares held by the company.

(2) These figures include the proceeds from the sales of shares in YPF, S.A. made in 2011 and 2010 (see note 31 to the consolidated financial statements of the Repsol Group as of and for the year ended 31 December 2011, which are incorporated by reference in, and form part of, this Base Prospectus).

(3) Corresponds to the dividends paid during that fiscal year.

Below is a breakdown of the operating income of the Group derived from the historical annual audited consolidated financial statements for the years ended 31 December 2011 and 2010.

	2011	2010
Operating income		
(millions of euro)	**(audited)**	**(audited)**
Upstream	1,413	4,113
LNG	386	105
Downstream	1,207	1,304
YPF [(1)]	1,231	1,453
Gas Natural Fenosa	887	881
Corporation, adjustments and other	(319)	(235)
	4,805	**7,621**

(1) As mentioned above, following the YPF Expropriation and the resulting loss of control, the business activities of YPF, S.A. are no longer included within the business segments of the Repsol Group.

Selected financial information for interim periods

The following tables include selected consolidated financial information of the Group corresponding to the six months ended 30 June 2012, and should be read in conjunction with the interim condensed consolidated financial statements as of and for the six months ended 30 June 2012 incorporated by reference in, and forming part of, this Base Prospectus.

Repsol Group's selected consolidated financial information for the consolidated balance sheet as of 30 June 2012 and 31 December 2011 is as follows:

	As of and for the six months ended 30 June 2012	As of for the year ended 31 December 2011
	(unaudited)[(1)]	**(audited)**
Consolidated balance sheet data		
Property, plant and equipment	28,070	36,759
Other non-current assets	16,843	13,869
Total current assets	18,464	20,329
Total assets	63,377	70,957
Non-current financial liabilities	15,357	15,345
Current financial liabilities	3,020	4,985
Equity attributable to the shareholders of the parent	26,732	23,538
Equity attributable to minority interest	762	3,505
Total equity	27,494	27,043
Share capital	1,256	1,221

(1) The interim condensed consolidated financial statements as of and for the six months ended 30 June 2012 were subject to a limited review by the Guarantor's auditors, which was filed with the Spanish Securities Market Commission (CNMV) on 26 July 2012 and with the CSSF on 10 September 2012 and is incorporated by reference in, and forms part of, this Base Prospectus.

Selected consolidated financial information for the consolidated income statement and cash flow data of the Repsol Group as of 30 June 2012 and 30 June 2011 is included in the table below. The figures from the consolidated income statement and consolidated cash flow statement in the below table have been restated with respect to the information previously published by Repsol in the interim condensed consolidated financial statements corresponding to the first half of 2011, classifying the operations affected by the expropriation process of the YPF, S.A. and Repsol YPF Gas, S.A. shares held by the Group under the heading referring to discontinued operations in accordance with IFRS 5 "*Non-current assets held for sale and discontinued operations*".

	As of and for the six months ended 30 June 2012	As of and for the six months ended 30 June 2011
	(unaudited)[(1)]	(unaudited) (restated)[(2)]
Consolidated income statement data		
Operating revenues	29,078	26,330
Operating income	1,966	2,109
Net income before tax	1,599	1,768
Net income attributable to the parent from continuing operations	903	1,057
Net income attributable to minority interests from continuing operations	(22)	(66)
Net income from discontinued operations attributable to the parent	133	287
Net income from discontinued operations attributable to minority interest	(109)	(84)
Net Income attributable to the parent	1,036	1,344
Basic and diluted earnings per share [(3)]	0.87	1.07
Consolidated cash flow data		
Cash flow from operating activities[(4)]	2,445	1,472
Cash flow from investing activities[(4)]	(1,466)	(1,334)
Cash flow (from) used in financing activities [(4)]	626	(2.637)
Cash flow from operating activities from discontinued operations	874	564
Cash flow from investing activities from discontinued operations	(872)	(738)
Cash flow (from) used in financing activities from discontinued operations	(339)	2,099
Dividends per share [(5)]	0.5775	0.525

(1) The interim condensed consolidated financial statements as of and for the six months ended 30 June 2012 were subject to a limited review by the Guarantor's auditors, which was filed with the Spanish Securities Market Commission (CNMV) on 26 July 2012 and with the CSSF on 10 September 2012 and is incorporated by reference in, and forms part of, this Base Prospectus.

(2) The figures from the consolidated income statement and consolidated cash flow statement have been restated with respect to the information previously published by Repsol in the interim condensed consolidated financial statements corresponding to the first half of 2011.

(3) Earnings per share has been calculated taking into account the average number of shares outstanding, while also considering the treasury shares held by the Company. Includes the necessary changes in 2011 to the consolidated interim condensed financial statements up to 30 June 2011 in relation to the scrip issue implementing the "Repsol Flexible Dividend" shareholder remuneration scheme. See note 2 "Basis of presentation—Comparison of information" and Note 4 d) "1. Share Capital and Reserves to the interim condensed consolidated financial statements as of and for the six months ended 30 June 2012", which are incorporated by reference in, and form part of, this Base Prospectus.

(4) Corresponds to continuing operations.

(5) Corresponds to the dividends paid during that period.

BUSINESS DESCRIPTION

1. Strategy of Repsol

On 29 May 2012, Repsol presented its new Strategic Plan for the period 2012-2016 to analysts, institutional investors, employees and the market.

Repsol has consolidated in the last few years its growth strategy, which has enabled it to develop new business areas, diversify its assets portfolio as well as to incorporate key projects that currently support its positioning in the global energy sector.

Strategic goals

The strategy of Repsol is based on four pillars:

- Growth of Upstream
- Maximising the return on capital from Downstream and LNG
- Financial strength
- Competitive shareholder compensation

(1) Growth of Upstream area

The Group's Exploration and Production area is the driver behind the growth of Repsol, with investments focused on exploration activities and ten key projects, including some of the biggest exploratory successes obtained by Repsol in recent years. Repsol aims to focus its activities on these ten projects in Brazil, the United States, Russia, Spain, Venezuela, Peru, Bolivia and Algeria.

(2) Maximising the return on capital from Downstream and LNG

The area of Downstream (Refining, Marketing, Chemicals and LPG) has become a cash-generating business following the completion of the enlargement, now operative, of the Cartagena refinery and the Petronor in Bilbao, which have increased both the conversion capacity and the operating efficiency of the Group.

Repsol's LNG business intends to take advantage of integration across the entire value chain to maximise the profitability of the Repsol portfolio in the Atlantic and Pacific basins.

(3) Financial strength

Repsol's financial position and its divestment of non-core assets is expected to enable the company to self-finance the investments envisaged in the 2012-2016 Strategic Plan.

(4) Competitive shareholder compensation

The last of the strategic objectives of Repsol is to establish a competitive shareholder compensation policy.

2. Economic and operating information

All of the economic and operating historical information presented below as of and for years ended 31 December 2011 and 2010 has been extracted from the historical audited consolidated financial statements of the Repsol Group for the years ended 31 December 2011 and 2010 and should be read in conjunction with such financial statements and the corresponding consolidated management reports, which are incorporated by reference in, and form part of, this Base Prospectus. This information reflects the Group's ownership

interest in YPF, S.A. and Repsol YPF Gas, S.A. consolidated using the global integration method, given that they were, at the respective balance sheet dates (and throughout the respective financial periods), under the control of the Repsol Group. As a consequence of the YPF Expropriation (see "*Expropriation of Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A.—a) YPF, S.A. and Repsol YPF Gas, S.A. intervention decree and expropriation law*" in section "*Information on Repsol, S.A.*"), the Repsol Group has ceased to have control over YPF, S.A. and Repsol YPF Gas, S.A. Therefore, this historical information does not reflect the impact of the YPF Expropriation, which, if reflected, would have resulted in the deconsolidation of both companies and the classification of the activities of both companies as discontinued operations for accounting purposes and their non-inclusion within the business segments of the Repsol Group. See "*Information on Repsol, S.A.—Expropriation of Repsol Group Shares in YPF, S.A. and Repsol YPF Gas, S.A.—c) Accounting treatment in relation to YPF Expropriation*" for information regarding the accounting impact of the YPF Expropriation on the interim condensed consolidated financial statements of the Repsol Group as of and for the six months ended 30 June 2012. See also the risk factor "*Expropriation of Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A.*" above.

Net proved reserves and production data

Below is an overview of Repsol's net proved reserves and production data corresponding to the years ended 31 December 2011 and 2010. This information includes YPF, S.A.'s net proved reserves and production data.

	2011	2010
Reserves:		
Crude oil net proved reserves [(1)(4)]	**978**	**908**
Europe	6	7
South America	808	723
Argentina	584	532
Trinidad and Tobago	32	35
Rest of South America	192	156
North America	49	57
Africa	115	121
Gas net proved reserves [(2)(5)]	**6,747**	**6,643**
Europe	—	1
South America	6,568	6,544
Argentina	2,397	2,578
Trinidad and Tobago	1,842	2,036
Rest of South America	2,329	1,930
North America	14	17
Africa	165	81
Oil equivalent net proved reserves [(3)(6)]	**2,179**	**2,091**
Europe	6	7
South America	1,977	1,889
Argentina	1,011	991
Trinidad and Tobago	360	398
Rest of South America	607	500
North America	51	60
Africa	145	135

	2011	2010
Production:		
Hydrocarbon net production [3][6][7]	290	323
Europe	1	1
South America	272	292
Argentina	180	197
Trinidad and Tobago	49	56
Rest of South America	43	39
North America	11	12
Africa	7	18

Note: The aggregated changes in reserves and total reserves at 31 December may differ from the individual values shown because the calculations use more precise figures than those shown in the table.

(1) Millions of barrels of crude oil (mmbbl).

(2) Thousand Millions of cubic feet of gas (bcf).

(3) Millions of barrels of oil equivalent (mmboe).

(4) At 31 December 2011, proved reserves of crude oil, condensates and LPG relating to YPF, S.A. stood at 584 million barrels in "Argentina" and less than 1 million barrels of crude oil equivalent in "North America".

(5) At 31 December 2011, proved reserves of natural gas relating to YPF, S.A. stood at 2,397 billion cubic feet of gas in "Argentina" and 2 million cubic feet of gas in "North America".

(6) At 31 December 2011, proved reserves of crude oil, condensates, LPG and natural gas relating to YPF, S.A. stood at 1,011 million barrels of equivalents in "Argentina" and 2 million barrels equivalent in "North America".

(7) YPF, S.A. production at 31 December 2011 amounted to 180 million barrels in "Argentina" and 0.7 barrels equivalent in "North America".

As at 31 December 2011, YPF, S.A. had proved reserves of 1,013 million barrels of oil equivalent (585 million barrels of liquids and 2,399 billion cubic feet of gas) in Argentina and North America, which represented 46% of proved reserves of the consolidated Repsol Group as at such date. Since the date on which Repsol ceased to control YPF, S.A., the proved reserves of YPF, S.A. no longer form part of the Repsol Group's proved reserves.

Meanwhile, YPF, S.A. production reached 181 million barrels of oil equivalent (100 million barrels of liquids and 453 billion cubic feet of natural gas) in 2011, which represented 62% of the total production of the Repsol Group in that year.

Selected operating data

Additional selected operating data of Repsol is summarised in the following table.

	2011	2010
	(unaudited)	**(unaudited)**
Upstream operating data:		
Hydrocarbon net production [1]	**109,059**	**125,653**
LNG operating data:		
Production of liquefaction trains [2][3]	5.4	5.1
LNG sold [3]	11.0	6.7
Downstream operating data:		
Refining capacity [4]	**998**	**878**
Europe [5]	896	776
Rest of the World	102	102
Crude oil processed [6][7]	**31.5**	**34.4**

	2011	2010
Europe	27.9	28.7
Rest of the World	3.6	5.7
Number of service stations	**4,506**	**4,447**
Europe	4,211	4,182
Rest of the World	295	265
Sales of petroleum products [6][8]	**37,805**	**38,613**
Europe	33,548	32,429
Rest of the World	4,257	6,184
Sales of petrochemical products [8]	**2,659**	**2,618**
By region:		
Europe	2,312	2,263
Rest of the World	348	355
By product:		
Basic	889	874
Derivative	1,770	1,744
LPG sales [8]	**3,033**	**3,108**
Europe	1,486	1,680
Rest of the World[9]	1,547	1,428
Gas Natural Fenosa operating data:		
Natural gas distribution sales [10][11]	395,840	411,556
Electricity distribution sales [10][11]	54,067	54,833

(1) *Thousands of barrels of oil equivalent (kboe).*

(2) *Including liquefaction train production according to their shareholding. Trinidad (Train 1 (20%), Trains 2 and 3 (25%), Train 4 (22.22%)); Peru LNG (20%). From this production, 3.2 bcm in 2011 and 2.8 bcm in 2010 belong to companies consolidated in the Repsol Group through the equity method.*

(3) *Billions of cubic metres (bcm).*

(4) *Thousand barrels per day (kbbl/d).*

(5) *The reported capacity includes the shareholding in ASESA.*

(6) *The 2010 information includes Refap's 30% (Brazil) up to the date it was sold in December 2010.*

(7) *Millions of tons.*

(8) *Thousands of tons.*

(9) *This figure includes the sale of 336 thousand tons in Argentina made by Repsol YPF Gas as of 31 December 2011. See risk factor "Expropriation of Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A".*

(10) *Includes 100% of reported Gas Natural Fenosa sales. Repsol had a 30.13% share in Gas Natural as of 31 December 2010 and 30.01% as of 31 December 2011. Gas Natural Fenosa was consolidated using the proportional consolidation method.*

(11) *Gigawatts per hour (GWh).*

As of and for the years ended 31 December 2011 and 2010, YPF, S.A. and Repsol YPF Gas, S.A. were consolidated using the global integration method, given that they were throughout the respective financial periods under the control of the Repsol Group. Certain selected operating data for YPF, S.A. and Repsol YPF Gas, S.A. and its consolidated subsidiaries on a stand-alone basis is presented in the following table:

Selected YPF operating data	2011	2010
	(unaudited)	**(unaudited)**
Hydrocarbon net production [1]	**180,700**	**197,442**
Refining capacity [3][6]	333	333
Crude oil processed [4][6]	14.7	15.4
Number of service stations [7]	1,557	1,653

Selected YPF operating data	2011	2010
Oil product sales [5] [6]	14,144	14,146
Petrochemical product sales [1]	1,639	1,563
LPG Sales [5]	456	422
Natural gas sales [2]	12.3	14.0

(1) Thousands of barrels of oil equivalent (kboe). Corresponds to Argentina, except the net hydrocarbon production of 718 and 777 thousands of barrels of oil equivalent (kboe) in 2011 and 2010, respectively, which correspond to the United States.

(2) Billions of cubic metres (bcm).

(3) Thousand barrels per day (kbbl/d).

(4) Millions of tons.

(5) Thousands of tons.

*(6) Including 50% shareholding in Refinerías del Norte, S.A. (**Refinor**).*

(7) Including 50% of Refinor service stations.

3. Operations

Set forth below is a description of Repsol's principal activities by current business segment. Following the YPF Expropriation and the resulting loss of control, the business activities of both companies are no longer included within the business segments of the Repsol Group. See "*Information on Repsol, S.A.—Expropriation of Repsol Group Shares in YPF, S.A. and Repsol YPF Gas, S.A.—c) Accounting treatment in relation to YPF Expropriation*".

Upstream

Upstream includes the exploration and production of crude oil and natural gas in different parts of the world. The Repsol Upstream division manages its project portfolio with the objective of achieving profitable, diversified and sustainable growth, with a commitment to safety and the environment. Its strategy is underpinned by the following objectives: increasing production and reserves, diversifying its business geographically by increasing its presence in Organisation for Economic Co-operation and Development (OECD) countries, achieving operating excellence and maximising the profitability of its assets.

Geographically, the Upstream division's strategy is based on key traditional regions, located in Latin America (mainly Trinidad and Tobago, Peru, Venezuela, Bolivia, Colombia and Ecuador) and in North Africa (Algeria and Libya), as well as in strategic areas for short and medium-term growth that have been consolidated in recent years. Among the latter areas, particularly important are the U.S. Gulf of Mexico (with the important Shenzi field, in operation since 2009, and one of the Group's key strategic projects) and offshore fields in Brazil (mainly the Sapinhoá field which is planned to come on stream in 2013 and Carioca).

In addition, strategic growth in the short to medium-term could be bolstered by major oil and gas projects currently being developed in Bolivia, Peru, Venezuela, Russia, Algeria and Brazil, and, in the longer term, by the increasingly important asset portfolio in Norway, Canada, West Africa, Indonesia and Alaska.

At 30 June 2012, Repsol, through its Upstream segment, had oil and gas exploration and/or production interests in 28 countries, either directly or through its subsidiaries, and Repsol acted as operator in 24 of them.

LNG

LNG activities include the liquefaction, transportation, commercialisation and regasification activities of liquid natural gas. It also comprises power generation activities in Spain not performed by Gas Natural Fenosa, and natural gas commercialisation in North America.

Downstream

Repsol's Downstream businesses engage in supply and trading, refining, marketing and transportation of crude oil and petroleum products, LPG, chemicals and electricity.

Repsol is the leader in the Spanish market and conducts refining activities in two countries (Spain and Peru) and distribution and marketing activities through its own personnel and facilities in four countries (Spain, Portugal, Peru and Italy).

Gas Natural Fenosa

Repsol reports activities undertaken by Gas Natural Fenosa and its affiliates under a separate segment.

Repsol is involved, through Gas Natural Fenosa, mainly in the natural gas and electricity sectors, operating in 25 countries. In the natural gas sector, Gas Natural Fenosa is engaged in the supply, storage, transportation, distribution and marketing of natural gas. In the electricity sector, it is engaged in electricity generation, commercialisation and the distribution sector.

As of the date of this Base Prospectus, Repsol has a 30.01% interest in Gas Natural Fenosa.

Since 2002, Repsol has been cooperating with Gas Natural Fenosa to coordinate the "midstream" business through the creation of separate legal entities for those activities that require a separate corporate entity (such as integrated projects) or through specific collaboration agreements where mutual assistance and cooperation in carrying out midstream activities can give rise to synergies and other benefits for both parties. In April 2005, Repsol reached an agreement with Gas Natural Fenosa pursuant to which both companies would intensify their collaboration in the LNG business areas of exploration, production, transportation, trading and wholesale marketing. The initial term of this collaboration agreement is ten years.

4. Performance of the business during the six months ended 30 June 2012

The results of the Repsol Group for the first six months of 2012 and 2011 are set forth in the table below:

	As of and for the six months ended 30 June 2012	As of and for the six months ended 30 June 2011[1]
	(unaudited)[1]	(unaudited) (restated)[2]
(millions of euro)		
Upstream	1,144	806
LNG	237	168
Downstream	277	744
Gas Natural Fenosa	475	512
Corporation	(167)	(121)
Operating income	**1,966**	**2,109**
Financial results	(433)	(374)
Share of results of companies accounted for using the equity method-net of tax	66	33
Net income before tax	**1,599**	**1,768**
Income tax	(674)	(645)
Net income for the period from continuing operations	**925**	**1,123**
Net income from continuing operations attributable to minority interests	(22)	(66)
Net income for the period attributable to the parent from continuing operations	**903**	**1,057**

	As of and for the six months ended 30 June 2012	As of and for the six months ended 30 June 2011[1]
		(unaudited)
(millions of euro)	**(unaudited)[1]**	**(restated)[2]**
Net income for the period from discontinued operations after taxes.....	**242**	**371**
Net income from discontinued operations attributable to minority interest	(109)	(84)
Net income from discontinued operations attributable to the parent	**133**	**287**
Total net income attributable to the parent	**1,036**	**1,344**

(1) The interim condensed consolidated financial statements as of and for the six months ended 30 June 2012 were subject to a limited review by the Guarantor's auditors, which was filed with the Spanish Securities Market Commission (CNMV) on 26 July 2012 and with the CSSF on 10 September 2012 and is incorporated by reference in, and forms part of, this Base Prospectus.

(2) These figures have been restated with respect to the information previously published by Repsol in the interim condensed consolidated financial statements corresponding to the first half of 2011. See "Information on Repsol, S.A.—Selected consolidated financial information—Selected financial information for interim periods".

Repsol's consolidated reported net income for the first half of 2012 amounted to €1,036 million compared with €1,344 million for the same period in 2011 (restated figure). This result includes the income attributed to the discontinued operations derived from YPF's operations and related investments, which was €133 million in the first half of 2012, compared with €287 million in the first half of 2011 (restated figure).

Operating income from continued operations for the first six months of 2012 was €1,966 million, compared with €2,109 million generated in the first half of 2011 (restated figure). The decrease in operating income was mainly due to the impact of the price of crude oil and the oil products on the inventories of the downstream unit which enabled earnings to be obtained in 2011 that have not continued in 2012. Without taking into account this effect, all the divisions showed improved results in 2012, particularly Upstream and LNG, driven fundamentally by the resumption of activity in Libya and the improvement of volumes and margins, which more than compensated for the decrease in the results of operations caused by the fall in volumes and margins within the Group's chemical business and, to a lesser degree, in marketing Europe as consequence of the economic crisis.

Nevertheless, a notable improvement of the EBITDA for continued operations has taken place, which reached €3,331 million in the first half of 2012, compared to €3,089 million in the first half of 2011 (restated figure). EBITDA, represents operating profit adjusted for items that do not result in cash inflows or outflows from operations (depreciation and amortisation, allowances and provisions released, gains/losses on asset sales and other items). EBITDA is calculated via the Cash Flow Statement as the sum of "Profit before taxes" and "Adjustments to the income" in the interim condensed consolidated financial statements for the six month-period ended 30 June 2012, incorporated by reference in this Base Prospectus.

Performance by business segment during the six months ended 30 June 2012

As a result of the YPF Expropriation, the activities of YPF, S.A. and Repsol YPF Gas, S.A. and their respective group companies were considered discontinued operations. Accordingly, the operations of both companies no longer comply with the Group's segment definition (activities of Repsol YPF Gas, S.A. were presented in the Downstream segment). The following information presented by segment relating to the first six months ended 30 June 2011 has been restated with regard to that previously published in the Base Prospectus dated 27 October 2011 in compliance with IFRS 5, "*Non-current assets held for sale and discontinued operations*" and IFRS 8 "*Operating Segments*" so as to exclude the activities of YPF, S.A. and Repsol YPF Gas, S.A. from the operating segments for that period. See "*Information on Repsol, S.A.—Selected consolidated financial information—Selected financial information for interim periods*".

Upstream

At €1,144 million, operating income from upstream operations in the first six months of 2012 was 41.9% higher than the €806 million reported for the same period in 2011 (restated figure), due to (i) greater production volumes, particularly in liquids, principally driven by the resumption of activity in Libya after the suspension between March and October 2011, (ii) higher oil and gas realisation prices over the period (better performance than the international Brent and HH benchmarks), and (iii) the positive effect of the revaluation of the dollar against the euro.

Production in the six months ended 30 June 2012 (322 thousand barrels of oil equivalent per day (**Kboepd**)) was 3.8% higher than the same period in 2011 (310 Kboepd), primarily due to the resumption of production in Libya after the suspension in March 2011 and increased production in the United States as a result of the development wells drilled after the drilling moratorium was lifted.

In the six months ended 30 June 2012, operating investments in the upstream business segment reached €1,109 million, of which investments under development represented 54% of the total amount invested. The investments under development were principally made in the United States (36%), Trinidad and Tobago (15%), Brazil (12%), Venezuela (10%), Bolivia (9%) and Peru (9%). Investments in exploration accounted for 24% of the total and were mainly earmarked for the United States (43%) Cuba (20%), Brazil (14%), Peru (8%) and Sierra Leone (7%).

LNG

At €237 million, operating income from LNG operations in the first six months of 2012 represented a substantial increase on the €168 million reported for the same period in 2011 (restated figure). This increase was mainly attributable to higher LNG marketing margins and the positive effect of the revaluation of the dollar against the euro.

For the six months ended 30 June 2012, operating investments in the LNG business segment were €17 million. For the same period in 2011, investments totalled €7 million.

Downstream

At €277 million, operating income from downstream operations in the first six months of 2012 was lower than the €744 million reported for the same period in 2011 (restated figure). This decrease can largely be explained by the impact of the evolution of the prices for crude oil and the oil products on the inventories of the downstream unit (which enabled earnings to be obtained in 2011 that have not continued in 2012), lower margins and volumes in the chemical business and lower sales volumes in marketing Europe as consequence of the economic crisis.

For the six months ended 30 June 2012, operating investments in the downstream business segment reached €295 million, being principally devoted to the completion of the enlargement and conversion projects at the Cartagena refinery in Spain and the fuel oil reduction unit in Bilbao (also in Spain).

Gas Natural Fenosa

At €475 million, the operating income of Gas Natural Fenosa in the first six months of 2012 was lower than the €512 million reported for the same period in 2011 (restated figure).

If the effect of the gain for the sale of points of gas supply in Madrid recorded in 2011 is excluded, the underlying business grew comparing H1 2011 and H1 2012. This growth was mainly driven by wider marketing margins for wholesale gas sales and at Unión Fenosa Gas which partially offset the impact of the earnings performance of the power business following the enactment of Royal Decree-Law 13/2012 (implementing measures to correct the tariff deficit) and the effect of the divestments made in 2011 (gas distribution assets in Madrid and power distribution in Guatemala).

For the six months ended 30 June 2012, accumulated investment in the Gas Natural Fenosa business segment reached €185 million. Material investments were mainly earmarked for gas and power distribution activities in Spain and in Latin America.

Corporate

This segment comprises corporate operating expenses and income and expenses not attributable to any of the above segments as well as inter-segment consolidation adjustments. In the first half of 2012, a loss of €167 million was recorded, against the €121 million loss recorded in 2011 (restated figure).

5. Directors, senior management and employees

Directors and officers of Repsol

Board of Directors

As of the date of this Base Prospectus, the members of the Board of Directors of Repsol were as follows:

	Position	Year first appointed	Current term expires
Antonio Brufau Niubó [(1) (2)]	Chairman and Director	1996	2015
Juan Abelló Gallo [(1) (6) (12)]	Vice-Chairman and Director	2006	2015
Isidro Fainé Casas [(1) (5)]	Vice-Chairman and Director	2007	2016
Paulina Beato Blanco [(3) (8)]	Director	2005	2014
Artur Carulla Font [(1) (3) (9) (13)]	Director	2006	2014
Luís Carlos Croissier Batista [(3) (12)]	Director	2007	2015
Ángel Durández Adeva [(3) (7)]	Director	2007	2015
Javier Echenique Landiríbar [(1) (3) (8)]	Director	2006	2014
Mario Fernández Pelaz [(3) (10)]	Director	2011	2015
María Isabel Gabarró Miquel [(3) (10) (12)]	Director	2009	2013
Jose Manuel Loureda Mantiñán [(6) (10) (12)]	Director	2007	2015
Juan María Nin Génova [(5) (10) (11)]	Director	2007	2016
PEMEX Internacional España, S.A. [(1) (4) (12)]	Director	2004	2014
Henri Philippe Reichstul [(1) (3)]	Director	2005	2014
Luís Suárez de Lezo Mantilla [(1) (2)]	Director and Secretary	2005	2013

(1) Member of the Delegate Committee (Comisión Delegada).

(2) Executive Director.

(3) Independent outside director as determined in accordance with the By-laws and the Regulations of the Board of Directors.

(4) Luis Felipe Luna Melo serves as representative of PEMEX Internacional España, S.A. (a related company of PEMEX) on the Board of Directors of Repsol. Spanish law permits joint stock companies to serve as members of the Board of Directors. A company serving in such a capacity must appoint a natural person to represent it at the meetings of the Board of Directors.

(5) *Nominated for membership by CaixaBank, S.A. (previously named Criteria CaixaCorp, S.A.), member of la "Caixa" group.*

(6) *Nominated for membership by Sacyr Vallehermoso, S.A.*

(7) *Chairman of the Audit and Control Committee.*

(8) *Member of the Audit and Control Committee.*

(9) *Chairman of the Nomination and Compensation Committee.*

(10) *Member of the Nomination and Compensation Committee.*

(11) *Chairman of the Strategy, Investment and Corporate Social Responsibility Committee.*

(12) *Member of the Strategy, Investment and Corporate Social Responsibility Committee.*

(13) *By resolution of the Board of Directors, Mr. Artur Carulla has been appointed Lead Independent Director with the following functions: (i) to request the Chairman of the Board of Directors to convene that body where deemed appropriate; (ii) to request the inclusion of items on the agenda for the meetings of the Board of Directors; (iii) to coordinate and convey the opinions of the external Directors; (iv) to direct the Board's evaluation of its Chairman's performance; and (v) to call and chair meetings of the independent Directors where deemed necessary or appropriate.*

The following is an overview description of the experience and principal business activities of the Directors of Repsol:

Antonio Brufau Niubó. Degree in Economics from the University of Barcelona. Named Doctor Honoris Causa by the Ramon Llull University in Barcelona. He began his professional career at Arthur Andersen, where he became Partner and Director of Auditing. In 1988, he joined "la Caixa" as Deputy Managing Director. From 1999 to 2004, he was Managing Director of the "la Caixa" Group, and from 1997 to 2004 he was Chairman of the Gas Natural Group. During his extensive business career, Antonio Brufau has served on the board of directors of several companies, including Enagás, Abertis, Aguas de Barcelona, Colonial, Suez, Caixa Holding, CaixaBank France and CaixaBank Andorra. Until December 2005, he was the only Spanish member of the Executive Committee of the International Chamber of Commerce (ICC). In July 2002, he was appointed president of Circulo de Economía de Barcelona, a position he held until July 2005. Currently, he is Chief Executive Officer of Repsol, Vice-Chairman of Gas Natural Fenosa, and Chairman of the Repsol Foundation. He is also member of the European Round Table of Industrialists (ERT), the Advisory Board of CEIM Confederación Empresarial de Madrid - CEOE, the Asociación Española de Directivos, the Círculo de Economía, Member of the Fundación Privada Instituto Ildefons Cerdà, the Foundation CEDE (Confederación Española de Directivos y Ejecutivos) and Chairman of GLOBALleida.

Isidro Fainé Casas. He holds a Doctorate in Economic Sciences and an ISMP in Business Administration from Harvard University, and likewise holds a Diploma in Senior Management from the IESE Business School. He is a Permanent Member of the Royal Academy of Economics and Finance and of the Royal Academy of Doctors. He began his professional banking career as Investment Manager for Banco Atlántico in 1964, later becoming General Manager of Banco de Asunción in Paraguay in 1969. On his return to Barcelona, he held various managerial posts in financial entities: Head of Personnel at Banca Riva y García (1973), Director and General Manager of Banca Jover (1974) and General Manager of Banco Unión, S. A. (1978). In 1982 he joined "la Caixa", and was appointed Deputy Executive General Manager and in 1999 General Manager of the entity. Currently he is Chairman of "la Caixa", Vice - Chairman of Abertis Infraestructuras, S.A., Vice-Chairman of Telefónica, S.A., Chairman of CaixaBank, S.A., Chairman of Criteria Caixaholding, S.A., Chairman of CECA (Confederación Española de Cajas de Ahorros) and Chairman of Foundation "la Caixa". He is also Vice-Chairman of Sociedad General de Aguas de Barcelona, Director of Banco Portugués de Investimento, S.A., Director of The Bank of East Asia Limited and Vice-Chairman of the European Savings Banks Group.

Juan Abelló Gallo. BSc in Pharmacy, Doctor and Permanent Member of the Royal Academy of Pharmacy. Formerly Chairman of Fábrica de Productos Químicos y Farmacéuticos Abelló, S.A., Antibióticos, S.A., La Unión y el Fénix Español and Airtel (now Vodafone); Vice-Chairman of Banco Español de Crédito, SCH and Unión Fenosa, S.A.; and Director of Banco Central. Currently Chairman of Torreal, S.A. and Alcaliber, S.A (representing Nueva Compañía de Inversiones, S.A.); Vice-Chairman of Sacyr Vallehermoso, S.A. (representing Nueva Compañía de Inversiones, S.A.) and CVNE (representing Austral, B.V.). Awarded the Great Cross of the Order of Civil Merit, the Juan Lladó Prize, and named Entrepreneur of the Year by the Chamber of Commerce and Industry of Madrid in 1997.

Paulina Beato Blanco. Phd Economics, University of Minnesota, Professor of Economic Analysis, Commercial Expert and Economist of the State. Former Executive Chairperson of Red Eléctrica de

España, Director of CAMPSA and major financial institutions. Formerly Chief Economist in the Sustainable Development Department of Inter-American Development Bank and Consultant in the Banking Supervision and Regulation Division of the International Monetary Fund. Currently she is adviser to the Iberoamerican Secretary General (Secretaría General Iberoamericana), professor for Economic Analysis and member of a special Board for promoting Knowledge Society in Andalusia.

Artur Carulla Font. Graduate in Economics. His professional activity began in Arbora & Ausonia, S.L. in 1972, where he held several positions until he was appointed Executive Director. In 1988 he joined Agrolimen, S.A. like Strategy Director. In 2001 he was appointed Managing Director of Agrolimen, S.A. Currently, he is Chairman of Agrolimen, S.A. and its participated companies; Affinity Petcare, S.A., Preparados Alimenticios, S.A. (Gallina Blanca Star), Biocentury, S.L., The Eat Out Group, S.L. and Reserva Mont-Ferrant, S.A.; Member of the Regional Board of Telefónica in Catalonia, member of Advisory Board of EXEA Empresarial, S.L. and member of Advisory Board of Roca Junyent. He is also Vice-Chairman of Círculo de Economía, Vice-Chairman of Foundation ESADE, Member of Foundation Lluis Carulla, Member of IAB (International Advisory Board) of the Generalitat de Catalunya, Member of the Management Board of Instituto de la Empresa Familiar, Member of Foundation MACBA (Museo de Arte Contemporaneo de Barcelona) and Member of FUOC (Fundació per a la Universitat Oberta de Catalunya).

Luís Carlos Croissier Batista. He was the professor in charge of economic policy of the Universidad Complutense of Madrid. During his long professional tenure, amongst other positions, he was Subsecretary of the Ministry of Industry and Energy, President of the National Institute of Industry (Instituto Nacional de Industria, I.N.I.), Minister of Industry and Energy and President of the Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores). Currently he is Director of Adolfo Dominguez, S.A., Testa Inmuebles en Renta, S.A., Eolia Renovables de Inversiones SCR, S.A., Grupo Copo de Inversiones, S.A., and Sole Director of Eurofocus Consultores, S.L.

Ángel Durández Adeva. BA in Economics, Professor of Commerce, chartered accountant and founding member of the Registry of Economic Auditors. He joined Arthur Andersen in 1965 where he was Partner from 1976 to 2000. Until March, 2004 he headed the Euroamerica Foundation, of which he was founder, an entity dedicated to the development of business, political and cultural relationships between the European Union and the different Latin American countries. Currently he is Director of Mediaset España Comunicación, S.A., Director of Quantica Producciones, S.L., Director of Ideas4all, S.L., Member of the Advisory Board of FRIDE (Foundation for International Relations and Foreign Development), Chairman of Arcadia Capital, S.L. and Información y Control de Publicaciones, S.A., Member of Foundation Germán Sánchez Ruipérez and Foundation Independiente and Vicepresident of Foundation Euroamérica.

Javier Echenique Landiríbar. BA in Economics and Actuarial Science. Former Director-General Manager of Allianz-Ercos and General Manager of BBVA Group. Currently Vice-Chairman of Banco Sabadell, S.A. and Calcinor, S.L., Director of Telefónica Móviles México, Actividades de Construcción y Servicios (ACS), S.A., Grupo Empresarial Ence, S.A. and Celistics, L.L.C., Delegate of the Board of Telefónica, S.A. in the Basque region, Member of the Advisory Board of Telefónica Europa, Member of Foundation Novia Salcedo, Foundation Altuna and Member of the Círculo de Empresarios Vascos.

Mario Fernández Pelaz. Graduate in Law at Deusto University in 1965. He was Professor of Mercantile Law at the Faculty of Law of Deusto University and the Faculty of Business Science at the same University, and Professor of different Masters at Deusto University. In his long professional career, he has served, among other posts, as Minister and later Vice-President of the Basque Government, Chairman of the Central Administration-Basque Government Transfers Mixed Committee, Chairman of the Basque Financial Council, Chairman of the Economic Committee of the Basque Government, Member of the Arbitration Committee of the Basque Autonomous Community. He was also Executive Director of BBVA Group and member of the Executive Committee from 1997 to 2002, and Main Partner of Uría Menéndez from that date to June 2009. Currently he is Chairman of BBK (Bilbao Bizkaia Kutxa), Executive

Chairman of Kutxabank, S.A. and Vice-Chairman of CECA (Confederación Española de Cajas de Ahorros) He has also published on mercantile and financial matters.

María Isabel Gabarró Miquel. Graduate in Law at the University of Barcelona in 1976. In 1979 she joined the Bar of Notaries. She has been a board member of important entities in different sectors: financial, energy, telecommunications, infrastructure and also real estate where she was also a member of the Nomination and Compensation Committee and of the Audit and Control Committee. Currently, she is registered with the Bar of Notaries of Barcelona, since 1986, and is a member of the Sociedad Económica Barcelonesa de Amigos del País.

José Manuel Loureda Mantiñán. Civil Engineer. In 1965 he began his career in Ferrovial, where he held several positions. Founder of Sacyr, where he was Managing Director up to 2000 and Chairman up to 2003. From 2003 to 2004, following the merger of Sacyr and Vallehermoso, he was Chairman of the Sacyr Vallehermoso Group. Currently he is Director of Sacyr Vallehermoso, S.A. (as representative of Prilou, S.L.), Chairman of Valoriza Gestión, S.A.U. and Director of Vallehermoso División Promoción, S.A.U., Testa Inmuebles en Renta, S.A., Sacyr, S.A.U., Somague S.G.P.S., S.A. and Hoteles Bisnet.

Juan María Nin Génova. He holds a degree in Law-Economics from the University of Deusto and a Master in Laws from the London School of Economics and Political Sciences. He began his career in the financial sector in 1980 at the International Division of Banco Hispano Americano. In 1992, he was appointed General Manager for Catalonia at Banco Central Hispano and, two years later, General Manager for Retail Banking, where he also served on the Management Committee. After the merger with Banco Santander, S.A., Juan María Nin took over the post of General Manager for Retail Banking on whose Management Committee he also served. He was appointed CEO of Banco Sabadell in 2002, where he stayed until 2007. He has a longstanding career in commercial, international and corporate banking, as well as a great deal of experience in managing mergers and acquisitions of banks. He has served on the Board of Directors of various industrial and services companies. Currently he is President and CEO of "la Caixa", Vice-Chairman of Foundation "la Caixa", Deputy Chairman and CEO of CaixaBank, S.A., Vice-Chairman of Criteria CaixaHolding, S.A., Director of VidaCaixa Grupo, S.A., Gas Natural SDG, S.A., Banco BPI, S.A., Erste Group Bank, A.G. and Grupo Financiero Inbursa, S.A.B. de C.V., member of the Board of Directors of Deusto University and Deusto Business School, member of Foundation Esade Business School, Foundation US-Spain Council, and Aspen Institute Spain Foundation.

Luis Felipe Luna Melo (representative of Pemex International España, S.A.). Mr. Luna Melo studied mechanical and electrical engineering at the Universidad Nacional Autónoma de México (UNAM) and has an MBA from McGill University in Montreal (Canada). He joined Pemex in 1984 and from that date he has occupied different positions in the international, commercial and planning areas. He has been commercial representative of the company in Tokyo and responsible for the development of new business in PMI. In 1992, he participated in the negotiations with Shell for the strategic alliance in the Deer Park refinery in Texas. He has also been President of P.M.I. Holdings North America,. Between 1996 and 2007 he was Deputy Director of Natural Gas in Pemex Gas y Petroquímica Básica, in charge of natural gas marketing and trading. In 2007, he was appointed Deputy Director of Projects Development in Pemex and, subsequenty, between April 2010 and December 2011, as Deputy Director of Economic Planning. He was appointed as Chief Executive Officer of P.M.I. Comercio Internacional, S.A. de C.V. in December 2011. Mr. Luna Melo is a board member of P.M.I. Holdings, B.V. and P.M.I. Trading, Ltd.

Henri Philippe Reichstul. BA in Economics, University of São Paulo and post-graduate studies in Economics at Hertford College, Oxford. Former Secretary of the State Business Budget Office and Deputy Minister of Planning in Brazil. From 1988 to 1999 he held the position of Executive Vice President of Banco Inter American Express, S.A. From 1999 to 2001 he was Chairman of Brazilian State Oil Company Petrobrás. He is a Member of the Strategic Board of ABDIB, Member of Coinfra, Member of the Advisory Board of Lhoist do Brasil Ltda., Member of the Supervisory Board of Peugeot Citroen, S.A., Member of International Advisory Council of UTC, Member of the International Advisory Board of Group Credit Agricole, Member of the Board of Directors of Gafisa, Member of the Board of Directors of Foster Wheeler and Vice-Chairman of the Board of the Brazilian Foundation for Sustainable Development.

Luís Suárez de Lezo Mantilla. Law degree from the Complutense University and State Lawyer (not practising). Lawyer specialising in Mercantile and Administrative Law. He was Legal Affairs Director at Campsa until the end of the oil monopoly and has practised as an independent lawyer, specifically in the energy sector. He is currently a Member of the Board of Gas Natural SDG, S.A.. and Repsol – Gas Natural LNG, S.L., as well as Vice-Chairman of the Repsol Foundation. He is also a member of the Environment and Energy Commission at the International Chamber of Commerce (ICC).

The business address of each of the directors is Calle Méndez Álvaro, 44, 28045, Madrid, Spain.

Conflicts of interest

During 2011 and at the meetings held in 2012 up to the date of this Base Prospectus, all the resolutions of the Board of Directors and of the Nomination and Compensation Committee relating to: (i) the re-election of Board members; (ii) the appointment or re-election of members of the Board committees; and (iii) the designation of posts on the Board of Directors were adopted without the participation of the Director affected by the proposed motion. Likewise, the executive Directors did not participate in the adoption of any Board resolution relating to their remuneration for holding office or carrying out management functions within Repsol.

In addition, the resolution of the Board of Directors regarding the purchase of treasury shares representing 10% of Repsol's share capital, as approved at the Board meeting held on 18 December 2011, was adopted without the participation of Directors Luis Fernando del Rivero Asensio, Juan Abelló Gallo and José Manuel Loureda Mantiñán. Similarly, Mr. Loureda did not participate in the discussions or the vote on the resolutions concerning this same issue approved at the meeting of the Nomination and Compensation Committee held on 18 December 2011 before such Board meeting was held.

The natural person representing Pemex Internacional España, S.A. on the Board of Directors (at that time, Marco Antonio de la Peña Sánchez) did not participate in the resolutions concerning the strategic alliance between Pemex Internacional España, S.A. and Repsol, as approved by the Board of Directors at its meetings of 25 January 2012 and 28 February 2012.

Delegate Committee (Comisión Delegada)

The Delegate Committee has been permanently delegated all the powers of the Board of Directors, except those which cannot by law be delegated and those considered as such by the Regulations of the Board of Directors. The Delegate Committee meets when it is summoned by the Chairman or when requested by a majority of its members in accordance with the Regulations of the Board of Directors. The Chairman of the Board of Directors serves as the Chairman of the Delegate Committee and the Secretary of the Board serves as Secretary to the Committee.

Whenever the issue is of sufficient importance, in the opinion of the Chairman or three members of the Delegate Committee, the resolutions adopted by the Delegate Committee shall be submitted to the full Board for ratification. The same shall be applicable in any business referred by the Board to be studied by the Delegate Committee, while reserving the ultimate decision to the Board. In all other cases, the resolutions adopted by the Delegate Committee shall be valid and binding with no need for subsequent ratification by the Board. The Delegate Committee is composed of the Chairman and a maximum of seven directors, who are appointed from among the executive directors, institutional outside directors and independent outside directors, based upon the relative weight of each type of director in the current composition of the Board of Directors. The favourable vote of at least two-thirds of the members of the Board of Directors currently in office shall be required to appoint members of the Delegate Committee. The Regulations that govern the Delegate Committee are set out in Repsol's By-laws and the Regulations of the Board of Directors.

Audit and Control Committee (Comisión de Auditoría y Control)

The Audit and Control Committee of the Board of Directors of Repsol was established on 27 February 1995.

The Audit and Control Committee carries out supervision, reporting, advising and proposal functions, supports the Board in its supervisory duties, including the periodic review of the preparation of economic and financial information of Repsol, executive controls, supervision of the internal audit department and the independence of the external auditors, as well as the review of compliance with all the legal provisions and internal regulations applicable to Repsol. This Committee is competent to formulate and submit

proposals to the Board regarding the appointment of external auditors, extension of their appointment, their removal and the terms of their engagement. It also informs the General Meeting, through its Chairman, of any issues raised by shareholders regarding matters within its competence.

Moreover, the Audit and Control Committee is also responsible for supervising the procedures and systems for recording and internal controls over the Group's hydrocarbon reserves and steers the environmental and work safety policies, guidelines and objectives of the Repsol Group.

To ensure the adequate performance of its duties, the Audit and Control Committee may obtain advice from lawyers or other independent professionals who report their findings directly to the Audit and Control Committee.

The Audit and Control Committee is composed of a minimum of three directors appointed by the Board for a four-year term. Its members shall have the necessary time commitment, capability and experience to perform their function. In addition, the Audit and Control Committee shall appoint one of its members to be Chairman, who must be an independent outside director and have experience in business management and familiarity with the accounting procedures; in any event, one of the Audit and Control Committee's members must have the financial experience required by the market regulatory agencies. Executive Directors may not sit on the Audit and Control Committee.

The Regulations that govern the Audit and Control Committee are set out in Repsol's By-laws and in the Regulations of the Board of Directors.

Activities of the Audit and Control Committee during 2011

The Audit and Control Committee held ten meetings during 2011 and, among other activities, has performed: (i) the periodic review of the financial information; (ii) the monitoring of the annual corporate audit plan; (iii) the supervision of the internal control systems; (iv) the supervision of the efficiency and the effective operation of the registry and internal control systems and procedures in the measurement, valuation, classification and accounting of the oil and gas reserves; and (v) the oversight of the independence of the external auditors.

The Audit and Control Committee adopted in 2005 certain procedures for the receipt, retention and treatment of complaints received by Repsol regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters. Communications on these matters can be sent to the Audit and Control Committee via Repsol's corporate website (www.repsol.com), and intranet (repsol.net).

Nomination and Compensation Committee (Comisión de Nombramientos y Retribuciones)

The Nomination and Compensation Committee of the Board of Directors, established on 27 February 1995, is composed of a minimum of three Non-Executive Directors appointed by the Board of Directors for a four-year term. The Committee shall appoint one of its members to be Chairman, who must be an independent outside director.

The Nomination and Compensation Committee advises and reports to the Board of Directors on the selection, nomination, re-election and termination of Directors, the Managing Director, the Chairman, the Vice-Chairmen, the Secretary, the Assistant Secretary, and Directors appointed as members of Board committees. The Committee submits proposals on the Board's compensation policy and, in the case of the Executive Directors, the additional compensation for their executive duties and the other terms of their contracts. The Committee also reports on the appointment of Repsol's senior executives and their general compensation and incentive policy.

The Regulations that govern the Nomination and Compensation Committee are set out in the Regulations of the Board of Directors.

Strategy, Investment and Corporate Social Responsibility Committee (Comisión de Estrategia, Inversiones y Responsabilidad Social Corporativa)

The Strategy, Investment and Corporate Social Responsibility Committee is composed of a minimum of three directors appointed by the Board of Directors for a four-year term. The majority of the members of the Committee and its Chairman, who shall be appointed by the Committee from one of its members, must be Non-Executive Directors.

The Strategy, Investment and Corporate Social Responsibility Committee reports on the major figures, goals, and revisions of Repsol's Strategic Plan, strategic decisions of significance to Repsol and investments in or divestments of assets which have been identified by the CEO as requiring the Committee's review due to their size or strategic significance.

The Committee also provides guidance on the policy, objectives and guidelines of Repsol in the area of corporate social responsibility and informs the Board of Directors on such matters.

The Regulations that govern the Strategy, Investment and Corporate Social Responsibility are set out in the Regulations of the Board of Directors.

Executive Committee (Comité de Dirección)

Repsol has an Executive Committee ("*Comité de Dirección*"), which is responsible for defining the Group's strategy and managing the Group's operations and whose members, as of the date of this Base Prospectus, are as follows:

Name	**Position**
Antonio Brufau Niubó	Chairman and Chief Executive Officer
Nemesio Fernández-Cuesta Luca de Tena	Executive Director for Business Units
Miguel Martínez San Martín	Executive Director of Finance and Corporate Development (CFO)
Pedro Fernández Frial	Executive Director of Strategy and Control
Cristina Sanz Mendiola	Executive Director People and Organisation
Luis Suárez de Lezo Mantilla	General Counsel and Secretary of the Board of Directors
Begoña Elices García	Executive Director Communication and Chairman's Office
Josu Jon Imaz San Miguél	Executive Director Industrial Area and New Energies at Repsol
Luis Cabra Dueñas	Executive Director of Exploration and Production

Provided below are brief résumés of those members of the Repsol Executive Committee who are not members of the Board of Directors:

Nemesio Fernández-Cuesta Luca de Tena. Degree in Economics and Business Studies from the Universidad Autónoma de Madrid. Official Trade Specialist and Economist since 1981. Nemesio Fernández-Cuesta has an extensive track record in the energy industry and in Repsol in particular. As deputy director for oil and gas at the Spanish Ministry of Industry, he was involved in the negotiations for Spain's entry into the European Common Market, in the reform of the State Oil Monopoly (CAMPSA) and in developing the gas industry.

Between 1987 and 1991, he held office as Commercial Director of INH (*Instituto Nacional de Hidrocarburos*), General Manager for Marketing of Repsol Petróleo, and General Commercial Manager of Repsol, S.A., and in December of 1991 was appointed Executive Vice Chairman of Repsol Comercial de Productos Petrolíferos, a position he held until his appointment in May 1996 as Secretary of State for Energy and Natural Resources of the Spanish Ministry for Industry and Energy.

In 2003, following his return to Repsol, he was appointed Corporate Director for Shared Services. He has been ED Upstream since January 2005, a post he has held simultaneously with that of Chairman of the Board of Directors of Repsol Sinopec Brasil since the end of 2010.

He is currently Executive Director (***ED***) for Business Units and is a member of the Operating Committee.

Nemesio Fernández-Cuesta has also been a joint director of Repsol LNG, S.L. and director of Alliance Oil Company Limited and Vocento. He is currently Vice Chairman of Repsol – Gas Natural LNG, S.L., joint director of Repsol Exploración Argelia, S.A., Repsol Exploración Guinea, S.A., Repsol Exploración Murzuq, S.A., Repsol Investigaciones Petrolíferas, S.A., Repsol YPF Oriente Medio, S.A. and Repsol Exploración Sierra Leona, S.L., director of Repsol Exploración, S.A., director of Eolia Renovables de Inversiones, S.C.R., S.A. and trustee of the Repsol Foundation.

Miguel Martínez San Martín. Degree in Industrial Engineering from the Madrid School of Industrial Engineering and specialist in financial information systems.

Miguel Martínez has been audit director at Arthur Andersen, and Chief Financial Officer of Elosua companies and Page Ibérica.

In 1993 he joined Repsol as ED Finance for Refining and Repsol Comercial, where he has also had executive responsibility for the Campsared proprietary network. He was also director of Repsol YPF Service Stations in Europe and Managing Director of Strategy and Corporate Development for Repsol.

In 2007 he was appointed as the company's ED for Operations. He currently holds the position of Executive Director of Finance and Corporate Development.

Pedro Fernández Frial. Degree in Industrial Engineering from the Madrid School of Industrial Engineering and post-graduate diploma from the IESE business school.

Pedro Fernández began his career with the Repsol Group in 1980, starting out in the Refining area. He joined the Group's Planning and Control Department in 1992 with his responsibilities including the planning of the gas business. He was appointed Director for Planning and Control in the Chemicals area in 1994, and in 2002 became the head of this area. In 2003, he was appointed Corporate Director for Planning and Control of the Repsol Group.

In January 2005, he moved on to serve as ED Downstream, responsible for the Refining, Marketing, Chemicals, LPG, Trading and New Energies businesses.

He is currently Executive Director for Strategy and Control at Repsol, a new department encompassing the Group's Strategy, Technology, Safety and Environment, Environment Study and Analysis, Management Control, Auditing and Reserves Control areas.

He has been Vice Chairman of the Association of Petroleum Operators (AOP), Vice Chairman of the Spanish Committee of the World Energy Council, and a member of the Boards of Directors of Europia and Concawe. He is currently Chairman of Repsol Petróleo, S.A., Chairman of Repsol Comercial de Productos Petrolíferos, S.A., Chairman of Repsol Butano, S.A., Chairman of Repsol Química, S.A., director of Petróleos del Norte, S.A. (Petronor), director of CLH, second Vice Chairman of the Spanish Energy Club and Chairman of the Spanish Energy Club Hydrocarbons Chapter, as well as being a trustee of the Repsol Foundation.

Cristina Sanz Mendiola. Degree in Industrial Engineering from the Madrid School of Industrial Engineering, specialising in industrial organisation. Cristina Sanz spent the early years of her career in the steel industry in Pittsburgh (USA) as an associate professor of the Engineering and Public Policy Department of Carnegie-Mellon University. She then went on to become Sub-Director General for

International Industrial Relations within the Corp of Industrial Engineers of the Spanish Ministry of Industry and Energy. During this period, she was involved in negotiations for Spain's adhesion to the European Economic Community. She was subsequently appointed Sub-Director General for Energy Planning, including the environment and research and development areas within the energy sector.

She joined the Repsol Group in 1994 as Repsol's Director of Environmental Affairs, from where she was promoted to Director of Environmental Affairs, Safety and Quality. In May 2007 she became ED Resources, a department where she had already been Corporate Director since 2005 with responsibility for the Engineering, Technology, Insurance, Procurement and Contracting, Information Systems, and Environment and Safety Departments. She has been a Director of Gaviota RE, S.A. and a Director of Greenstone Assurance Ltd. She is also currently a director of Repsol Petróleo, S.A. and Euroforum Escorial, S.A., and trustee of the Repsol Foundation. She is currently the Executive Director of People and Organisation.

Begoña Elices García. Degree in Information Sciences from the Complutense University of Madrid.

She is currently Repsol ED Communication and Chairman's Office, directing dialogue with the Spanish and international media, including regional and sports press, as well as online communications (corporate website) and sports sponsorship, advertising and corporate identity actions. She also coordinates actions in the area of external relations at industrial complexes and in all the countries where the company operates.

Before joining Repsol, she was Assistant Director General and Director of Information Relations at Banco Santander Central Hispano, Director of Information Relations and Assistant Director General, Information Relations Manager at Banco Central Hispano, and Information Relations Director at Banco Hispano Americano.

Prior to her involvement in business communications, Begoña worked for more than ten years for the EFE news agency, where she worked as a journalist reporting on international, national and financial news.

Josu Jon Imaz San Miguél. Doctorate in Chemical Sciences from the University of the Basque Country. He graduated from the Faculty of Chemical Sciences in San Sebastián. He received the End of Degree Extraordinary Prize. He received training in Business Management in 89-90, as part of the General Management Training Plan of the Mondragón Corporation. He completed his doctorate thesis at the Higher Institute of Industrial Engineering in Bilbao (1994).

In December 1986, he was sent by the INASMET Technology Centre to the French CETIM Centre in Nantes as researcher. He remained with the INASMET until 1989, ultimately working as manager of the Composites and Polymers Unit. In the same year, he joined the Mondragón Group as Industrial Developer and remained there until 1991, whereupon he returned to INASMET as head of the Marketing and Foreign Relations Department.

In June 1994, he was elected Euro member of the European Parliament, a post that he held until his appointment on 7 January 1999 as Minister of Industry, Trade and Tourism of the Regional Government of the Basque Country. As regional minister for industry, he was president of the Basque Energy Entity (EVE), president of the Society for Industrial Promotion and Reconversion (SPRI) and spokesman for the Basque Regional Government. In January 2004 he was elected chairman of the executive committee of EAJ-PNV. In autumn 2007, he announced his decision not to stand for re-election and ended his career in politics. He moved to the United States where he stayed until June 2008 spending the year working as a visiting researcher at the Harvard Kennedy School.

In 2006 he was awarded the Creu de Sant Jordi (St. George Cross), by the Generalitat de Cataluña.

In July 2008 he joined the Repsol Group. In November 2011, he was elected President of A.O.P, the Spanish Association of Petroleum Operators.

He is currently Executive Director Industrial Area and New Energies, while also being the Chairman of Petronor.

Luis Cabra Dueñas. Doctor in Chemical Engineering from the Complutense University of Madrid. He has studied business management at the INSEAD and IMD international business centres. Luis has also worked as associate professor at the Complutense University of Madrid and the University of Castilla-La Mancha.

He joined Repsol in 1984 as process engineer at the La Coruña oil refinery. Since then, he has held numerous management positions in the Refining, Technology, Engineering, Procurement, and Safety and Environment areas. He has represented Repsol within international associations, including a position as Chairman of the Fuels Committee of the European Petroleum Industry Association and Chairman of the European Biofuels Technology Platform.

In September 2010, he was appointed Repsol's Executive Director of Development and Production Upstream, spearheading site development projects and oil and gas production operations.

He is currently Executive Director Exploration and Production.

Members of the Executive Committee of Repsol do not serve for a predetermined term, but instead are employed for a period which is, in principle, indefinite until retirement, death or voluntary or involuntary termination.

Disclosure Committee (Comité Interno de Transparencia)

Repsol's Disclosure Committee was created in November 2002 and performs the following functions, among others:

- Supervision of the establishment and maintenance under the Chief Executive Officer and the Chief Financial Officer of procedures governing the preparation of information to be publicly released by Repsol in accordance with applicable law and regulation or which are, in general, communicated to the markets, in addition to the supervision of certain controls and other procedures that are designed to ensure that (1) such information is recorded, processed, summarised and reported accurately and on a timely basis, and (2) such information is accumulated and communicated to management, including to the Chief Executive and the Chief Financial Officer, as appropriate to allow timely decisions regarding such requisite disclosure, making the improvement proposals it deems appropriate to the Chief Executive and Chief Financial Officer;

- Revision and evaluation of the accuracy, reliability, sufficiency and clarity of all information contained in documents designated for public release by Repsol, including, in particular, communications made to the CNMV, the SEC, the Argentine National Securities Commission CNV and the other regulators and supervisory bodies of the stock markets on which shares of Repsol are listed; and

- Carrying out any other function which, in connection with the preparation and communication of financial information, is requested by the Board of Directors, the Audit and Control Committee, the Chief Executive Officer or the Chief Financial Officer.

The Disclosure Committee is composed of the Corporate Director of Economic and Fiscal Policy, who is the Chairman of the Committee, the Legal Services Corporate Director, who acts as the Secretary of the Committee, the Media Director, the Strategy Director, the Audit and Control Director, the Administration and Economic Director, the Investor Relations Director, the Corporate Governance Affairs Director, the Reserves Control Director, the Management Control Director, a representative of the Group Managing Division of Human Resources and Organisation, a representative of the Executive Managing

Division of Upstream, a representative of the Executive Managing Division of Downstream, a reprentative of the Executive Managing Division of YPF.

Share ownership of directors and officers

The total number of shares owned individually by the members of the Board of Directors as of the date of this Base Prospectus is 488,077 which represents 0.038% of the capital stock of Repsol.

	Number of shares owned	Number of shares indirectly held	Total shares	%Total shares outstanding	Nominating shareholders	Number of shares owned by nominating shareholders	
						Number[1]	%
Antonio Brufau Niubó	273,974	—	273,974	0.022	—	—	—
Isidro Fainé Casas [3]	253	—	253	0.000	CaixaBank	157,375,384	12.53
Juan Abelló Gallo[2]	1,000	85,649	86,649	0.007	Sacyr Vallehermoso	122,208,433	9.73
Paulina Beato Blanco	104	—	104	0.000	—	—	—
Artur Carulla Font	39,754	—	39,754	0.003	—	—	—
Mario Fernández Pelaz	4,181	—	4,181	0.000			
Luis Carlos Croissier Batista……..	1,254	—	1,254	0.000	—	—	—
Ángel Durández Adeva	5,950	—	5,950	0.000	—	—	—
Javier Echenique Landiribar	—	17,981	17,981	0.001	—	—	—
María Isabel Gabarró Miquel	6,080	1,915	7,995	0.001	—	—	—
José Manuel Loureda Mantiñán [2]	53	28,436	28,489	0.002	Sacyr Vallehermoso	122,208,433	9.73
Juan María Nin Génova [3]	253	—	253	0.000	CaixaBank	157,375,384	12.53
PEMEX Internacional España, S.A.[4]	1	—	1	0.000	PEMEX	118,484,232	9.43
Henri Philippe Reichstul	50	—	50	0.000	—	—	—
Luís Suárez de Lezo Mantilla	21,189	—	21,189	0.002	—	—	—
Total	**354,096**	**133,981**	**488,077**	**0.038**	—	—	—

(1) According to the latest information available to Repsol.

(2) Nominated for membership by Sacyr Vallehermoso.

(3) Nominated for membership by CaixaBank (previously named Criteria CaixaCorp, S.A.), a member of the "la Caixa" group.

(4) The beneficial owner of these shares is Petróleos Mexicanos, the sole shareholder of PEMEX Internacional España, S.A.

Those current members of the Executive Committee who are not also directors of Repsol, S.A. together hold 237,634 outstanding shares of Repsol, S.A., representing 0.019% of its share capital.

6. Major shareholders and related party transactions

Major shareholders of Repsol

In accordance with the latest information available to Repsol, Repsol's major shareholders beneficially owned the following percentages of ordinary shares of Repsol, S.A. as at 30 June 2012.

Shareholder	Percentage ownership (direct)	Percentage ownership (indirect)	Total number of shares	Total percentage ownership
	%	%		%
CaixaBank, S.A.(1)	12.53	0.00	157,375,384	12.53
Sacyr Vallehermoso, S.A.(2)	0.00	9.73	122,208,433	9.73
Petróleos Mexicanos(3)	0.00	9.43	118,484,232	9.43

(1) CaixaBank, S.A. (previously named Criteria CaixaCorp, S.A.) is a member of the "la Caixa" group.

(2) Indirect ownership held through Sacyr Vallehermoso Participaciones Mobiliarias, S.A., a wholly-owned subsidiary, as a result of the acquisitions of Repsol's shares made between October and December 2006.

(3) Petróleos Mexicanos (Pemex) holds its stake through Pemex Internacional España, S.A., PMI Holdings, B.V. and through several financial instruments with certain financial entities which enable Pemex to exercise the economic and political rights.

Related party transactions

Information related to transactions between Repsol and its related parties can be found at Note 9 to the unaudited interim condensed consolidated financial statements of Repsol for the six months ended 30 June 2012 and in Note 32 to the consolidated financial statements for 2011 and 2010, all of which are incorporated by reference in, and form part of, this Base Prospectus. Additional information on this item is also contained in Section C of the Annual Corporate Governance Reports for 2011 and 2010, which are incorporated by reference and form part of this Base Prospectus. YPF, S.A. and Repsol YPF Gas, S.A. were consolidated, using the global integration method in the historical audited consolidated financial statements of the Repsol Group for the years ended 31 December 2011 and 2010, given that they were, at the respective balance sheet dates (and throughout the respective financial periods), under the control of the Repsol Group. These audited consolidated financial statements do not, therefore, reflect the impact of the YPF Expropriation, which, if reflected, would have resulted in the deconsolidation of both companies.

Interest of management in advances and loans

At 31 December 2011, loans by Repsol to its senior management totalled approximately €0.180 million (€0.226 million at 31 December 2010) and bore interest at an average rate of 2.80%. All such loans were granted before 2003.

7. Material Contracts

The material contracts to which the Repsol Group is a party, other than the agreements referred to in other parts of this document and agreements entered into in the ordinary course of its business, are described below.

Agreement between Repsol and "la Caixa" for joint control of Gas Natural Fenosa

Repsol and "la Caixa" entered into an agreement in relation to Gas Natural Fenosa on 11 January 2000, which was subsequently amended on 16 May 2002, 16 December 2002 and 20 June 2003.

The key terms of these agreements with "la Caixa" are as follows:

- Repsol and "la Caixa" will control Gas Natural Fenosa jointly in accordance with the principles of transparency, independence and professional diligence.

- The board of directors of Gas Natural Fenosa shall be formed of 17 directors. Repsol and "la Caixa" shall have the right to propose five directors each. Repsol and "la Caixa" shall vote in favour of the directors proposed by the other party. One director shall be proposed by Caixa de Catalunya and the remaining six shall be independent directors.

- "la Caixa" shall propose the Chairman of Gas Natural Fenosa's board of directors and Repsol shall propose the Chief Executive. Both parties undertake that the directors proposed and appointed by each shall support appointments to these offices within the board of directors.

- The Delegate Committee of the board of directors of Gas Natural Fenosa shall have eight members, of whom three shall be proposed by Repsol and three by "la Caixa" from among the directors proposed for the board of directors of Gas Natural Fenosa, including the Chairman and the Chief Executive Officer. The remaining two executive directors shall be independent directors.

- Before presentation of the board of Gas Natural Fenosa, Repsol and "la Caixa" shall jointly agree (i) Gas Natural Fenosa's strategic plan, which shall include all decisions affecting the key strategies of Gas Natural Fenosa; (ii) Gas Natural's organisational structure; (iii) Gas Natural Fenosa's annual budget; (iv) merger transactions; and (v) any acquisition or disposal of material assets pertaining to any strategic lines of development of Gas Natural Fenosa.

These agreements remain in effect while Repsol and "la Caixa" hold minimum ownership interests equal to 15% of Gas Natural Fenosa's share capital.

8. Recent Developments

Repsol has reached an agreement with a consortium of Chilean investors for the sale of 100% of its subsidiary Repsol Butano Chile subsidiary for an approximate amount of U.S.$540 million. Aside from other financial assets, Repsol Butano Chile owns a 45% stake in Lipigas, an LPG commercialisation company in the Chilean market. The completion of this transaction is contingent upon fulfilling the usual conditions for this type of transaction.

On 6 September 2012, Repsol announced a new gas discovery in block 57 (also known as "Sagari") in Peru. Preliminary estimations indicate the field may hold between 1 and 2 trillion cubic feet of gas resources. Repsol is the operator of the block with a 53.84% stake. Petrobras holds the remaining 46.16%. The Sagari find reinforces the potential of this area in Peru, home to the Repsol's Kinteroni find, one of the five biggest discoveries made worldwide in 2008 and currently under accelerated development with first gas planned for the end of 2012.

On 20 September 2012, the Group issued, through the Issuer, €750 million of Notes under the Programme. The Notes, which trade on the Luxembourg Stock Exchange, will mature 5 years and 5 months after the issue date and carry a coupon of 4.375%. The issue was priced at 99.654% of par and is guaranteed by the Guarantor.

As far as Repsol is aware, there have been no other recent events particular to the Issuer or the Guarantor that are, to a material extent, relevant to the evaluation of the Issuer's or the Guarantor's solvency.

9. Available Information

Certain codes of conduct and other internal regulations, as well as certain corporate governance regulations applicable to, and recommendations made for, Spanish-listed companies are available on the Repsol website http://www.repsol.com/es_en/corporacion/accionistas-inversores/gobierno-corporativo/normativa-interna/default.aspx. Neither the contents of such website nor of other websites accessible through such website form part of this Base Prospectus.

LEGAL AND ARBITRATION PROCEEDINGS

YPF, S.A Expropriation

Procedures initiated as a consequence of the expropriation of the Group's YPF shares

On 16 April 2012, the Argentinian president announced the expropriation of 51% of YPF, S.A. Class D shares which were held, directly or indirectly, by Repsol and its affiliates. YPF, S.A. is Argentina's main oil company. On 18 April 2012, the expropriation process was extended to 60% of Repsol's participation in the Argentinian Repsol YPF Gas, S.A., a butane and propane gas distribution company. This participation represents 51% of the share capital of Repsol YPF Gas, S.A. In addition, on 16 April 2012, the Argentinian president ordered the intervention of YPF, S.A. and expelled by force the officers and members of the management committee, while the government took control of company management (Decrees numbered 530 and 557). At the same time, an exceptional law for the expropriation of YPF, S.A. and Repsol YPF Gas, S.A. shares held by the Repsol Group was passed within 21 days. Thus, the Argentinian state, through the National Executive Power, declared such shares of public interest and subject to expropriation, while also temporarily seizing all the intrinsic rights associated with the shares held by Repsol and subject to expropriation without waiting for any court decision, and without compensation for the value of the affected shares.

Such "temporary occupation" and the subsequent expropriation only affect YPF, S.A. and no other oil companies in Argentina. Furthermore, Repsol, with its 57.4% shareholding, is the only negatively-affected shareholder of YPF, S.A. The same applies to Repsol YPF Gas, S.A.

Under the Agreement for the Reciprocal Promotion and Protection of Investments signed between Spain and Argentina in 1991, the Argentinian state agrees to protect investments made by investors from the other country, Spain (article III. Section -1), and not to disrupt the management, maintenance and use of such investments through unjustified or discriminatory measures. The agreement further guarantees fair and equitable treatment of investments made by Spanish investors (article IV. Section -1), obliging the Argentinian state not to act in a discriminatory manner against Spanish investors in the case of nationalisation or expropriation and to pay the expropriated investor adequate compensation in convertible currency (article V) without any delay. In addition, the agreement obliged the Argentinian state to grant the Spanish investors the most favourable regulations it had applied to other foreign investors (article IV. Section -2; article VII).

In addition, the Argentinian constitution establishes in article 17 that "property is inviolable, and no inhabitant of the State can be deprived of it except by virtue of a sentence grounded in law. Expropriation for purposes of public interest must be qualified by law and compensated prior to the expropriation. […] No armed body may make requisitions, or demand assistance of any kind". Furthermore, article 20 states that: "Foreigners enjoy in the territory of the Nation all the civil rights of a citizen; they may engage in their industry, trade or profession, own, purchase or transfer real estate property [...]".

Furthermore, in 1993, for the purpose of attracting foreign investors at the time of the privatisation of YPF, S.A., articles 7 and 28 of YPF, S.A.'s by-laws published in the prospectus of YPF, S.A. filed with the US Securities and Exchange Commission (SEC), established the obligation for the Argentinian state, and concomitant right for shareholders, to repurchase shares at a price determined pursuant to a precise and objective in the event of renationalisation. In addition, the repurchase would have to be accompanied by a takeover bid tendered by the Argentinian state for 100% of the share capital of YPF, S.A. Should this not occur, YPF, S.A.'s by-laws establish that the Argentinian state's interest in YPF cannot be counted for purposes of reaching a quorum in the shareholder meetings of YPF, S.A. and that no voting or economic rights will accrue to the Argentinian state either.

Repsol considers the above-mentioned expropriation process illegitimate and intends to take all corresponding and pertinent legal steps to defend its rights and interests as well as obtain full compensation for the grave damages suffered.

The most relevant legal steps taken are as follows:

1. Dispute under the jurisdiction of the Agreement for the Reciprocal Promotion and Protection of Investments.

On 10 May 2012, Repsol formally notified the Argentinian president of a dispute and the start of a negotiation period for reaching an out-of-court settlement regarding the Agreement on the Reciprocal Promotion and Protection of Investments which took effect on 28 September 1992. This written notification was followed by another on 28 May 2012 in which Repsol invited the Argentinian government to initiate the negotiations foreseen in the Agreement. These letters were answered by the Procurator of the Argentinian Treasury presenting formal pretexts. Following the negotiation period, which should last at least six months, if the parties do not reach an agreement, the ICSID could be involved to settle the issue.

Repsol considers that it has solid legal arguments for its claims to be recognised and to be compensated by the Argentinian state.

2. Lawsuit claiming unconstitutionality of the intervention in YPF by the Argentinian government and the "temporary occupation" of rights over 51% of Class D YPF, S.A. shares held by Repsol.

On 1 June 2012, Repsol filed a lawsuit before the Argentinian courts requesting the declaration of unconstitutionality: (i) of articles 13 and 14 of Law Nº 26,741 and any other regulation, resolution, act, investigation and/or action issued and/or performed under these regulations as being in clear violation of articles 14, 16, 17, 18 and 28 of the Argentinian constitution; (ii) of NEP Decree Nº 530/2012, NEP Decree Nº 532/2012, and NEP Decree Nº 732/2012 (taken together, the **Decrees**), and any other regulation, resolution, act, investigation and/or action issued and/or performed under the Decrees as standing in violation of articles 1, 14, 16, 17, 18, 28, 75, 99 and 109 of the Argentinian constitution. Certain precautionary measures that were also requested were dismissed. The next stage with respect to this action is resolution of the conflict regarding competence, followed by the competent body ruling on the issue. With respect to the precautionary measures, the next stage is that the Appeals Chamber decide upon the appeal filed by Repsol against the first instance dismissal of the requested precautionary measures.

Repsol considers it has solid arguments for the Buenos Aires courts to rule the intervention and temporary occupation of YPF unconstitutional.

3. "Class Action Complaint" filed before the New York Southern District Court regarding the Argentinian state's failure to comply with its obligation to launch a tender offer for YPF shares before taking control of YPF, S.A.

On 15 May 2012, Repsol and Texas Yale Capital Corp. filed a class action complaint in the South District of New York (in defence of interests of holders of Class D YPF, S.A. shares, excluding those shares subject to expropriation by the Argentinian state). The purpose of the lawsuit is: (i) to establish the obligation of the Argentinian state to launch a tender offer for Class D shares on the terms defined in YPF, S.A.'s by-laws, (ii) to declare that the shares subject to expropriation without a tender offer are void of voting and economic rights; (iii) to order the Argentinian state to refrain from exercising voting or economic rights over the shares subject to expropriation until it launches a tender offer; and (iv) that the Argentinian state indemnify the damages caused by its failure to comply with its obligation to launch a tender offer (the damages claimed have not been quantified yet in the proceedings).

This lawsuit against the Argentinian state is currently at the notification stage.

Repsol considers that it has solid arguments for the recognition of its corresponding rights to the YPF, S.A. shares that have not been expropriated.

4. Lawsuit filed with the New York Southern District Court for the failure of YPF, S.A. to present form 13D as obliged by the Securities and Exchange Commission (SEC) due to intervention by the Argentinian State.

On 12 May 2012, Repsol filed a lawsuit with the New York Southern District Court requesting that the Argentinian state be ordered to comply with its reporting requirements in conformity with section 13(d) of the U.S. Securities Exchange Act. This section requires that whoever acquires direct or indirect control over more than 5% of a share class in a company listed in the USA, report certain information (through a 13D form) including the number of shares controlled; the source and amount of funds to be used for the acquisition of these shares; information on any contracts, agreements, or understandings with any third party regarding the shares of the company in question; and the business and governance plans the controlling entity has with respect to this company.

This lawsuit against the Argentinian state is currently at the notification stage.

5. Claim brought by Repsol S.A. against YPF, S.A. for breach of antitrust laws.

On 25 July 2012, Repsol, S.A. sent a letter of demand to YPF, S.A. requiring that the latter refrain from offering, negotiating or granting rights of exploitation or other interests to third parties over the "Vaca Muerta" formation (an important hydrocarbon reservoir located, mainly, in the Argentinian Neuquén province) and other non-conventional hydrocarbon reservoirs discovered while YPF, S.A. was under the control of the Repsol Group.

Similarly, Repsol made various representations to competing third parties in relation to the YPF, S.A. dispute, expressly reserving its rights.

On 31 July 2012, Repsol S.A. brought an antitrust claim before the Spanish courts against YPF, S.A. and potential competitors that might reach exploitation agreements with the latter regarding the "Vaca Muerta" formation, a non-conventional hydrocarbon reservoir discovered while YPF, S.A. was under the control of the Repsol Group. The claim has been filed with a Madrid court.

Repsol considers that there are legal arguments for the claim to prevail.

Other legal and arbitration proceedings

From time to time the Group may be involved in lawsuits, disputes, or criminal, civil, administrative or arbitration proceedings in the ordinary course of its business. The following is an overview of certain of these proceedings affecting the Group as at the date of this Base Prospectus.

As a result of the YPF Expropriation, the discussion below does not include any legal proceedings in the United States of America and Argentina in which only YPF, S.A. or YPF subsidiaries were named as defendants but solely relates to ongoing judicial and arbitration proceedings in which members of the Repsol Group are named as defendant.

Argentina

Claims brought by former YPF, S.A. employees (Share Ownership Plan)

A former employee of YPF, S.A. before its privatisation (1992) who was excluded from the national YPF, S.A. employee share ownership plan (**PPP**) set up by the Argentinian government has filed a claim in Bell Ville (Province of Cordoba, Argentina) against YPF, S.A. and Repsol to seek recognition of his status as a shareholder of YPF, S.A.. In addition, the "Federation of Former Employees of YPF" has joined the

proceedings acting on behalf of other former employees excluded from the PPP. Repsol acquired its ownership interest in the capital of YPF, S.A. in 1999.

Pursuant to the plaintiff's request, the Bell Ville Federal Court of First Instance initially granted a preliminary injunction (the **Preliminary Injunction**), ordering that any sale of shares of YPF, S.A. or any other transaction involving the sale, assignment or transfer of shares of YPF, S.A. carried out either by Repsol or by YPF, S.A., be suspended, unless the plaintiff and other beneficiaries of the PPP (organised in the Federation of Former Employees of YPF) are involved or participate in such transactions. YPF, S.A. and Repsol filed an appeal against this decision in the Cordoba Federal Court, requesting that the Preliminary Injunction be revoked. The Federal Court of First Instance allowed the appeal and suspended the effects of the Preliminary Injunction. In addition, in March 2011, the Federal Judge responsible for the Buenos Aires Administrative Disputes Court reduced the Preliminary Injunction to only 10% of the ownership interest held by Repsol in the capital of YPF, S.A.. Accordingly, Repsol may freely dispose of its shares in YPF, S.A. provided that Repsol continues directly or indirectly to own at least 10% of the share capital of YPF, S.A.. Under the jurisprudence of the Federal Supreme Court of Argentina (upholding numerous decisions of the relevant Courts of Appeals), neither company is likely to be held liable for claims of this nature related with the PPP. In accordance with Law 25,471, the National Government of Argentina assumed sole responsibility for the matter and for any compensation that may be payable to former employees of YPF, S.A. who were excluded from the PPP, under the procedure established in it. On 21 July 2011, the judge of the First Instance upheld the claim of lack of jurisdiction made by of YPF, S.A. and Repsol and ordered to transfer the case to the Federal Courts in the autonomous city of Buenos Aires. This decision was confirmed by the Appeals Chamber on 15 December 2011. The aforementioned Chamber overruled the decision handed down by the judge in the Court of First Instance of Bell Ville, limiting it to only 10% of the shares controlled by Repsol, S.A. claimed by the plaintiffs. The ruling is final. In April 2012, the dossier was filed at the Federal Court 12 of Appeals on Commercial Matters, overseen by Dr. Guillermo Rossi.

Claim filed against Repsol and YPF by the Union of Consumers and Users

The plaintiff claims the reimbursement of all the amounts the consumers of bottled LPG were allegedly charged in excess from 1993-2001, corresponding to a surcharge for such product. With respect to the period from 1993 to 1997, the claim is based on the fine imposed on YPF, S.A. by the Secretariat of Industry and Commerce through its resolution of 19 March 1999. It should be noted that Repsol has never participated in the LPG market in Argentina and that the fine for abusing a dominant position was imposed on YPF, S.A. In addition, YPF, S.A. has alleged that charges are barred by the applicable statute of limitations. Hearings have commenced and are in process. The claim amounts to Argentinian Ps.91 million (€17 million) for the 1993-1997 period. Adding interest, this amount would increase to Argentinian Ps.365 million (€66 million), to which the amount corresponding to the 1997-2001 period should be added, as well as accrued interest and expenses.

Preliminary injunction filed by López, Osvaldo Federico and others against Repsol, S.A. (Dossier # 4444)

Through a relevant event notification published by YPF, S.A. on 26 April 2012, Repsol became aware of the existence of a preliminary injunction of "no innovation" ("*medida cautelar de no innovar" in Argentinian legal terminology*) issued on 20 April 2012 and notified to YPF, S.A., as filed before the Employment Court of First Instance of Rio Grande, Tierra de Fuego Province; such injunction ordering a suspension of the exercise of the voting and economic rights envisaged in YPF S.A.'s bylaws with respect to the 45,215,888 ADSs (each representing one common Class D share of YPF, S.A.) sold by Repsol in March 2011, this until such time as the nullity being sought in the relevant legal proceedings is decided upon. On 30 May 2012, Repsol appeared before the court to file a motion to reverse the injunction with supplementary appeal included.

Subsequently, through a relevant event notification published by YPF, S.A. on 1 June 2012, Repsol became aware of a ruling handed down on 14 May 2012, which modified such injunction and replacing it with another, according to which Repsol may not dispose of any funds it may receive as payment for the

expropriation of its shares in YPF, S.A., which payment will be determined for these purposes by the National Appraisal Tribunal. The ruling indicates that the previous injunction has ceased to be effective, which means that the holders of those shares can freely exercise their intrinsic rights. On 18 June 2012, Repsol filed a subsidiary appeal against the modification of the injunction referred to above.

On 25 June 2012, Repsol received notification of the filing of the claim.

On 23 August 2012, Repsol filed with the Federal Contentious-Administrative Court a request for it to accept jurisdiction, and on 28 August 2012 Repsol filed its defence. A court decision dated 31 August 2012 dismissed the appeal filed by Repsol. This decision has been appealed (through a complaint appeal) by Repsol.

United States of America

The Passaic River and Newark Bay cleanup lawsuit

This section discusses certain environmental contingencies as well as the sale by Maxus Energy Corporation (**Maxus**) of its former chemicals subsidiary, Diamond Shamrock Chemical Company (**Chemicals**) to a subsidiary of Occidental Petroleum Corporation (**Occidental**). Maxus agreed to indemnify Chemicals and Occidental for certain liabilities relating to the business and activities of Chemicals prior to 4 September 1986 (the **Closing Date**), including certain environmental liabilities relating to certain chemical plants and waste disposal sites used by Chemicals prior to the Closing Date. In 1995, YPF, S.A. acquired Maxus and in 1999, Repsol acquired YPF, S.A.

In December 2005, the Department of Environmental Protection (the **DEP**) and the New Jersey Spill Compensation Fund sued Repsol YPF, S.A. (now denominated Repsol, S.A.), YPF S.A., YPF Holdings Inc., CLH Holdings Inc., Tierra Solutions Inc., Maxus Energy Corporation, as well as Occidental Chemical Corporation. In August 2010, the lawsuit was extended to YPF International S.A. and Maxus International Energy Company. This is a claim for damages in connection with the contamination allegedly emanating from the former facility of Chemicals and allegedly contaminating the Passaic River, Newark Bay, and other nearby water bodies and properties (the **Passaic River/Newark Bay litigation**).

In February 2009, Maxus and Tierra included another 300 companies in the suit (including certain municipalities) as third parties since they are potentially liable.

The DEP did not quantify damages in its claims but did:

- maintain that the U.S.$50 million (€37 million) cap on damages under New Jersey legislation should not be applied;

- claim it had incurred approximately U.S.$113 million (€85 million) in costs in the past in clean-up and removal work and that it is looking for additional damages of between U.S.$10 million and U.S.$20 million (between €7 million and €15 million) to finance a study to assess damages to the natural resources (the **Natural Resources Damages Assessment**); and

- indicate to Maxus and Tierra that it is working on financial models outlining costs and other financial impacts, unknown at the time of the claims.

In October 2010, some of the defendants presented several motions to sever and stay, which would have had the effect of allowing the New Jersey DEP to take their case against the direct defendants. However, these motions were dismissed. Furthermore, other third parties presented motions to dismiss to be excluded from the proceedings. However, these motions were also dismissed in January 2011.

In May 2011, the court issued Case Management Order XVII (**CMO XVII**), which set forth the trial plans (the **Trial Plans**), dividing them in different trial tracks.

In accordance with the expected Trial Plan, the state and Occidental filed the corresponding motions ("motions for summary judgment"). On these motions, the court ruled as follows: (i) Occidental is the legal successor of any liabilities incurred by the corporations previously known as Diamond Alkali Corporation, Diamond Shamrock Corporation and Chemicals; (ii) the court denied the state's motion, without prejudice, insofar as it sought a ruling that factual findings made in the Aetna litigation should be binding in this case on Occidental and Maxus based on the doctrine of collateral estoppel; (iii) the court ruled that Tierra has Spill Act liability to the state based merely on its current ownership of the Lister Avenue site; and (iv) the court ruled that Maxus has an obligation under the 1986 stock purchase agreement to indemnify Occidental for any Spill Act liability arising from contaminants discharged from the Lister Avenue site.

Subsequently, and in accordance with the Trial Plan, the state and Occidental presented new motions for summary judgment against Maxus. On 21 May 2012, the court ruled the following on these motions: (i) Maxus could not respond as successor to Old Diamond Shamrock. In its findings, the court determined Occidental as the true successor; however, it is open to a subsequent analysis of succession, if the existence of punitive damages is determined later in the process; (ii) the terms of the indemnity agreement between Maxus and Occidental cannot be reinterpreted, and therefore, as the State of New Jersey is not a party in such agreement, it may not claim indemnity directly from Maxus; and (iii) Maxus may be considered Tierra's alter ego. In order to reach this conclusion, the court pointed out that for all effects and purposes, Tierra is a corporate shell designed to avoid historical responsibility. Accordingly, since Maxus is considered Tierra's alter ego, the court determined Maxus as equally responsible as Tierra under the Spill Act.

The trial proceedings have now been adjourned until June 2013: At the same time, and by order of the judge, the original parties shall submit to mediation for the purposes of evaluating the possibility of reaching an out-of-court agreement regarding the matter at hand.

Based on the available information at the date of this Base Prospectus, and considering the estimated time remaining for conclusion of the lawsuit and the results of investigations and/or proof obtained, it is not possible to reasonably estimate the amount of the eventual liabilities arising from the lawsuit.

Brazil

The Group is party to administrative claims instigated by the Brazilian authorities concerning the importation and circulation of industrial equipment for the exploration and production of hydrocarbons in fields that are not operated by the Group. The amount of such claims that could be allocated to the Repsol Group on account of its investments in non-operating consortia would total €143 million.

Ecuador

Complaint filed by Ecuador TLC (Petrobras)

On 14 May 2012, Ecuador TLC S.A. (Petrobras) (**Ecuador TLC**) filed with the International Centre for Dispute Resolution (ICDR) a claim against Repsol Ecuador S.A. (Ecuador Branch), Murphy Ecuador Ltd. (Amodaimi) (**Murphy**) and Canam Offshore Ltd (**Canam**) alleging the following: (i) infringement of the transportation agreement between the plaintiff company and Murphy Ecuador Limited and Canam Offshore Ltd. for not comprising the total production; (ii) lack of compliance with payment of the tariff corresponding to said volume; and (iii) disclosure of confidential information to Repsol related to the Oleoducto de Crudos Pesados de Ecuador pipeline.

Ecuador TLC requested that the arbitrators: a) rule in its favour and order the payment in its favour of damages arising from the transportation agreement, including interest and attorney fees; b) grant emergency assistance considering that Murphy and Canam are jointly and severally responsible for all the

amounts claimed by Ecuador TLC in this arbitration proceeding, and that Repsol is likewise fully responsible for all the amounts incurred by Canam according to the petition filed by Ecuador TLC in this arbitration proceeding; Murphy exercised its right to extend the transportation agreement deadline to December 2018, and is therefore liable for the related damages, including interest and attorney fees incurred from February 2012 through December 2018; and c) pay any additional general or specific expenses or assistance costs, in law and equity, to which Ecuador TLC is entitled. The claim, if successful, would amount to approximately U.S.$82 million (€65 million).

TAXATION

The Netherlands

The following is a general overview and the tax consequences as described here may not apply to a Holder of Notes (as defined below). Any potential investor should consult his tax adviser for more information about the tax consequences of acquiring, owning and disposing of Notes in his particular circumstances.

This taxation overview solely addresses the principal Dutch tax consequences of the acquisition, ownership and disposal of Notes issued on or after the date of this Base Prospectus. It does not consider every aspect of taxation that may be relevant to a particular Holder of Notes under special circumstances or who is subject to special treatment under applicable law. Where in this overview English terms and expressions are used to refer to Dutch concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Dutch concepts under Dutch tax law. Where in this taxation overview the terms "The Netherlands" and "Dutch" are used, these refer solely to the European part of the Kingdom of the Netherlands.

This overview is based on the tax law of The Netherlands (unpublished case law not included) as it stands at the date of this Base Prospectus. The law upon which this overview is based is subject to change, perhaps with retroactive effect. Any such change may invalidate the contents of this overview, which will not be updated to reflect such change. This overview assumes that each transaction with respect to Notes is at arm's length.

Where in this section "Taxation—The Netherlands" reference is made to a "Holder of Notes", that concept includes, without limitation:

1. an owner of one or more Notes who in addition to the title to such Notes has an economic interest in such Notes;

2. a person who or an entity that holds the entire economic interest in one or more Notes;

3. a person who or an entity that holds an interest in an entity, such as a partnership or a mutual fund, that is transparent for Dutch tax purposes, the assets of which comprise one or more Notes, within the meaning of 1. or 2. above; or

4. a person who is deemed to hold an interest in Notes, as referred to under 1. to 3., pursuant to the attribution rules of article 2.14a, of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting* 2001), with respect to property that has been segregated, for instance in a trust or a foundation.

Withholding tax

All payments under Notes may be made free from withholding or deduction of or for any taxes of whatever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority of or in The Netherlands, except where Notes are issued under such terms and conditions that such Notes are capable of being classified as equity of the Issuer for Dutch tax purposes or actually function as equity of the Issuer within the meaning of article 10, paragraph 1, letter d, of the Dutch Corporation Tax Act 1969 *(Wet op de vennootschapsbelasting 1969)* and where Notes are issued that are redeemable in exchange for, convertible into or linked to shares or other equity instruments issued or to be issued by the Issuer or by any entity related to the Issuer.

Taxes on income and capital gains

The overview set out in this section "Taxes on income and capital gains" applies only to a Holder of Notes who is neither resident nor deemed to be resident in The Netherlands for the purposes of Dutch income tax or corporation tax, as the case may be, and who, in the case of an individual, has not elected to be treated as a resident of The Netherlands for Dutch income tax purposes (a ***Non-Resident Holder of Notes***).

Individuals

A Non-Resident Holder of Notes who is an individual will not be subject to any Dutch taxes on income or capital gains in respect of any benefits derived or deemed to be derived from Notes, including any payment under Notes and any gain realised on the disposal of Notes, except if:

1. he derives profits from an enterprise, whether as an entrepreneur *(ondernemer)* or pursuant to a co-entitlement to the net value of such enterprise, other than as a shareholder, such enterprise either being managed in The Netherlands or carried on, in whole or in part, through a permanent establishment or a permanent representative in The Netherlands and his Notes are attributable to such enterprise; or

2. he derives benefits or is deemed to derive benefits from Notes that are taxable as benefits from miscellaneous activities in The Netherlands *(resultaat uit overige werkzaamheden in Nederland)*.

If a Holder of Notes is an individual who does not come under exception 1 above, and if he derives or is deemed to derive benefits from Notes, including any payment under such Notes and any gain realised on the disposal thereof, such benefits are taxable as benefits from miscellaneous activities in The Netherlands if he, or an individual who is a connected person in relation to him as meant by article 3.91, paragraph 2, letter b, or c, of the Dutch Income Tax Act 2001 *(Wet inkomstenbelasting 2001)*, has a substantial interest *(aanmerkelijk belang)* in the Issuer.

Generally, a person has a substantial interest in the Issuer if such person – either alone or, in the case of an individual, together with his partner *(partner)*, if any , or pursuant to article 2.14a, of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*) – owns or is deemed to own, directly or indirectly, either a number of shares representing five per cent or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of the Issuer, or rights to acquire, directly or indirectly, shares, whether or not already issued, representing five per cent or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of the Issuer, or profit participating certificates *(winstbewijzen)* relating to five per cent or more of the annual profit of the Issuer, or to five per cent or more of the liquidation proceeds of the Issuer.

A person who is entitled to the benefits from shares or profit participating certificates (for instance a holder of a right of usufruct) is deemed to be a holder of shares or profit participating certificates, as the case may be, and such person's entitlement to such benefits is considered a share or a profit participating certificate, as the case may be.

Furthermore, a Holder of Notes who is an individual and who does not come under exception 1 above may, *inter alia*, derive, or be deemed to derive, benefits from Notes that are taxable as benefits from miscellaneous activities in the following circumstances, if such activities are performed or deemed to be performed in The Netherlands:

a. if his investment activities go beyond the activities of an active portfolio investor, for instance in the case of use of insider knowledge *(voorkennis)* or comparable forms of special knowledge;

b. if he makes Notes available or is deemed to make Notes available, legally or in fact, directly or indirectly, to certain parties as meant by articles 3.91 and 3.92 of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*) under circumstances described there, or

c. if he holds Notes, whether directly or indirectly, and any benefits to be derived from such Notes are intended, in whole or in part, as remuneration for activities performed or deemed to be performed in the Netherlands by him or by a person who is a connected person in relation to him as meant by article 3.92b, paragraph 5, of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*).

Attribution rule

Benefits derived or deemed to be derived from certain miscellaneous activities by a child or a foster child who is under eighteen years of age are attributed to the parent who exercises, or the parents who exercise, authority over the child, irrespective of the country of residence of the child.

Entities

A Non-Resident Holder of Notes, other than an individual, will not be subject to any Dutch taxes on income or capital gains in respect of benefits derived or deemed to be derived from Notes, including any payment under Notes and any gain realised on the disposal of Notes, except if:

(a) such Non-Resident Holder of Notes derives profits from an enterprise directly or pursuant to a co-entitlement to the net value of such enterprise, other than as a holder of securities, such enterprise either being managed in The Netherlands or carried on, in whole or in part, through a permanent establishment or a permanent representative in The Netherlands, and its Notes are attributable to such enterprise; or

(b) such Non-Resident Holder of Notes has a substantial interest (as described above under Individuals) or a deemed substantial interest in the Issuer , with the predominant objective to avoid the levy of income taxation or dividend withholding tax of another person and this substantial interest is not attributable to an enterprise of such Holder of Notes.

A deemed substantial interest may be present if shares, profit participating certificates or rights to acquire shares in the Issuer are held or deemed to be held following the application of a non-recognition provision.

General

Subject to the above, a Non-Resident Holder of Notes will not be subject to income taxation in The Netherlands by reason only of the execution *(ondertekening),* delivery *(overhandiging)* and/or enforcement of the documents relating to the issue of Notes or the performance by the Issuer of its obligations under such documents or under Notes.

Gift and inheritance taxes

If a Holder of Notes disposes of Notes by way of gift, in form or in substance, or if a Holder of Notes who is an individual dies, no Dutch gift tax or Dutch inheritance tax, as applicable, will be due, unless:

(i) the donor is, or the deceased was resident or deemed to be resident in The Netherlands for purposes of Dutch gift tax or Dutch inheritance tax, as applicable; or

(ii) the donor made a gift of Notes, then became a resident or deemed resident of The Netherlands, and died as a resident or deemed resident of The Netherlands within 180 days of the date of the gift.

For purposes of the above, a gift of Notes made under a condition precedent (*opschortende voorwaarde*) is deemed to be made at the time the condition precedent is satisfied.

Other taxes and duties

No Dutch registration tax, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, is payable in The Netherlands in respect of or in connection with (i) the execution, delivery and/or enforcement by legal proceedings (including the enforcement of any foreign judgment in the courts of The Netherlands) of the documents relating to the issue of Notes, (ii) the performance by the Issuer or the Guarantor of its obligations under such documents or under Notes, or (iii) the transfer of Notes, except that Dutch real property transfer tax (*overdrachtsbelasting*) may be due by a Holder of Notes if in satisfaction of all or part of any of its rights under Notes, it acquires any asset, or an interest in any asset (*economische eigendom*), that qualifies as real property or as a right over real property situated in the Netherlands for the purposes of Dutch real property transfer tax (*overdrachtsbelasting*) or where Notes are issued under such terms and conditions that they represent an interest in assets (*economische eigendom*) that qualify as real property, or rights over real property, situated in the Netherlands, for the purposes of Dutch real property transfer tax.

The Kingdom of Spain

General

The following is a overview *of the principal Spanish tax consequences of the ownership and disposition of Notes.*

This overview is not a complete analysis or listing of all the possible tax consequences of the ownership or disposition of the Notes. Prospective investors should, therefore, consult their tax advisers with respect to the Spanish and other tax consequences taking into consideration the circumstances of each particular case. The statements regarding Spanish tax laws set out below are based on those laws in force at the date of this Base Prospectus.

In this respect regard should be had to certain government initiatives, pursuant to which amendments to the taxation regime described in this overview could potentially be made. Although the final terms of these initiatives are still unknown, a change to the tax consequences for individuals and companies described in this overview as a result of the coming into force of those government initiatives cannot be entirely ruled out.

Non-Resident Holder

This paragraph is of application to a non-resident of Spain, whose holding of Notes is not effectively connected to a permanent establishment in Spain through which such person or entity carries on a business or trade in Spain (***Non-Resident Holder***).

For Spanish tax purposes the holding of the Notes will not in and of itself cause a non-Spanish resident to be considered a resident of Spain nor to be considered to have a permanent establishment in Spain.

Payments made by the Issuer to a Non-Resident Holder will not be subject to Spanish tax.

Any payment by the Guarantor that could be made pursuant to the Guarantee to a Non-Resident Holder will not be subject to withholding tax levied by Spain, and such Holder will not, by virtue of receipt of such payment, become subject to other additional taxation in Spain.

A Non-Resident Holder will not be subject to any Spanish taxes on capital gains in respect of a gain realised on the disposal of a Note.

Residents

Spanish tax-residents are subject to Corporate or Individual Income Tax on a worldwide basis. Accordingly, income obtained from the Notes will be taxed in Spain when obtained by persons or entities that are considered residents in Spain for tax purposes. The fact that (i) a Spanish corporation pays interest, or (ii) interest is paid in Spain, will not lead an individual or entity being considered tax-resident in Spain.

As a general rule, non-Spanish taxes withheld at source on income obtained out of Spain are deducted when computing tax liability, provided that they do not exceed the corresponding Spanish tax. Specific rules may apply according to tax treaties.

It is to be noted that if Notes are traded in Spain, general rules governing advanced taxation at source (*retenciones*) will be applicable in connection with Spanish tax-resident holders of the Notes. The present rate of taxation at source is set at 21%. However when the income recipient is a corporation, certain exemptions have been established, so corporate holders are suggested to obtain independent tax advice. The advanced tax is credited against final Individual or Corporate Income Tax with no limit; hence, any excess entitles the taxpayer to a refund.

As at the date of this Base Prospectus the Income Tax rates applicable in Spain are:

(i) for individual taxpayers 21% up to €6,000 and 25% from €6,000.01 to €24,000 and 27% on the excess over €24,000, as capital income, for individual taxpayers; and

(ii) for corporate taxpayers 30%, though, under certain circumstances (small companies, non-profit entities, among others), a lower rate may apply.

Net Wealth Tax

This tax is only applicable to individuals (i.e. corporations and entities, either resident or non-resident, are not affected by this particular tax but by legislation of Corporate Income Tax or Non-Resident Income Tax).

Non-residents

Net Wealth Tax may be levied in Spain on non-resident individuals only on those assets and rights that are located or that may be exercised or fulfilled within the Spanish territory. For the years 2011 and 2012, Central Government has repealed the 100% relief of this tax.

As the Notes are issued by a non-resident entity and are not payable in Spain, no tax liability would arise for those non-resident individual investors without a permanent establishment in Spain.

Residents

Net Wealth Tax may be levied in Spain on resident individuals, on a worldwide basis. Though for the years 2011 and 2012 the Spanish Central Government has repealed the 100% relief of this tax, the actual collection of this tax depends on the regulations of each Autonomous Community. Thus, investors should consult their tax adivisers according to the particulars of their situation.

Inheritance and Gift Tax

This tax is only applicable to individuals (i.e. corporations and entities, either resident or non-resident, are not affected by this particular tax).

Non-residents

Inheritance and Gift Tax may be levied in Spain on non-resident individuals only on those assets and rights that are located or that may be exercised or fulfilled within the Spanish territory.

As the Notes are issued by a non-resident entity and are not payable in Spain, no tax liability would arise for those non-resident individual investors without a permanent establishment in Spain.

Residents

Inheritance and Gift Tax may be levied in Spain on resident individuals, on a worldwide basis. As the actual collection of this tax depends on the regulations of each Autonomous Community, investors should consult their tax adivisers according to the particulars of their situation.

Luxembourg

The following is a general overview and the tax consequences as described here may not apply to a holder of Notes. Any potential investor should consult his own tax adviser for more information about the tax consequences of acquiring, owning and disposing of Notes in his particular circumstances.

This taxation overview solely addresses the principal Luxembourg tax consequences of the acquisition, ownership and disposition of Notes to be issued by the Issuer. It does not discuss every aspect of taxation that may be relevant to a particular holder of Notes under special circumstances or who is subject to special treatment under applicable law. Where in this overview English terms and expressions are used to refer to Luxembourg concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Luxembourg concepts under Luxembourg tax law.

This overview is based on the tax laws of Luxembourg (unpublished case law excluded) as it stands at the date of this Base Prospectus. The laws upon which this overview is based are subject to change, perhaps with retroactive effect. Any such change may invalidate the contents of this overview, which will not be updated to reflect any such change. This overview assumes that each transaction with respect to Notes is at arm's length.

Withholding tax

The Council of the European Union (the ***EU***) has adopted the Savings Directive regarding the taxation of savings income. The Savings Directive requires Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual in another Member State, except that Luxembourg will instead impose a withholding system for a transitional period unless during such period it elects otherwise.

Luxembourg implemented the Savings Directive in its domestic legislation. In the event of interest payments on the Notes being made or secured by paying agents located in Luxembourg for the immediate benefit of beneficial owners who are resident in an EU Member State other than Luxembourg, or in certain of the territories dependent or associated with an EU Member State, and being either (i) individuals or (ii) certain residual entities (generally entities other than legal entities, Undertakings for Collective Investments in Transferable Securities (***UCITS***) and entities taxed as enterprises) (the ***Residual Entities*** as defined under article 4-2 of the Savings Directive), such paying agent must withhold a withholding tax at a rate of 35%. Such beneficial owners and residual entities can avoid such withholding by either authorising the relevant paying agent to exchange information regarding the interest payment to the relevant tax authorities or providing it with a certificate issued by the latter.

Furthermore, in case interest payments on the Notes are made or secured by paying agents located in Luxembourg, such paying agent must withhold a withholding tax at a rate of 10% in the following cases:

(i) if such payments are made for the immediate benefit of individuals resident in Luxembourg; or

(ii) if such payments are made to the Residual Entities for the benefit of Luxembourg resident individuals. The withholding tax shall not apply if, for the purposes of the application of the Savings Directive, the residual entity elects to exchange information or elects to be treated as a UCITS.

No other Luxembourg withholding taxes are applicable on payments under the Notes.

Taxes on income, capital gains and net wealth

The overview set out in this section "Taxes on income, capital gains and net wealth" only applies to a holder of Notes who is neither resident nor deemed to be resident in Luxembourg for the purposes of Luxembourg income tax, corporation tax, or net wealth tax, as the case may be (a ***Non-Resident Holder of Notes***).

A Non-Resident Holder of Notes will not be subject to any Luxembourg taxes on income or capital gains in respect of any benefit derived or deemed to be derived from Notes, including any payment under Notes and any gain realised on the disposal of Notes, provided that the holding of Notes is not effectively connected to a permanent establishment in Luxembourg through which the Holder carries on a business or trade in Luxembourg. Similarly, such Non-Resident Holders of Notes will not be subject to any Luxembourg net wealth tax with regard to the Notes.

Luxembourg gift and inheritance taxes

Inheritance tax is levied in Luxembourg at progressive rates (depending on the value of the assets inherited and the degree of relationship). No Luxembourg inheritance tax will be due in respect of the Notes unless the Holder of Notes resides in Luxembourg at the time of his decease. No gift tax is due upon the donation of Notes unless such donation is registered in Luxembourg (which is generally not required).

SUBSCRIPTION AND SALE

Overview of Dealer Agreement

Subject to the terms and on the conditions contained in the Amended and Restated Dealer Agreement dated 25 October 2012 (as further amended and/or supplemented from time to time, the **Dealer Agreement**) between the Issuer, the Guarantor, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for certain of its expenses incurred in connection with the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Selling Restrictions

United States

The Notes and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Notes having maturity of more than one year may not be offered, sold or delivered within the United States or its possessions or to United States persons.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, it has offered and sold the Notes of any identifiable tranche, and shall offer and sell the Notes of any identifiable Tranche, (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche, as determined and certified to the Issuer and each relevant Dealer, by the Issuing and Paying Agent or, in the case of Notes issued on a syndicated basis, the Lead Manager, only in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and shall comply with the offering restrictions requirement of Regulation S. Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, to notify the Issuing and Paying Agent or, in the case of Notes issued on a syndicated basis, the Lead Manager when it has completed the distribution of its portion of the Notes of any identifiable tranche so that the Issuing and Paying Agent or, in the case of a Notes issued on a syndicated basis, the Lead Manager may determine the completion of the distribution of all Notes of that tranche and notify the other relevant Dealers of the end of the distribution compliance period. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other

remuneration that purchases Notes from it prior to the expiration of the 40-day distribution compliance period a confirmation or notice to substantially the following effect:

*"The Securities covered hereby have not been registered under the U.S. Securities Act of 1933 (the **Securities Act**) and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such tranche as determined, and certified to the Issuer and Relevant Dealers, by the Issuing and Paying Agent or, in the case of a Syndicated Issuer, the Lead Manager, except in either case in accordance with Regulation S under the Securities Act. Accordingly, neither you, your affiliates nor any person acting on your behalf or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes and if selling Notes to another dealer, distributor or person receiving a selling concession, fee or other remuneration in respect of the Notes sold prior to the expiration of the 40-day distribution compliance period, you will send a confirmation or other notice to the purchaser stating that such purchaser is subject to the same restrictions on offers and sales which apply to a distributor and which are set forth herein. Terms used above have the meanings given to them by Regulation S."*

Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after completion of the distribution of the Notes comprising any Tranche, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Unless the purchase information or the subscription agreement relating to one or more Tranches specifies that the applicable TEFRA exemption is either "C Rules" or "not applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, in relation to each Tranche of Notes:

(a) except to the extent permitted under U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the ***D Rules***):

  (i) it has not offered or sold, and during the restricted period shall not offer or sell Notes to a person who is within the United States or its possessions or to a United States person and

  (ii) it has not delivered and shall not deliver within the United States or its possessions definitive Notes that are sold during the restricted period;

(b) it has and throughout the restricted period shall have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;

(c) if it is a United States person, it is acquiring the Notes for purposes of resale in connection with their original issuance and if it retains Notes for its own account, it shall only do so in accordance with the requirements of U.S. Treas. Reg. §1.163-5(c)(2)(i)(D)(6);

(d) with respect to each affiliate that acquires from it Notes for the purpose of offering or selling such Notes during the restricted period, it either (a) repeats and confirms the representations set forth in sub-paragraphs (a), (b) and (c) above on behalf of such affiliate or (b) agrees that it shall obtain from such affiliate for the benefit of the Issuer the representations set forth in sub-paragraphs (a), (b) and (c) above; and

(e) it has not and will not enter into any written contract as defined in U.S. Treas. Reg. §1.163-5(c)(2)(i)(D)(4) (other than a confirmation or other notice of the transaction) pursuant to which

any other party to the contract (other than with one of its affiliates or another Dealer) has offered or sold, or during the restricted period will offer or sell, any Notes except where pursuant to the contract it has obtained or will obtain from that party, for the benefit of the Issuer and the several Dealers, the representations contained in, and the distributor's agreement to comply with, the provisions set forth in sub-paragraphs (a), (b), (c) and (d).

Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the D Rules.

In addition, to the extent that the purchase information or the subscription agreement relating to one or more Tranches of Notes specifies that the applicable TEFRA exemption is "C Rules", the following applies, under U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the **C Rules**) and the regulations expected to be promulgated under Section 4701(b)(1)(B) of the U.S. Internal Revenue Code of 1986, as amended (the **Code**) to set out the criteria for "foreign targeted obligations" that are exempt from the excise tax under Section 4701(b)(1)(B) of the Code, Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. In relation to each such Tranche, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered, and shall not offer, sell or deliver, directly or indirectly, Notes within the United States or its possessions in connection with their original issuance. Further, in connection with the original issuance of Notes, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not communicated, and shall not communicate, directly or indirectly, with a prospective purchaser if either such purchaser or it is within the United States or its possessions or otherwise involve any office in the United States or its possessions in the offer or sale of Notes. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the C Rules and Notice 2012-20.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

United Kingdom

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000, as amended (the **FSMA**) by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

The Netherlands

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that Zero Coupon Notes in definitive bearer form and other Notes in definitive bearer form on which interest does not become due and payable during their term but only at maturity (savings certificates or *spaarbewijzen,* as defined in the Dutch Savings Certificates Act or *Wet inzake spaarbewijzen* (the **SCA**)) may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the Issuer or a member firm of Euronext Amsterdam N.V. with due observance of the provisions of the SCA and its implementing regulations (which include registration requirements). No such mediation is required, however, in respect of (i) the initial issue of those Notes to the first holders thereof, (ii) the transfer and acceptance by individuals who do not act in the conduct of a business or profession, and (iii) the issue and trading of those Notes, if they are physically issued outside The Netherlands and are not distributed in The Netherlands in the course of primary trading or immediately thereafter.

The Notes may not be offered to the public in the Netherlands in reliance on Article 3(2) of the Prospectus Directive (as defined under "European Economic Area" above) unless (i) such offer is made exclusively to persons or entities which are qualified investors as defined in the Prospectus Directive or (ii) standard exemption wording is disclosed as required by Article 5:20(5) of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), provided that no such offer of Notes shall require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Spain

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree that the Notes may not be offered or sold in the Kingdom of Spain by means of a public offer as defined and construed in the Spanish Securities Market Law of 28 July 1988 (*Ley 24/1988, de 28 de julio, del Mercado de Valores*), Royal Decree 1310/2005 of 4 November 2005 (*Real Decreto 1310/2005, de 4 de noviembre)* and any other regulations supplementing, completing, or amending such laws and decrees, each, as amended and restated, unless such sale, offer of distribution is made in compliance with the provisions of the Spanish Securities Market Law, Royal Decree 1310/2005 of 4 November 2005 and the applicable regulation.

Switzerland

Unless explicitly stated otherwise in the Final Terms of the relevant Notes, Notes issued under this Programme may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Base Prospectus nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland and neither this Base Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland. The Notes do not constitute a participation in a collective investment scheme in the meaning of the Swiss Federal Act on Collective Investment Schemes (the **CISA**) and neither the Issuer nor the Notes are authorized by or registered with the Swiss Financial Market Supervisory Authority FINMA (**FINMA**) under the CISA. Therefore, investors in the Notes do not benefit from protection under the CISA or supervision by FINMA.

Japan

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended); the ***Financial Instruments and Exchange Act***). Accordingly, each Dealer has represented and agreed, and each further Dealer will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws, regulations and ministerial guidelines of Japan.

Hong Kong

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

Each Dealer has acknowledged that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore (the **MAS)**. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**) or (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA.

This Base Prospectus has not been registered as a prospectus with the MAS. Accordingly, this Base Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes may not be circulated or distributed, nor may any Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, or (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law; or

(iv) as specified in Section 276(7) of the SFA.

Republic of Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Base Prospectus or of any other document relating to any Notes be distributed in Italy, except, in accordance with any Italian securities, tax and other applicable laws and regulations.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered, sold or delivered, and will not offer, sell or deliver any Notes or distribute any copy of this Base Prospectus or any other document relating to the Notes in Italy except:

(a) to qualified investors (*investitori qualificati*), as referred to in Article 100 of Legislative Decree no. 58 of 24 February 1998 (the "**Financial Services Act**") and Article 34-*ter*, paragraph 1, letter (b) of CONSOB regulation No. 11971 of 14 May 1999 (the "**Issuers Regulation**"), all as amended from time to time; or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Issuers Regulation.

In any event, any offer, sale or delivery of the Notes or distribution of copies of this Base Prospectus or any other document relating to the Notes in Italy under paragraphs (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the "**Banking Act**"), CONSOB Regulation No. 16190 of 29 October 2007, all as amended from time to time;

(ii) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the offering or issue of securities in Italy; and

(iii) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority.

Investors should note that, in accordance with Article 100-*bis* of the Financial Services Act, where no exemption from the rules on public offerings applies under paragraphs (a) and (b) above, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and the Issuers Regulation. Furthermore, where no exemption from the rules on public offerings applies, the Notes which are initially offered and placed in Italy or abroad to professional investors only but in the following year are "systematically" distributed on the secondary market in Italy become subject to the public offer and the prospectus requirement rules provided under the Financial Services Act and Issuers Regulation. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the purchasers of Notes who are acting outside of the course of their business or profession.

General

These selling restrictions may be modified by the agreement of the Issuer, the Guarantor and the Dealers following a change in a relevant law, regulation or directive.

Each Dealer has agreed, and each further Dealer will be required to agree, that it will comply with all relevant laws, regulations and directives in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense.

Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer, the Guarantors and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

Other than in Luxembourg, no action has been taken in any jurisdiction by the Issuer, the Guarantor or the Dealers that would permit a public offering of any of the Notes, or possession or distribution of this Base Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

None of the Issuer, the Guarantor, the Trustee or the Dealers represents that Notes may, at any time, lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer, the Guarantor and the relevant Dealer shall agree amongst themselves.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, save for the text in italics and subject to completion in accordance with the provisions of the relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the provisions of the relevant Final Terms or (ii) these terms and conditions as so completed, shall be endorsed on such Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Final Terms. Those definitions will be endorsed on the definitive Notes. References in the Conditions to ''Notes'' are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are constituted by the Amended and Restated Trust Deed dated 25 October 2012 (as amended and/or supplemented as at the date of issue of the Notes (the ***Issue Date***), the ***Trust Deed***) between the Issuer, the Guarantor, and Citicorp Trustee Company Limited (the ***Trustee***, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Notes, Receipts, Coupons and Talons referred to below. The Amended and Restated Agency Agreement (as amended and/or supplemented as at the Issue Date, the ***Agency Agreement***) dated 25 October 2012 has been entered into in relation to the Notes between the Issuer, the Guarantor, the Trustee, Citibank, N.A., London Branch as initial issuing and paying agent and the other agents named in it. The issuing and paying agent, the paying agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the ***Issuing and Paying Agent***, the ***Paying Agents*** (which expression shall include the Issuing and Paying Agent), and the ***Calculation Agent(s)***. Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at Agency & Trust, 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB) and at the specified offices of the Paying Agents.

The Noteholders, the holders of the interest coupons (the ***Coupons***) relating to interest bearing Notes and, where applicable in the case of such Notes, talons for further Coupons (the ***Talons***) (the ***Couponholders***) and the holders of the receipts for the payment of instalments of principal (the ***Receipts***) relating to Notes of which the principal is payable in instalments are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement and the relevant Final Terms.

1. Form, Specified Denomination and Title

The Notes are issued in bearer form (***Notes***) in each case in the Specified Denomination(s) shown in the relevant Final Terms, provided that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of those Notes). Notes of one Specified Denomination may not be exchanged for Notes of another denomination.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Instalment Note or a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown in the relevant Final Terms.

So long as the Notes are represented by a Temporary Global Note or Permanent Global Note and the relevant clearing system(s) so permit, the Notes will be tradeable only in (a) if the Specified Denomination stated in the relevant Final Terms is €100,000 (or its equivalent in another currency), the authorised denomination of €100,000 (or its equivalent in another currency) and integral multiples of €100,000 (or its equivalent in another currency) thereafter, or (b) if the Specified Denomination stated in the relevant Final

Terms is €100,000 (or its equivalent in another currency) and integral multiples of €1,000 (or its equivalent in another currency) in excess thereof, the minimum authorised denomination of €100,000 (or its equivalent in another currency) and higher integral multiples of €1,000 (or its equivalent in another currency), notwithstanding that no definitive notes will be issued with a denomination above €199,000 (or its equivalent in another currency).

Notes are serially numbered in the Specified Currency and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Title to the Notes and the Receipts, Coupons and Talons shall pass by delivery. The holder (as defined below) of any Note, Receipt, Coupon or Talon shall (except as otherwise required by law) be deemed to be and may be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it or its theft or loss) and no person shall be liable for so treating the holder.

In these Conditions, ***Noteholder*** means the bearer of any Note and the Receipts relating to it, ***holder*** (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Note, Receipt, Coupon or Talon and capitalised terms have the meanings given to them in the relevant Final Terms, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. Guarantee and Status

(a) **Guarantee**: The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Notes, Receipts and Coupons. Its obligations in that respect (the ***Guarantee***) are contained in the Trust Deed.

(b) **Status**: The Notes and the Receipts and Coupons relating to them constitute (subject to Condition 3) unsecured and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and Coupons relating to them and of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by the laws of bankruptcy and other laws affecting the rights of creditors generally and subject to Condition 3, at all times rank at least equally with all their respective other present and future unsecured and unsubordinated obligations.

3. Negative Pledge

So long as any of the Notes, Receipts or Coupons remain outstanding (as defined in the Trust Deed), each of the Issuer and the Guarantor undertakes that it will not create or have outstanding any mortgage, charge, pledge, lien or other security interest (each a ***Security Interest***) upon the whole or any part of its undertaking, assets or revenues (including any uncalled capital), present or future, in order to secure any Relevant Indebtedness (as defined below) or to secure any guarantee of or indemnity in respect of any Relevant Indebtedness unless (a) all amounts payable by the Issuer and/or the Guarantor under the Notes, the Receipts, the Coupons and the Trust Deed are equally and rateably secured therewith by such Security Interest to the satisfaction of the Trustee or (b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided either (A) as the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Noteholders or (B) as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

In these Conditions, ***Relevant Indebtedness*** means any obligation in respect of present or future indebtedness in the form of, or represented or evidenced by, bonds, debentures, notes or other securities which are, or are intended to be (with the consent of the issuer thereof), quoted, listed, dealt in or traded on

any stock exchange or over-the-counter market other than such indebtedness which by its terms will mature within a period of one year from its date of issue.

4. Interest and other Calculations

(a) **Interest on Fixed Rate Notes**: Each Fixed Rate Note bears interest on its outstanding principal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 4(f).

(b) **Interest on Floating Rate Notes**:

(i) *Interest Payment Dates*: Each Floating Rate Note bears interest on its outstanding principal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 4(f). Such Interest Payment Date(s) is/are either shown in the relevant Final Terms as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown in the relevant Final Terms, Interest Payment Date shall mean each date which falls the number of months or other period shown in the relevant Final Terms as the Specified Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention*: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes*: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the relevant Final Terms and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the relevant Final Terms.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate plus or minus (as indicated in the relevant Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), ***ISDA Rate*** for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified in the relevant Final Terms;

(y) the Designated Maturity is a period specified in the relevant Final Terms; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the relevant Final Terms.

For the purposes of this sub-paragraph (A), ***Floating Rate***, ***Calculation Agent***, ***Floating Rate Option***, ***Designated Maturity***, ***Reset Date*** and ***Swap Transaction*** have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

(x) Where Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00a.m. (London time in the case of LIBOR, LIBID and LIMEAN or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

(y) if the Relevant Screen Page is not available or if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, LIBID or LIMEAN, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Eurozone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, LIBID or LIMEAN at approximately 11.00a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, LIBID or LIMEAN at approximately 11.00a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified

Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, LIBID or LIMEAN, the London inter-bank market or, if the Reference Rate is EURIBOR, the Eurozone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, LIBID or LIMEAN, at approximately 11.00a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, LIBID or LIMEAN, the London inter-bank market or, if the Reference Rate is EURIBOR, the Eurozone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(c) **Zero Coupon Notes**: Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 5(b)(i)).

(d) **Accrual of Interest**: Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 4 to the Relevant Date.

(e) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding**:

(i) If any Margin is specified in the relevant Final Terms (either (x) generally or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 4(b) above by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin, subject always to the next paragraph.

(ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified in the relevant Final Terms, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all

figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes ***unit*** means the lowest amount of such currency that is available as legal tender in the country or countries (as appropriate) of such currency.

(f) **Calculations**: The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified in the relevant Final Terms, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(g) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Change of Control Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts**: The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Change of Control Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Change of Control Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange or other relevant authority of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 4(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 8, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(h) **Determination or Calculation by Trustee**: If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Instalment Amount, Final Redemption Amount, Change of Control Redemption Amount, Early Redemption Amount or Optional Redemption Amount, the Trustee shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been

made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(i) **Definitions**: In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

Business Day means:

(i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency and/or

(ii) in the case of euro, a day on which the TARGET System is operating (a ***TARGET Business Day***) and/or

(iii) in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

Day Count Fraction means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or Interest Accrual Period, the ***Calculation Period***):

(i) if ***Actual/Actual***, ***Actual/Actual (ISDA)***, ***Act/Act*** or ***Act/Act (ISDA)*** is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if ***Actual/Actual (ICMA)*** or ***Act/Act (ICMA)*** is specified in the relevant Final Terms, a fraction equal to "number of days accrued/number of days in year", as such terms are used in Rule 251 of the statutes, by-laws, rules and recommendations of the International Capital Markets Association (the ***ICMA Rule Book***), calculated in accordance with Rule 251 of the ICMA Rule Book as applied to non-U.S. dollar denominated straight and convertible bonds issued after 31 December 1998, as though the interest coupon on a bond were being calculated for a coupon period corresponding to the Calculation Period;

(iii) if ***Actual/365 (Fixed)***, ***Act/365 (Fixed***), ***A/365 (Fixed***) or ***A/365F*** is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365;

(iv) if ***Actual/365 (Sterling)*** is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(v) if ***Actual/360***, ***Act/360*** or ***A/360*** is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 360;

(vi) if ***30/360, 360/360*** or ***Bond Basis*** is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Calculation Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

D_1 is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D_2 will be 30;

(vii) if ***30E/360*** **or** *Eurobond Basis* is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Calculation Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

D_1 is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30;

(viii) if ***30E/360 (ISDA)*** is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Calculation Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

D_1 is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

Eurozone means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty on the Functioning of the European Union, as amended from time to time.

Interest Accrual Period means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

Interest Amount means (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and, in the case of Fixed Rate Notes, the Fixed Coupon Amount or Broken Amount, specified in the relevant Final Terms as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

Interest Commencement Date means the Issue Date or such other date as may be specified in the relevant Final Terms.

Interest Determination Date means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the relevant Final Terms or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

Interest Period means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

Interest Period Date means each Interest Payment Date unless otherwise specified in the relevant Final Terms.

ISDA Definitions means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the issue date of the first Tranche (as defined in the Trust Deed) of the relevant Series of Notes, unless otherwise specified in the relevant Final Terms.

Rate of Interest means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions in the relevant Final Terms.

Reference Banks means, in the case of a determination of LIBOR, LIBID or LIMEAN, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Eurozone office of four major banks in the Eurozone inter-bank market, in each case selected by the Calculation Agent or as specified in the relevant Final Terms.

Reference Rate means the rate specified as such in the relevant Final Terms.

Relevant Date means whichever is the later of:

(ix) the date on which payment first becomes due and

(x) if the full amount payable has not been received by the Issuing and Paying Agent or the Trustee on or prior to such due date, the date on which the full amount having been so received, notice to that effect shall have been given to the Noteholders.

Any reference in these Conditions to ***principal*** and/or ***interest*** shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

Relevant Screen Page means such page, section, caption, column or other part of a particular information service as may be specified in the relevant Final Terms.

Specified Currency means the currency specified as such in the relevant Final Terms or, if none is specified, the currency in which the Notes are denominated.

TARGET System means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System, which was launched on 19 November 2007, or any successor thereto.

(j) **Calculation Agent**: The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the relevant Final Terms and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Change of Control Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior approval of the Trustee) appoint a leading bank or investment banking firm engaged in the interbank market that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any

other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

5. Redemption, Purchase and Options

(a) **Redemption by Instalments and Final Redemption**:

(i) Unless previously redeemed, or purchased and cancelled, as provided in this Condition 5, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified in the relevant Final Terms. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed, or purchased and cancelled, as provided below, each Note shall be finally redeemed on the Maturity Date specified in the relevant Final Terms at its Final Redemption Amount or, in the case of a Note falling within sub-paragraph (i) above, its final Instalment Amount.

(b) **Early Redemption**:

(i) *Zero Coupon Notes*:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to a formula, upon redemption of such Note pursuant to Condition 5(c) or upon it becoming due and payable as provided in Condition 9 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified in the relevant Final Terms.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown in the relevant Final Terms, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 5(c) or upon it becoming due and payable as provided in Condition 8 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (as well after as before judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 4(c).

Where such calculation is to be a made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown in the relevant Final Terms.

(ii) *Other Notes*: The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 5(c) or upon it becoming due and payable as provided in Condition 8, shall be the Final Redemption Amount unless otherwise specified in the relevant Final Terms.

(c) **Redemption for Taxation Reasons**: The Notes (other than Notes in respect of which the Issuer shall have given a notice of redemption pursuant to Condition 5(d) or in respect of which a Noteholder shall have exercised its option under Condition 5(e) in each case prior to any notice being given under this Condition 5(c)) may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or, at any time (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 5(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that it or (if the Guarantee were called) the Guarantor has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of The Netherlands or (in the case of a payment to be made by the Guarantor) the Kingdom of Spain, or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Notes (or the Guarantee, as the case may be) then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two directors of the Issuer (or two authorised officers of the Guarantor, as the case may be) stating that the obligation referred to in (i) above cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above in which event it shall be conclusive and binding on Noteholders and Couponholders.

(d) **Redemption at the Option of the Issuer**: If Call Option is specified in the relevant Final Terms as being applicable, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified in the relevant Final Terms) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a principal amount at least equal to the Minimum Redemption Amount to be redeemed specified in the relevant Final Terms and no greater than the Maximum Redemption Amount to be redeemed specified in the relevant Final Terms.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption, the notice to Noteholders shall also contain the certificate numbers of the Notes to be redeemed, which shall have been drawn up in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) **Redemption at the Option of Noteholders**: If Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified in the relevant Final Terms) redeem such Note on the Optional

Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option, the holder must deposit such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent, together with a duly completed option exercise notice (***Exercise Notice***) in the form obtainable from any Paying Agent, within the notice period. No Note so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) **Redemption at the option of the Noteholders upon a Change of Control**: If a Change of Control Put Option is specified in the relevant Final Terms as being applicable and a Change of Control (as defined below) occurs and, during the Change of Control Period, a Rating Downgrade occurs (together, a ***Put Event***), the holder of any such Note will have the option (the ***Change of Control Put Option***) to require the Issuer to redeem or, at the Issuer's option, to procure the purchase of such Notes on the Optional Redemption Date at the Change of Control Redemption Amount.

A ***Change of Control*** shall be deemed to have occurred at each time that any person or persons acting in concert (***Relevant Persons***) or any person or persons acting on behalf of such Relevant Persons, acquire(s) control, directly or indirectly, of the Guarantor.

control means: (a) the acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of the Guarantor; or (b) the right to appoint and/or remove all or the majority of the members of the Guarantor's Board of Directors or other governing body, whether obtained directly or indirectly, whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise.

Change of Control Period means the period commencing on the date on which the relevant Change of Control occurs or the date of the first relevant Potential Change of Control Announcement, whichever is the earlier, and ending on the date which is 90 days after the date of the occurrence of the relevant Change of Control.

Change of Control Redemption Amount means an amount equal to par plus interest accrued to but excluding the Optional Redemption Date.

Potential Change of Control Announcement means any public announcement or statement by the Issuer or any actual or bona fide potential bidder relating to any potential Change of Control.

Rating Agency means any of the following: (a) Standard & Poor's Credit Market Services Europe Limited (***S&P***); (b) Moody's Investors Service Limited (***Moody's***); (c) Fitch Ratings España, S.A.U. (***Fitch Ratings***); or (d) any other credit rating agency of equivalent international standing specified from time to time by the Issuer and, in each case, their respective successors or affiliates.

A ***Rating Downgrade*** shall be deemed to have occurred in respect of a Change of Control if, within the Change of Control Period, the rating previously assigned to the Guarantor is lowered by at least two full rating notches (by way of example, BB+ to BB-, in the case of S&P) (a ***downgrade***) or withdrawn, in each case, by the requisite number of Rating Agencies (as defined above), and is not, within the Change of Control Period, subsequently upgraded (in the case of a downgrade) or reinstated (in the case of a withdrawal) to its earlier credit rating or better, such that there is no longer a downgrade or withdrawal by the requisite number of Rating Agencies. For these purposes, the ***requisite number of Rating Agencies*** shall mean (i) at least two Rating Agencies, if, at the time of the rating downgrade or withdrawal, three or more Rating Agencies have assigned a credit rating to the Guarantor, or (ii) at least one Rating Agency if, at the time of the rating downgrade or withdrawal, fewer than three Rating Agencies have assigned a credit rating to the Guarantor.

Notwithstanding the foregoing, no Rating Downgrade shall be deemed to have occurred in respect of a particular Change of Control if (a) following such a downgrade, the Guarantor is still assigned an Investment Grade Rating by one or more of the Rating Agencies effecting the downgrade, or (b) the Rating Agencies lowering or withdrawing their rating do not publicly announce or otherwise confirm in writing to the Issuer that such reduction or withdrawal was the result, in whole or part, of any event or circumstance comprised in, or arising as a result of, or in respect of, the applicable Change of Control.

Investment Grade Rating means: (1) with respect to S&P, any of the categories from and including AAA to and including BBB- (or equivalent successor categories); (2) with respect to Moody's, any of the categories from and including Aaa to and including Baa3 (or equivalent successor categories); (3) with respect to Fitch Ratings, any of the categories from and including AAA to and including BBB- (or equivalent successor categories); and (4) with respect to any other credit rating agency of equivalent international standing specified from time to time by the Issuer, a rating that is equivalent to, or better than, the foregoing.

Promptly upon the Issuer becoming aware that a Put Event has occurred, the Issuer shall give notice (***Put Event Notice***) to the Issuing and Paying Agent, the Paying Agents and the Noteholders in accordance with Condition 15 specifying the nature of the Put Event and the circumstances giving rise to it and the procedure for exercising the Change of Control Put Option, as well as the date upon which the Put Period (as defined below) will end and the Optional Redemption Date (as specified in the relevant Final Terms).

To exercise the Change of Control Put Option to require redemption or, as the case may be, purchase of such Note under this section, the holder of such Note must transfer or cause to be transferred its Notes to be so redeemed or purchased to the account of the Fiscal Agent specified in the Put Option Notice for the account of the Issuer within the period (***Put Period***) of 45 days after the Put Event Notice is given together with a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a ***Put Option Notice***) and in which the holder may specify a bank account to which payment is to be made under this section.

The Issuer shall redeem or, at the option of the Issuer, procure the purchase of the relevant Notes in respect of which the Change of Control Put Option has been validly exercised as provided above, and subject to the transfer of such Notes to the account of the Issuing and Paying Agent for the account of the Issuer as described above on the Optional Redemption Date which is specified in the relevant Final Terms. Payment in respect of any Note so transferred will be made in the relevant Specified Currency to the holder to the relevant Specified Currency denominated bank account in the Put Option Notice on the Optional Redemption Date via the relevant account holders.

(g) **Purchases**: The Issuer, the Guarantor and any other Subsidiary may at any time purchase Notes in the open market or otherwise at any price (provided that they are purchased together with all unmatured Receipts and Coupons and unexchanged Talons relating to them). The Notes so purchased, while held by or on behalf of the Issuer, the Guarantor or any other Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 8, 11(a) and 12.

In these Conditions, ***Subsidiary*** means any entity of which the Guarantor has control and ''control'' for the purpose of this definition means the beneficial ownership whether direct or indirect of the majority of the issued share capital or the right to direct the management and policies of such entity, whether by the ownership of share capital, contract or otherwise. A certificate executed by any two authorised officers of the Guarantor listing the entities that are Subsidiaries at any time shall, in the absence of manifest error, be conclusive and binding on all parties.

(h) **Cancellation**: All Notes so redeemed or purchased (other than, at the discretion of the Issuer, the Guarantor or any other Subsidiary, as applicable, those purchased pursuant to Condition 5(g) above) and any unmatured Receipts and Coupons and all unexchanged Talons attached to or surrendered with them will be surrendered for cancellation by surrendering to the Issuing and Paying Agent and may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.

6. Payments and Talons

(a) **Payments of Principal and Interest**: Payments of principal and interest shall be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note) (or in the case of partial payment, endorsement thereof), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 6(e)(vi)) or Coupons (in the case of interest, save as specified in Condition 6(e)(ii)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) **Payments in the United States**: Notwithstanding the foregoing, if any Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States and its possessions with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(c) **Payments subject to Fiscal Laws**: All payments are subject in all cases to any applicable fiscal or other laws and regulations but without prejudice to the provisions of Condition 7. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(d) **Appointment of Agents**: The Issuing and Paying Agent, the Paying Agents and the Calculation Agent initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Issuing and Paying Agent, the Paying Agents and the Calculation Agent act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer and the Guarantor reserve the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) one or more Calculation Agent(s) where the Conditions so require, (iii) Paying Agents having specified offices in at least two major European cities (including Luxembourg) so long as the Notes are listed on the Luxembourg Stock Exchange and (iv) such other agents as may be required by the rules of any other stock exchange on which the Notes may be listed in each case, as approved by the Trustee and (v) a Paying Agent with a specified office in a European Union member state other than The Netherlands or Spain (if any) that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent in New York City in respect of any Notes denominated in U.S. dollars in the circumstances described in paragraph (b) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(e) **Unmatured Coupons and Receipts and Unexchanged Talons**:

(i) Upon the due date for redemption of Notes which comprise Fixed Rate Notes, they should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Change of Control Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Note comprising Floating Rate Notes, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Note. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note.

(f) **Talons**: On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Paying Agents in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(g) **Non-Business Days**: If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, ***business day***

means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as ***Additional Financial Centres*** in the relevant Final Terms and:

(i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or

(ii) (in the case of a payment in euro) which is a TARGET Business Day.

7. Taxation

All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes, the Receipts and the Coupons or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within The Netherlands or the Kingdom of Spain or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon presented for payment:

(a) in the case of a payment by or on behalf of the Issuer, in The Netherlands or, in the case of a payment by or on behalf of the Guarantor, in the Kingdom of Spain and/or

(b) by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with The Netherlands or, in the case of payments made by the Guarantor, the Kingdom of Spain other than the mere holding of the Note or Coupon and/or

(c) by or on behalf of a holder who could fully or partially avoid such withholding or deduction by (i) making a declaration of non-residence in a valid form but fails to do so or by (ii) authorising the relevant paying agent to report information in accordance with the procedure laid down by the relevant tax authority or by delivering, in the form required by the relevant tax authority, a declaration, claim, certificate, document or other evidence establishing the exemption, reduction or avoidance therefrom and/or

(d) more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting such Note, Receipt or Coupon for payment on the last day of such period of 30 days (assuming the day to have been a business day for the purpose of Condition 6(g)) and/or

(e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive or law and/or

(f) presented for payment by or on behalf of a holder who would have been able to fully or partially avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

8. Events of Default

If any of the following events (each an ***Event of Default***) occurs and is continuing, the Trustee at its discretion may, and if so requested by holders of at least one-fifth in principal amount of the Notes then outstanding (as defined in the Trust Deed) or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) shall, subject to its being indemnified to its satisfaction, give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together with accrued interest:

(a) **Non-Payment**: the Issuer fails to pay any interest on any of the Notes when due and such failure continues for a period of 14 days; or

(b) **Breach of Other Obligations**: the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations in the Notes or the Trust Deed, which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days after notice of such default shall have been given to the Issuer or the Guarantor by the Trustee; or

(c) **Cross-Default**:

(i) any Relevant Indebtedness of the Issuer or the Guarantor becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described); or

(ii) any Relevant Indebtedness of the Issuer or the Guarantor is not paid when due or, as the case may be, within any applicable grace period; or

(iii) the Issuer or the Guarantor fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any Relevant Indebtedness of any other person,

provided that the aggregate of all such amounts which have become due and payable, as described in (c)(i) above, and/or have not been paid when due, as described in (c)(ii) and/or (c)(iii) above (as the case may be), equals or exceeds the greater of an amount equal to 0.25% of Total Shareholders Equity and U.S.$50,000,000 or its equivalent (as reasonably determined by the Trustee); or

(d) **Enforcement Proceedings**: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or any substantial part of the property, assets or revenues of the Issuer or the Guarantor and is not discharged or stayed within 30 days; or

(e) **Security Enforced**: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or the Guarantor becomes enforceable against the whole or any substantial part of the assets or undertaking of the Issuer or the Guarantor and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person); or

(f) **Insolvency**: the Issuer or the Guarantor is insolvent or bankrupt, stops, suspends or threatens to stop or suspend payment of all of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or substantially all of the debts of the Issuer or the Guarantor; or

(g) **Winding-up**: an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or the Guarantor, or the Issuer or the Guarantor ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a

reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Trustee or by an Extraordinary Resolution of the Noteholders; or

(h) **Illegality**: it is unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed; or

(i) **Analogous Events**: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs; or

(j) **Guarantee**: the Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect, provided that in the case of an event falling within paragraphs (b) to (e) or (h) to (j) the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Noteholders.

For the purposes of this Condition:

Total Shareholders' Equity means the total shareholders equity of the Guarantor, as shown in the then latest audited consolidated accounts of the Guarantor.

9. Prescription

Claims in respect of principal and interest will become void unless presentation for payment is made as required by Condition 6 within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date.

10. Replacement of Notes, Receipts, Coupons and Talons

If any Note, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Issuing and Paying Agent in London or at the specified office of the Paying Agent in Luxembourg, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security and indemnity and otherwise as the Issuer and the Guarantor may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

11. Meetings of Noteholders, Modification, Waiver and Substitution

(a) **Meetings of Noteholders**: The Trust Deed contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10% in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one person being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Notes, or the dates on which interest is payable in respect of the Notes, (ii) to reduce or cancel the nominal amount of, or interest on, the Notes, (iii) to change the currency of payment of the Notes or the Coupons, (iv) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, or (v) to modify or cancel the Guarantee, in which case the necessary quorum shall be one person holding or representing not less than 75%, or at any adjourned meeting not less than 25%, in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed)

and on all Couponholders. The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75% per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of the Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one of more Noteholders.

(b) **Modification and waiver**: The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed which in the opinion of the Trustee is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed which is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.

(c) **Substitution**: The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders or the Couponholders, to the substitution of certain other entities in place of the Issuer or Guarantor, or of any previous substituted company, as principal debtor or Guarantor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders or the Couponholders, to a change of the law governing the Notes, the Receipts, the Coupons, the Talons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

(d) **Entitlement of the Trustee**: In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer or the Guarantor any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

12. Enforcement

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the Notes, the Receipts and the Coupons, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-fifth in principal amount of the Notes outstanding, and (b) it shall have been indemnified to its satisfaction. No Noteholder, holder of Receipts or Couponholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

13. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any other Subsidiary and any entity related to the Issuer or the Guarantor or any other Subsidiary without accounting for any profit.

14. Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

15. Notices

Notices to Noteholders will be valid if published in a leading newspaper having general circulation in the United Kingdom (which is expected to be the *Financial Times*) and (so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that Stock Exchange so require), published either on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, if in the opinion of the Trustee such publication shall not be practicable, in an English language newspaper of general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made.

Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.

16. The Contracts (Rights of Third Parties) Act 1999

The Notes confer no rights on any person pursuant to the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect right or remedy of the third party which exists or is available apart from that Act.

17. Governing Law

(a) **Governing Law**: The Trust Deed, the Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) **Jurisdiction**: The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes, Receipts, Coupons or Talons or the Guarantee and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed, the Notes, Receipts, Coupons or Talons or the Guarantee (***Proceedings***) may be brought in such courts. Each of the Issuer and the Guarantor has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

(c) **Agent for Service of Process**: Each of the Issuer and the Guarantor has irrevocably appointed an agent in England to receive service of process in any Proceedings in England based on any of the Trust Deed, the Notes, Receipts, Coupons or Talons or the Guarantee.

OVERVIEW OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Initial Issue of Notes

If the Global Notes are stated in the applicable Final Terms to be issued in NGN form, the relevant clearing systems will be notified whether or not such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility and, if so, will be delivered on or prior to the original issue date of the Tranche to the Common Safekeeper. Depositing the Global Notes with the Common Safekeeper does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any and all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Global Notes that are issued in CGN form may be delivered on or prior to the original issue date of the Tranche to a Common Depositary.

If the Global Note is a CGN, upon the initial deposit of a Global Note with a Common Depositary, Euroclear or Clearstream, Luxembourg (the ***Clearing Systems***) will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is an NGN, the nominal amount of the Notes represented by such Global Note shall be the aggregate amount from time to time entered in the records of both Clearing Systems. The records of such Clearing Systems shall be conclusive evidence of the nominal amount of Notes represented by such Global Note and, for these purposes, a statement issued by a Clearing System stating the nominal amount of Notes represented by such Global Note at any time shall be conclusive evidence of the records of the relevant Clearing System at the relevant time.

Notes that are initially deposited with the Common Depositary may also (if indicated in the relevant Final Terms) be credited to the accounts of subscribers with other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system as the holder of a Note represented by a Global Note must look solely to Euroclear, Clearstream, Luxembourg or such clearing system (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Notes, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes or so long as the Notes are represented by such Global Note and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note in respect of each amount so paid.

Exchange

Temporary Global Notes

Each Temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the relevant Final Terms indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "*General Description of the Programme—Selling Restrictions*"), in whole, but not in part, for the Definitive Notes (as defined and described below); and

(ii) otherwise, in whole or in part, upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a Permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

In relation to any issue of Notes which are expressed to be Temporary Global Notes exchangeable for Definitive Notes in accordance with options (i) and (ii) above, such Notes shall be tradeable only in principal amounts of at least the Specified Denomination.

Permanent Global Notes

Each Permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under "Partial Exchange of Permanent Global Notes", in part, for Definitive Notes:

(i) if the Permanent Global Note is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system (an ***Alternative Clearing System***) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or

(ii) if principal in respect of any Notes is not paid when due,

in each case by the holder giving notice to the Issuing and Paying Agent of its election for such exchange.

Partial Exchange of Permanent Global Notes

For so long as a Permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such Permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes if principal in respect of any Notes is not paid when due.

Delivery of Notes

If the Note is a CGN, on or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent.

In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a Temporary Global Note exchangeable for a Permanent Global Note, deliver, or procure the delivery of, a Permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a Temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a Permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes or (iii) if the Global Note is an NGN, procure that details of such exchange be entered *pro rata* in the records of the relevant Clearing System.

In this Base Prospectus, ***Definitive Notes*** means, in relation to any Global Note, the definitive Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each Permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

Exchange Date means, in relation to a Temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a Permanent Global Note, a day falling not less than 60 days, or, in the case of failure to pay principal in respect of any Notes when due, 30 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

Amendment to Conditions

The Temporary Global Notes and Permanent Global Notes contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Base Prospectus. The following is an overview of some of those provisions:

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a Permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any Temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. If the Global Note is an NGN, the Issuer shall procure that details of such payment be entered *pro rata* on the records of the relevant Clearing System and, in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant Clearing System and represented by the Global Note will be reduced accordingly. Payment under the NGN will be made to its holder. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant Clearing System shall not affect such discharge. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "Business Day" set out in condition 6(g) ("*Non-Business Days*").

Prescription

Claims in respect of principal and interest will become void unless presentation for payment is made, as required by Condition 6, within a period of 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date as defined in Condition 7.

Meetings

The holder of a Permanent Global Note shall (unless such Permanent Global Note represents only one Note) be treated as being one person for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a Permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes.

Cancellation

Cancellation of any Note represented by a Permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant Permanent Global Note.

Purchase

The Issuer, the Guarantor and any other Subsidiary may at any time purchase Notes in the open market or otherwise at any price (provided that they are purchased together with all unmatured Coupons relating to them). Any purchase by tender shall be made available to all Noteholders alike. The Notes so purchased, while held by or on behalf of the Issuer, the Guarantor or any other Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of Noteholders or for the purposes of Conditions 8, 11(a) and 12.

Issuer's Option

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a Permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of such clearing system (to be reflected in the records of such clearing system as either a pool factor or a reduction in nominal amount, at their discretion).

Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a Permanent Global Note may be exercised by the holder of the Permanent Global Note giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time, where the Permanent Global Note is a CGN, presenting the Permanent Global Note to the Issuing and Paying Agent, or to a Paying Agent acting on behalf of the Issuing and Paying Agent, for notation. Where the Global Note is an NGN, the Issuer shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant Clearing System and the nominal amount of the Notes recorded in those records will be reduced accordingly.

NGN Nominal Amount

Where the Global Note is an NGN, the Issuer shall procure that any exchange, payment, cancellation or exercise of any option or any right under the Notes, as the case may be, shall be entered in the records of the relevant clearing systems and, upon such entry being made, in respect of payments of principal, the nominal amount of the Notes represented by such Global Note shall be adjusted accordingly.

Trustee's Powers

In considering the interests of Noteholders while any Global Note is held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note.

Notices

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant

notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note, except that so long as the Notes are listed on the official list of the Luxembourg Stock Exchange and the rules of that exchange so require, notices shall also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*).

Specified Denominations

So long as the Notes are represented by a Temporary Global Note or Permanent Global Note and the relevant clearing system(s) so permit, the Notes will be tradeable as follows: (a) if the Specified Denomination stated in the relevant Final Terms is €100,000 (or its equivalent in another currency), in the authorised denomination of €100,000 (or its equivalent in another currency) and integral multiples of €100,000 (or its equivalent in another currency) thereafter, or (b) if the Specified Denomination stated in the relevant Final Terms is €100,000 (or its equivalent in another currency) and integral multiples of €1,000 (or its equivalent in another currency) in excess thereof, in the minimum authorised denomination of €100,000 (or its equivalent in another currency) and higher integral multiples of €1,000 (or its equivalent in another currency), notwithstanding that no definitive notes will be issued with a denomination above €199,000 (or its equivalent in another currency).

FORM OF FINAL TERMS

The form of the Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions and the completion of applicable provisions:

Final Terms dated [●]

REPSOL INTERNATIONAL FINANCE B.V.
Issue of [*Aggregate Nominal Amount of Tranche*] [*Title of Notes*]
Guaranteed by Repsol, S.A.
under the Euro 10,000,000,000 Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the base prospectus dated 25 October 2012 (the ***Base Prospectus***) [and the Supplement dated [●] to the Base Prospectus dated 25 October 2012] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (*Directive 2003/71/EC*) as amended (which includes amendments made by Directive 2010/73/EU (the ***2010 PD Amending Directive***) to the extent that such amendments have been implemented in a relevant Member State) (the ***Prospectus Directive***). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the Supplement to the Base Prospectus] [has/have] been published on http://www.repsol.com/es_en/corporacion/accionistas-inversores/informacion-financiera/financiacion/repsol-international-finance/programas-2011.aspx, [is/are] available for viewing on the website of the Luxembourg Stock Exchange at www.bourse.lu and copies may be obtained during normal business hours from:

Repsol International Finance, B.V.
Koningskade 30
2596 AA The Hague
The Netherlands

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under a base prospectus with an earlier date.*]

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the ***Conditions***) set forth in the base prospectus dated [*original date*] [and the supplement dated [●] to the base prospectus dated [*original date*]] which are incorporated by reference in the Base Prospectus dated 25 October 2012 and are attached hereto. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (*Directive 2003/71/EC*) as amended (which includes amendments made by Directive 2010/73/EU (the ***2010 PD Amending Directive***) to the extent that such amendments have been implemented in a relevant Member State) (the ***Prospectus Directive***) and must be read in conjunction with the Base Prospectus dated 25 October 2012 [and the Supplement dated [●] to the Base Prospectus dated 25 October 2012] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the base prospectus dated [*original date*] [and the supplement dated [●] to the base prospectus dated [*original date*]]. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus dated 25 October 2012 [and the Supplement dated [●] to the Base Prospectus dated 25 October 2012]. The Base Prospectus [and the Supplement to the Base Prospectus] [has/have] been published on http://www.repsol.com/es_en/corporacion/accionistas-inversores/informacion-financiera/financiacion/repsol-international-finance/programas-2011.aspx, [is/are] available for viewing on

the website of the Luxembourg Stock Exchange at www.bourse.lu and copies may be obtained during normal business hours from:

Repsol International Finance, B.V.
Koningskade 30
2596 AA The Hague
The Netherlands

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable should be deleted). Italics denote directions for completing the Final Terms.*]

1.	(a)	Series Number:	[●]
	(b)	Tranche Number:	[●]
2.	Specified Currency:		[●]
3.	Aggregate Nominal Amount:		[●]
	(a)	Series:	[●]
	(b)	Tranche:	[●]
	(c)	Date on which Notes become fungible:	[●]/[N/A]
4.	Issue Price:		[●] % of the Aggregate Nominal Amount [plus accrued interest from [●]]
5.	(a)	Specified Denomination:	[●]
	(b)	Calculation Amount	[●]
6.	(a)	Issue Date:	[●]
	(b)	Interest Commencement Date	[●]/[Issue Date]/[Not Applicable]
7.	Maturity Date:		[●]
8.	Interest Basis:		[[●] % Fixed Rate]] [[●] month [LIBOR]/[LIBID]/[LIMEAN]/[EURIBOR] +/– [●]% Floating Rate] [Zero Coupon]
9.	Redemption/Payment Basis:		Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [●] per cent. of their nominal amount
10.	Change of Interest or		[●]/[Not Applicable]

	Redemption/Payment Basis:		
11.	Put/Call Options:		[Investor Put] [Issuer Call] [Change of Control Put Option]
12.	Date approval for issuance of Notes obtained:		[●]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13.	**Fixed Rate Note Provisions**		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(a)	Rate[(s)] of Interest:	[●]% per annum [payable [annually / semi-annually / quarterly / monthly] in arrear]
	(b)	Interest Payment Date(s):	[●] [and [●]] in each year
	(c)	First Interest Payment Date:	[●]
	(d)	Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(e)	Broken Amount(s):	[[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]]/[N/A]
	(f)	Day Count Fraction:	[Actual/Actual / Actual/Actual (ISDA) / Act/Act / Act/Act (ISDA) / Actual/Actual (ICMA) / Act/Act (ICMA) / Actual/365 (fixed) / Act/365 (fixed) / A/365 (fixed) / A/365F / Actual/365 (Sterling) / Actual/360 / Act/360 / A/360 / 30/360 / 360/360 / Bond Basis / 30E/360 / 30E/360 (ISDA)]
	(g)	Determination Dates:	[[●] in each year]/[N/A]
14.	**Floating Rate Note Provisions**		[Applicable]/[Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(a)	Interest Period(s):	[●]
	(b)	Specified Period:	[●]/[N/A]
	(c)	Specified Interest Payment Dates:	[[●] in each year]/[N/A]
	(d)	First Interest Payment Date:	[●]
	(e)	Business Day Convention:	[Floating Rate Convention/ Following Business Day

			Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention]
	(f)	Business Centre(s):	[●]/[N/A]
	(g)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination]/[ISDA Determination]
	(h)	Party, if any, responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Issuing and Paying Agent):	[[●] shall be the Calculation Agent]
	(i)	Screen Rate Determination:	
		– Reference Banks:	[●]
		– Reference Rate:	[LIBOR]/[LIBID]/[LIMEAN]/[EURIBOR]
		– Interest Determination Date(s):	[●]
		– Relevant Screen Page:	[●]
		– Relevant Time:	[●]
		– Relevant Financial Centre:	[●]
	(j)	ISDA Determination:	
		– Floating Rate Option:	[●]
		– Designated Maturity:	[●]
		– Reset Date:	[●]
	(k)	Margin(s):	[+/-][●] % per annum
	(l)	Minimum Rate of Interest:	[●] % per annum
	(m)	Maximum Rate of Interest:	[●] % per annum
	(n)	Day Count Fraction:	[Actual/Actual / Actual/Actual (ISDA) / Act/Act / Act/Act (ISDA) / Actual/Actual (ICMA) / Act/Act (ICMA) / Actual/365 (fixed) / Act/365 (fixed) / A/365 (fixed) / A/365F / Actual/365 (Sterling) / Actual/360 / Act/360 / A/360 / 30/360 / 360/360 / Bond Basis / 30E/360 / 30E/360 (ISDA)]
15.	**Zero Coupon Note Provisions**		[Applicable]/[Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

(a)	[Amortisation/ Accrual] Yield:	[●]% per annum
(b)	Reference Price:	[●]

PROVISIONS RELATING TO REDEMPTION

16.	**Call Option**	[Applicable]/[Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(a)	Optional Redemption Date(s):	[●]
(b)	Optional Redemption Amount(s) of each Note:	[●] per Calculation Amount
(c)	If redeemable in part:	
	(i) Minimum Redemption Amount:	[●] per Calculation Amount
	(ii) Maximum Redemption Amount:	[●] per Calculation Amount
(d)	Notice period:	[●]
17.	**Put Option**	[Applicable]/[Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(a)	Optional Redemption Date(s):	[●]
(b)	Optional Redemption Amount(s) of each Note:	[●] per Calculation Amount
(c)	Notice period:	[●]
18.	**Change of Control Put Option**	[Applicable]/[Not Applicable] *(If not applicable, delete the remaining sub-paragraph of this paragraph)*
	Optional Redemption Date(s):	[●] days after expiration of Put Period
19.	**Final Redemption Amount of each Note**	[●] per Calculation Amount
20.	**Early Redemption Amount**	
	Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default or other early redemption:	[●] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21.	Form of Notes:	[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on the Exchange Date] [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.]
22.	New Global Note:	[Yes]/[No]
23.	Financial Centre(s):	[Not Applicable]/[●]
24.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes]/[No]
25.	Details relating to Instalment Notes:	[Applicable]/[Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(a) Instalment Amount(s):	[●]
	(b) Instalment Date(s):	[●]

DISTRIBUTION

26.		
	(a) If syndicated, names of Managers:	[Not Applicable]/[●]
	(b) Stabilising Manager(s) (if any):	[Not Applicable]/[●]
27.	If non-syndicated, name of relevant Dealer:	[Not Applicable]/[●]
28.	U.S. Selling Restrictions:	[Reg. S Compliance Category 2/ TEFRA C / TEFRA D / TEFRA not applicable]

THIRD PARTY INFORMATION

[[●] has been extracted from [●]. Each of the Issuer and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]/[N/A].

Signed on behalf of Repsol International Finance B.V.:

By: .....
Duly authorised

Signed on behalf of Repsol, S.A.:

By: .....
Duly authorised

PART B – OTHER INFORMATION

1. **ADMISSION TO TRADING AND LISTING**

(a)	Admission to trading and listing:	[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to listing on the official list of [**the Official List of the Luxembourg Stock Exchange**] with effect from [●]]/[**Not Applicable**]
(b)		[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [**the Regulated Market of the Luxembourg Stock Exchange**] with effect from [●]]/[**Not Applicable**]
(c)	Estimate of total expenses related to admission to trading:	[●]

2. **RATINGS**

Ratings:	[Not Applicable]/[[The Notes to be issued [have been/are expected to be] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]]: [S & P: [●]] [Moody's: [●]] [Fitch: [●]] [[Other]: [●]] [and endorsed by [●]]

3. **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]**

[Save for (i) any fees payable to the [Managers/Dealers] and (ii) as discussed in "Subscription and Sale", so far as the Issuer is aware, no person involved in the issue/offer of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer, the Guarantor and any of their affiliates in the ordinary course of business for which they may receive fees.]

4. **REASONS FOR THE OFFER**

Reasons for the offer:	[●]

5. **[Fixed Rate Notes only – YIELD**

Indication of yield:	[●] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. **OPERATIONAL INFORMATION**

(a)	ISIN Code:	[●]
(b)	Common Code:	[●]
(c)	Any clearing system(s) other than Euroclear and Clearstream, Luxembourg, the relevant addresses and the identification number(s):	[Not Applicable]/[●]
(d)	Delivery:	Delivery [against/free of] payment
(e)	Names and addresses of additional Paying Agent(s) (if any):	[●]/[N/A]

GENERAL INFORMATION

(1) The Issuer and the Guarantor have obtained all necessary consents, approvals and authorisations in The Netherlands and the Kingdom of Spain, respectively, in connection with the establishment of the Programme and the guarantee relating to the Programme. The establishment of the Programme was authorised by resolutions of the Board of Managing Directors of the Issuer passed on 7 September 2001 and the update of the Programme was authorised by a resolution of the Board of Directors of the Issuer passed on 25 September 2012. The giving of the guarantee relating to the Programme by the Guarantor was authorised by a resolution of the Board of Directors of the Guarantor passed on 19 July 2001 and the update of the Programme was authorised by a resolution of the Board of Directors of the Guarantor passed on 25 July 2012.

(2) Save for any effects that could arise from the expropriation process of the shares held by the Repsol Group in the share capital of YPF, S.A. and Repsol YPF Gas, S.A. and save as disclosed on page 30, to the best of the knowledge of the Issuer, there has been no material adverse change in its prospects since 31 December 2011 (being the date of the last published audited financial statements) nor has there been any significant change in the financial or trading position of the Issuer and its consolidated subsidiaries since 31 December 2011.

Save for any effects that could arise from the expropriation process of the shares held by the Repsol Group in the share capital of YPF, S.A. and Repsol YPF Gas, S.A., to the best of the knowledge of the Guarantor, there has been no material adverse change in its prospects since 31 December 2011 (being the date of the last published audited financial statements) nor has there been any significant change in the financial or trading position of the Group since 30 June 2012.

(3) Each Note, Receipt, Coupon and Talon having maturity of more than 365 days will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

(4) Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.

(5) For so long as Notes may be issued pursuant to this Base Prospectus, the following documents (or copies thereof) will be available (in the case of (iv), (v), (vi), (vii) and (ix) free of charge), during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of Banque Internationale à Luxembourg, S.A.:

(i) the Trust Deed (which includes the guarantee relating to the Programme, the form of the Global Notes, the definitive Notes, the Coupons, the Receipts and the Talons);

(ii) the Articles of Association (*Statuten*) of the Issuer;

(iii) the By-laws (*Estatutos sociales*) of the Guarantor;

(iv) the audited non-consolidated financial statements of the Issuer, including the notes to such financial statements and the audit reports thereon, for each of the financial years ended 31 December 2011 and 2010 (each prepared in accordance with Dutch GAAP);

(v) the Annual Report 2011 of Repsol, including the audited consolidated annual financial statements for the financial year ended 31 December 2011, which were prepared in accordance with EU-IFRS, together with the notes to such financial statements and the audit report thereon;

(vi) the Annual Report 2010 of Repsol, including the audited consolidated annual financial statements of Repsol for the financial year ended 31 December 2010, which were prepared in accordance with IFRS, together with the notes to such financial statements and the audit report thereon;

(vii) the interim condensed consolidated financial statements and interim consolidated management's report of Repsol for the six-month period ended 30 June 2012;

(viii) each Final Terms for Notes that are listed on the official list of the Luxembourg Stock Exchange or any other stock exchange;

(ix) copy of this Base Prospectus, together with any Supplement to the Base Prospectus or further Base Prospectus;

(x) copy of the subscription agreement for Notes issued on a syndicated basis that are listed on the official list of the Luxembourg Stock Exchange; and

(xi) all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the Issuer's request any part of which is included or referred to in this Base Prospectus.

(6)

(i) The consolidated financial statements of Repsol for the years ended 31 December 2011 and 2010 have been audited by Deloitte, S.L. (members of the *Registro Oficial de Auditores de Cuentas*), Independent Auditors of Repsol. The address of Deloitte, S.L. is Plaza Pablo Ruiz de Picasso, 1, Torre Picasso, 28020 Madrid, Spain.

(ii) The financial statements of the Issuer have been audited for the financial years ended 31 December 2011 and 2010 by Deloitte Accountants B.V. (members of *Koninklijk Nederlands Instituut van Registeraccountants*), Independent Auditors of the Issuer. The address of Deloitte Accountants B.V. is Wilhelminakade 1, 3072 AP, Rotterdam, The Netherlands or P.O. Box 2031 3000CA, Rotterdam, The Netherlands.

(7) Freshfields Bruckhaus Deringer LLP has acted as legal adviser to the Issuer and the Guarantor as to English law and Spanish law (other than Spanish tax law); Linklaters LLP has acted as legal adviser to the Dealers as to English law and Spanish law; Van Doorne N.V. has acted as legal adviser to the Issuer as to Dutch law (other than Dutch tax law); Loyens & Loeff N.V. has acted as legal adviser to the Issuer as to Dutch tax law; Análisis Asesoramiento e Información, S.L. has acted as legal adviser to the Guarantor as to Spanish tax law; and Loyens & Loeff has acted as legal adviser to the Issuer as to Luxembourg tax law, in each case in relation to the update of the Programme.

REGISTERED OFFICE OF THE ISSUER
Koningskade 30
2596 AA The Hague (The Netherlands)

REGISTERED OFFICE OF THE GUARANTOR
Calle Méndez Álvaro 44
28045 Madrid (Spain)

TRUSTEE

Citicorp Trustee Company Limited
Citigroup Centre
Canada Square
London E14 5LB (United Kingdom)

LISTING AGENT AND PAYING AGENT

Banque Internationale à Luxembourg, société anonyme
69 route d'Esch

L-2953 Luxembourg (Grand Duchy of Luxembourg)

ISSUING AND PAYING AGENT AND CALCULATION AGENT

Citibank, N.A., London Branch
Citigroup Centre
Canada Square
London E14 5LB (United Kingdom)

AUDITORS OF THE ISSUER

Deloitte Accountants B.V.
Wilhelminakade 1,
3072 AP Rotterdam (The Netherlands)

AUDITORS OF THE GUARANTOR

Deloitte, S.L.
Plaza Pablo Ruiz de Picasso, 1
Torre Picasso
28020 Madrid (Spain)

ARRANGER

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ (United Kingdom)

DEALERS

Banco Bilbao Vizcaya Argentaria, S.A.
Via los Poblados, 2nd Floor
28033 Madrid (Spain)

Banco Santander, S.A.
Ciudad Grupo Santander
Avenida de Cantabria, s/n
Boadilla del Monte
28660 Madrid (Spain)

Bankia, S.A.
Calle Pintor Sorolla 8
46002 Valencia (Spain)

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB (United Kingdom)

BNP Paribas
10 Harewood Avenue
London NW1 6AA (United Kingdom)

CaixaBank S.A.
Av. Diagonal 621
08028 Barcelona (Spain)

HSBC Bank plc
8 Canada Square
London E14 5HQ (United Kingdom)

Crédit Agricole Corporate and Investment Bank
9, Quai du Président Paul Doumer
92920 Paris la Défense Cedex (France)

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB (United Kingdom)

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB (United Kingdom)

ING Bank N.V.
Foppingadreef 7
1102 BD Amsterdam (The Netherlands)

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA (United Kingdom)

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ (United Kingdom)

Société Générale
29 Boulevard Haussmann
75009 Paris (France)

The Royal Bank of Scotland plc
135 Bishopsgate
London EC2M 3UR (United Kingdom)

UBS Limited
1 Finsbury Avenue
London EC2M 2PP (United Kingdom)


REPSOL