

## Official Notice

Madrid, December 14, 2016

Repsol discloses information in connection with the paid-up capital increase approved by the 2016 Annual Shareholders' Meeting under item six on the Agenda, as part of the shareholder remuneration program "*Repsol Flexible Dividend*" (scrip dividend). The informative document, required by Article 26.1.e) of Royal Decree 1310/2005, of 4 November (implementing Directive 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading), is enclosed.

### Estimated Timetable for holders of American Depositary Shares (ADSs)

<b>Date</b>	<b>Action / Event</b>
December 20, 2016	ADSs Record Date
December 28, 2016	ADSs Election Deadline
January 27, 2017	ADSs Payment Date of cash dividend, cash proceeds from sales and delivery of new ADSs



**Informative Document**  
**Capital increase charged to reserves from retained earnings**

**Repsol, S.A.**

December 14, 2016

**This document has been prepared in accordance with article 26.1.e) of Royal Decree 1310/2005.**

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



## 1. Background and purpose

The Annual Shareholders' Meeting of Repsol S.A. ("**Repsol**" or the "**Company**") held on May 20, 2016, under item six on the agenda, approved an increase in the share capital of Repsol, with full charge to reserves from retained earnings, in an amount to be determined in accordance with the terms and conditions set out in the resolution (the "**Capital Increase**"), and delegated the execution of such Capital Increase to the Board of Directors of Repsol, with authority to delegate further, pursuant to article 297.1.a) of the Companies Act.

In exercise of said delegation, the Company's Board of Directors, at its meeting held on May 20, 2016 approved, among other matters, to delegate to the Delegate Committee and the CEO Mr. Josu Jon Imaz San Miguel, each acting severally, all the powers granted to it by the Annual Shareholders' Meeting in relation to the Capital Increase, and in particular the power to execute the Capital Increase, to fix the date of its execution and all other aspects not contemplated in the resolution of the Annual Shareholders' Meeting.

In order to inform to the market properly and in advance, the Board of Directors, at its meeting held on November 2, 2016, approved the estimated timetable for the execution of the Capital Increase, registering the corresponding official notice. In addition, the Board of Directors, at its meeting held on November 30, 2016, fixed the market value of the Capital Increase (ie the "Amount of the Alternative Option") at 512,975,435 euros, registering the corresponding official notice.

According to resolutions adopted on November 2 and 30, 2016, the Company's CEO approved the commencement of the Capital Increase on December 14, 2016, pursuant to the terms approved by the Annual Shareholders' Meeting, as reflected in this document.

This document is issued in accordance with article 26.1.e) of Royal Decree 1310/2005, of 4 November, by virtue of which the preparation and publication of a prospectus related to the listing of the shares issued as a result of the Capital Increase will not be necessary "*if a document is made available containing information on the number and nature of the shares and the reasons for and details of the offer*", the purpose of this Informative Document. This document is available on the Company's website ([www.repsol.com](http://www.repsol.com)) and on the website of the Spanish Securities Market Commission ([www.cnmv.es](http://www.cnmv.es)).

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

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

The Capital Increase serves as an instrument to implement the shareholder remuneration "Repsol Flexible Dividend" program, in substitution of the traditional payment of the 2016 interim dividend. The purpose of this remuneration system, that was first established by the Company in 2012, is to offer all of the Company's shareholders the option, at their election, to receive new paid-up shares of the



Company, or an amount in cash by selling their free-of-charge allocation rights to the Company (if not sold on the market), as explained herein.

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

The “Repsol Flexible Dividend” program operates as follows. Each shareholder will receive a free-of-charge allocation right for every Repsol share held on the date mentioned in section 3.1 below. These rights will be listed and may be traded on the Spanish Stock Exchanges during a 21 calendar day period. Following the end of this period, the rights will be automatically converted into new Repsol shares. Each shareholder may elect one of the following alternatives:

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

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

### **3. Details of the offer**

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

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



- (i) The number of free-of-charge allocation rights needed to receive one new share (“**No. Rights per share**”) is 38. Free-of-charge allocation rights will be allocated to shareholders whose shares were acquired up until December 16, 2016, so long as such acquired shares are settled by December 20, 2016, according to *Sociedad de Gestión de los Sistemas de Registro, Compensación and Liquidación de Valores, S.A. Unipersonal (Iberclear)*, on the basis of one free-of-charge allocation right for each share held in the Company at that time. Accordingly, such shareholders shall be entitled to receive one new share for every 38 old shares that they hold on the mentioned date.

“**No. Rights per share**” have been calculated as described below, taking into account that the number of Company shares at the date of this report is 1,465,644,100 (“**NES**”).

No. Rights per share = NES / Provisional no. shares = 1,465,644,100 / 39,263,332 = 37.329 = 38 rights (rounded up);

where

“Provisional no. shares” = Amount of the Alternative Option / Share Price = 512,975,435 / 13.065 = 39,263,332 and

“Share Price” = 13.065 euros, is the arithmetic mean of the weighted average prices of the Company’s shares on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges over the five (5) trading sessions prior to the date of the CEO’s approval to commence the Capital Increase (days 7, 8, 9, 12 and 13 of December 2016), rounded up or down to the nearest thousandth of a euro and, in the event of half a thousandth of a euro, rounded up to the nearest thousandth of a euro.

- (ii) The maximum number of new shares to be issued in the Capital Increase (“**MNNS**”) is 38,569,581 resulting from the formula approved by the Annual Shareholder’s Meeting of Repsol, which is reproduced below, rounded down to the nearest whole number:

MNNS = NES / No. Rights per share = 1,465,644,100 / 38 = 38,569,581 new shares (rounded down to the nearest whole number)

where, “NES”, “No. Rights per share” and “Share Price” have the meanings specified in paragraph (i) above.

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

Repsol will waive the rights acquired by virtue of the undertaking to acquire rights, such that the capital will increase only by the amount corresponding to free-of-charge allocation rights not



acquired by Repsol pursuant to this undertaking<sup>1</sup>. The final number of shares to be issued in the Capital Increase will be promptly published in the official notice regarding the closing of the Capital Increase, which is expected to occur on January 10, 2017.

- (iii) Consequently, the face value amount of the Capital Increase is 38,569,581 euros. However, as already mentioned, the final amount of the share capital increase will be calculated by multiplying the number of final shares by 1 euro.

Due to the number of free-of-charge allocation rights required for the allocation of one new share (38, according to the previous calculations), multiplied by the maximum number of new shares to be issued (38,569,581, according to the previous calculations), is 1,465,644,078 (lower than the number of shares issued and outstanding (1,465,644,100), Repsol has waived a number of free-of-charge allocation rights equal to the difference between the two figures (22 rights) for the sole purpose of ensuring that the maximum number of new shares to be issued is a whole number and not a fraction.

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

The guaranteed fixed price of Repsol's purchase commitment of rights (the "**Purchase Commitment**") is 0.335 euros gross per right, which results from the following formula of the Capital Increase:

Purchase Price = Share Price / (No. Rights per share + 1) = 13.065 / (38 + 1) = 0.3350 = 0.335 (rounded up or down to the nearest thousandth of a euro and, in the event of half a thousandth of an euro, rounded up to the nearest thousandth of an euro).

Shareholders who wish to receive their remuneration in cash, may sell their rights to Repsol at a guaranteed fixed price of 0.335 euros gross.

### **3.3. Timetable**

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

- (i) December 16, 2016: Publication of the announcement of the Capital Increase in the Official Gazette of the Commercial Registry. The last trading date of Repsol shares entitled to participate in the "Repsol Flexible Dividend" program.
- (ii) December 17, 2016: Rights trading period begins. Also the period to elect payment in cash begins. Repsol shares are traded "ex-coupon".

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



- (iii) December 19, 2016: First trading day following the “last trading date”. Repsol shares are traded “ex-coupon” (ex-date).
- (iv) December 20, 2016: Effective settlement date for transactions made on December 16, 2016 (record date).
- (v) December 30, 2016: Deadline for requesting payment in cash (sale of rights to Repsol).
- (vi) January 6, 2017: Rights trading period ends. Repsol acquires rights of those shareholders who elected payment in cash (sale of rights to Repsol).
- (vii) January 10, 2017: Repsol waives the rights so acquired. Closing of the Capital Increase. Official Notice announcing the final results.
- (viii) January 10, 2017: Payment date to shareholders who elected payment in cash (sale of rights to Repsol).
- (ix) January 10 to 22, 2017: Procedures for the registration of the Capital Increase and the admission to trading of the new shares on the Spanish Stock Exchanges.
- (x) January 23, 2017: Estimated first ordinary trading session of the new shares on the Spanish stock exchanges, subject to the receipt of all necessary approvals.

Note, however, that there are specific requirements related to the alternatives, schedule and procedures in respect of holders of (i) American Depositary Shares and (ii) ordinary shares traded on the Buenos Aires Stock Exchange which may differ from those contained herein.

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

As noted above, free-of charge allocation rights will be allocated to shareholders whose shares were acquired up until December 16, 2016, so long as such acquired shares are settled by December 20, 2016, according to Iberclear. The trading period of the rights will begin on the next business day following the publication of the announcement of the closing of the Capital Increase on the BORME and will have a term of 21 calendar days (from December 17, 2016 to January 6, 2017 inclusive). During this period, the rights will be tradable in the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia.

During the trading period of the rights, shareholders may elect cash or new shares as described above, and they may also acquire to free-of-charge allocation rights to subscribe new shares in the market. However, those shareholders who wish to accept the undertaking to purchase rights offered by Repsol and receive cash at the guaranteed price must communicate their decision no later than December 30, 2016. The undertaking to purchase rights is limited to the rights allocated free-of-charge to shareholders, and not to those purchased or otherwise acquired in the market. To choose among the



alternatives offered by the “Repsol Flexible Dividend” program, shareholders must contact the entities where their Repsol shares and corresponding free-of-charge allocation rights are deposited.

Those shareholders who wish to receive cash at the guaranteed fixed price shall need to communicate their decision no later than December 30, 2016. In the absence of an express communication, shareholders will receive new shares of Repsol<sup>2</sup>.

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

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

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

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

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

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

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

The balance sheet used for purposes of the Capital Increase is that corresponding to December 31, 2015, duly audited by Deloitte, S.L. on February 24, 2016 and approved by the Annual Shareholders’ Meeting on May 20, 2016 under item first of its agenda.

The Capital Increase will be made entirely against the voluntary reserves from retained earnings, which was 7,751,906,154 euros as of December 31, 2015.

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<sup>2</sup> The holders of (i) American Depositary Shares; and (ii) ordinary shares listed on the Buenos Aires Stock Exchange may have certain specialties with respect to those described herein.



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

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

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

As from the date on which the Capital Increase is declared subscribed and paid up, expected on January 10, 2017, the new shares will confer upon their holders the same voting and economic rights as the Company's currently outstanding ordinary shares.

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

The Company will apply for the listing of the new shares on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges through the Spanish Automated Quotation System (Mercado Continuo), and shall take the steps and actions that may be necessary for the listing of new shares with the competent bodies of the Buenos Aires Stock Exchange. Subject to the granting of the relevant authorizations, it is expected that the ordinary trading of the new shares in the Spanish Stock Exchanges will begin on January 23, 2017.

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

In consideration of the terms and conditions of their respective programs and the rules of the securities market where the following securities are admitted for trading, the options, procedures and terms available for holders of (i) American Depositary Shares; and (ii) ordinary shares listed on the Buenos Aires Stock Exchange may differ from those described herein.

### **6. Taxation**

#### *General comments*

The principal tax implications deriving from the Capital Increase are set out below, based on the tax laws in place in the common territory and the interpretation made by the Spanish tax authorities (*Dirección General de Tributos*) in answers to several binding consultations.

Although the tax regime applicable to shareholders resident in Basque Country and Navarra, Ceuta and Melilla is similar to that of the common territory, certain differences may arise in the tax treatment



(particularly for individual shareholders resident in certain territories, in connection with the sale of their free-of-charge allocation rights in the market).

Shareholders not resident in Spain, the holders of *American Depositary Shares* representing shares in the Company and the holders of Company shares listed on the Buenos Aires stock exchange should consult their tax advisers on the effects deriving from the different options for the Capital Increase, including the right to apply the provisions of double taxation treaties signed by Spain.

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

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

#### *Specific comments*

The new shares delivered in each Capital Increase will, for tax purposes, be considered bonus shares and, as such, will not be considered income for personal income tax (IRPF), corporate income tax (IS) or non-resident income tax (IRNR), regardless of whether or not the recipients of those shares operate through a permanent establishment in Spain. In line with the foregoing, the delivery of new shares is not subject to withholding tax or payment on account (advance tax).

The acquisition value of both the new shares and the shares in respect of which they are issued will be determined by dividing the total cost by the number of shares, both old shares and bonus shares. The bonus shares will be considered to have the same age as the shares in respect of which they are issued.

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

If shareholders sell their free-of-charge allocation rights on the market, and in the case of the present program, the proceeds obtained from trading those rights on the market will be given the tax treatment described below:

- a) For personal income tax and income tax of non-residents with no permanent establishment in Spain, the proceeds obtained from the sale of free-of-charge allocation rights on the market will be given the same tax treatment as pre-emption subscription rights. Consequently, the proceeds from selling the free-of-charge allocation rights reduce the acquisition value for tax purposes of the shares giving rise to those rights, pursuant to article 37.1.a) of Law 35/2006 of 28 of November, personal income tax, in its current wording in accordance with the transitional regime established



in the Six Final Disposal of the Spanish Law 26/2014 of November 27, amending Law 35/2006 of November 28 on the Individual Income Tax, the revised text of the Non-resident Income Tax, approved by Royal Legislative Decree 5/2004 of March 5 and other tax legislation (applicable until December 31, 2016).

Therefore, if the amount obtained from that sale, carried out in 2016, is greater than the acquisition value of the shares in respect of which the rights are granted, the difference will be considered a capital gain for the seller in the tax period in which the sale is made.

However, if the transfer of the free-of-charge allocation rights to the market occurs after 31 December 2016, the amount obtained from the transfer to the market of the free allocation rights will be in any case considered as a capital gain for the purposes of transferors who are IRPF (Personal Income Tax) taxpayers or IRNR (Non-Resident Income Tax) taxpayers without a permanent establishment in Spain. The capital gain shall be subject to IRPF (Personal Income Tax) withholding at the rate that is applicable at that time. This IRPF (Personal Income Tax) withholding shall be performed by the corresponding depository institution (and, in its absence, by the financial intermediary or the notary public involved in the transfer of these rights).

The above without prejudice to the possible application to non-resident taxpayers with no permanent establishment in Spain of the double taxation treaties signed by Spain to which they may be entitled as well as the exemptions foreseen by the IRNR legislation.

- b) For corporate income tax and income tax of non-residents with a permanent establishment in Spain, since a full commercial cycle is closed, it will be taxed according to the applicable accounting standards and, where appropriate, any special tax regimes applicable to the shareholders subject to the taxes indicated.

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