



**Repsol International Finance B.V.**  
*(incorporated with limited liability under the  
laws of The Netherlands)*

**€1,000,000,000 6 Year Non-Call Perpetual Securities**

**and**

**€1,000,000,000 10 Year Non-Call Securities due 2075**

**unconditionally and irrevocably guaranteed on a subordinated basis by**

**Repsol, S.A.**  
*(incorporated with limited liability under the laws of the  
Kingdom of Spain)*

The €1,000,000,000 6 Year Non-Call Perpetual Securities (the “**Euro Perpetual Securities**”) and the €1,000,000,000 10 Year Non-Call Securities due 2075 (the “**Euro Dated Securities**”, together with the Euro Perpetual Securities, the “**Securities**”) are issued by Repsol International Finance B.V. (the “**Issuer**”) and unconditionally and irrevocably guaranteed on a subordinated basis by Repsol, S.A. (the “**Guarantee**”, and the “**Guarantor**”, respectively).

Pursuant to the terms and conditions of the Euro Perpetual Securities as described in “*Terms and Conditions of the Euro Perpetual Securities*” (the “**Euro Perpetual Conditions**”), the Euro Perpetual Securities will bear interest on their principal amount (i) at a fixed rate of 3.875 per cent. per annum from (and including) the Issue Date to (but excluding) the First Reset Date (as defined in the Euro Perpetual Conditions) payable annually in arrear on 25 March in each year, with the first Interest Payment Date on 25 March 2016; and (ii) from (and including) the First Reset Date, at the applicable 6 year Swap Rate in respect of the relevant Reset Period (as defined in the Euro Perpetual Conditions), plus: (A) in respect of the period commencing on the First Reset Date to (but excluding) 25 March 2025, 3.56 per cent. per annum; (B) in respect of the period commencing on 25 March 2025 to (but excluding) 25 March 2041, 3.81 per cent. per annum; and (C) from and including 25 March 2041, 4.56 per cent. per annum, all as determined by the Agent Bank, payable annually in arrear on 25 March in each year (each, an Interest Payment Date as defined in the Euro Perpetual Conditions), commencing on 25 March 2022.

Pursuant to the terms and conditions of the Euro Dated Securities as described in “*Terms and Conditions of the Euro Dated Securities*” (the “**Euro Dated Conditions**”), the Euro Dated Securities will bear interest on their principal amount (i) at a fixed rate of 4.50 per cent. per annum from (and including) the Issue Date to (but excluding) the First Reset Date (as defined in the Euro Dated Conditions) payable annually in arrear on 25 March in each year, with the first Interest Payment Date on 25 March 2016; and (ii) from (and including) the First Reset Date, at the applicable 10 year Swap Rate in respect of the relevant Reset Period (as defined in the Euro Dated Conditions), plus: (A) in respect of the period commencing on the First Reset Date to (but excluding) 25 March 2045, 4.20 per cent. per annum; and (B) from and including 25 March 2045 to (but excluding) the Maturity Date, 4.95 per cent. per annum, all as determined by the Agent Bank, payable annually in arrear on 25 March in each year (each, an Interest Payment Date as defined in the Euro Dated Conditions), commencing on 25 March 2026.

The Euro Perpetual Conditions and the Euro Dated Conditions together shall be referred to herein as the “**Conditions**”.

The Issuer may, at its sole discretion, elect to defer (in whole or in part) any payment of interest on the Securities, as more particularly described in the “*Terms and Conditions of the Euro Perpetual Securities — Optional Interest Deferral*” and “*Terms and Conditions of the Euro Dated Securities — Optional Interest Deferral*”, respectively. Any amounts so deferred, together with further interest accrued thereon (at the Prevailing Interest Rate applicable from time to time), shall constitute Arrears of Interest (each capitalised term as defined in the Conditions of the relevant Securities). The Issuer may pay outstanding Arrears of Interest, in whole or in part, at any time in accordance with the Conditions of the relevant Securities. Notwithstanding the foregoing, the Issuer shall pay any outstanding Arrears of Interest in whole, but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment Date on which any outstanding Arrears of Interest was first deferred, all as more particularly described, and each capitalised term as defined, in “*Terms and Conditions of the Euro Perpetual Securities — Optional Interest Deferral — Mandatory Settlement of Arrears of Interest*” and “*Terms and Conditions of the Euro Dated Securities — Optional Interest Deferral — Mandatory Settlement of Arrears of Interest*”, respectively.

The Euro Perpetual Securities will be undated securities in respect of which there is no specific maturity date. The Securities shall be redeemable (at the option of the Issuer) in whole, but not in part, on the applicable First Reset Date (as defined in the Conditions of the relevant Securities) or upon any Interest Payment Date (as defined in the Conditions of the relevant Securities) thereafter, at their principal amount together with any accrued and unpaid interest up to (but excluding) the Redemption Date (as defined in the Conditions of the relevant Securities) and any outstanding Arrears of Interest. In addition, upon the occurrence of a Capital Event, a Tax Event, a Withholding Tax Event, an Acquisition Event, a Substantial Purchase Event or (in the case of the Euro Perpetual Securities only) an Accounting Event (each such term as defined in the Conditions of the relevant Securities), the Securities will be redeemable (at the option of the Issuer) in whole, but not in part, at the amount set out, and as more particularly described, in “*Terms and Conditions of the Euro Perpetual Securities — Redemption and Purchase*” and “*Terms and Conditions of the Euro Dated Securities — Redemption and Purchase*”, respectively.

The Securities will constitute direct, unsecured and subordinated obligations of the Issuer and will at all times rank *pari passu* and without any preference among themselves, all as more particularly described in “*Terms and Conditions of the Euro Perpetual Securities — Status and Subordination of the Securities and Coupons*” and “*Terms and Conditions of the Euro Dated Securities — Status and Subordination of the Securities and Coupons*”, respectively. The payment obligations of the Guarantor under the Guarantee will constitute direct, unsecured and subordinated obligations of the Guarantor and will at all times rank *pari passu* and without any preference among themselves. The rights and claims of Holders (as defined in the Conditions of the relevant Securities) against the Guarantor in respect of or arising under the Guarantee will rank, as against the other obligations of the Guarantor, in the manner more particularly described in “*Terms and Conditions of the Euro Perpetual Securities — Guarantee, Status and Subordination of the Guarantee*” and “*Terms and Conditions of the Euro Dated Securities — Guarantee, Status and Subordination of the Guarantee*”, respectively.

Payments in respect of the Securities will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature of The Netherlands or the Kingdom of Spain, unless such withholding or deduction is required by law. In the event that any such withholding or deduction is made, additional amounts will be payable by the Issuer or, as the case may be, the Guarantor, subject to certain exceptions as are more fully described in “*Terms and Conditions of the Euro Perpetual Securities — Taxation*” and “*Terms and Conditions of the Euro Dated Securities — Taxation*”, respectively.

This prospectus (the “**Prospectus**”) has been approved by 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 as a 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**”). 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 Prospectus constitutes a prospectus for the purposes of Article 5.3 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 been made to the Luxembourg Stock Exchange for the Securities 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.

The Securities have not been, and will not be, registered under the United States Securities Act of 1933 (the “**Securities Act**”) and are subject to United States tax law requirements. The Securities are being offered outside the United States by the Joint Bookrunners (as defined in “*Subscription and Sale*”) in accordance with Regulation S under the Securities Act (“**Regulation S**”), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Euro Perpetual Securities and the Euro Dated Securities will be in bearer form and each in the denomination of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,00. Each series of Securities will initially be represented by a temporary global security (each a “**Temporary Global Security**”), without interest coupons or talons, which will be deposited with a common depository on behalf of Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, *Société Anonyme* (“**Clearstream, Luxembourg**”) on or about the Issue Date. Interests in each Temporary Global Security will be exchangeable for interests in a permanent global security (each a “**Permanent Global Security**” and together with each Temporary Global Security, the “**Global Securities**”) in the circumstances set out in each Temporary Global Security. Each Permanent Global Security will be exchangeable for definitive Securities (the “**Definitive Securities**”) in the circumstances set out in the relevant Permanent Global Security. See “*Summary of Provisions relating to the Securities in Global Form*”.

This Prospectus will be published in electronic form on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu).

The Securities are expected to be rated BB by Standard & Poor’s Credit Market Services Europe Limited (“**S&P**”), Ba1 by Moody’s Investors Service Ltd (“**Moody’s**”) and BB+ by Fitch Ratings España SAU (“**Fitch**”).

Each of S&P, Moody’s and Fitch is established in the European Union and registered under Regulation (EU) No 1060/2009, as amended (the “**CRA Regulation**”).

**A security 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.**

**Prospective investors should have regard to the factors described under the section headed “*Risk Factors*” in this Prospectus.**

*Structuring Adviser*  
**BofA MERRILL LYNCH**

**BofA MERRILL LYNCH**

*Global Coordinators*  
**Deutsche Bank**

**J.P. Morgan**

**BofA MERRILL LYNCH**  
**Crédit Agricole CIB**  
**J.P. Morgan**  
**Santander Global Banking & Markets**  
**UniCredit Bank**

*Joint Bookrunners*

**CaixaBank, S.A.**  
**Deutsche Bank**  
**Natixis**  
**UBS Investment Bank**

23 March 2015

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## IMPORTANT NOTICES

Save for the information referred to in “— *Certain Financial and Other Information*” below, each of the Issuer and the Guarantor accepts responsibility for the information contained in this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus to the best of its knowledge is in accordance with the facts and contains no omission likely to affect its import. Information appearing in this Prospectus is only accurate as of the date on the front cover of this Prospectus. The business, financial condition, results of operations and prospects of the Issuer and the Guarantor may have changed since such date.

Each of the Issuer and the Guarantor has confirmed to the Joint Bookrunners named under “*Subscription and Sale*” below (the “**Joint Bookrunners**”) that this Prospectus contains all information regarding the Issuer, the Guarantor and the Securities which is (in the context of the issue of the Securities) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Prospectus on the part of the Issuer or (as the case may be) the Guarantor are honestly held or made and are not misleading in any material respect; this Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing.

Neither the Issuer nor the Guarantor has authorised the making or provision of any representation or information regarding the Issuer, the Guarantor or the Securities other than as contained in this Prospectus or as approved for such purpose by the Issuer and the Guarantor. Any such representation or information should not be relied upon as having been authorised by the Issuer, the Guarantor or the Joint Bookrunners.

Neither the Joint Bookrunners nor any of their respective affiliates have authorised the whole or any part of this Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Prospectus. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Security shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer or the Guarantor since the date of this Prospectus.

This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Securities.

The distribution of this Prospectus and the offering, sale and delivery of Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Guarantor and the Joint Bookrunners to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Securities and on distribution of this Prospectus and other offering material relating to the Securities, see “*Subscription and Sale*”.

In particular, the Securities have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Securities may not be offered, sold or delivered within the United States or to U.S. persons.

In this Prospectus, unless otherwise specified, references to a “**Member State**” are references to a Member State of the European Economic Area, references to “**U.S.\$**”, and “**U.S. dollar**” are to United States dollars, the lawful currency of the United States of America, references to “**C\$**” are to Canadian dollars, the lawful currency of Canada, references to “**sterling**”, “**pound sterling**” or “**£**” are to the currency of the United Kingdom and references to “**EUR**”, “**euro**” or “**€**” are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended.

As used in this Prospectus, “**Repsol**”, “**Repsol Group**” and “**Group**” mean 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.

The Securities are securities which, because of their nature, are normally bought and traded by a limited number of investors who are particularly knowledgeable in investment matters, and may not be a suitable investment for all investors. Each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact the Securities will have on its overall investment portfolio;
- (ii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including where the currency for principal or interest payments is different from the potential investor’s currency;
- (iii) understand thoroughly the terms of the Securities and be familiar with the behaviour of any relevant indices and financial markets; and
- (iv) 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.

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, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Securities unless it has the knowledge and expertise (either alone or with a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of the Securities, and the impact this investment will have on the potential investor’s overall investment portfolio.

Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Prospectus (as the same may be supplemented) or incorporated by reference herein. Potential investors should not construe anything in this Prospectus as legal, tax, business or financial advice. Each investor should consult with his or her own advisers as to the legal, tax, business, financial and related aspects of a purchase of the Securities.

### **FORWARD-LOOKING STATEMENTS**

This Prospectus includes forward-looking statements that reflect the Group’s intentions, beliefs or current expectations and projections about the Group’s future results of operations, financial condition, liquidity, performance, prospects, anticipated growth, strategies, plans, opportunities, trends and the markets in which the Group operates or intends to operate. Forward-looking statements involve all matters that are not historical fact. These and other forward-looking statements can be identified by the words “may”, “will”, “would”, “should”, “expect”, “intend”, “estimate”, “anticipate”, “project”, “future”, “potential”, “believe”, “seek”, “plan”, “aim”, “objective”, “goal”, “strategy”, “target”, “continue” and similar expressions or their negatives. These forward-looking statements are based on numerous assumptions regarding the Group’s present and future business and the environment in which the Group expects to operate in the future. Forward-looking statements may be found in sections of this Prospectus entitled “*Risk Factors*”, “*Description of the Guarantor and the Group*”, “*Acquisition of Talisman Energy*”, in the consolidated management reports that are incorporated by reference in this Prospectus (the “**Consolidated Management Reports**”) and elsewhere in this Prospectus.

These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions and other factors that could cause the Group’s actual results of operations, financial condition, liquidity,

performance, prospects, anticipated growth, strategies, plans or opportunities, as well as those of the markets the Group serves or intends to serve, to differ materially from those expressed in, or suggested by, these forward-looking statements.

Additional factors that could cause the Group's actual results, financial condition, liquidity, performance, prospects, opportunities or achievements or industry results to differ include, but are not limited to, those discussed under "*Risk Factors*".

In light of these risks, uncertainties and assumptions, the forward-looking events described in this Prospectus may not occur. Additional risks that the Group may currently deem immaterial or that are not presently known to the Group could also cause the forward-looking events discussed in this Prospectus not to occur. Except as otherwise required by Dutch, Spanish, Luxembourg and other applicable securities laws and regulations and by any applicable stock exchange regulations, the Group undertakes no obligation to update publicly or revise publicly any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason after the date of this Prospectus. Given the uncertainty inherent in forward-looking statements, prospective investors are cautioned not to place undue reliance on these statements.

### **HYDROCARBON AND GAS RESERVES CAUTIONARY STATEMENT**

Hydrocarbon and gas reserves and resource estimates are expressions of engineering and economic analysis and interpretation based on knowledge, experience and industry practice. Estimates that were valid when originally calculated may alter significantly when new information or techniques become available. Additionally, by their very nature reserve and resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional drilling and analysis, the estimates are likely to change. This may result in alterations to development and production plans which may, in turn, adversely affect the Group's operations. See also "*Risk Factors — Risks Relating to the Issuer and the Guarantor — Operational risks — Oil and gas reserves estimation*".

### **CERTAIN FINANCIAL AND OTHER INFORMATION**

This Prospectus contains certain financial and other information in relation to Talisman Energy Inc. This information has been derived from publicly-available sources and none of the Issuer, the Guarantor or the Joint Bookrunners accepts any responsibility whatsoever or makes any representation or warranty expressed or implied for the fairness accuracy, completeness or verification of such information. However, the Issuer and the Guarantor have taken reasonable care to ensure that the information from these sources has been reproduced correctly and each of the Issuer and the Guarantor accepts responsibility accordingly. In addition, this Prospectus includes certain statements and assumptions in relation to the Repsol Group following completion of the acquisition of Talisman Energy Inc. The completion of such acquisition is subject to a number of conditions and events, most of which are beyond the control of the Group. Accordingly, there can be no assurance that the acquisition will complete and investors are cautioned not to place undue reliance on such statements and assumptions.

### **CERTAIN TECHNICAL TERMS**

As used in this Prospectus:

"**1P reserves**" refers to proven reserves;

"**2P reserves**" refers to proven plus probable reserves;

"**boe**" refers to barrels of oil equivalent;

"**k**" prefix means thousand;



“m” prefix means million;

“pd” suffix means per day; and

“scf” refers to standard cubic feet.

#### STABILISATION

**IN CONNECTION WITH THE ISSUE OF THE SECURITIES, MERRILL LYNCH INTERNATIONAL (THE “STABILISING MANAGER”) (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER ALLOT SECURITIES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE SECURITIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE SECURITIES 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 SECURITIES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE SECURITIES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.**

## **RISK FACTORS**

*Prospective investors should carefully consider all the information set forth in this Prospectus (as the same may be supplemented) and any information incorporated by reference into this Prospectus, as well as their own personal circumstances, before deciding to invest in the Securities. Prospective investors should have particular regard to, among other matters, the considerations set out in this section of this Prospectus.*

*Each of the Issuer and the Guarantor believes that each of the following risk 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 in relation to the Securities. Neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring. In addition, there may be other factors that a prospective investor should consider that are relevant to its own particular circumstances or generally.*

*Risk factors that are material for the purpose of assessing the market risks associated with the Securities are also described below.*

*Each of the Issuer and the Guarantor believes that the risk factors described below represent the principal risk factors inherent in investing in the Securities, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with the Securities may occur for other reasons, which may not be considered significant risks by the Issuer and the Guarantor based on information currently available to them or which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (as the same may be supplemented), including the descriptions of the Issuer and the Guarantor, as well as the information incorporated by reference, and reach their own views prior to making any investment decisions.*

*Before making an investment decision with respect to the Securities, 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 Securities and consider such an investment decision in the light of the prospective investor's personal circumstances.*

*Words and expressions defined in "Terms and Conditions of the Euro Perpetual Securities" or "Terms and Conditions of the Euro Dated Securities" shall have the same meanings in this section, unless the context requires otherwise.*

### **Risks relating to the Issuer and the Guarantor**

The risk factors set out below are applicable to the Issuer as a member of the Repsol Group, and the Guarantor.

#### **Operational risks**

##### ***Uncertainty in the current economic context.***

Global economic growth is still weak and more fragile than expected, although the latest International Monetary Fund ("IMF") forecasts estimate an expected global growth of around 3.3% in 2014 and 3.5% in 2015 (source: World Economic Outlook January 2015). Nonetheless, concerns about persistent low and uneven growth have risen over the past six months. Since the summer of 2014, the growth and inflation outlook worsened in the eurozone, China and Latin America, while it has improved in the U.S. and the United Kingdom which shows greater dynamism.

Due to the differences in the rate of growth it is clear that central banks are in different monetary paths. First, there are those who seek to combat low inflation and stimulate growth by expanding their balance sheets. This is the case of the Bank of Japan and the European Central Bank which has announced the

purchase of sovereign and corporate bonds for a total of €60 billion per month to strengthen balance expansion programmes initiated in 2014. Second, the Bank of England and the U.S. Federal Reserve have put an end to their expansionary policies, supported by firm macroeconomic data, and are now considering the appropriate moment to start raising interest rates. The timing of the U.S. Federal Reserve interest rate decision is perceived by the market as a key issue for global risk. For the time being, the increase in global risk perceptions has diminished after the last Federal Open Market Committee (“FOMC”) of the U.S made it clear that they will be “patient” as regards increasing interest rates. This action is thought to guarantee a non-contractionary monetary policy at least for the first half of 2015, leading to a reduction in current and expected volatility.

Against this background, the significant decline in oil prices has changed the outlook for growth and inflation. On the one hand, certain oil exporting countries are going through a period of low growth and heightened risks of a balance of payment crisis, including Russia, among others. On the other hand, importing countries are expected to grow more than previously forecast due to the income transfer from oil exporters. Furthermore, emerging countries are believed to benefit more than advanced countries due to their high energy intensity. The IMF’s viewpoint is that a fall in the oil price by U.S.\$30 dollars will translate into a 0.8% growth in the global economy in 2015. However, some experts argue that such a positive effect will not be felt due to the low levels of interest rates and low or even negative inflation in most countries.

Geopolitical risks remain latent in Ukraine and the Middle East, with the former being more relevant to the markets. Geopolitical developments could impact markets through an increase in volatility and adjustments in asset prices. 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 operations of Repsol.

***Fluctuations in international prices and demand of crude oil and reference products owing 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.

International product prices are influenced by the price of oil and the demand for products. Therefore, international prices of crude oil and products affect the refining margin. International 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. Likewise, any significant drop in capital investment could have an adverse effect on Repsol’s ability to replace its crude oil reserves.

***Regulatory and tax framework of Repsol’s operations.***

The oil industry is subject to extensive regulation and intervention by governments in matters such as the award of exploration and production permits, the imposition of specific drilling and exploration obligations, restrictions on production, price controls, divestments of assets, foreign currency controls, and the nationalisation, expropriation or cancellation of contractual rights.

Likewise, oil refining and petrochemical activities, in general, are subject to extensive government regulation and intervention in matters such as safety and environmental controls.

Finally, the energy sector, particularly the oil industry, is subject to particular taxation. In upstream activities there are often energy taxes on profit and production, while in downstream activities taxes on consumption products are common.

Repsol cannot predict changes to such laws or regulations or their interpretation, or the implementation of certain policies. Any such changes could have an adverse impact on the business, financial position and results of operations of the Repsol Group.

***Repsol's operations may be affected by government sanctions.***

The European Union, its Member States, the U.S. government and various other countries as well as the United Nations impose economic sanctions and trade embargoes with respect to certain countries in support of its respective foreign policy and security goals. These economic sanctions and embargoes impose restrictions with respect to activities or transactions with certain countries, governments, entities or individuals that are the target of the relevant sanctions.

While Repsol has not been sanctioned and has not engaged in, and does not expect to engage in, any actions that would cause it to breach any sanctions regime applicable to it, there can be no assurance that Repsol's operations will not be affected by sanctions in the future, which could have an adverse effect on its financial position, businesses, or results of operations.

***Repsol is subject to extensive environmental and safety legislation and risks.***

Repsol is subject to extensive environmental and safety legislations and regulations in 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 and safety.

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 requirements 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, errors or inefficiencies in operations management and purchasing processes, natural hazards and other uncertainties relating to the physical characteristics of oil and natural gas fields. 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, Alaska, Brazil and the Amazon rainforest, or in complex oilfields, which could aggravate these risks further. 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 enabling 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, Repsol generally faces intense competition in bidding for exploratory blocks, in particular those blocks offering the most attractive potential reserves. Such competition may result in Repsol's failing to obtain the desirable 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 were to 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 is 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, 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 estimating proven oil and gas reserves, Repsol relies on the guidelines and the conceptual framework of the Securities and Exchange Commission's (SEC) definition of proven reserves and on the criteria established by the Petroleum Reserves Management System of the Society of Petroleum Engineers ("PRMS-SPE"). In the estimation of non-proven oil and gas reserves, Repsol relies on the criteria and the guidelines established by the PRMS-SPE.

The accuracy of these estimates depends on a number of different factors, assumptions and variables, such as exploration and development activities including drilling, testing and production. After the date of the estimate, the results of activities may entail substantial upward or downward corrections in the estimate based on the quality of available geological, technical and economic data used and its interpretation and valuation. Moreover, the production performance of reservoirs and recovery rates depend significantly on available technologies as well as Repsol's ability to implement them.

As a result of the foregoing, measures of reserves are not precise and are subject to revision. Any downward revision in estimated quantities of proven 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 income and shareholders' equity.

#### ***Projects and operations carried out through joint ventures and partnerships.***

Many of the Repsol Group's projects and operations are conducted through joint ventures and partnerships. If Repsol does not act as the operator on those projects or operations, its ability to control and influence the performance and management of the operations and to identify and manage risk is limited. Additionally, there is a possibility that if any of Repsol's partners or members of a joint venture or associated company fails to comply with their financial obligations or incur any another breach, that could affect the viability of the whole project.

***Repsol may engage in acquisitions, investments and disposals as part of its strategy.***

As part of Repsol's strategy, Repsol may engage in acquisitions, investments and disposals of interests. There can be no assurance that Repsol will identify suitable acquisition opportunities, obtain the financing necessary to complete and support such acquisitions or investments, acquire businesses on satisfactory terms, or that any acquired business will prove to be profitable. In addition, acquisitions and investments involve a number of risks, including possible adverse effects on Repsol's operating results, risks associated with unanticipated events or liabilities relating to the acquired assets or businesses which may not have been disclosed during due diligence investigations, difficulties in the assimilation of the acquired operations, technologies, systems, services and products, and risks arising from provisions in contracts that are triggered by a change of control of an acquired company.

Any failure to successfully integrate such acquisitions could have a material adverse effect upon the business, results of operations or financial condition of Repsol. Any disposal of interest may also adversely affect Repsol's financial condition, if such disposal results in a loss to Repsol.

See also the risk factor entitled "*The integration of Talisman may not be successful*".

***The integration of Talisman may not be successful.***

On 16 December 2014 Repsol announced an agreement to acquire 100% of the issued share capital of Talisman Energy Inc. ("**Talisman**"), a Canadian-based upstream oil and gas company. There can be no assurance that the offer will be successfully completed but, if it is, like all business combinations, Repsol's ability to achieve the strategic benefits which the acquisition is intended to realise will depend on its ability to integrate teams, processes and procedures, as well as securing customer relationships. There can be no assurance that the integration of Talisman into the Repsol Group will be successful nor that integration measures can be completed in the envisaged timescale, or at all and Repsol may not realise all the synergies or derive all the benefits which it intends to realise or derive from the acquisition. Any of the foregoing could have a material adverse effect on Repsol's business, financial position and results of operations.

See also the section entitled "*Acquisition of Talisman Energy*".

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

Repsol holds insurance coverage against certain risks inherent in the oil and gas industry in line with industry practice. Insurance coverage is subject to deductibles and limits that in certain cases may be materially exceeded by the losses and/or liabilities incurred. In addition, Repsol's insurance policies contain exclusions that could leave the Group with limited coverage in certain circumstances or even indemnities cannot be totally or partially recovered in case of insolvency of the insurers. 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 were to experience 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.

***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 customers which present additional types of risks to the Group as they are pegged to existing proven reserves in these countries. 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 these risks would have an adverse impact on the business, financial condition and results of operations of the Repsol Group.

***Cyclical nature of the petrochemical activity.***

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 Group's strategy requires efficiency and innovation in a highly competitive market.***

The oil, gas and petrochemical industry operates in the context of a highly competitive energy sector. This competition influences the conditions for accessing markets or following new business leads, the costs of licenses and the pricing and marketing of products, requiring the Group's attention and continuous efforts towards improving efficiency and reducing unit costs, without compromising operational safety or undermining the management of other strategic, operational and financial risks.

The implementation of the Group's strategy requires a significant ability to anticipate and adapt to the market and continuous investment in technological advances and innovation.

***The Repsol Group is subject to the effects of administrative, judicial and arbitration proceedings.***

The Repsol Group is subject to the effects of administrative, judicial and arbitration proceedings arising in the ordinary course of business. Repsol could become involved in other possible future lawsuits in relation to which it 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.

***Misconduct or violations of applicable legislation by Repsol's employees can damage the reputation of the Repsol Group.***

Repsol's Ethics and Conduct Regulations, which are mandatory for all Group employees regardless of their geographic location, area of activity or professional level, establish the overall guidelines for the conduct of the Group and all its employees in performing their duties and in their commercial and professional relationships, in line with the principles of corporate loyalty, good faith, integrity and respect for the law and the ethical values defined by the Group. The different compliance and control models of the Group include controls aimed at preventing, detecting and mitigating relevant compliance aspects of the Ethics and Conduct Regulations. The occurrence of any management misconduct or breach of any applicable legislation could cause harm to the Group's reputation, in addition to incurring sanctions and legal liability.

***Information technology and its reliability and robustness are a key factor in maintaining the Group's operations.***

The reliability and security of the Group's information technology (IT) systems are critical to maintaining the availability of its business processes and the confidentiality and integrity of the data belonging to the Group and third parties. Given that cyber-attacks are constantly increasing, the Repsol Group cannot guarantee that it will not suffer economic or/and material losses in the future as a result of such attacks.

## **Financial Risks**

### ***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.

At 31 December 2014, Repsol held available resources in cash and other liquid financial instruments and undrawn credit lines which covered 70% of the gross debt (83% including €1,504 million in immediately available deposits). The Group had undrawn credit lines for €3,312 million and €3,123 million at 31 December 2014 and 31 December 2013, respectively.

In the case that Repsol were unable to meet its needs for liquidity in the future or needed to be required to incur increased costs to meet them, this could have an adverse effect on the business, financial position and results of operations of the Repsol Group.

### ***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 customers or individual third parties, and whose amounts are reflected in the balance sheet net of allowances for impairment provisions in the amount of €4,459 million and €4,343 million, at 31 December 2014 and 31 December 2013, respectively. To this end, 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. Any breach of payment obligations by Repsol's customers and counterparties, in the agreed time frame and form, could result in an adverse effect on Repsol's business, results or financial position.

### ***Market risks.***

Repsol's results of operations and shareholders' equity are 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. In addition, Repsol is also subject to credit rating risk.

***Exchange rate fluctuation risk.*** Fluctuations in exchange rates may adversely affect the results of transactions and the value of Repsol's equity. In general, this exposure to fluctuations in currency exchange rates stems from the fact that the Group has assets, liabilities and cash flows denominated in a currency other



than the functional currency of the Repsol Group. 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. 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 addition, cash flows from transactions carried out in the countries where Repsol conducts its activities are exposed to fluctuations in currency exchange rates of the respective local currencies against the major currencies in which the raw materials used as reference for the fixing of prices in the local currency are traded. Repsol's financial statements are expressed in euros and, consequently, the assets and liabilities of subsidiary investee companies with a different functional currency are translated into euros.

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

*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 factor titled "*Fluctuations in international prices and demand of crude oil and reference products owing to factors beyond Repsol's control*" and "*Repsol's natural gas operations are subject to particular operational and market risks*" above). Therefore, changes in prices of crude oil, natural gas and their derivatives could have an adverse effect on the Repsol Group's business, results and financial position.

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

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

Note 17 "*Financial risk and capital management*" and note 18 "*Derivative transactions*" in the audited consolidated financial statements of Repsol, S.A. as of and for the financial year ended 31 December 2014 include additional details on the financial risks to which the Repsol Group is exposed.

*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 new 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](http://www.repsol.com).

## **Risks relating to Withholding**

### ***Risks in relation to Spanish Taxation.***

With respect to any payment of interest under the Guarantee, the Guarantor is required to receive certain information relating to the Securities. If such information is not received by the Guarantor in a timely manner, the Guarantor will be required to apply Spanish withholding tax to any payment of interest (as this term is defined under "*Taxation — Spanish Tax — Payments made by the Guarantor*") in respect of the relevant Securities.

Under Spanish Law 10/2014 and Royal Decree 1065/2007, each as amended, payments of interest under the Guarantee will be made without withholding tax in Spain provided that the Fiscal Agent provides the

Guarantor in a timely manner with a certificate containing certain information in accordance with section 44 paragraph 5 of the Royal Decree 1065/2007 relating to the Securities.

This information must be provided by the Fiscal Agent to the Guarantor, before the close of business on the Business Day (as defined in the Terms and Conditions of each series of Securities) immediately preceding the date on which any payment under the Guarantee of interest, principal or of any amounts in respect of the early redemption of the Securities (each a “**Payment Date**”) is due.

The Issuer, the Guarantor and the Fiscal Agent have arranged certain procedures to facilitate the collection of information concerning the Securities. If, despite these procedures, the relevant information is not received by the Guarantor on each Payment Date, the Guarantor will be obliged to withhold tax at the then-applicable rate (20% as at the date of this Prospectus and 19% in 2016) from any payment of interest under the Guarantee in respect of the relevant Securities. Neither the Issuer nor the Guarantor will pay any additional amounts with respect to any such withholding.

The Fiscal Agency Agreements provide that the Fiscal Agent will, to the extent applicable, comply with the relevant procedures to deliver the required information concerning the Securities to the Guarantor in a timely manner.

These procedures may be modified, amended or supplemented, among other reasons, to reflect a change in applicable Spanish law, regulation, ruling or an administrative interpretation thereof. None of the Issuer, the Guarantor or the Joint Bookrunners assumes any responsibility therefor.

Royal Decree 1145/2011, of 29 July which amends Royal Decree 1065/2007, of 27 July provides that any payment of interest made under securities originally registered in a non-Spanish clearing and settlement entity recognised by Spanish legislation or by the legislation of another OECD country will be made with no withholding or deduction from Spanish taxes provided that the relevant paying agent submits in a timely manner certain information about the Securities to the Issuer. In the opinion of the Guarantor, any payment of interest under the Guarantee will be made without deduction or withholding of taxes in Spain provided that the relevant information about the Securities is timely submitted by the Fiscal Agent to the Guarantor, notwithstanding the information obligations of the Guarantor under general provisions of Spanish tax legislation, by virtue of which identification of Spanish tax resident investors may be provided to the Spanish tax authorities (see “*Taxation — Spanish Tax — Payments made by the Guarantor*”).

### **U.S. Foreign Account Tax Compliance Withholding Act**

Whilst the Securities are in global form and held within Euroclear Bank SA/NV and Clearstream Banking, *société anonyme* (together, the “**ICSDs**”), in all but the most remote circumstances, it is not expected that Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, or regulations and other authoritative guidance thereunder (“**FATCA**”) will affect the amount of any payment received by the clearing systems. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding and the relevant Securities are treated, for U.S. federal tax purposes, either as equity instruments or as issued, or materially modified, on or after the date that is six months after the publication of final regulations defining the term “foreign passthru payments” for the purposes of FATCA. FATCA may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of FATCA withholding, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Prospective investors should choose custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Prospective investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. Pursuant to the terms and conditions of the Securities, the Issuer’s obligations under the Securities are

discharged once payment has been made to the order of the common depository or common safekeeper for the ICSDs (as holder of the Securities) and none of the Issuer or the Guarantor has therefore any responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries.

### **Risks related to the structure of the Securities**

#### ***The Issuer's obligations under the Securities and the Coupons are subordinated.***

The Issuer's obligations under the Securities will be unsecured and subordinated obligations of the Issuer and will rank junior to the claims of unsubordinated and other subordinated creditors of the Issuer, except for subordinated creditors whose claims are expressed to rank *pari passu* with the Securities. See Condition 2 (*Status and Subordination of the Securities and Coupons*) of the Terms and Conditions of the Euro Perpetual Securities and of the Euro Dated Securities, respectively. By virtue of such subordination, payments to a Holder of Securities will, in the event of an Issuer Winding-up (as described in the relevant Conditions) only be made after, and any set-off by a Holder of Securities shall be excluded until, all obligations of the Issuer resulting from higher ranking claims have been satisfied. A Holder of Securities may therefore recover less than the holders of unsubordinated or other subordinated liabilities of the Issuer. Subject to applicable law, no Holder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Securities and each Holder shall, by virtue of being the Holder of any Security, be deemed to have waived all such rights of set-off. Although subordinated debt securities may pay a higher rate of interest than comparable debt securities which are not subordinated, there is a real risk that an investor in subordinated securities such as the Securities will lose all or some of his investment should the Issuer become insolvent.

#### ***The Guarantee is a subordinated obligation.***

The Guarantor's obligations under the Guarantee will be unsecured and subordinated obligations of the Guarantor. The Guarantor's obligations under the Guarantee will be subordinated in right of payment to the prior payment in full of all other liabilities of the Guarantor, except for obligations which rank equally with or junior to the Guarantee. See Condition 3 (*Guarantee, Status and Subordination of the Guarantee*) of the Terms and Conditions of the Euro Perpetual Securities and of the Terms and Conditions of the Euro Dated Securities, respectively.

Holders of the Securities are advised that unsubordinated liabilities of the Guarantor may also arise out of events that are not reflected on the balance sheet of the Guarantor including, without limitation, the issuance of guarantees on an unsubordinated basis. Claims made under such guarantees will become unsubordinated liabilities of the Guarantor that in the insolvency of the Guarantor will need to be paid in full before the obligations under the Guarantee may be satisfied.

#### ***There are no events of default under the Securities.***

The Conditions of each series of Securities do not provide for events of default allowing acceleration of the Securities if certain events occur. Accordingly, if the Issuer or the Guarantor fails to meet any obligations under the Securities or the Guarantee, as the case may be, including the payment of any interest, investors will not have the right to require the early redemption of principal. Upon a payment default, the sole remedy available to the Holders for recovery of amounts owing in respect of any payment of principal or interest on the Securities will be the institution of proceedings to enforce such payment (although in no event shall the Issuer or the Guarantor, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it).

Notwithstanding the above, if an Issuer Winding-up occurs, or an order is made or an effective resolution passed for the winding-up, dissolution or liquidation of the Guarantor (except for the purposes of a solvent merger, reconstruction or amalgamation), any Holder of a Security, in respect of such Security and provided that such Holder does not contravene a previously adopted Extraordinary Resolution (if any) may declare that such Security and all interest then accrued but unpaid on such Security shall be forthwith due and

payable (see Condition 9 – *Enforcement events and no events of default*). Also, see “*Risks arising in connection with Insolvency Law*” for details on the impact of Dutch and/or Spanish insolvency law if the Issuer Winding-up and/or if the winding-up, dissolution or liquidation of the Guarantor takes place in the context of an insolvency proceeding.

***The Euro Perpetual Securities are undated securities.***

The Euro Perpetual Securities are undated securities, with no specified maturity date. The Issuer is under no obligation to redeem or repurchase the Securities at any time and the Holders have no right to require redemption of the Securities. Therefore, prospective investors should be aware that they may be required to bear the financial risks of an investment in the Securities for an indefinite period of time and may not recover their investment in the foreseeable future.

***The Issuer may redeem the Securities under certain circumstances.***

Holders should be aware that the Securities may be redeemed at the option of the Issuer in whole, but not in part, at their principal amount (plus any accrued and outstanding interest and any outstanding Arrears of Interest) on the First Reset Date and on any Interest Payment Date thereafter (in each case, as defined in the Terms and Conditions of the Euro Perpetual Securities and the Terms and Conditions of the Euro Dated Securities, respectively).

The redemption at the option of the Issuer may affect the market value of the Securities. During any period when the Issuer may elect to redeem the Securities, the market value of the Securities generally will not rise substantially above the price at which they can be redeemed.

The Issuer may be expected to redeem the Securities when its cost of borrowing is lower than the interest rate on the Securities. 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 Securities being redeemed and may only be able to do so at a significantly lower rate of return. Potential investors should consider reinvestment risk in light of other investments available at that time.

The Issuer is also entitled to redeem the Securities in whole, but not in part, if the Guarantor (or any of its subsidiaries) has not completed the acquisition of Talisman and the Guarantor has publicly announced that it no longer intends to pursue such acquisition (an “**Acquisition Event**”). The completion of the acquisition of Talisman is subject to a number of conditions and events, most of which are beyond the control of Repsol. Accordingly, there can be no assurance that the acquisition will complete. See “*Acquisition of Talisman Energy*” for further information.

In addition, the Securities are also subject to redemption in whole, but not in part, at the Issuer’s option upon the occurrence of an a Capital Event, a Tax Event, a Withholding Tax Event, a Substantial Purchase Event or (in the case of the Euro Perpetual Securities only) an Accounting Event (each as defined in Condition 17 (*Definitions*) of the Terms and Conditions of the Euro Perpetual Securities and of the Terms and Conditions of the Euro Dated Securities, respectively).

The relevant redemption amount may be less than the then current market value of the Securities. The Issuer may also decide to redeem only certain series of Securities but not the others, even if it is entitled to redeem more than one series of Securities.

***The Issuer may redeem the Securities after a Tax Event relating to an intra-group loan.***

The net proceeds of the issue of the Securities will be on-lent by the Issuer to the Guarantor pursuant to a Subordinated Loan (as defined in the Conditions of the relevant Securities). The Issuer may redeem the Securities in whole, but not in part, in certain circumstances, including if, as a result of a Tax Law Change (as defined in the Conditions of the relevant Securities), in respect of (i) the Issuer’s obligation to make any payment under the Securities (including any Interest Payment) on the next following Interest Payment Date;

or (ii) the obligation of the Guarantor to make any payment in favour of the Issuer under the Subordinated Loan on the next following due date for such payment, the Issuer or the Guarantor (as the case may be) would no longer be entitled to claim a deduction in respect of interest paid when computing its tax liabilities in The Netherlands or in Spain (as the case may be), or such entitlement is materially reduced.

The direct connection between a Tax Event and the Subordinated Loan may limit the Issuer's ability to prevent the occurrence of a Tax Event, and may increase the possibility of the Issuer exercising its option to redeem the Securities upon the occurrence of a Tax Event.

***The Issuer has the right to defer interest payments on the Securities.***

The Issuer may, at its discretion, elect to defer (in whole or in part) any payment of interest on the Securities. Any such deferral of interest payment shall not constitute a default for any purpose. See Condition 5 (*Optional Interest Deferral*) of the Terms and Conditions of the Euro Perpetual Securities and of the Terms and Conditions of the Euro Dated Securities, respectively. Any interest in respect of the Securities the payment of which is deferred will, so long as the same remains outstanding, constitute Arrears of Interest. Arrears of Interest will be payable as outlined in Conditions 5.2 and 5.3 of the Terms and Conditions of the Euro Perpetual Securities and of the Terms and Conditions of the Euro Dated Securities, respectively. While the deferral of payment of interest continues, the Issuer is not prohibited from making payments on any instrument ranking senior to the Securities and in such event, the Holders are not entitled to claim immediate payment of interest so deferred.

As a result of the interest deferral provision of the Securities, the market price of the Securities may be more volatile than the market prices of other debt securities on which original issue discount or interest payments are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer's and/or the Guarantor's financial condition. Investors should be aware that any deferral of interest payments may have an adverse effect on the market price of the Securities.

***Changes in rating methodologies may lead to the early redemption of the Securities.***

S&P, Moody's and Fitch (in each case as defined in the Conditions of the relevant series of Securities) may change their rating methodology or may apply a different set of criteria after the Issue Date (due to changes in the rating previously assigned to the Issuer and/or the Guarantor or to any other reasons), and as a result the Securities may no longer be eligible for the same or a higher amount of "equity credit" attributable to the Securities at the date of their issue, in which case the Issuer may redeem all of the Securities (but not some only), as provided in Condition 6.5 of the Terms and Conditions of the Euro Perpetual Securities and Condition 6.4 of the Terms and Conditions of the Euro Dated Securities.

***No limitation on issuing senior or pari passu securities or other liabilities.***

There is no restriction on the amount of securities or other liabilities which the Issuer or the Guarantor may issue, incur or guarantee and which rank senior to, or *pari passu* with, the Securities or the Guarantee (as the case may be). The issue of any such securities, the granting of any such guarantees or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders on the insolvency, winding-up, liquidation or dissolution of the Issuer or the Guarantor (as the case may be) and/or may increase the likelihood of a deferral of Interest Payments under the Securities.

If the Issuer's and/or the Guarantor's financial condition were to deteriorate, the Holders could suffer direct and materially adverse consequences, including loss of interest and, if the Issuer and/or the Guarantor were liquidated (whether voluntarily or not), the Holders could suffer loss of their entire investment.

***Fixed rate securities have a market risk.***

The Securities will bear interest at a fixed rate from (and including) the Issue Date to (but excluding) the First Reset Date (each as defined in the relevant Conditions). A Holder of a security with a fixed interest rate

such as the Securities is exposed to the risk that the price of such security falls as a result of changes in the current interest rate on the capital market (the “**Market Interest Rate**”). While the nominal interest rate of a security with a fixed interest rate is fixed during the life of such security or during a certain period of time, the Market Interest Rate typically changes on a daily basis. A change of the Market Interest Rate causes the price of such security to change. If the Market Interest Rate increases, the price of such security typically falls. If the Market Interest Rate falls, the price of a security with a fixed interest rate typically increases. Investors should be aware that movements of the Market Interest Rate can adversely affect the price of the Securities and can lead to losses for the Holders if they sell the Securities.

***Interest rate reset may result in a decline of yield.***

A holder of securities with a fixed interest rate that will be reset during the term of the securities (as it is the case of the Securities) is exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest rate levels make it impossible to determine the yield of such securities in advance.

***Any decline in the credit ratings of the Issuer and/or the Guarantor may affect the market value of the Securities.***

The Securities have been assigned a rating by each of S&P, Moody’s and Fitch. The ratings granted by each of S&P, Moody’s and Fitch or any other rating assigned to the Securities may not reflect the potential impact of all risks related to structure, market and other factors that may affect the value of the Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. A credit rating is not a statement as to the likelihood of deferral of interest on the Securities. Holders have a greater risk of deferral of interest payments than persons holding other securities with similar credit ratings but no, or more limited, interest deferral provisions.

In addition, each of S&P, Moody’s and Fitch, or any other rating agency may change its methodologies for rating securities with features similar to the Securities in the future. This may include the relationship between ratings assigned to an issuer’s senior securities and ratings assigned to securities with features similar to the Securities sometimes called “notching”. If the rating agencies were to change their practices for rating such securities in the future and the ratings of the Securities were to be subsequently lowered, this may have a negative impact on the trading price of the Securities.

**Risks arising in connection with Insolvency Law**

***Dutch insolvency law.***

Pursuant to Council Regulation (EC) no. 1346/2000 on insolvency proceedings (the “**EU Insolvency Regulation**”), the court that shall have jurisdiction to open insolvency proceedings in relation to a company will be the court of the EU Member State (other than Denmark) where the company concerned has its “centre of main interest” (as that term is used in Article 3(1) of the EU Insolvency Regulation). The determination of where any such company has its “centre of main interest” is a question of fact on which the courts of the different EU Member States may have differing and even conflicting views.

Furthermore, the term “centre of main interest” is not a static concept and may change from time to time. Although there is a rebuttable presumption under Article 3(1) of the EU Insolvency Regulation that any such company has its “centre of main interest” in the Member State in which it has its registered office, Preamble 13 of the EU Insolvency Regulation states that the “centre of main interest” of a debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and is therefore ascertainable by third parties. In that respect, factors such as where board meetings are held and the perception of the company’s creditors as regards the centre of the company’s business operations may all be relevant in the determination of the place where the company has its “centre of main interest”.

If the centre of main interest of a company is and will remain located in the state in which it has its registered office, the main insolvency proceedings with respect to the company under the EU Insolvency Regulation

would be commenced in such jurisdiction and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation. Insolvency proceedings opened in one EU Member State under the EU Insolvency Regulation are to be recognised in the other EU Member States (other than Denmark), although secondary proceedings (also referred to as “territorial proceedings”) may be opened in another EU Member State. If the “centre of main interest” of a debtor is in one EU Member State (other than Denmark), under Article 3(2) of the EU Insolvency Regulation, the courts of another EU Member State (other than Denmark) have jurisdiction to open “territorial proceedings” only in the event that such debtor has an “establishment” in the territory of such other EU Member State. The effects of those territorial proceedings are restricted to the assets of the debtor situated in the territory of such other EU Member State.

In the event that the Issuer experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations of the Issuer.

Where a company (incorporated in the Netherlands or elsewhere) has its “centre of main interest” or an “establishment” in the Netherlands, it may be subjected to insolvency proceedings in this jurisdiction. This is particularly relevant for the Issuer, which has its corporate seat (*statutaire zetel*) in The Hague, the Netherlands, and is therefore presumed (subject to proof to the contrary) to have its “centre of main interests” in the Netherlands.

There are two primary insolvency regimes under Dutch law. The first, moratorium of payments (*surseance van betaling*), is intended to facilitate the reorganisation of a debtor’s indebtedness and enable the debtor to continue as a going concern. The second, bankruptcy (*faillissement*), is primarily designed to liquidate and distribute the proceeds of the assets of a debtor to its creditors. Both insolvency regimes are set forth in the Dutch Bankruptcy Act. The consequences of both proceedings are roughly equal from the perspective of a creditor, with creditors being treated on a *pari passu* basis subject to exceptions. A general description of the principles of both insolvency regimes is set forth below.

Under Dutch law secured creditors (and in case of suspension of payment also preferential creditors (including tax and social security authorities)) may enforce their rights against assets of the company to satisfy their claims as if there were no insolvency proceedings. A recovery under Dutch law could, therefore, involve a sale of assets that does not reflect the going concern value of the debtor. Consequently, a creditor’s potential recovery could be reduced in Dutch insolvency proceedings.

Any pending executions of judgments against the debtor will be suspended by operation of law when suspension of payments is granted and terminate by operation of law when bankruptcy is declared. In addition, all attachments on the debtor’s assets will cease to have effect upon the suspension of payments having become definitive, a composition having been ratified by the court or the declaration of bankruptcy (as the case may be) subject to the ability of the court to set an earlier date for such termination.

In a suspension of payments and bankruptcy, a composition (*akkoord*) may be offered to creditors. A composition will be binding on all unsecured and non-preferential creditors if it is (i) approved by a simple majority of the creditors being present or represented at the creditors’ meeting, representing at least 50% of the amount of the claims that are admitted for voting purposes, and (ii) subsequently ratified (*gehomologeerd*) by the Dutch courts. Consequently, Dutch insolvency laws could preclude or inhibit the ability of the Holders of the Securities to effect a restructuring and could reduce the recovery of a Holder of Securities.

Claims against a company subject to Dutch insolvency proceedings will have to be verified in the insolvency proceedings in order to be entitled to vote and, in a bankruptcy liquidation, to be entitled to distributions. “Verification” under Dutch law means, in the case of suspension of payments, that the treatment of a disputed claim for voting purposes is determined and, in the case of a bankruptcy, that the value of the claim is determined and whether and to what extent it will be admitted in the insolvency proceedings. The valuation of claims that would not otherwise have been payable at the time of the proceedings may be based

on a net present value analysis. Unless secured by a pledge or a mortgage, interest accruing after the date on which insolvency proceedings are opened cannot be verified. Where interest accrues after the date of opening of the proceedings, it can be admitted *pro memoria*.

The existence, value and ranking of any claims submitted by the Holders of the Securities may be challenged in the Dutch insolvency proceedings. Generally, in a creditors' meeting (*verificatievergadering*), the receiver in bankruptcy, the administrator in suspension of payments proceedings, the insolvent debtor and all verified creditors may dispute the verification of claims of other creditors. Creditors whose claims or value thereof are disputed in the creditors' meeting may be referred to separate court proceedings (*renvooiprocedure*) in bankruptcy, while in suspension of payments the court will decide how a disputed claim will be treated for voting purposes. These situations could cause Holders of Securities to recover less than the principal amount of their Securities. *Renvooi* procedures could also cause payments to the Holders of Securities to be delayed compared to holders of undisputed claims.

The Dutch Bankruptcy Act does not in itself recognise the concept of classes of creditors. Remaining amounts, if any, after satisfaction of the secured and the preferential creditors are distributed among the unsecured non-preferential creditors, who will be satisfied on a *pro rata* basis. Contractual subordination may to a certain extent be given effect in Dutch insolvency proceedings, with the actual effect largely depending on the way such subordination is construed.

As in moratorium of payments proceedings, in a bankruptcy the court may order a "cooling down period" for a maximum of four months during which enforcement actions by secured creditors are barred unless such creditors have obtained leave for enforcement from the supervisory judge. Further, a receiver in bankruptcy can force a secured creditor to enforce its security interest within a reasonable period of time, failing which the receiver will be entitled to sell the secured assets, if any, and the secured creditor will have to share in the bankruptcy costs. Excess proceeds of enforcement must be returned to the bankrupt estate; they may not be set-off against an unsecured claim of the secured creditor in the bankruptcy. Such setoff is allowed prior to the bankruptcy, although a set-off prior to bankruptcy may be subject to clawback in the case of fraudulent conveyance or bad faith in obtaining the claim used for set-off.

Under Dutch law, a legal act performed by a person (including, without limitation, an agreement pursuant to which it guarantees the performance of the obligations of a third party or agrees to provide or provides security for any of its or a third party's obligations, enters into additional agreements benefiting from existing security and any other legal act having a similar effect) can be challenged in an insolvency proceeding or otherwise and may be nullified by any of its creditors or its receiver in bankruptcy, if (a) it performed such act without an obligation to do so (*onverplicht*), (b) the creditor concerned or, in the case of its bankruptcy, any creditor was prejudiced as a consequence of the act, and (c) at the time the act was performed both it and (unless the act was for no consideration (*om niet*)) the party with or towards which it acted, knew or should have known that one or more of its creditors (existing or future) would be prejudiced. In addition, in the case of a person's bankruptcy, the receiver in bankruptcy may nullify its performance of any due and payable obligation (including (without limitation) an obligation under a guarantee or to provide security for any of its or a third party's obligations) if (i) the recipient of the payment or performance knew, at the time of the payment or performance, that a request for bankruptcy had been filed, or (ii) the performance of the obligation was the result of a consultation between the debtor and the payee with a view to give preference to the latter over the debtor's other creditors.

### ***Spanish insolvency law.***

The Law 22/2003 of 9 July, on Insolvency, as amended (the "**Spanish Insolvency Law**") regulates court insolvency proceedings, as opposed to out-of-court liquidation, which is only available when the debtor has sufficient assets to meet its liabilities.

The insolvency proceedings, which are called "*concurso de acreedores*", may lead either to the restructuring of the business or to the liquidation of the assets of the debtor.



The order opening the court insolvency proceedings contains an express request for the creditors to declare debts owed to them, within a one-month period, providing original documentation to justify such credits. Based on the documentation provided by the creditors and that held by the debtor, the court receivers draw up a list of acknowledged creditors, either actual or contingent, and classify them according to the categories established under law: (i) debts against the insolvency estate, (ii) debt benefiting from special privileges, (iii) debt benefiting from general privileges, (iv) ordinary debt and (v) subordinated debt.

As a general rule, insolvency proceedings are not compatible with other enforcement proceedings. When compatible, in order to protect the interests of the debtor and creditors, the law extends the jurisdiction of the court dealing with insolvency proceedings, which is, then, legally authorised to handle any enforcement proceedings or interim measures affecting the debtor's assets (whether based upon civil, labour or administrative law).

There is no claw-back date. Therefore, there are no prior transactions that automatically become void as a result of initiation of the insolvency proceedings. The court receivers may only challenge those transactions that could be deemed as having "damaged" the debtor's interests, provided that they have taken place within two years prior to the declaration of insolvency (transactions taking place earlier than two years before insolvency has been declared are subject to the general regime of rescission in accordance with Article 71.7 of the Spanish Insolvency Law). Those transactions that are executed in the ordinary course of business, according to the business of the debtor, are not subject to challenge.

"Damage" does not refer to the intention of the parties, but to the consequences of the transaction on the debtor's interests. In any case, the law refers to transactions that are somehow exceptional: damage exists (as a non-rebuttable presumption) in the case of donations and early payment of unsecured obligations maturing after the insolvency declaration and damage is deemed to exist (as a rebuttable presumption) in the case of transactions entered into with special related persons and the creation of rights *in rem* in order to secure existing obligations or those incurred to replace existing obligations and the cancellation of obligations secured by an *in rem* security interest falling due after the declaration of Insolvency; in the remaining cases, damage would have to be justified.

The agreements in relation to the Securities could be challenged only if those transactions were deemed to have caused "damage", as explained above.

*Holders should be aware (i) of the effects of a declaration of insolvency ("declaración de concurso") of the Guarantor set out above; and (ii) that, in an insolvency of the Guarantor, they may not vote on an arrangement leading to a restructuring of its business and have very limited chances of collection in case of its liquidation.*

### **Risks related to the Securities generally**

Set out below is a brief description of certain risks relating to the Securities generally:

#### ***Majority decisions bind all Holders.***

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

#### ***Change of law.***

The Conditions are based on law (including tax law) and administrative practice in effect at the date of this 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 Prospectus, which change might impact on the Conditions and

the expected payments of interest and repayment of principal.

***There is no active trading market for the Securities.***

The Securities are new securities which may not be widely distributed and for which there is currently no active trading market. If the Securities are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer and the Guarantor. Although applications have been made to the Luxembourg Stock Exchange for the Securities 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, there is no assurance that such applications will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Securities.

***Because the Global Securities are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer and/or the Guarantor.***

The Securities will be represented by the Global Securities except in certain limited circumstances described in each Permanent Global Security. The Global Securities will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in each Permanent Global Security, investors will not be entitled to receive Definitive Securities. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Securities. While the Securities are represented by the Global Securities, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer and the Guarantor will discharge their payment obligations under the Securities by making payments to or to the order of the common depository for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Security must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Securities. The Issuer and the Guarantor have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Securities.

Holders of beneficial interests in the Global Securities will not have a direct right to vote in respect of the Securities. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

***EU Savings Directive on the taxation of savings income.***

Under 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 (or secured for) a person within its jurisdiction to an individual resident (or certain entities established) in that other Member State. However, for a transitional period, Austria is instead required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments (the end of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries) subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest (or similar income) may request that no tax be withheld.

On 24 March 2014, the European Council formally adopted a Council Directive amending the Directive (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive. The changes made under the Amending Directive include extending the scope of the Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest.

Further to a Law of 25 November 2014, as of 1 January 2015 and within the scope of the Amending Directive, the automatic exchange of information for all interest and interest assimilated payments made or ascribed by a Luxembourg paying agent to or for the immediate benefit of individuals resident and so-called residual entities established in another Member State will replace the 35% withholding tax.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either regarding provision of information or withholding) in relation to payments of interest (or similar income) made by a person within their jurisdiction to (or secured for) an individual resident (or certain entities established) in a Member State. In addition, the Member States have entered into provision of information or withholding arrangements with certain of those dependent or associated territories in relation to payments of interest (or similar income) made by a person in a Member State to (or secured for) an individual resident (or certain entities established) in one of those territories.

***Exchange rate fluctuations may affect the value of the Securities.***

The Issuer will pay principal and interest on the Securities in euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to euro would decrease (1) the Investor's Currency-equivalent yield on the Securities, (2) the Investor's Currency-equivalent value of the principal payable on the Securities and (3) the Investor's Currency-equivalent market value of the Securities.

Government and monetary authorities may impose exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal. Any of the foregoing events could adversely affect the price of the Securities.

***Tax consequences of holding the Securities.***

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

***The proposed European financial transactions tax.***

The European Commission published in February 2013 a proposal for a Directive for a common financial transaction tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**Participating Member States**").

The proposed FTT is very broad in scope and could, if introduced in its current form, apply to certain dealings in the Securities (including secondary market transactions) in certain circumstances.

Under the current proposals the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Securities where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (i) by transacting with a person established in a participating Member State or (ii) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the Participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and the Member States mentioned above may decide not to participate. Prospective holders of the Securities are advised to seek their own professional advice in relation to the FTT.

## OVERVIEW OF THE EURO PERPETUAL SECURITIES

*This overview must be read as an introduction to this Prospectus and any decision to invest in the Euro Perpetual Securities should be based on a consideration of the Prospectus as a whole, including the information incorporated by reference.*

*Words and expressions defined in the “Terms and Conditions of the Euro Perpetual Securities” below have the same meanings in this overview.*

<b>Issuer:</b>	Repsol International Finance B.V.
<b>Guarantor:</b>	Repsol, S.A.
<b>Description of the Euro Perpetual Securities:</b>	€1,000,000,000 6 Year Non-Call Perpetual Securities (the “ <b>Euro Perpetual Securities</b> ”), to be issued by the Issuer on 25 March 2015 (the “ <b>Issue Date</b> ”).
<b>Structuring Adviser</b>	Merrill Lynch International
<b>Global Coordinators</b>	Merrill Lynch International, Deutsche Bank, AG, London Branch and J.P. Morgan Securities plc
<b>Joint Bookrunners:</b>	Banco Santander, S.A., CaixaBank, S.A., Crédit Agricole Corporate and Investment Bank, Deutsche Bank AG, London Branch, J.P. Morgan Securities plc, Merrill Lynch International, Natixis, UBS Limited and UniCredit Bank AG.
<b>Fiscal Agent:</b>	Citibank, N.A., London Branch.
<b>Issue Price:</b>	100 per cent. of the principal amount of the Euro Perpetual Securities.
<b>Issue Date:</b>	25 March 2015.
<b>Maturity Date:</b>	Undated.
<b>Interest:</b>	The Euro Perpetual Securities will bear interest on their principal amount: <ul style="list-style-type: none"><li>(i) from (and including) the Issue Date to (but excluding) the First Reset Date at a rate of 3.875 per cent. per annum, payable annually in arrear on each Interest Payment Date, commencing on 25 March 2016; and</li><li>(ii) from (and including) the First Reset Date, at the applicable 6 year Swap Rate in respect of the relevant Reset Period plus:<ul style="list-style-type: none"><li>(A) in respect of the period commencing on the First Reset Date to (but excluding) 25 March 2025, 3.56 per cent. per annum;</li></ul></li></ul>

(B) in respect of the period commencing on 25 March 2025 to (but excluding) 25 March 2041, 3.81 per cent. per annum<sup>1</sup>; and

(C) from and including 25 March 2041, 4.56 per cent. per annum<sup>2</sup>,

all as determined by the Agent Bank, payable annually in arrear on each Interest Payment Date, commencing on 25 March 2022, subject to Condition 5.

All as more particularly described in Condition 4 (*Interest Payments*) of the Terms and Conditions of the Euro Perpetual Securities.

**Interest Payment Dates:**

Interest payments in respect of the Euro Perpetual Securities will be payable annually in arrear on 25 March in each year, commencing on 25 March 2016.

**Status of the Euro Perpetual Securities:**

The Euro Perpetual Securities and the Coupons constitute direct, unsecured and subordinated obligations of the Issuer (senior only to Junior Obligations of the Issuer) and will at all times rank *pari passu* and without any preference among themselves.

**Subordination of the Euro Perpetual Securities:**

In the event of an Issuer Winding-up, the rights and claims of the Holders against the Issuer in respect of or arising under the Euro Perpetual Securities and the Coupons will rank (i) junior to the claims of all holders of Senior Obligations of the Issuer, (ii) *pari passu* with the claims of holders of all Parity Obligations of the Issuer and (iii) senior to the claims of holders of all Junior Obligations of the Issuer.

Subject to applicable law, no Holder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Euro Perpetual Securities or the Coupons and each Holder shall, by virtue of being the Holder, be deemed to have waived all such rights of set-off. Condition 2.2 is an irrevocable stipulation (*derdenbeding*) for the benefit of the creditors of Senior Obligations of the Issuer and each such creditor may rely on and enforce Condition 2.2 under Section 6:253 of the Dutch Civil Code.

**Guarantee and Status of Guarantee:**

Payment of all sums expressed to be payable by the Issuer under the Euro Perpetual Securities and the Coupons will be unconditionally and irrevocably guaranteed by the Guarantor on a subordinated basis.

Subject to mandatory provisions of Spanish applicable law, the payment obligations of the Guarantor under the Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor (senior only to Junior Obligations of the Guarantor) and will at all times rank *pari passu* and without preference among themselves.

**Subordination of the Guarantee:**

Subject to mandatory provisions of Spanish applicable law, the rights

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<sup>1</sup> Step-up of 25 basis points 10 years after the Issue Date

<sup>2</sup> Step-up of an additional 75 basis points 26 years after the Issue Date

and claims of Holders against the Guarantor in respect of or arising under the Guarantee will rank (i) junior to the claims of the holders of all Senior Obligations of the Guarantor, (ii) *pari passu* with the claims of the holders of all Parity Obligations of the Guarantor, and (iii) senior to the claims of the holders of all Junior Obligations of the Guarantor.

Subject to applicable law, no Holder may exercise or claim any right of set-off in respect of any amount owed to it by the Guarantor arising under or in connection with the Guarantee and each Holder shall, by virtue of being the Holder, be deemed to have waived all such rights of set-off.

**Optional Interest Deferral:**

The Issuer may, at its sole discretion, elect to defer (in whole or in part) any payment of interest on the Euro Perpetual Securities, as more particularly described in “*Terms and Conditions of the Euro Perpetual Securities – Optional Interest Deferral*”. Non-payment of interest so deferred shall not constitute a default by the Issuer or the Guarantor under the Euro Perpetual Securities or the Guarantee or for any other purpose. Any amounts so deferred, together with further interest accrued thereon (at the Prevailing Interest Rate applicable from time to time), shall constitute Arrears of Interest.

**Optional Settlement of Arrears of Interest:**

Arrears of Interest may be satisfied at the option of the Issuer, in whole or in part, at any given time upon giving not more than 14 and no less than seven Business Days’ notice to the Holders, the Fiscal Agent and the Paying Agents prior to the relevant Optional Deferred Interest Settlement Date informing them of its election so to satisfy such Arrears of Interest (or part thereof) and specifying the relevant Optional Deferred Interest Settlement Date. See Condition 5.2 (*Optional Settlement of Arrears of Interest*) of the Terms and Conditions of the Euro Perpetual Securities.

**Mandatory Settlement of Arrears of Interest:**

The Issuer shall pay any outstanding Arrears of Interest in whole, but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment Date on which any outstanding Arrears of Interest was first deferred.

“**Mandatory Settlement Date**” means the earliest of:

- (i) as soon as reasonably practicable (but no later than the fifth business day) following the date on which a Compulsory Arrears of Interest Settlement Event occurs;
- (ii) following any Deferred Interest Payment, on the next scheduled Interest Payment Date on which the Issuer does not elect to defer in whole the interest accrued in respect of the relevant Interest Period; and
- (iii) the date on which the Euro Perpetual Securities are redeemed or repaid in accordance with Condition 6 (*Redemption and Purchase*) or become due and payable in accordance with Condition 9 (*Enforcement Events and No Events of Default*).

Subject to certain exceptions, as more particularly described in

Condition 5 (*Optional Interest Deferral*) of the Terms and Conditions of the Euro Perpetual Securities, a “**Compulsory Arrears of Interest Settlement Event**” shall have occurred if:

- (i) a Dividend Declaration is made in respect of any Junior Obligations or any Parity Obligations (other than in respect of any such dividend, distribution or payment paid or made exclusively in Ordinary Shares of the Guarantor); or
- (ii) the Guarantor or any of its subsidiaries has repurchased, redeemed or otherwise acquired any Junior Obligations or any Parity Obligations (other than, for the avoidance of doubt, a repurchase, redemption or acquisition of any Talisman Preferred Securities, which do not constitute Junior Obligations or Parity Obligations),

all as more particularly described in Condition 5 (*Optional Interest Deferral*) of the Terms and Conditions of the Euro Perpetual Securities.

**Optional Redemption:**

The Issuer may redeem the Euro Perpetual Securities in whole, but not in part, on the First Reset Date and on any Interest Payment Date thereafter at their principal amount together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest.

In addition, upon the occurrence of an Accounting Event, a Capital Event, an Acquisition Event, a Tax Event, a Withholding Tax Event or a Substantial Purchase Event, the Euro Perpetual Securities will be redeemable (at the option of the Issuer) in whole, but not in part, at the prices set out, and as more particularly described, in Condition 6 (*Redemption and Purchase*) of the Terms and Conditions of the Euro Perpetual Securities.

**Events of Default:**

There are no events of default in respect of the Euro Perpetual Securities. However, if an Issuer Winding-up occurs, or an order is made or an effective resolution passed for the winding-up, dissolution or liquidation of the Guarantor (except for the purposes of a solvent merger, reconstruction or amalgamation), any Holder of a Euro Perpetual Security, in respect of such Euro Perpetual Security and provided that such Holder does not contravene an Extraordinary Resolution (if any) may, by written notice to the Issuer and the Guarantor, declare that such Euro Perpetual Security and all interest then accrued but unpaid on such Euro Perpetual Security shall be forthwith due and payable, whereupon the same shall become immediately due and payable, together with all interest accrued thereon.

In such case the Holder of a Euro Perpetual Security may, at its sole discretion, institute steps in order to obtain a judgment against the Issuer and/or the Guarantor for any amounts due in respect of the Euro Perpetual Securities, including the institution of proceedings for the declaration of insolvency (*declaración de concurso*) under Spanish Insolvency Law of the Guarantor and/or proving and/or claiming in an Issuer Winding-up or in the winding-up, dissolution,

liquidation or insolvency proceeding of the Guarantor for such amount.

**Additional Amounts:**

Payments in respect of the Euro Perpetual Securities and the Coupons by the Issuer or (as the case may be) the Guarantor under the Guarantee will be made without withholding or deduction for, or on account of, Taxes of The Netherlands or the Kingdom of Spain, unless such withholding or deduction is required by law. In the event that any such withholding or deduction is made, additional amounts will be payable by the Issuer or, as the case may be, the Guarantor, subject to certain exceptions as are more fully described in Condition 8.1 (*Taxation – Additional Amounts*) of the Terms and Conditions of the Euro Perpetual Securities.

**Form:**

The Euro Perpetual Securities will be in bearer form and will initially be represented by a Temporary Global Security, without interest coupons or talons, which will be deposited with a common depository on behalf of Euroclear and Clearstream, Luxembourg on or about the Issue Date. Interests in the Temporary Global Security will be exchangeable for interests in a Permanent Global Security as set out in the Temporary Global Security. The Permanent Global Security will be exchangeable for Definitive Securities in the circumstances set out in the Permanent Global Security. See “*Summary of Provisions relating to the Securities in Global Form*”.

**Denominations:**

The Euro Perpetual Securities will be issued in denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000.

**Governing Law:**

The Fiscal Agency Agreement, the Euro Perpetual Securities, the Coupons and the Guarantee 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, other than the provisions of Condition 2.1 (*Status and Subordination of the Securities and Coupons – Status of the Securities and Coupons*) and Condition 2.2 (*Status and Subordination of the Securities and Coupons – Subordination of the Securities*) relating to the subordination of the Euro Perpetual Securities which are governed by and construed in accordance with the laws of The Netherlands, and the provisions of Conditions 3.2 (*Guarantee, Status and Subordination of the Guarantee – Status of the Guarantee*) and Condition 3.3 (*Guarantee, Status and Subordination of the Guarantee – Subordination of the Guarantee*) relating to the subordination of the Guarantee and the corresponding provisions of the Guarantee which are governed by and construed in accordance with the laws of the Kingdom of Spain. See Condition 16 (*Governing Law*) of the Terms and Conditions of the Euro Perpetual Securities.

**Replacement Intention:**

As at the date of this Prospectus, it is the Guarantor’s intention (without thereby assuming any obligation) that at any time it or the Issuer will redeem or repurchase the Euro Perpetual Securities only to the extent that the aggregate principal amount of the Euro Perpetual Securities to be redeemed or repurchased does not exceed such part of the net proceeds received by the Guarantor or any subsidiary of the



Guarantor during the 360-day period prior to the date of such redemption or repurchase from the sale or issuance by the Guarantor or such subsidiary to third party purchasers (other than group entities of the Guarantor) of securities which are assigned by S&P, at the time of sale or issuance, an aggregate “equity credit” (or such similar nomenclature used by S&P from time to time) that is equal to or greater than the “equity credit” assigned to the Euro Perpetual Securities to be redeemed or repurchased at the time of their issuance (but taking into account any changes in hybrid capital methodology or another relevant methodology or the interpretation thereof since the issuance of the Euro Perpetual Securities), unless:

- (i) the rating assigned by S&P to the Guarantor is at least “BBB-” (or such similar nomenclature then used by S&P) and the Guarantor is of the view that such rating would not fall below this level as a result of such redemption or repurchase, or
- (ii) in the case of a repurchase, such repurchase is of less than (a) 10 per cent. of the aggregate principal amount of the Euro Perpetual Securities originally issued in any period of 12 consecutive months or (b) 25 per cent. of the aggregate principal amount of the Euro Perpetual Securities originally issued in any period of 10 consecutive years, or
- (iii) the Euro Perpetual Securities are redeemed pursuant to a Tax Event, an Acquisition Event, a Capital Event, an Accounting Event or a Withholding Tax Event, or
- (iv) such redemption or repurchase occurs on or after the Interest Payment Date falling on 25 March 2041.

**Rating:**

The Euro Perpetual Securities will be rated BB by S&P, Ba1 by Moody’s and BB+ by Fitch. Each of S&P, Moody’s and Fitch is established in the European Union and registered under the CRA Regulation. A security 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.

**Listing and Admission to Trading:**

This Prospectus has been approved by the *Commission de Surveillance du Secteur Financier* 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 as a 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 for the purpose of giving information with regard to the issue of the Euro Perpetual Securities. Application has been made to the Luxembourg Stock Exchange for the Euro Perpetual Securities 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.

<b>Selling Restrictions:</b>	<p>The United Kingdom, the United States of America, The Netherlands and the Kingdom of Spain. See “<i>Subscription and Sale</i>”.</p> <p>Category 2 selling restrictions will apply for the purposes of Regulation S under the Securities Act.</p>
<b>Use of Proceeds:</b>	<p>The net proceeds of the issue of the Euro Perpetual Securities, which together with the net proceeds of the issue of the Euro Dated Securities, are expected to amount to €1,990,400,000 will be used to finance in part the acquisition of the Canadian-based upstream oil and gas company Talisman Energy Inc. (see “<i>Acquisition of Talisman Energy</i>”). In the event that the aforementioned transaction is not consummated, the proceeds of the issuance of the Securities may either (i) be used for the Group’s general corporate purposes, which may include the financing of other merger and acquisition activities, if any or (ii) the Issuer may give notice that an Acquisition Event has occurred and redeem any series of Securities in accordance with Condition 6.6 (<i>Redemption for Acquisition Event</i>) of the Euro Perpetual Securities or Condition 6.5 (<i>Redemption for Acquisition Event</i>) of the Euro Dated Securities.</p>
<b>Risk Factors:</b>	<p>Prospective investors should carefully consider the information set out in “<i>Risk Factors</i>” in conjunction with the other information contained or incorporated by reference in this Prospectus.</p>
<b>ISIN:</b>	XS1207054666.
<b>Common Code:</b>	120705466.

## OVERVIEW OF THE EURO DATED SECURITIES

*This overview must be read as an introduction to this Prospectus and any decision to invest in the Euro Dated Securities should be based on a consideration of the Prospectus as a whole, including the information incorporated by reference.*

*Words and expressions defined in the “Terms and Conditions of the Euro Dated Securities” below have the same meanings in this overview.*

<b>Issuer:</b>	Repsol International Finance B.V.
<b>Guarantor:</b>	Repsol, S.A.
<b>Description of the Euro Dated Securities:</b>	€1,000,000,000 10 Year Non-Call Securities due 2075 (the “ <b>Euro Dated Securities</b> ”), to be issued by the Issuer on 25 March 2015 (the “ <b>Issue Date</b> ”).
<b>Structuring Adviser</b>	Merrill Lynch International
<b>Global Coordinators</b>	Merrill Lynch International, Deutsche Bank AG, London Branch and J.P. Morgan Securities plc
<b>Joint Bookrunners:</b>	Banco Santander, S.A., CaixaBank, S.A., Crédit Agricole Corporate and Investment Bank, Deutsche Bank AG, London Branch, J.P. Morgan Securities plc, Merrill Lynch International, Natixis, UBS Limited and UniCredit Bank AG.
<b>Fiscal Agent:</b>	Citibank, N.A., London Branch.
<b>Issue Price:</b>	100 per cent. of the principal amount of the Euro Dated Securities.
<b>Issue Date:</b>	25 March 2015.
<b>Maturity Date:</b>	25 March 2075.
<b>Interest:</b>	The Euro Dated Securities will bear interest on their principal amount: <ul style="list-style-type: none"><li>(i) from (and including) the Issue Date to (but excluding) the First Reset Date at a rate of 4.50 per cent. per annum, payable annually in arrear on each Interest Payment Date, commencing on 25 March 2016; and</li><li>(ii) from (and including) the First Reset Date, at the applicable 10 year Swap Rate in respect of the relevant Reset Period plus:<ul style="list-style-type: none"><li>(A) in respect of the period commencing on the First Reset Date to (but excluding) 25 March 2045, 4.20 per cent. per annum<sup>3</sup>; and</li><li>(B) from and including 25 March 2045 to (but excluding) the Maturity Date, 4.95 per cent. per annum<sup>4</sup>,</li></ul></li></ul>

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<sup>3</sup> Step-up of 25 basis points 10 years after the Issue Date

all as determined by the Agent Bank, payable annually in arrear on each Interest Payment Date, commencing on 25 March 2026, subject to Condition 5.

All as more particularly described in Condition 4 (*Interest Payments*) of the Terms and Conditions of the Euro Dated Securities.

**Interest Payment Dates:** Interest payments in respect of the Euro Dated Securities will be payable annually in arrear on 25 March in each year, commencing on 25 March 2016.

**Status of the Euro Dated Securities:** The Euro Dated Securities and the Coupons constitute direct, unsecured and subordinated obligations of the Issuer (senior only to Junior Obligations of the Issuer) and will at all times rank *pari passu* and without any preference among themselves.

**Subordination of the Euro Dated Securities:** In the event of an Issuer Winding-up, the rights and claims of the Holders against the Issuer in respect of or arising under the Euro Dated Securities and the Coupons will rank (i) junior to the claims of all holders of Senior Obligations of the Issuer, (ii) *pari passu* with the claims of holders of all Parity Obligations of the Issuer and (iii) senior to the claims of holders of all Junior Obligations of the Issuer.

Subject to applicable law, no Holder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Euro Dated Securities or the Coupons and each Holder shall, by virtue of being the Holder, be deemed to have waived all such rights of set-off. Condition 2.2 is an irrevocable stipulation (*derdenbeding*) for the benefit of the creditors of Senior Obligations of the Issuer and each such creditor may rely on and enforce Condition 2.2 under Section 6:253 of the Dutch Civil Code.

**Guarantee and Status of Guarantee:** Payment of all sums expressed to be payable by the Issuer under the Euro Dated Securities and the Coupons will be unconditionally and irrevocably guaranteed by the Guarantor on a subordinated basis.

Subject to mandatory provisions of Spanish applicable law, the payment obligations of the Guarantor under the Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor (senior only to Junior Obligations of the Guarantor) and will at all times rank *pari passu* and without preference among themselves.

**Subordination of the Guarantee:** Subject to mandatory provisions of Spanish applicable law, the rights and claims of Holders against the Guarantor in respect of or arising under the Guarantee will rank (i) junior to the claims of the holders of all Senior Obligations of the Guarantor, (ii) *pari passu* with the claims of the holders of all Parity Obligations of the Guarantor, and (iii) senior to the claims of the holders of all Junior Obligations of the Guarantor.

Subject to applicable law, no Holder may exercise or claim any right of set-off in respect of any amount owed to it by the Guarantor arising

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<sup>4</sup> Step-up of an additional 75 basis points 30 years after the Issue Date

under or in connection with the Guarantee and each Holder shall, by virtue of being the Holder, be deemed to have waived all such rights of set-off.

**Optional Interest Deferral:**

The Issuer may, at its sole discretion, elect to defer (in whole or in part) any payment of interest on the Euro Dated Securities, as more particularly described in “*Terms and Conditions of the Euro Dated Securities – Optional Interest Deferral*”. Non-payment of interest so deferred shall not constitute a default by the Issuer or the Guarantor under the Euro Dated Securities or the Guarantee or for any other purpose. Any amounts so deferred, together with further interest accrued thereon (at the Prevailing Interest Rate applicable from time to time), shall constitute Arrears of Interest.

**Optional Settlement of Arrears of Interest:**

Arrears of Interest may be satisfied at the option of the Issuer, in whole or in part, at any given time upon giving not more than 14 and no less than seven Business Days’ notice to the Holders, the Fiscal Agent and the Paying Agents prior to the relevant Optional Deferred Interest Settlement Date informing them of its election so to satisfy such Arrears of Interest (or part thereof) and specifying the relevant Optional Deferred Interest Settlement Date. See Condition 5.2 (*Optional Settlement of Arrears of Interest*) of the Terms and Conditions of the Euro Dated Securities.

**Mandatory Settlement of Arrears of Interest:**

The Issuer shall pay any outstanding Arrears of Interest in whole, but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment Date on which any outstanding Arrears of Interest was first deferred.

“**Mandatory Settlement Date**” means the earliest of:

- (i) as soon as reasonably practicable (but no later than the fifth business day) following the date on which a Compulsory Arrears of Interest Settlement Event occurs;
- (ii) following any Deferred Interest Payment, on the next scheduled Interest Payment Date on which the Issuer does not elect to defer in whole the interest accrued in respect of the relevant Interest Period; and
- (iii) the date on which the Euro Dated Securities are redeemed or repaid in accordance with Condition 6 (*Redemption and Purchase*) or become due and payable in accordance with Condition 9 (*Enforcement Events and No Events of Default*).

Subject to certain exceptions, as more particularly described in Condition 5 (*Optional Interest Deferral*) of the Terms and Conditions of the Euro Dated Securities, a “**Compulsory Arrears of Interest Settlement Event**” shall have occurred if:

- (i) a Dividend Declaration is made in respect of any Junior Obligations or any Parity Obligations (other than in respect of any such dividend, distribution or payment paid or made exclusively in Ordinary Shares of the Guarantor); or

- (ii) the Guarantor or any of its subsidiaries has repurchased, redeemed or otherwise acquired any Junior Obligations or any Parity Obligations (other than, for the avoidance of doubt, a repurchase, redemption or acquisition of any Talisman Preferred Securities, which do not constitute Junior Obligations or Parity Obligations),

all as more particularly described in Condition 5 (*Optional Interest Deferral*) of the Terms and Conditions of the Euro Dated Securities.

**Redemption:**

Unless previously repaid, redeemed or purchased and cancelled as provided in the Euro Dated Conditions, the Securities will be redeemed on the Maturity Date at their principal amount together with any accrued and unpaid interest up to (but excluding) the Maturity Date and any outstanding Arrears of Interest.

**Optional Redemption:**

The Issuer may redeem the Euro Dated Securities in whole, but not in part, on the First Reset Date and on any Interest Payment Date thereafter at their principal amount together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest.

In addition, upon the occurrence of an a Capital Event, an Acquisition Event, a Tax Event, a Withholding Tax Event or a Substantial Purchase Event, the Euro Dated Securities will be redeemable (at the option of the Issuer) in whole, but not in part, at the prices set out, and as more particularly described, in Condition 6 (*Redemption and Purchase*) of the Terms and Conditions of the Euro Dated Securities.

**Events of Default:**

There are no events of default in respect of the Euro Dated Securities. However, if an Issuer Winding-up occurs, or an order is made or an effective resolution passed for the winding-up, dissolution or liquidation of the Guarantor (except for the purposes of a solvent merger, reconstruction or amalgamation), any Holder of a Euro Dated Security, in respect of such Euro Dated Security and provided that such Holder does not contravene an Extraordinary Resolution (if any) may, by written notice to the Issuer and the Guarantor, declare that such Euro Dated Security and all interest then accrued but unpaid on such Euro Dated Security shall be forthwith due and payable, whereupon the same shall become immediately due and payable, together with all interest accrued thereon.

In such case the Holder of a Euro Dated Security may, at its sole discretion, institute steps in order to obtain a judgment against the Issuer and/or the Guarantor for any amounts due in respect of the Euro Dated Securities, including the institution of proceedings for the declaration of insolvency (*declaración de concurso*) under Spanish Insolvency Law of the Guarantor and/or proving and/or claiming in an Issuer Winding-up or in the winding-up, dissolution, liquidation or insolvency proceeding of the Guarantor for such amount.

**Additional Amounts:**

Payments in respect of the Euro Dated Securities and the Coupons by the Issuer or (as the case may be) the Guarantor under the Guarantee will be made without withholding or deduction for, or on account of,

Taxes of The Netherlands or the Kingdom of Spain, unless such withholding or deduction is required by law. In the event that any such withholding or deduction is made, additional amounts will be payable by the Issuer or, as the case may be, the Guarantor, subject to certain exceptions as are more fully described in Condition 8.1 (*Taxation - Additional Amounts*) of the Terms and Conditions of the Euro Dated Securities.

**Form:**

The Euro Dated Securities will be in bearer form and will initially be represented by a Temporary Global Security, without interest coupons or talons, which will be deposited with a common depository on behalf of Euroclear and Clearstream, Luxembourg on or about the Issue Date. Interests in the Temporary Global Security will be exchangeable for interests in a Permanent Global Security as set out in the Temporary Global Security. The Permanent Global Security will be exchangeable for Definitive Securities in the circumstances set out in the Permanent Global Security. See “*Summary of Provisions relating to the Securities in Global Form*”.

**Denominations:**

The Euro Dated Securities will be issued in denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000.

**Governing Law:**

The Fiscal Agency Agreement, the Euro Dated Securities, the Coupons and the Guarantee 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, other than the provisions of Condition 2.1 (*Status and Subordination of the Securities and Coupons – Status of the Securities and Coupons*) and Condition 2.2 (*Status and Subordination of the Securities and Coupons – Subordination of the Securities*) relating to the subordination of the Euro Dated Securities which are governed by and construed in accordance with the laws of The Netherlands, and the provisions of Conditions 3.2 (*Guarantee, Status and Subordination of the Guarantee – Status of the Guarantee*) and Condition 3.3 (*Guarantee, Status and Subordination of the Guarantee – Subordination of the Guarantee*) relating to the subordination of the Guarantee and the corresponding provisions of the Guarantee which are governed by and construed in accordance with the laws of the Kingdom of Spain. See Condition 16 (*Governing Law*) of the Terms and Conditions of the Euro Dated Securities.

**Replacement Intention:**

As at the date of this Prospectus, it is the Guarantor’s intention (without thereby assuming any obligation) that at any time it or the Issuer will redeem or repurchase the Euro Dated Securities only to the extent that the aggregate principal amount of the Euro Dated Securities to be redeemed or repurchased does not exceed such part of the net proceeds received by the Guarantor or any subsidiary of the Guarantor during the 360-day period prior to the date of such redemption or repurchase from the sale or issuance by the Guarantor or such subsidiary to third party purchasers (other than group entities of the Guarantor) of securities which are assigned by S&P, at the time of sale or issuance, an aggregate “equity credit” (or such similar nomenclature used by S&P from time to time) that is equal to or

greater than the “equity credit” assigned to the Euro Dated Securities to be redeemed or repurchased at the time of their issuance (but taking into account any changes in hybrid capital methodology or another relevant methodology or the interpretation thereof since the issuance of the Euro Dated Securities), unless:

- (i) the rating assigned by S&P to the Guarantor is at least “BBB-” (or such similar nomenclature then used by S&P) and the Guarantor is of the view that such rating would not fall below this level as a result of such redemption or repurchase, or
- (ii) in the case of a repurchase, such repurchase is of less than (a) 10 per cent. of the aggregate principal amount of the Euro Dated Securities originally issued in any period of 12 consecutive months or (b) 25 per cent. of the aggregate principal amount of the Euro Dated Securities originally issued in any period of 10 consecutive years, or
- (iii) the Euro Dated Securities are redeemed pursuant to a Tax Event, an Acquisition Event, a Capital Event or a Withholding Tax Event, or
- (iv) such redemption or repurchase occurs on or after the Interest Payment Date falling on 25 March 2045.

**Rating:**

The Euro Dated Securities will be rated BB by S&P, Ba1 by Moody’s and BB+ by Fitch. Each of S&P, Moody’s and Fitch is established in the European Union and registered under the CRA Regulation. A security 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.

**Listing and Admission to Trading:**

This Prospectus has been approved by the *Commission de Surveillance du Secteur Financier* 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 as a 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 for the purpose of giving information with regard to the issue of the Euro Dated Securities. Application has been made to the Luxembourg Stock Exchange for the Euro Dated Securities 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.

**Selling Restrictions:**

The United Kingdom, the United States of America, The Netherlands and the Kingdom of Spain. See “*Subscription and Sale*”.

Category 2 selling restrictions will apply for the purposes of Regulation S under the Securities Act.



**Use of Proceeds:**

The net proceeds of the issue of the Euro Dated Securities, which together with the net proceeds of the issue of the Euro Perpetual Securities, are expected to amount to €1,990,400,000 will be used to finance in part the acquisition of the Canadian-based upstream oil and gas company Talisman Energy Inc. (see “*Acquisition of Talisman Energy*”). In the event that the aforementioned transaction is not consummated, the proceeds of the issuance of the Securities may either (i) be used for the Group’s general corporate purposes, which may include the financing of other merger and acquisition activities, if any or (ii) the Issuer may give notice that an Acquisition Event has occurred and redeem any series of Securities in accordance with Condition 6.6 (*Redemption for Acquisition Event*) of the Euro Perpetual Securities or Condition 6.5 (*Redemption for Acquisition Event*) of the Euro Dated Securities.

**Risk Factors:**

Prospective investors should carefully consider the information set out in “*Risk Factors*” in conjunction with the other information contained or incorporated by reference in this Prospectus.

**ISIN:**

XS1207058733.

**Common Code:**

120705873.

## INFORMATION INCORPORATED BY REFERENCE

The information set out in the table below shall be deemed to be incorporated in, and to form part of, this Prospectus provided however that any statement contained in any document incorporated by reference in, and forming part of, this Prospectus shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such statement.

Such documents will be made available, free of charge, during usual business hours at the specified offices of the Fiscal Agent, unless such documents have been modified or superseded and on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu). The page references indicated for each document are to the page numbering of the electronic pdf copies of such documents as available at [www.bourse.lu](http://www.bourse.lu).

For ease of reference, the tables below set out:

- (i) the relevant page references for the financial statements, the notes to the financial statements and the Auditors' reports for the years ended 31 December 2013 and 2012 for the Issuer; and
- (ii) the relevant page references for the consolidated financial statements, the notes to the consolidated financial statements and the Auditors' reports for the years ended 31 December 2014 and 2013 for the Guarantor.

<u>Information incorporated by reference</u>	<u>Page references</u>
<b>(A) The audited non-consolidated financial statements of the Issuer, including the notes to such financial statements and the independent auditor's report thereon, for the financial year ended 31 December 2013:</b>	
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<b>(C) The audited consolidated financial statements, including the notes to such financial statements, the auditor's report thereon, the Consolidated Management Report and the Annual Report on Corporate Governance for the year ended 31 December 2014:</b>	
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- Changes in standardised measure of discounted future net cash flows relating to proved oil and gas reserves .....	14-15

Where only certain parts of a document are incorporated by reference, the non-incorporated parts of the document are either not relevant to investors or are covered elsewhere in this Prospectus.

Pursuant to Spanish regulatory requirements, the audited consolidated financial statements of the Guarantor are required to be accompanied by the respective Consolidated Management Reports. These Consolidated Management Reports are incorporated by reference in this Prospectus only in order to comply with such regulatory requirements. Investors are strongly cautioned that the Consolidated Management Reports contain information as of various historical dates and do not contain a full description of the Group's business, affairs or results. The information contained in the Consolidated Management Reports has been neither audited nor prepared for the specific purpose of the issue of the Securities. Accordingly, the Consolidated Management Reports should be read together with the other sections of this Prospectus, and in particular the section "*Risk Factors*". Any information contained in the Consolidated Management Reports shall be deemed to be modified or superseded by any information elsewhere in the Prospectus that is subsequent to or inconsistent with it. Furthermore, the Consolidated Management Reports include certain forward-looking statements that are subject to inherent uncertainty (see "*Important Notices — Forward-Looking Statements*"). Accordingly, investors are cautioned not to rely upon the information contained in such Consolidated Management Reports.

## TERMS AND CONDITIONS OF THE EURO PERPETUAL SECURITIES

*The following are the terms and conditions substantially in the form in which they will be endorsed on the Euro Perpetual Securities. Sentences in italics shall not form part of these terms and conditions.*

The issue of the €1,000,000,000 6 Year Non-Call Perpetual Securities (the “**Securities**”, which expression shall include any further Securities issued pursuant to Condition 13) of Repsol International Finance B.V. (the “**Issuer**”) was authorised by a resolution of the Board of Managing Directors of the Issuer dated 18 March 2015. The guarantee (the “**Guarantee**”) of the Securities was authorised by a resolution of the Chief Executive Officer (*Consejero Delegado*) of Repsol S.A. (the “**Guarantor**”) dated 18 March 2015, by a resolution of the Board of Directors of the Guarantor dated 15 December 2014 and by a resolution of the shareholders acting through the general shareholders’ meeting of the Guarantor dated 31 May 2013.

The Securities are issued with the benefit of a fiscal agency agreement dated 25 March 2015 (the “**Fiscal Agency Agreement**”) between the Issuer, the Guarantor, Citibank, N.A., London Branch as fiscal agent and agent bank and the paying agents named therein. The fiscal agent, the agent bank and the paying agents for the time being are referred to as the “**Fiscal Agent**”, the “**Agent Bank**” and the “**Paying Agents**” (which expression shall include the Fiscal Agent), respectively.

The Fiscal Agency Agreement includes the form of the Securities and the coupons relating to them (the “**Coupons**”, which expression includes, where the context so permits, talons for further coupons (the “**Talons**”)).

Copies of the Fiscal Agency Agreement and the Guarantee are available for inspection during normal business hours at the specified offices of the Paying Agents. The Holders of the Securities and the Holders of the Coupons (each as defined in Condition 1.2 below) (whether or not attached to the relevant Securities) are deemed to have notice of all the provisions of the Fiscal Agency Agreement applicable to them.

### 1. FORM, DENOMINATION AND TITLE

#### 1.1 Form and denomination

The Securities are serially numbered and in bearer form in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000, each with Coupons attached on issue. No Securities in definitive form will be issued with a denomination above €199,000. Securities of one denomination will not be exchangeable for Securities of another denomination.

#### 1.2 Title

Title to the Securities and Coupons passes by delivery. The holder of any Security or Coupon (a “**Holder**”) will (except as otherwise required by applicable law or regulatory requirement) 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.

### 2. STATUS AND SUBORDINATION OF THE SECURITIES AND COUPONS

#### 2.1 Status of the Securities and Coupons

The Securities and the Coupons constitute direct, unsecured and subordinated obligations of the Issuer (senior only to Junior Obligations of the Issuer) and shall at all times rank *pari passu* and without any preference among themselves.

## **2.2 Subordination of the Securities**

In the event of an Issuer Winding-up, the rights and claims of the Holders against the Issuer in respect of or arising under the Securities and the Coupons will rank (i) junior to the claims of all holders of Senior Obligations of the Issuer, (ii) *pari passu* with the claims of holders of all Parity Obligations of the Issuer and (iii) senior to the claims of holders of all Junior Obligations of the Issuer.

Subject to applicable law, no Holder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Securities or the Coupons and each Holder shall, by virtue of being the Holder, be deemed to have waived all such rights of set-off. This Condition 2.2 is an irrevocable stipulation (*derdenbeding*) for the benefit of the creditors of Senior Obligations of the Issuer and each such creditor may rely on and enforce this Condition 2.2 under Section 6:253 of the Dutch Civil Code.

*The Issuer does not have any Preferred Shares outstanding and the Issuer's Articles of Association do not provide for the issuance of such shares by the Issuer. For so long as any of the Securities remains outstanding, the Guarantor and the Issuer do not intend to issue any Preferred Shares of the Issuer.*

## **3. GUARANTEE, STATUS AND SUBORDINATION OF THE GUARANTEE**

### **3.1 Guarantee**

The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Securities and the Coupons on a subordinated basis. Its obligations under the Guarantee are set out in the deed of guarantee dated the Issue Date and made by the Guarantor for the benefit of the Holders.

### **3.2 Status of the Guarantee**

Subject to mandatory provisions of Spanish applicable law, the payment obligations of the Guarantor under the Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor (senior only to Junior Obligations of the Guarantor) and shall at all times rank *pari passu* and without any preference among themselves.

### **3.3 Subordination of the Guarantee**

Subject to mandatory provisions of Spanish applicable law, the rights and claims of Holders against the Guarantor in respect of or arising under the Guarantee will rank (i) junior to the claims of the holders of all Senior Obligations of the Guarantor, (ii) *pari passu* with the claims of the holders of all Parity Obligations of the Guarantor and (iii) senior to the claims of the holders of all Junior Obligations of the Guarantor.

Subject to applicable law, no Holder may exercise or claim any right of set-off in respect of any amount owed to it by the Guarantor arising under or in connection with the Guarantee and each Holder shall, by virtue of being the Holder, be deemed to have waived all such rights of set-off.

## **4. INTEREST PAYMENTS**

### **4.1 General**

The Securities bear interest at the Prevailing Interest Rate from (and including) 25 March 2015 (the "Issue Date") in accordance with the provisions of this Condition 4.

Subject to Condition 5, interest shall be payable on the Securities with respect to any Interest Period annually in arrear on each Interest Payment Date in each case as provided in this Condition 4.

## 4.2 Interest Accrual

The Securities will cease to bear interest from (and including) the date of redemption thereof pursuant to Condition 6 unless, upon due presentation, payment of all amounts due in respect of the Securities is not made, in which event interest shall continue to accrue in respect of unpaid amounts on the Securities, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

Interest in respect of any Security shall be calculated per €1,000 in principal amount thereof (the “**Calculation Amount**”). The interest payable on each Security on any Interest Payment Date shall be calculated by multiplying the Prevailing Interest Rate for the Interest Period ending immediately prior to such Interest Payment Date by the Calculation Amount and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). Interest in respect of any Security for any Interest Period, and where it is necessary to compute an amount of interest in respect of any Security for a period which is less than a complete year, shall be calculated on the basis of the actual number of days in the relevant period from (and including) the first day of such period to (but excluding) the last day of such period divided by the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the next succeeding Interest Payment Date.

## 4.3 Prevailing Interest Rate

Unless previously redeemed or repurchased and cancelled in accordance with these Conditions and subject to the further provisions of this Condition 4, the Securities will bear interest on their principal amount as follows:

- (a) from (and including) the Issue Date to (but excluding) the First Reset Date, at the rate of 3.875 per cent. per annum, payable annually in arrear on each Interest Payment Date, commencing on 25 March 2016; and
- (b) from (and including) the First Reset Date, at the applicable 6 year Swap Rate in respect of the relevant Reset Period plus:
  - (i) in respect of the period commencing on the First Reset Date to (but excluding) 25 March 2025, 3.56 per cent. per annum;
  - (ii) in respect of the period commencing on 25 March 2025 to (but excluding) 25 March 2041, 3.81 per cent. per annum<sup>5</sup>; and
  - (iii) from and including 25 March 2041, 4.56 per cent. per annum<sup>6</sup>,

all as determined by the Agent Bank (each a “**Subsequent Fixed Interest Rate**”), payable annually in arrear on each Interest Payment Date, commencing on 25 March 2022, subject to Condition 5,

and where:

“**6 year Swap Rate**” means, in respect of any Reset Period, the mid-swap rate as displayed on Reuters screen “ISDAFIX2” (the “**Reset Screen Page**”) as at 11:00 a.m. (Central European time) on the relevant Reset Interest Determination Date.

<sup>5</sup> Step-up of 25 basis points 10 years after the Issue Date

<sup>6</sup> Step-up of an additional 75 basis points 26 years after the Issue Date



In the event that the relevant 6 year Swap Rate does not appear on the Reset Screen Page on the relevant Reset Interest Determination Date, the 6 year Swap Rate will be the Reset Reference Bank Rate on such Reset Interest Determination Date.

**“Reset Reference Bank Rate”** means the percentage rate determined by the Agent Bank on the basis of the 6 year Swap Rate Quotations provided by five leading swap dealers in the interbank market (the **“Reset Reference Banks”**) to the Agent Bank at approximately 11:00 a.m. (Central European time) on the relevant Reset Interest Determination Date. If at least three quotations are provided, the 6 year Swap Rate will be determined by the Agent Bank on the basis of the arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If fewer than three quotations are provided, the Reset Reference Bank Rate shall be the Reset Reference Bank Rate determined by the Agent Bank on the previous Reset Interest Determination Date or in the case of the first Reset Interest Determination Date, 0.315 per cent.

The **“6 year Swap Rate Quotations”** means, in relation to any Reset Period, the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 Day Count basis) of a fixed-for-floating euro interest rate swap which (i) has a term of 6 years commencing on the relevant Reset Date, (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (iii) has a floating leg based on the 6-month EURIBOR rate (calculated on the basis of the actual number of days elapsed and a year of 360 days).

#### **4.4 Publication of Subsequent Fixed Interest Rates**

The Issuer shall cause notice of each Subsequent Fixed Interest Rate and the corresponding amount payable per Calculation Amount determined in accordance with this Condition 4 and the relevant dates scheduled for payment to be given to the Fiscal

Agent, the Paying Agents, any stock exchange on which the Securities are for the time being listed or admitted to trading and, in accordance with Condition 14, the Holders of the Securities and the Coupons, in each case as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

The relevant Subsequent Fixed Interest Rate and the dates scheduled for payment so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the relevant period in accordance with these Conditions.

#### **4.5 Agent Bank and Reset Reference Banks**

With effect from the first Reset Interest Determination Date, the Issuer will maintain an Agent Bank and will select the number of Reset Reference Banks provided above where the Prevailing Interest Rate is to be calculated by reference to them. The initial Agent Bank is Citibank, N.A., London Branch.

The Issuer may from time to time replace the Agent Bank or any Reset Reference Bank with another leading financial institution. If the Agent Bank is unable or unwilling to continue to act as the Agent Bank or fails duly to determine the Subsequent Fixed Interest Rate in respect of any Reset Period as provided in Condition 4.3, the Issuer shall forthwith appoint another leading financial institution to act as such in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed as aforesaid.

#### **4.6 Determinations of Agent Bank Binding**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 by the Agent Bank shall (in the absence of wilful default, fraud or manifest error) be binding on the Issuer, the Agent Bank the Fiscal Agent, the Paying Agents and all Holders and (in the absence as aforesaid) no liability to the Holders or the Issuer shall attach to the Agent Bank in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

### **5. OPTIONAL INTEREST DEFERRAL**

#### **5.1 Deferral of Interest Payments**

The Issuer may, subject as provided in Conditions 5.2 and 5.3 below, elect in its sole discretion to defer (in whole or in part) any Interest Payment that is otherwise scheduled to be paid on an Interest Payment Date by giving notice (a “**Deferral Notice**”) of such election to the Holders in accordance with Condition 14, the Fiscal Agent and the Paying Agents not more than 14 and not less than 7 Business Days prior to the relevant Interest Payment Date. Any Interest Payment that the Issuer has elected to defer pursuant to this Condition 5.1 and that has not been satisfied is referred to as a “**Deferred Interest Payment**”.

If any Interest Payment is deferred pursuant to this Condition 5.1 then such Deferred Interest Payment shall itself bear interest (such further interest together with the Deferred Interest Payment, being “**Arrears of Interest**”), at the relevant Prevailing Interest Rate applicable from time to time, from (and including) the date on which (but for such deferral) the Deferred Interest Payment would otherwise have been due to be made to (but excluding) the date on which such Deferred Interest Payment is paid in accordance with Conditions 5.2 and 5.3, in each case such further interest being compounded on each Interest Payment Date.

Non-payment of interest deferred pursuant to this Condition 5.1 shall not constitute a default by the Issuer or the Guarantor under the Securities or the Guarantee or for any other purpose.

#### **5.2 Optional Settlement of Arrears of Interest**

Arrears of Interest may be satisfied at the option of the Issuer, in whole or in part, at any given time (the “**Optional Deferred Interest Settlement Date**”) following delivery of a notice to such effect given by the Issuer to the Holders in accordance with Condition 14, the Fiscal Agent and the Paying Agents not more than 14 and no less than 7 Business Days prior to the relevant Optional Deferred Interest Settlement Date informing them of its election so to satisfy such Arrears of Interest (or part thereof) and specifying the relevant Optional Deferred Interest Settlement Date.

#### **5.3 Mandatory Settlement of Arrears of Interest**

Notwithstanding the provisions of Condition 5.2, the Issuer shall pay any outstanding Arrears of Interest in whole, but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment Date on which any outstanding Deferred Interest Payment was first deferred.

Notice of the occurrence of any Mandatory Settlement Date shall be given to the Holders in accordance with Condition 14, the Fiscal Agent and the Paying Agents as soon as possible.

“**Mandatory Settlement Date**” means the earliest of:

- (a) as soon as reasonably practicable (but not later than the fifth Business Day) following the date on which a Compulsory Arrears of Interest Settlement Event occurs;

- (b) following any Deferred Interest Payment, on the next scheduled Interest Payment Date on which the Issuer does not elect to defer in whole the Interest Payment in respect of the relevant Interest Period; and
- (c) the date on which the Securities are redeemed or repaid in accordance with Condition 6 or become due and payable in accordance with Condition 9.

A “**Compulsory Arrears of Interest Settlement Event**” shall have occurred if:

- (a) a Dividend Declaration (as defined below) is made in respect of any Junior Obligations or any Parity Obligations (other than in respect of any such dividend, distribution or payment paid or made exclusively in Ordinary Shares of the Guarantor); or
- (b) the Guarantor or any of its subsidiaries has repurchased, redeemed or otherwise acquired any Junior Obligations or any Parity Obligations (other than, for the avoidance of doubt, a repurchase, redemption or acquisition of any Talisman Preferred Securities, which do not constitute Junior Obligations or Parity Obligations),

save, in the case of (a) any such Dividend Declaration or such redemption, repurchase or acquisition that is mandatory under the terms of any such Parity Obligations; (b) any Dividend Declaration in respect of any such dividend, distribution or payment by the Issuer to the Guarantor, (c) any Dividend Declaration or repurchase which is required to be validly resolved on, declared, paid or made in respect of, share option, loyalty, share acquisition or free share allocation plan in each case reserved for directors, officers and/or employees of the Guarantor or any of its Affiliates or any associated liquidity agreements or any associated hedging transactions; (d) any purchase of Ordinary Shares of the Guarantor by or on behalf of the Guarantor as part of an intra-day transaction that does not result in an increase in the aggregate number of Ordinary Shares of the Guarantor held by or on behalf of the Guarantor as treasury shares at 8:30 a.m. Madrid time on the Interest Payment Date on which any outstanding Arrears of Interest was first deferred; (e) any repurchase or acquisition of Parity Obligations that is made for a consideration less than the aggregate nominal or par value of such Parity Obligations that are purchased or acquired; (f) any repurchase or acquisition of Ordinary Shares of the Guarantor resulting from mandatory obligations or hedging of any convertible securities issued by the Issuer or the Guarantor; or (g) any repurchase or acquisition of Ordinary Shares of the Guarantor resulting from the settlement of existing equity derivatives after the Interest Payment Date on which any outstanding Deferred Interest Payment was first deferred.

“**Dividend Declaration**” means the authorisation by resolution of the general meeting of shareholders or the board of directors or other competent corporate body (as the case may be) of the Issuer or the Guarantor (as applicable) of the payment, or the making of, a dividend or other distribution or payment (or, if no such authorisation is required, the payment, or the making of, a dividend or other distribution or payment).

## **6. REDEMPTION AND PURCHASE**

### **6.1 Final redemption**

Subject to any early redemption described below, the Securities are undated securities with no specified maturity date. The Securities may not be redeemed at the option of the Issuer other than in accordance with Conditions 6.2, 6.3, 6.4, 6.5, 6.6 or 6.7.

### **6.2 Issuer’s Call Option**

The Issuer may, by giving not less than 30 nor more than 60 days’ notice to the Fiscal Agent, the Paying Agents and, in accordance with Condition 14, the Holders (which notice shall be irrevocable), redeem the Securities in whole, but not in part, on the First Reset Date and on any

Interest Payment Date thereafter at their principal amount together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest.

### **6.3 Redemption for Taxation Reasons**

If, immediately prior to the giving of the notice referred to below, a Tax Event or a Withholding Tax Event has occurred and is continuing, then the Issuer may, subject to having given not less than 30 nor more than 60 days' notice to the Fiscal Agent, the Paying Agents and, in accordance with Condition 14, the Holders (which notice shall be irrevocable) and subject to Condition 6.8, redeem the Securities in whole, but not in part, in accordance with these Conditions at any time, in each case at (i) their Early Redemption Amount (in the case of a Tax Event if the Redemption Date falls prior to the First Reset Date) or (ii) their principal amount (in the case of (a) a Withholding Tax Event or (b) a Tax Event if the Redemption Date falls on or after the First Reset Date), together, in each case, with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Securities.

### **6.4 Redemption for Accounting Reasons**

If, immediately prior to the giving of the notice referred to below, an Accounting Event has occurred and is continuing, then the Issuer may, subject to having given not less than 30 nor more than 60 days' notice to the Fiscal Agent, the Paying Agent and, in accordance with Condition 14, the Holders (which notice shall be irrevocable) and subject to Condition 6.8, redeem the Securities in accordance with these Conditions in whole, but not in part, at any time, in each case (i) at their Early Redemption Amount if the Redemption Date falls before the First Reset Date, or (ii) at their principal amount if the Redemption Date falls on or after the First Reset Date, together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Securities.

### **6.5 Redemption for Rating Reasons**

If, immediately prior to the giving of the notice referred to below, a Capital Event has occurred and is continuing, then the Issuer may, subject to having given not less than 30 nor more than 60 days' notice to the Fiscal Agent, the Paying Agent and, in accordance with Condition 14, the Holders (which notice shall be irrevocable) and subject to Condition 6.8, redeem the Securities in accordance with these Conditions in whole, but not in part, at any time, in each case (i) at their Early Redemption Amount if the Redemption Date falls before the First Reset Date, or (ii) at their principal amount if the Redemption Date falls on or after the First Reset Date, together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Securities.

### **6.6 Redemption for Acquisition Event**

If, within the two months preceding the giving of the notice referred to below, an Acquisition Event has occurred at any time prior to 23 September 2016, then the Issuer may, subject to having given not less than 30 nor more than 60 days' notice to the Fiscal Agent, the Paying Agent and, in accordance with Condition 14, the Holders (which notice shall be irrevocable) and subject to Condition 6.8, redeem the Securities in accordance with these Conditions in whole, but not in part, at any time, in each case at their Early Redemption Amount together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Securities.

### **6.7 Redemption following a Substantial Purchase Event**

If, immediately prior to the giving of the notice referred to below, a Substantial Purchase Event has occurred, then the Issuer may, subject to having given not less than 30 nor more than 60 days' notice

to the Fiscal Agent, the Paying Agents and, in accordance with Condition 14, the Holders (which notice shall be irrevocable) and subject to Condition 6.8, redeem the Securities in whole, but not in part, in accordance with these Conditions at any time, in each case at their principal amount, together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest. Upon expiry of such notice, the Issuer shall redeem the Securities.

## **6.8 Preconditions to Redemption**

Prior to serving any notice of redemption pursuant to this Condition 6 (other than Condition 6.2), the Guarantor shall:

- (a) deliver to the Fiscal Agent a certificate signed by two directors of the Guarantor stating that the relevant requirement or circumstance giving rise to the right to redeem is satisfied;
- (b) in the case of a Tax Event or Withholding Tax Event deliver to the Fiscal Agent an opinion of independent legal or other tax advisers to the effect set out in paragraph (a) above;
- (c) in the case of an Accounting Event, deliver to the Fiscal Agent the relevant opinion from the relevant accountancy firm; and
- (d) in the case of a Capital Event, deliver to the Fiscal Agent the relevant confirmation from the relevant Rating Agency.

Any such certificate, opinion of confirmation referred to in paragraphs (a) to (d) above shall, absent manifest error, be final and binding on all parties.

## **6.9 Cancellation**

All Securities redeemed in accordance with Conditions 6.2, 6.3, 6.4, 6.5, 6.6 or 6.7 and any unmatured Coupons attached to or surrendered with them will be cancelled and may not be re-issued or re-sold.

## **6.10 Purchase**

Each of the Issuer, the Guarantor and their respective subsidiaries may at any time purchase Securities in the open market or otherwise at any price (provided that, if they should be cancelled pursuant to Condition 6.9, they are purchased together with all unmatured Coupons and all unexchanged Talons relating to them). The Securities so purchased may be held, re-issued or re-sold or, at the option of the relevant purchaser, surrendered to the Fiscal Agent for cancellation, but while held by or on behalf of the Issuer, the Guarantor or any such subsidiary, shall not entitle the holder to vote at any meetings of the Holders of Securities and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Holders of Securities or for the purposes of Condition 12.

*As at the date of this Prospectus, it is the Guarantor's intention (without thereby assuming any obligation whatsoever) that at any time it or the Issuer will redeem or repurchase the Securities only to the extent that the aggregate principal amount of the Securities to be redeemed or repurchased does not exceed such part of the net proceeds received by the Guarantor or any subsidiary of the Guarantor during the 360-day period prior to the date of such redemption or repurchase from the sale or issuance by the Guarantor or such subsidiary to third party purchasers (other than group entities of the Guarantor) of securities which are assigned by S&P, at the time of sale or issuance, an aggregate "equity credit" (or such similar nomenclature used by S&P from time to time) that is equal to or greater than the "equity credit" assigned to the Securities to be redeemed or repurchased at the time of their issuance (but taking into account any changes in hybrid capital*

methodology or another relevant methodology or the interpretation thereof since the issuance of the Securities), unless:

- (a) *the rating assigned by S&P to the Guarantor is at least “BBB-” (or such similar nomenclature then used by S&P) and the Guarantor is of the view that such rating would not fall below this level as a result of such redemption or repurchase, or*
- (b) *in the case of a repurchase, such repurchase is of less than (a) 10 per cent. of the aggregate principal amount of the Securities originally issued in any period of 12 consecutive months or (b) 25 per cent. of the aggregate principal amount of the Securities originally issued in any period of 10 consecutive years, or*
- (c) *the Securities are redeemed pursuant to a Tax Event, a Capital Event, an Accounting Event, an Acquisition Event or a Withholding Tax Event, or*
- (d) *such redemption or repurchase occurs on or after the Interest Payment Date falling on 25 March 2041.*

## **7. PAYMENTS**

### **7.1 Method of Payment**

Payments of principal and interest will be made against presentation and surrender (or, in the case of a partial payment, endorsement) of Securities or the appropriate Coupons (as the case may be) at the specified office of any Paying Agent by transfer to a euro account maintained by the payee with a bank in a city in which banks have access to the TARGET System. Payments of interest due in respect of any Security other than on presentation and surrender of matured Coupons shall be made only against presentation and either surrender or endorsement (as appropriate) of the relevant Security.

### **7.2 Payments subject to fiscal laws**

All payments are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Holders in respect of such payments.

### **7.3 Unmatured Coupons**

Upon the due date for redemption of any Security, unmatred Coupons relating to such Security (whether or not attached) shall become void and no payment shall be made in respect of them. Where any Security is presented for redemption without all unmatred Coupons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer and the Guarantor may require.

### **7.4 Exchange of Talons**

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Securities, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and another Talon for a

further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 10).

## **7.5 Payments on business days**

A Security or Coupon may only be presented for payment on a day which is a business day in the place of presentation (and, in the case of payment by transfer to a euro account, a day that is a Business Day). No further interest or other payment will be made as a consequence of the day on which the relevant Security or Coupon may be presented for payment under this Condition 7 falling after the due date. In this Condition 7, “**business day**” means a day on which commercial banks and foreign exchange markets settle payments and are open in the relevant city.

## **7.6 Paying Agents**

The initial Paying Agents and their initial specified offices are listed below. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Paying Agent and appoint additional or other Paying Agents, provided that they will maintain (i) a Fiscal Agent and (ii) a Paying Agent with a specified office in a European Union member state other than Spain or The Netherlands that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000. Notice of any change in the Paying Agents or their specified offices will promptly be given to the Holders in accordance with Condition 14.

## **8. TAXATION**

### **8.1 Additional Amounts**

All payments of principal and interest in respect of the Securities and the Coupons by the Issuer or (as the case may be) the Guarantor under the Guarantee will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges (collectively, “**Taxes**”) of whatever nature imposed or levied by or on behalf of The Netherlands or the Kingdom of Spain or, in each case, any authority therein or thereof having power to tax (each a “**Taxing Authority**”), unless the withholding or deduction of such Taxes is required by law.

In that event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts (“**Additional Amounts**”) as may be necessary in order that the net amounts received by the Holders after such withholding or deduction of Taxes shall equal the respective amounts of principal and interest which would have been received in respect of the Securities or (as the case may be) Coupons, in the absence of such withholding or deduction of Taxes; except that no Additional Amounts shall be payable with respect to any payment in respect of any Security or Coupon or (as the case may be) under the Guarantee:

- (a) to, or to a third party on behalf of, a Holder or to the beneficial owner of any Security or Coupon who is liable for Taxes in respect of such Security or Coupon by reason of his having some connection with The Netherlands or the Kingdom of Spain other than the mere holding of the Security or Coupon;
- (b) presented for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder or the beneficial owner thereof would have been entitled to such Additional Amounts on presenting the same for payment on the thirtieth such day;
- (c) in relation to any estate, inheritance, gift, sales, transfer or similar Taxes;

- (d) while the Securities are represented by Global Securities and the Global Securities are deposited with a common depository for Euroclear and/or Clearstream, Luxembourg, to, or to a third party on behalf of, a Holder or to the beneficial owner of any Security or Coupon if the Issuer or the Guarantor does not receive in a timely manner a duly executed and completed certificate from the Fiscal Agent, pursuant to Law 10/2014, and Royal Decree 1065/2007 of July 27, as amended by Royal Decree 1145/2011 of July 29, and any implementing legislation or regulation;
- (e) while the Securities are represented by Definitive Securities, where such withholding or deduction of Taxes is imposed, withheld or deducted by reason of the failure of the Holder or the beneficial owner of any Security or Coupon to comply with the Issuer's or the Guarantor's request addressed to the Holder or the beneficial owner to provide a valid certificate of tax residence duly issued by the tax authorities of the country of tax residence of the Holder or the beneficial owner of any Security or Coupon confirming that the Holder or the beneficial owner is (i) resident for tax purposes in a Member State of the European Union, not considered a tax haven pursuant to Spanish law, other than Spain; or (ii) resident for tax purposes in a jurisdiction with which Spain has entered into a tax treaty to avoid double taxation, which makes provision for full exemption from tax imposed in Spain on interest and within the meaning of the referred tax treaty; as it is required to provide by the applicable tax laws and regulations of the relevant Taxing Authority as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by such relevant Taxing Authority;
- (f) presented for payment in the Kingdom of Spain or The Netherlands;
- (g) 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 on the taxation of savings income or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26 to 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;
- (h) where such withholding or deduction is required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto; or
- (i) presented for payment by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Security to another Paying Agent in a Member State of the European Union.

In addition, Additional Amounts will not be payable with respect to (i) any Taxes that are imposed in respect of any combination of the items set forth above and to (ii) any Holder who is a fiduciary, a partnership, a limited liability company or other than the sole beneficial owner of that payment, to the extent that payment would be required by the laws of the relevant Taxing Authority to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership, an interest holder in that limited liability company or a beneficial owner who would not have been entitled to the Additional Amounts had it been the Holder.

## 8.2 Definitions

References in these Conditions to (i) "**principal**" shall be deemed to include all amounts in the nature of principal payable pursuant to Condition 7 or any amendment or supplement to it; (ii) **interest** shall be deemed to include all Arrears of Interest and all other amounts payable pursuant to Condition 4 or any amendment or supplement to it; and (iii) "**principal**" and/or "**interest**" shall be deemed to include any Additional Amounts.



## **9. ENFORCEMENT EVENTS AND NO EVENTS OF DEFAULT**

There are no events of default in respect of the Securities.

However, if an Issuer Winding-up occurs, or an order is made or an effective resolution passed for the winding-up, dissolution or liquidation of the Guarantor (except for the purposes of a solvent merger, reconstruction or amalgamation), any Holder of a Security, in respect of such Security and provided that such Holder does not contravene a previously adopted Extraordinary Resolution (if any) may, by written notice to the Issuer and the Guarantor, declare that such Security and all interest then accrued but unpaid on such Security shall be forthwith due and payable, whereupon the same shall become immediately due and payable, together with all interest accrued thereon.

In such case the Holder of a Security may, at its sole discretion, institute steps in order to obtain a judgment against the Issuer and/or the Guarantor for any amounts due in respect of the Securities, including the institution of proceedings for the declaration of insolvency ("*declaración de concurso*") under Spanish insolvency law of the Guarantor and/or proving and/or claiming in an Issuer Winding-up or in the winding-up, dissolution, liquidation or insolvency proceeding of the Guarantor for such amount.

Each Holder may, at its discretion and without further notice, institute such proceedings as it may think fit to enforce any term or condition binding on the Issuer or the Guarantor under the Securities or the Guarantee but in no event shall the Issuer or the Guarantor by the virtue of such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

No remedy against the Issuer or the Guarantor, other than as referred to in this Condition 9 shall be available to the Holders, whether for the recovery of amounts owing in respect of the Securities or the Guarantee or in respect of any other breach by the Issuer or the Guarantor of any of their respective other obligations under or in respect of the Securities or the Guarantee.

## **10. PRESCRIPTION**

Claims in respect of principal and interest or any other amount will become void unless presentation for payment is made as required by Condition 7 within a period of 10 years in the case of principal (or any other amount in the nature of principal) and five years in the case of interest (or any other amount in the nature of interest, including Arrears of Interest) from the appropriate Relevant Date.

## **11. REPLACEMENT OF SECURITIES AND COUPONS**

If any Security or Coupon is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Fiscal Agent subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer, the Guarantor and the Fiscal Agent may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Securities or Coupons must be surrendered before replacements will be issued. In case any such lost, stolen, mutilated, defaced or destroyed Coupon has become or is about to become due and payable, the Issuer in its discretion may, instead of delivering replacements therefor, pay such Coupon when due.

## **12. MEETINGS OF HOLDERS OF SECURITIES AND MODIFICATION**

### **12.1 Meetings of Holders of Securities**

The Fiscal Agency Agreement contains provisions for convening meetings of Holders of Securities to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of a modification of any of these Conditions. Such a

meeting may be convened by Holders of Securities holding not less than one twentieth in principal amount of the Securities 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 at least two thirds of the aggregate principal amount of the Securities for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders of Securities whatever the principal amount of the Securities held or represented. Any Extraordinary Resolution duly passed shall be binding on Holders of Securities (whether or not they were present at the meeting at which such resolution was passed) and on all Holders of Coupons.

The Fiscal Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in principal amount of the Securities outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holders of Securities 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 or more Holders of Securities.

## **12.2 Modification**

The Securities, these Conditions, the Deed of Covenant and the Deed of Guarantee may be amended without the consent of the Holders of Securities to correct a manifest error. No other modification may be made to the Securities, these Conditions the Deed of Covenant or the Deed of Guarantee except with the sanction of a resolution of the Holders of the Securities.

In addition, the parties to the Fiscal Agency Agreement may agree to modify any provision thereof, provided that the Issuer shall not agree, without the consent of the Holders of Securities, to any such modification unless, in the opinion of the Issuer and the Guarantor, (i) it is of a formal, minor or technical nature; (ii) it is made to correct a manifest error; or (iii) it is not materially prejudicial to the interests of the Holders of Securities.

## **13. FURTHER ISSUES**

The Issuer may from time to time without the consent of the Holders create and issue further securities either having the same terms and conditions as the Securities 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 Securities) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Securities include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Securities.

## **14. NOTICES**

Notices to Holders of Securities will be deemed to be validly given if published in a leading daily newspaper having general circulation in Europe. The Issuer shall also ensure that all notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Securities are for the time being listed and/or admitted to trading. Any such notice shall be deemed to have been validly given on the date of the first such publication or, if published more than once on the first date on which publication is made.

Notwithstanding the above, while all the Securities are represented by Global Securities and the Global Securities are deposited with a common depositary for Euroclear and/or Clearstream, Luxembourg, notices to Holders of Securities may be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg in accordance with their respective rules and operating procedures, and such notices shall be deemed to have been given to Holders on the date of delivery to Euroclear and/or Clearstream, Luxembourg. Holders of Coupons will be deemed for all purposes

to have notice of the contents of any notice given to the Holders of Securities in accordance with this Condition.

## **15. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of the Securities under the Contracts (Rights of Third Parties) Act 1999.

## **16. GOVERNING LAW**

### **16.1 Governing Law**

The Fiscal Agency Agreement, the Securities, the Coupons and the Guarantee 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, other than the provisions of Conditions 2.1 and 2.2 which are governed by and construed in accordance with the laws of The Netherlands, and the provisions of Conditions 3.2 and 3.3, and the corresponding provisions of the Guarantee, which are governed by and construed in accordance with the laws of the Kingdom of Spain.

### **16.2 Jurisdiction**

The courts of England have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising from or connected with the Securities or the Coupons (including a dispute relating to the existence, validity or termination of the Securities or any non-contractual obligations arising out of or in connection with the Securities or the consequences of their nullity). The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary. This Condition is for the benefit of the Holders only. As a result, nothing in this Condition 16 prevents any Holder from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction. To the extent allowed by law, Holders may take concurrent Proceedings in any number of jurisdictions.

### **16.3 Agent for Service of Process**

The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Leadenhall Secretaries Limited, or, if different, its registered office for the time being or at any address of the Issuer in England at which process may be served on it.

If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall forthwith appoint a further person in England to accept service of process on its behalf in England and notify the name and address of such person to the Fiscal Agent and, failing such appointment within 15 days, any Holder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the specified office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Holder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England.

## **17. DEFINITIONS**

In these Conditions:

“**30/360 Day Count**” means, in respect of any period, the number of days in the relevant period, from (and including) the first day in such period to (but excluding) the last day in such period (such number of days being calculated on the basis of a 360 day year consisting of 12 months of 30 days each), divided by 360;

“**6 year Swap Rate**” has the meaning given to it in Condition 4.3;

“**6 year Swap Rate Quotations**” has the meaning given to it in Condition 4.3;

an “**Accounting Event**” shall be deemed to occur if the Issuer or the Guarantor has received, and notified the Holders in accordance with Condition 14 that it has so received, an opinion of a recognised accountancy firm of international standing, stating that, as a result of a change in the accounting rules or methodology effective after the Issue Date, the Securities must not or must no longer be recorded as “equity” pursuant to IFRS-EU or any other accounting standards that may replace IFRS-EU for the purposes of the consolidated financial statements of the Guarantor;

an “**Acquisition Event**” shall be deemed to occur if the Guarantor (or any of its subsidiaries) has not completed the acquisition of Talisman Energy Inc. and the Guarantor has publicly announced that it no longer intends to pursue such acquisition;

“**Additional Amounts**” has the meaning given to it in Condition 8.1;

“**Affiliates**” means an entity that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Guarantor;

“**Arrears of Interest**” has the meaning given to it in Condition 5.1;

“**business day**” has the meaning given to it in Condition 7.5;

“**Business Day**” means a day, other than a Saturday, Sunday or public holiday, on which the Target System is operating;

“**Calculation Amount**” has the meaning given to it in Condition 4.2;

a “**Capital Event**” shall be deemed to occur if the Issuer or the Guarantor has received, and notified the Holders in accordance with Condition 14 that it has so received, confirmation from any Rating Agency that, due to (i) any amendment to, clarification of, or change in hybrid capital methodology or a change in the interpretation thereof, in each case occurring or becoming effective after the Issue Date; or (ii) the application of a different hybrid capital methodology or set of criteria by the relevant Rating Agency after the Issue Date (due to changes in the rating previously assigned to the Issuer and/or the Guarantor or to any other reasons), the Securities will no longer be eligible for the same or a higher amount of “equity credit” (or such other nomenclature that the relevant Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) attributed to the Securities at the Issue Date;

“**Compulsory Arrears of Interest Settlement Event**” has the meaning given to it in Condition 5.3;

“**Condition**” means the terms and conditions of the Securities;

“**Deferral Notice**” has the meaning given to it in Condition 5.1;

“**Deferred Interest Payment**” has the meaning given to it in Condition 5.1;

“**Early Redemption Amount**” means in respect of a redemption of the Securities following the occurrence of a Tax Event, an Accounting Event, an Acquisition Event or a Capital Event, 101 per cent. of the principal amount of such Securities;

“**Euro Dated Securities**” means the €1,000,000,000 10 Year Non-Call Securities due 2075 Securities issued by the Issuer with the Securities and unconditionally and irrevocably guaranteed on a subordinated basis by the Guarantor;

“**First Reset Date**” means 25 March 2021;

“**Fitch**” means Fitch Ratings España SAU;

“**Further Securities**” means any Securities issued pursuant to Condition 13 and forming a single series with the outstanding Securities;

“**Guarantor**” means Repsol, S.A.;

“**Holder**” has the meaning given to it in Condition 1.2;

“**IFRS-EU**” means International Financial Reporting Standards, as adopted by the European Union;

“**Interest Payment**” means, in respect of an interest payment on an Interest Payment Date, the amount of interest payable on the presentation and surrender of the relevant Coupon for the relevant Interest Period in accordance with Condition 4;

“**Interest Payment Date**” means 25 March in each year;

“**Interest Period**” means the period beginning on (and including) the Issue 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;

“**Issue Date**” means 25 March 2015;

“**Issuer**” means Repsol International Finance B.V.;

“**Issuer Winding-up**” means a situation where (i) an order is made or a decree or resolution is passed for the winding-up, liquidation or dissolution of the Issuer, except for the purposes of a solvent merger, reconstruction or amalgamation, or (ii) a trustee (*curator*) is appointed by the competent District Court in The Netherlands in the event of bankruptcy (*faillissement*) affecting the whole or a substantial part of the undertaking or assets of the Issuer and such appointment is not discharged within 30 days;

“**Junior Obligations**” means the Junior Obligations of the Guarantor and the Junior Obligations of the Issuer;

“**Junior Obligations of the Guarantor**” means all obligations of the Guarantor issued or incurred directly or indirectly by it, which rank or are expressed to rank junior to the Guarantee, including (i) all present or future series of preferred securities (*participaciones preferentes*) issued directly by the Guarantor or indirectly through a wholly-owned subsidiary with the guarantee of the Guarantor in accordance with Law 10/2014 (or any other law or regulation of Spain or of any other jurisdiction applicable from time to time) and (ii) Ordinary Shares of the Guarantor;

“**Junior Obligations of the Issuer**” means all obligations of the Issuer, issued or incurred directly or indirectly by it, which rank or are expressed to rank junior to the Securities, including (i) Ordinary Shares of the Issuer and (ii) Preferred Shares of the Issuer, if any;

“**Law 10/2014**” means the Additional Provision First of Law 10/2014 of June 26, on the supervision and solvency of credit entities (“*Ordenación, supervisión y solvencia de entidades de crédito*”) of the Kingdom of Spain (as amended or replaced from time to time);

“**Mandatory Settlement Date**” has the meaning given to it in Condition 5.3;

“**Moody’s**” means Moody’s Investors Service Limited;

“**Ordinary Shares of the Guarantor**” means ordinary shares in the capital of the Guarantor, having at the Issue Date a nominal value of €1.00 each;

“**Ordinary Shares of the Issuer**” means ordinary shares in the capital of the Issuer, having on the Issue Date a nominal value of €1,000 each;

“**Parity Obligations**” means the Parity Obligations of the Guarantor and the Parity Obligations of the Issuer;

“**Parity Obligations of the Guarantor**” means any obligations of the Guarantor, issued directly by it or indirectly through a wholly-owned subsidiary with the guarantee of the Guarantor, which rank or are expressed to rank *pari passu* with the Guarantee (which include the guarantees granted by the Guarantor in connection with the Euro Dated Securities);

“**Parity Obligations of the Issuer**” means any obligations of the Issuer, issued or incurred directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with the Securities including the Euro Dated Securities;

“**Preferred Shares of the Issuer**” means any preference shares in the capital of the Issuer (and, if divided into classes, each class thereof);

“**Prevailing Interest Rate**” means the rate of interest payable on the Securities applicable from time to time pursuant to Condition 4;

“**Proceedings**” has the meaning given to it in Condition 16.2;

“**Rating Agency**” means S&P, Moody’s or Fitch or, in each case, any successor to the rating agency business thereof;

“**Redemption Date**” means the date fixed for redemption of the Securities pursuant to Condition 6;

“**Relevant Date**” means (i) in respect of any payment other than a sum to be paid by the Issuer or the Guarantor in a winding-up or administration of the Issuer or the Guarantor, as the case may be, the date on which such payment first becomes due and payable, but if the full amount of moneys payable on such date has not been received by the Fiscal Agent on or prior to such date, the Relevant Date means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Holders of Securities in accordance with Condition 14 and (ii) in respect of a sum to be paid by the Issuer or the Guarantor in a winding-up or administration of the Issuer or the Guarantor, as the case may be, the date that is one day prior to the date on which an order is made or a resolution is passed for the winding-up, or in the case of an administration, one day prior to the date on which any dividend is distributed;

“**Reset Date**” means the First Reset Date and each date falling on the sixth anniversary thereafter;

“**Reset Interest Determination Date**” means, in respect of any Reset Period, the day falling two Business Days prior to the beginning of the relevant Reset Period;

“**Reset Period**” means each period from and including the First Reset Date to but excluding the next following Reset Date and thereafter from and including each Reset Date to but excluding the next following Reset Date;

“**Reset Reference Banks**” has the meaning given to it in Condition 4.3;

“**Reset Reference Bank Rate**” has the meaning given to it in Condition 4.3;

“**Reset Screen Page**” has the meaning given to it in Condition 4.3;

“**S&P**” means Standard & Poor’s Credit Market Services Europe Limited;

“**Senior Obligations of the Guarantor**” means all obligations of the Guarantor, including subordinated obligations of the Guarantor according to Spanish insolvency law, other than Parity Obligations of the Guarantor and Junior Obligations of the Guarantor;

“**Senior Obligations of the Issuer**” means all obligations of the Issuer, including subordinated obligations of the Issuer according to Dutch insolvency law, other than Parity Obligations of the Issuer and Junior Obligations of the Issuer;

“**Subordinated Loan**” means the subordinated loan made by the Issuer to the Guarantor dated 25 March 2015, pursuant to which the proceeds of the issue of the Securities are on-lent to the Guarantor;

“**Subsequent Fixed Interest Rate**” has the meaning given in Condition 4.4;

a “**Substantial Purchase Event**” shall be deemed to have occurred if at least 80 per cent. of the aggregate principal amount of the Securities originally issued (which for these purposes shall include any Further Securities) is purchased by the Issuer, the Guarantor or any subsidiary of the Guarantor (and in each case is cancelled in accordance with Condition 6.8(a));

“**Talisman Preferred Securities**” means the U.S.\$200,000,000 Cumulative Redeemable Rate Reset First Preferred Shares, Series 1 issued by Talisman Energy Inc. on 5 December 2011;

“**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;

a “**Tax Event**” shall be deemed to have occurred if, as a result of a Tax Law Change, in respect of (i) the Issuer’s obligation to make any payment of interest under the Securities on the next following Interest Payment Date; or (ii) the obligation of the Guarantor to make any payment of interest in favour of the Issuer under the Subordinated Loan on the next following due date for such payment, the Issuer or the Guarantor (as the case may be) would no longer be entitled to claim a deduction in respect of interest paid when computing its tax liabilities in The Netherlands or in Spain (as the case may be), or such entitlement is materially reduced.

“**Tax Law Change**” means a change in or proposed change in, or amendment to, or proposed amendment to, the laws or regulations of The Netherlands or Spain or, in either case, any political subdivision or any authority thereof or therein having power to tax, including, without limitation, any treaty to which The Netherlands or Spain is a party, or any change in the official or generally published interpretation of such laws or regulations, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations or interpretations thereof that differs from the previously generally accepted position in relation to similar transactions, which change, amendment or interpretation becomes or would become, effective after 22 March 2015;

“**Taxing Authority**” has the meaning given to it in Condition 8.1; and

a “**Withholding Tax Event**” shall be deemed to occur if as a result of a Tax Law Change, in making any payments in respect of the Securities or the Guarantee the Issuer or the Guarantor has paid or will or would on the next Interest Payment Date be required to pay Additional Amounts in respect of the Securities or the Guarantee that cannot be avoided by the Issuer or the Guarantor, as the case may be, taking measures reasonably available to it.

## TERMS AND CONDITIONS OF THE EURO DATED SECURITIES

*The following are the terms and conditions substantially in the form in which they will be endorsed on the Euro Dated Securities. Sentences in italics shall not form part of these terms and conditions.*

The issue of the €1,000,000,000 10 Year Non-Call Securities due 2075 (the “**Securities**”, which expression shall include any further Securities issued pursuant to Condition 13) of Repsol International Finance B.V. (the “**Issuer**”) was authorised by a resolution of the Board of Managing Directors of the Issuer dated 18 March 2015. The guarantee (the “**Guarantee**”) of the Securities was authorised by a resolution of the Chief Executive Officer (*Consejero Delegado*) of Repsol S.A. (the “**Guarantor**”) dated 18 March 2015, by a resolution of the Board of Directors of the Guarantor dated 15 December 2014 and by a resolution of the shareholders acting through the general shareholders’ meeting of the Guarantor dated 31 May 2013.

The Securities are issued with the benefit of a fiscal agency agreement dated 25 March 2015 (the “**Fiscal Agency Agreement**”) between the Issuer, the Guarantor, Citibank, N.A., London Branch as fiscal agent and agent bank and the paying agents named therein. The fiscal agent, the agent bank and the paying agents for the time being are referred to as the “**Fiscal Agent**”, the “**Agent Bank**” and the “**Paying Agents**” (which expression shall include the Fiscal Agent), respectively.

The Fiscal Agency Agreement includes the form of the Securities and the coupons relating to them (the “**Coupons**”, which expression includes, where the context so permits, talons for further coupons (the “**Talons**”)).

Copies of the Fiscal Agency Agreement and the Guarantee are available for inspection during normal business hours at the specified offices of the Paying Agents. The Holders of the Securities and the Holders of the Coupons (each as defined in Condition 1.2 below) (whether or not attached to the relevant Securities) are deemed to have notice of all the provisions of the Fiscal Agency Agreement applicable to them.

### 1. FORM, DENOMINATION AND TITLE

#### 1.1 Form and denomination

The Securities are serially numbered and in bearer form in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000, each with Coupons attached on issue. No Securities in definitive form will be issued with a denomination above €199,000. Securities of one denomination will not be exchangeable for Securities of another denomination.

#### 1.2 Title

Title to the Securities and Coupons passes by delivery. The holder of any Security or Coupon (a “**Holder**”) will (except as otherwise required by applicable law or regulatory requirement) 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.

### 2. STATUS AND SUBORDINATION OF THE SECURITIES AND COUPONS

#### 2.1 Status of the Securities and Coupons

The Securities and the Coupons constitute direct, unsecured and subordinated obligations of the Issuer (senior only to Junior Obligations of the Issuer) and shall at all times rank *pari passu* and without any preference among themselves.



## **2.2 Subordination of the Securities**

In the event of an Issuer Winding-up, the rights and claims of the Holders against the Issuer in respect of or arising under the Securities and the Coupons will rank (i) junior to the claims of all holders of Senior Obligations of the Issuer, (ii) *pari passu* with the claims of holders of all Parity Obligations of the Issuer and (iii) senior to the claims of holders of all Junior Obligations of the Issuer.

Subject to applicable law, no Holder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Securities or the Coupons and each Holder shall, by virtue of being the Holder, be deemed to have waived all such rights of set-off. This Condition 2.2 is an irrevocable stipulation (*derdenbeding*) for the benefit of the creditors of Senior Obligations of the Issuer and each such creditor may rely on and enforce this Condition 2.2 under Section 6:253 of the Dutch Civil Code.

*The Issuer does not have any Preferred Shares outstanding and the Issuer's Articles of Association do not provide for the issuance of such shares by the Issuer. For so long as any of the Securities remains outstanding, the Guarantor and the Issuer do not intend to issue any Preferred Shares of the Issuer.*

## **3. GUARANTEE, STATUS AND SUBORDINATION OF THE GUARANTEE**

### **3.1 Guarantee**

The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Securities and the Coupons on a subordinated basis. Its obligations under the Guarantee are set out in the deed of guarantee dated the Issue Date and made by the Guarantor for the benefit of the Holders.

### **3.2 Status of the Guarantee**

Subject to mandatory provisions of Spanish applicable law, the payment obligations of the Guarantor under the Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor (senior only to Junior Obligations of the Guarantor) and shall at all times rank *pari passu* and without any preference among themselves.

### **3.3 Subordination of the Guarantee**

Subject to mandatory provisions of Spanish applicable law, the rights and claims of Holders against the Guarantor in respect of or arising under the Guarantee will rank (i) junior to the claims of the holders of all Senior Obligations of the Guarantor, (ii) *pari passu* with the claims of the holders of all Parity Obligations of the Guarantor and (iii) senior to the claims of the holders of all Junior Obligations of the Guarantor.

Subject to applicable law, no Holder may exercise or claim any right of set-off in respect of any amount owed to it by the Guarantor arising under or in connection with the Guarantee and each Holder shall, by virtue of being the Holder, be deemed to have waived all such rights of set-off.

## **4. INTEREST PAYMENTS**

### **4.1 General**

The Securities bear interest at the Prevailing Interest Rate from (and including) 25 March 2015 (the “**Issue Date**”) up to (but excluding) 25 March 2075 (the “**Maturity Date**”) in accordance with the provisions of this Condition 4.

Subject to Condition 5, interest shall be payable on the Securities with respect to any Interest Period annually in arrear on each Interest Payment Date in each case as provided in this Condition 4.

## 4.2 Interest Accrual

The Securities will cease to bear interest from (and including) the date of redemption thereof pursuant to Condition 6 unless, upon due presentation, payment of all amounts due in respect of the Securities is not made, in which event interest shall continue to accrue in respect of unpaid amounts on the Securities, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

Interest in respect of any Security shall be calculated per €1,000 in principal amount thereof (the “**Calculation Amount**”). The interest payable on each Security on any Interest Payment Date shall be calculated by multiplying the Prevailing Interest Rate for the Interest Period ending immediately prior to such Interest Payment Date by the Calculation Amount and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). Interest in respect of any Security for any Interest Period, and where it is necessary to compute an amount of interest in respect of any Security for a period which is less than a complete year, shall be calculated on the basis of the actual number of days in the relevant period from (and including) the first day of such period to (but excluding) the last day of such period divided by the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the next succeeding Interest Payment Date.

## 4.3 Prevailing Interest Rate

Unless previously redeemed or repurchased and cancelled in accordance with these Conditions and subject to the further provisions of this Condition 4, the Securities will bear interest on their principal amount as follows:

- (a) from (and including) the Issue Date to (but excluding) the First Reset Date, at the rate of 4.50 per cent. per annum, payable annually in arrear on each Interest Payment Date, commencing on 25 March 2016; and
- (b) from (and including) the First Reset Date, at the applicable 10 year Swap Rate in respect of the relevant Reset Period plus:
  - (i) in respect of the period commencing on the First Reset Date to (but excluding) 25 March 2045, 4.20 per cent. per annum<sup>7</sup>; and
  - (ii) from and including 25 March 2045 to (but excluding) the Maturity Date, 4.95 per cent. per annum<sup>8</sup>,

all as determined by the Agent Bank (each a “**Subsequent Fixed Interest Rate**”), payable annually in arrear on each Interest Payment Date, commencing on 25 March 2026, subject to Condition 5,

and where:

“**10 year Swap Rate**” means, in respect of any Reset Period, the mid-swap rate as displayed on Reuters screen “ISDAFIX2” (the “**Reset Screen Page**”) as at 11:00 a.m. (Central European time) on the relevant Reset Interest Determination Date.

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<sup>7</sup> Step-up of 25 basis points 10 years after the Issue Date

<sup>8</sup> Step-up of an additional 75 basis points 30 years after the Issue Date

In the event that the relevant 10 year Swap Rate does not appear on the Reset Screen Page on the relevant Reset Interest Determination Date, the 10 year Swap Rate will be the Reset Reference Bank Rate on such Reset Interest Determination Date.

**“Reset Reference Bank Rate”** means the percentage rate determined by the Agent Bank on the basis of the 10 year Swap Rate Quotations provided by five leading swap dealers in the interbank market (the **“Reset Reference Banks”**) to the Agent Bank at approximately 11:00 a.m. (Central European time) on the relevant Reset Interest Determination Date. If at least three quotations are provided, the 10 year Swap Rate will be determined by the Agent Bank on the basis of the arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If fewer than three quotations are provided, the Reset Reference Bank Rate shall be the Reset Reference Bank Rate determined by the Agent Bank on the previous Reset Interest Determination Date or in the case of the first Reset Interest Determination Date, 0.55 per cent.

The **“10 year Swap Rate Quotations”** means, in relation to any Reset Period, the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 Day Count basis) of a fixed-for-floating euro interest rate swap which (i) has a term of 10 years commencing on the relevant Reset Date, (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (iii) has a floating leg based on the 6-month EURIBOR rate (calculated on the basis of the actual number of days elapsed and a year of 360 days).

#### **4.4 Publication of Subsequent Fixed Interest Rates**

The Issuer shall cause notice of each Subsequent Fixed Interest Rate and the corresponding amount payable per Calculation Amount determined in accordance with this Condition 4 and the relevant dates scheduled for payment to be given to the Fiscal

Agent, the Paying Agents, any stock exchange on which the Securities are for the time being listed or admitted to trading and, in accordance with Condition 14, the Holders of the Securities and the Coupons, in each case as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

The relevant Subsequent Fixed Interest Rate and the dates scheduled for payment so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the relevant period in accordance with these Conditions.

#### **4.5 Agent Bank and Reset Reference Banks**

With effect from the first Reset Interest Determination Date, the Issuer will maintain an Agent Bank and will select the number of Reset Reference Banks provided above where the Prevailing Interest Rate is to be calculated by reference to them. The initial Agent Bank is Citibank, N.A., London Branch.

The Issuer may from time to time replace the Agent Bank or any Reset Reference Bank with another leading financial institution. If the Agent Bank is unable or unwilling to continue to act as the Agent Bank or fails duly to determine the Subsequent Fixed Interest Rate in respect of any Reset Period as provided in Condition 4.3, the Issuer shall forthwith appoint another leading financial institution to act as such in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed as aforesaid.

#### **4.6 Determinations of Agent Bank Binding**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 by the Agent Bank shall (in the absence of wilful default, fraud or manifest error) be binding on the Issuer, the Agent Bank the Fiscal Agent, the Paying Agents and all Holders and (in the absence as aforesaid) no liability to the Holders or the Issuer shall attach to the Agent Bank in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

### **5. OPTIONAL INTEREST DEFERRAL**

#### **5.1 Deferral of Interest Payments**

The Issuer may, subject as provided in Conditions 5.2 and 5.3 below, elect in its sole discretion to defer (in whole or in part) any Interest Payment that is otherwise scheduled to be paid on an Interest Payment Date (except on the Maturity Date) by giving notice (a “**Deferral Notice**”) of such election to the Holders in accordance with Condition 14, the Fiscal Agent and the Paying Agents not more than 14 and not less than 7 Business Days prior to the relevant Interest Payment Date. Any Interest Payment that the Issuer has elected to defer pursuant to this Condition 5.1 and that has not been satisfied is referred to as a “**Deferred Interest Payment**”.

If any Interest Payment is deferred pursuant to this Condition 5.1 then such Deferred Interest Payment shall itself bear interest (such further interest together with the Deferred Interest Payment, being “**Arrears of Interest**”), at the relevant Prevailing Interest Rate applicable from time to time, from (and including) the date on which (but for such deferral) the Deferred Interest Payment would otherwise have been due to be made to (but excluding) the date on which such Deferred Interest Payment is paid in accordance with Conditions 5.2 and 5.3, in each case such further interest being compounded on each Interest Payment Date.

Non-payment of interest deferred pursuant to this Condition 5.1 shall not constitute a default by the Issuer or the Guarantor under the Securities or the Guarantee or for any other purpose.

#### **5.2 Optional Settlement of Arrears of Interest**

Arrears of Interest may be satisfied at the option of the Issuer, in whole or in part, at any given time (the “**Optional Deferred Interest Settlement Date**”) following delivery of a notice to such effect given by the Issuer to the Holders in accordance with Condition 14, the Fiscal Agent and the Paying Agents not more than 14 and no less than 7 Business Days prior to the relevant Optional Deferred Interest Settlement Date informing them of its election so to satisfy such Arrears of Interest (or part thereof) and specifying the relevant Optional Deferred Interest Settlement Date.

#### **5.3 Mandatory Settlement of Arrears of Interest**

Notwithstanding the provisions of Condition 5.2, the Issuer shall pay any outstanding Arrears of Interest in whole, but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment Date on which any outstanding Deferred Interest Payment was first deferred.

Notice of the occurrence of any Mandatory Settlement Date shall be given to the Holders in accordance with Condition 14, the Fiscal Agent and the Paying Agents as soon as possible.

“**Mandatory Settlement Date**” means the earliest of:

- (a) as soon as reasonably practicable (but not later than the fifth Business Day) following the date on which a Compulsory Arrears of Interest Settlement Event occurs;

- (b) following any Deferred Interest Payment, on the next scheduled Interest Payment Date on which the Issuer does not elect to defer in whole the Interest Payment in respect of the relevant Interest Period; and
- (c) the date on which the Securities are redeemed or repaid in accordance with Condition 6 or become due and payable in accordance with Condition 9.

A “**Compulsory Arrears of Interest Settlement Event**” shall have occurred if:

- (a) a Dividend Declaration (as defined below) is made in respect of any Junior Obligations or any Parity Obligations (other than in respect of any such dividend, distribution or payment paid or made exclusively in Ordinary Shares of the Guarantor); or
- (b) the Guarantor or any of its subsidiaries has repurchased, redeemed or otherwise acquired any Junior Obligations or any Parity Obligations (other than, for the avoidance of doubt, a repurchase, redemption or acquisition of any Talisman Preferred Securities, which do not constitute Junior Obligations or Parity Obligations),

save, in the case of (a) any such Dividend Declaration or such redemption, repurchase or acquisition that is mandatory under the terms of any such Parity Obligations; (b) any Dividend Declaration in respect of any such dividend, distribution or payment by the Issuer to the Guarantor, (c) any Dividend Declaration or repurchase which is required to be validly resolved on, declared, paid or made in respect of, share option, loyalty, share acquisition or free share allocation plan in each case reserved for directors, officers and/or employees of the Guarantor or any of its Affiliates or any associated liquidity agreements or any associated hedging transactions; (d) any purchase of Ordinary Shares of the Guarantor by or on behalf of the Guarantor as part of an intra-day transaction that does not result in an increase in the aggregate number of Ordinary Shares of the Guarantor held by or on behalf of the Guarantor as treasury shares at 8:30 a.m. Madrid time on the Interest Payment Date on which any outstanding Arrears of Interest was first deferred; (e) any repurchase or acquisition of Parity Obligations that is made for a consideration less than the aggregate nominal or par value of such Parity Obligations that are purchased or acquired; (f) any repurchase or acquisition of Ordinary Shares of the Guarantor resulting from mandatory obligations or hedging of any convertible securities issued by the Issuer or the Guarantor; or (g) any repurchase or acquisition of Ordinary Shares of the Guarantor resulting from the settlement of existing equity derivatives after the Interest Payment Date on which any outstanding Deferred Interest Payment was first deferred.

“**Dividend Declaration**” means the authorisation by resolution of the general meeting of shareholders or the board of directors or other competent corporate body (as the case may be) of the Issuer or the Guarantor (as applicable) of the payment, or the making of, a dividend or other distribution or payment (or, if no such authorisation is required, the payment, or the making of, a dividend or other distribution or payment).

## **6. REDEMPTION AND PURCHASE**

### **6.1 Final redemption**

Unless previously repaid, redeemed or purchased and cancelled as provided in these Conditions, the Securities will be redeemed on the Maturity Date at their principal amount together with any accrued and unpaid interest up to (but excluding) the Maturity Date and any outstanding Arrears of Interest. The Securities may not be redeemed at the option of the Issuer other than in accordance with Conditions 6.2, 6.3, 6.4, 6.5 or 6.6.

## **6.2 Issuer's Call Option**

The Issuer may, by giving not less than 30 nor more than 60 days' notice to the Fiscal Agent, the Paying Agents and, in accordance with Condition 14, the Holders (which notice shall be irrevocable), redeem the Securities in whole, but not in part, on the First Reset Date and on any Interest Payment Date thereafter at their principal amount together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest.

## **6.3 Redemption for Taxation Reasons**

If, immediately prior to the giving of the notice referred to below, a Tax Event or a Withholding Tax Event has occurred and is continuing, then the Issuer may, subject to having given not less than 30 nor more than 60 days' notice to the Fiscal Agent, the Paying Agents and, in accordance with Condition 14, the Holders (which notice shall be irrevocable) and subject to Condition 6.7, redeem the Securities in whole, but not in part, in accordance with these Conditions at any time, in each case at (i) their Early Redemption Amount (in the case of a Tax Event if the Redemption Date falls prior to the First Reset Date) or (ii) their principal amount (in the case of (a) a Withholding Tax Event or (b) a Tax Event if the Redemption Date falls on or after the First Reset Date), together, in each case, with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Securities.

## **6.4 Redemption for Rating Reasons**

If, immediately prior to the giving of the notice referred to below, a Capital Event has occurred and is continuing, then the Issuer may, subject to having given not less than 30 nor more than 60 days' notice to the Fiscal Agent, the Paying Agent and, in accordance with Condition 14, the Holders (which notice shall be irrevocable) and subject to Condition 6.7, redeem the Securities in accordance with these Conditions in whole, but not in part, at any time, in each case (i) at their Early Redemption Amount if the Redemption Date falls before the First Reset Date, or (ii) at their principal amount if the Redemption Date falls on or after the First Reset Date, together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Securities.

## **6.5 Redemption for Acquisition Event**

If, within the two months preceding the giving of the notice referred to below, an Acquisition Event has occurred at any time prior to 23 September 2016, then the Issuer may, subject to having given not less than 30 nor more than 60 days' notice to the Fiscal Agent, the Paying Agent and, in accordance with Condition 14, the Holders (which notice shall be irrevocable) and subject to Condition 6.7, redeem the Securities in accordance with these Conditions in whole, but not in part, at any time, in each case at their Early Redemption Amount together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Securities.

## **6.6 Redemption following a Substantial Purchase Event**

If, immediately prior to the giving of the notice referred to below, a Substantial Purchase Event has occurred, then the Issuer may, subject to having given not less than 30 nor more than 60 days' notice to the Fiscal Agent, the Paying Agents and, in accordance with Condition 14, the Holders (which notice shall be irrevocable) and subject to Condition 6.7, redeem the Securities in whole, but not in part, in accordance with these Conditions at any time, in each case at their principal amount, together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest. Upon expiry of such notice, the Issuer shall redeem the Securities.

## 6.7 Preconditions to Redemption

Prior to serving any notice of redemption pursuant to this Condition 6 (other than Condition 6.2), the Guarantor shall:

- (a) deliver to the Fiscal Agent a certificate signed by two directors of the Guarantor stating that the relevant requirement or circumstance giving rise to the right to redeem is satisfied;
- (b) in the case of a Tax Event or Withholding Tax Event deliver to the Fiscal Agent an opinion of independent legal or other tax advisers to the effect set out in paragraph (a) above; and
- (c) in the case of a Capital Event, deliver to the Fiscal Agent the relevant confirmation from the relevant Rating Agency.

Any such certificate, opinion of confirmation referred to in paragraphs (a) to (d) above shall, absent manifest error, be final and binding on all parties.

## 6.8 Cancellation

All Securities redeemed in accordance with Conditions 6.2, 6.3, 6.4, 6.5 or 6.6 and any unmatured Coupons attached to or surrendered with them will be cancelled and may not be re-issued or re-sold.

## 6.9 Purchase

Each of the Issuer, the Guarantor and their respective subsidiaries may at any time purchase Securities in the open market or otherwise at any price (provided that, if they should be cancelled pursuant to Condition 6.8, they are purchased together with all unmatured Coupons and all unexchanged Talons relating to them). The Securities so purchased may be held, re-issued or re-sold or, at the option of the relevant purchaser, surrendered to the Fiscal Agent for cancellation, but while held by or on behalf of the Issuer, the Guarantor or any such subsidiary, shall not entitle the holder to vote at any meetings of the Holders of Securities and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Holders of Securities or for the purposes of Condition 12.

*As at the date of this Prospectus, it is the Guarantor's intention (without thereby assuming any obligation whatsoever) that at any time it or the Issuer will redeem or repurchase the Securities only to the extent that the aggregate principal amount of the Securities to be redeemed or repurchased does not exceed such part of the net proceeds received by the Guarantor or any subsidiary of the Guarantor during the 360-day period prior to the date of such redemption or repurchase from the sale or issuance by the Guarantor or such subsidiary to third party purchasers (other than group entities of the Guarantor) of securities which are assigned by S&P, at the time of sale or issuance, an aggregate "equity credit" (or such similar nomenclature used by S&P from time to time) that is equal to or greater than the "equity credit" assigned to the Securities to be redeemed or repurchased at the time of their issuance (but taking into account any changes in hybrid capital methodology or another relevant methodology or the interpretation thereof since the issuance of the Securities), unless:*

- (a) *the rating assigned by S&P to the Guarantor is at least "BBB-" (or such similar nomenclature then used by S&P) and the Guarantor is of the view that such rating would not fall below this level as a result of such redemption or repurchase, or*
- (b) *in the case of a repurchase, such repurchase is of less than (a) 10 per cent. of the aggregate principal amount of the Securities originally issued in any period of 12 consecutive months or (b) 25 per cent. of the aggregate principal amount of the Securities originally issued in any period of 10 consecutive years, or*

- (c) *the Securities are redeemed pursuant to a Tax Event, a Capital Event, an Acquisition Event or a Withholding Tax Event, or*
- (d) *such redemption or repurchase occurs on or after the Interest Payment Date falling on 25 March 2045.*

## **7. PAYMENTS**

### **7.1 Method of Payment**

Payments of principal and interest will be made against presentation and surrender (or, in the case of a partial payment, endorsement) of Securities or the appropriate Coupons (as the case may be) at the specified office of any Paying Agent by transfer to a euro account maintained by the payee with a bank in a city in which banks have access to the TARGET System. Payments of interest due in respect of any Security other than on presentation and surrender of matured Coupons shall be made only against presentation and either surrender or endorsement (as appropriate) of the relevant Security.

### **7.2 Payments subject to fiscal laws**

All payments are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Holders in respect of such payments.

### **7.3 Unmatured Coupons**

Upon the due date for redemption of any Security, unmatred Coupons relating to such Security (whether or not attached) shall become void and no payment shall be made in respect of them. Where any Security is presented for redemption without all unmatred Coupons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer and the Guarantor may require.

### **7.4 Exchange of Talons**

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Securities, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 10).

### **7.5 Payments on business days**

A Security or Coupon may only be presented for payment on a day which is a business day in the place of presentation (and, in the case of payment by transfer to a euro account, a day that is a Business Day). No further interest or other payment will be made as a consequence of the day on which the relevant Security or Coupon may be presented for payment under this Condition 7 falling after the due date. In this Condition 7, “**business day**” means a day on which commercial banks and foreign exchange markets settle payments and are open in the relevant city.



## 7.6 Paying Agents

The initial Paying Agents and their initial specified offices are listed below. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Paying Agent and appoint additional or other Paying Agents, provided that they will maintain (i) a Fiscal Agent and (ii) a Paying Agent with a specified office in a European Union member state other than Spain or The Netherlands that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000. Notice of any change in the Paying Agents or their specified offices will promptly be given to the Holders in accordance with Condition 14.

## 8. TAXATION

### 8.1 Additional Amounts

All payments of principal and interest in respect of the Securities and the Coupons by the Issuer or (as the case may be) the Guarantor under the Guarantee will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges (collectively, “**Taxes**”) of whatever nature imposed or levied by or on behalf of The Netherlands or the Kingdom of Spain or, in each case, any authority therein or thereof having power to tax (each a “**Taxing Authority**”), unless the withholding or deduction of such Taxes is required by law.

In that event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts (“**Additional Amounts**”) as may be necessary in order that the net amounts received by the Holders after such withholding or deduction of Taxes shall equal the respective amounts of principal and interest which would have been received in respect of the Securities or (as the case may be) Coupons, in the absence of such withholding or deduction of Taxes; except that no Additional Amounts shall be payable with respect to any payment in respect of any Security or Coupon or (as the case may be) under the Guarantee:

- (a) to, or to a third party on behalf of, a Holder or to the beneficial owner of any Security or Coupon who is liable for Taxes in respect of such Security or Coupon by reason of his having some connection with The Netherlands or the Kingdom of Spain other than the mere holding of the Security or Coupon;
- (b) presented for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder or the beneficial owner thereof would have been entitled to such Additional Amounts on presenting the same for payment on the thirtieth such day;
- (c) in relation to any estate, inheritance, gift, sales, transfer or similar Taxes;
- (d) while the Securities are represented by Global Securities and the Global Securities are deposited with a common depositary for Euroclear and/or Clearstream, Luxembourg, to, or to a third party on behalf of, a Holder or to the beneficial owner of any Security or Coupon if the Issuer or the Guarantor does not receive in a timely manner a duly executed and completed certificate from the Fiscal Agent, pursuant to Law 10/2014, and Royal Decree 1065/2007 of July 27, as amended by Royal Decree 1145/2011 of July 29, and any implementing legislation or regulation;
- (e) while the Securities are represented by Definitive Securities, where such withholding or deduction of Taxes is imposed, withheld or deducted by reason of the failure of the Holder or the beneficial owner of any Security or Coupon to comply with the Issuer’s or the Guarantor’s request addressed to the Holder or the beneficial owner to provide a valid

certificate of tax residence duly issued by the tax authorities of the country of tax residence of the Holder or the beneficial owner of any Security or Coupon confirming that the Holder or the beneficial owner is (i) resident for tax purposes in a Member State of the European Union, not considered a tax haven pursuant to Spanish law, other than Spain; or (ii) resident for tax purposes in a jurisdiction with which Spain has entered into a tax treaty to avoid double taxation, which makes provision for full exemption from tax imposed in Spain on interest and within the meaning of the referred tax treaty; as it is required to provide by the applicable tax laws and regulations of the relevant Taxing Authority as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by such relevant Taxing Authority;

- (f) presented for payment in the Kingdom of Spain or The Netherlands;
- (g) 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 on the taxation of savings income or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26 to 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;
- (h) where such withholding or deduction is required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto; or
- (i) presented for payment by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Security to another Paying Agent in a Member State of the European Union.

In addition, Additional Amounts will not be payable with respect to (i) any Taxes that are imposed in respect of any combination of the items set forth above and to (ii) any Holder who is a fiduciary, a partnership, a limited liability company or other than the sole beneficial owner of that payment, to the extent that payment would be required by the laws of the relevant Taxing Authority to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership, an interest holder in that limited liability company or a beneficial owner who would not have been entitled to the Additional Amounts had it been the Holder.

## 8.2 Definitions

References in these Conditions to (i) “**principal**” shall be deemed to include all amounts in the nature of principal payable pursuant to Condition 7 or any amendment or supplement to it; (ii) **interest** shall be deemed to include all Arrears of Interest and all other amounts payable pursuant to Condition 4 or any amendment or supplement to it; and (iii) “**principal**” and/or “**interest**” shall be deemed to include any Additional Amounts.

## 9. ENFORCEMENT EVENTS AND NO EVENTS OF DEFAULT

There are no events of default in respect of the Securities.

However, if an Issuer Winding-up occurs, or an order is made or an effective resolution passed for the winding-up, dissolution or liquidation of the Guarantor (except for the purposes of a solvent merger, reconstruction or amalgamation), any Holder of a Security, in respect of such Security and provided that such Holder does not contravene a previously adopted Extraordinary Resolution (if any) may, by written notice to the Issuer and the Guarantor, declare that such Security and all interest then accrued but unpaid on such Security shall be forthwith due and payable, whereupon the same shall become immediately due and payable, together with all interest accrued thereon.

In such case the Holder of a Security may, at its sole discretion, institute steps in order to obtain a judgment against the Issuer and/or the Guarantor for any amounts due in respect of the Securities, including the institution of proceedings for the declaration of insolvency (“*declaración de concurso*”) under Spanish insolvency law of the Guarantor and/or proving and/or claiming in an Issuer Winding-up or in the winding-up, dissolution, liquidation or insolvency proceeding of the Guarantor for such amount.

Each Holder may, at its discretion and without further notice, institute such proceedings as it may think fit to enforce any term or condition binding on the Issuer or the Guarantor under the Securities or the Guarantee but in no event shall the Issuer or the Guarantor by the virtue of such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

No remedy against the Issuer or the Guarantor, other than as referred to in this Condition 9 shall be available to the Holders, whether for the recovery of amounts owing in respect of the Securities or the Guarantee or in respect of any other breach by the Issuer or the Guarantor of any of their respective other obligations under or in respect of the Securities or the Guarantee.

## **10. PRESCRIPTION**

Claims in respect of principal and interest or any other amount will become void unless presentation for payment is made as required by Condition 7 within a period of 10 years in the case of principal (or any other amount in the nature of principal) and five years in the case of interest (or any other amount in the nature of interest, including Arrears of Interest) from the appropriate Relevant Date.

## **11. REPLACEMENT OF SECURITIES AND COUPONS**

If any Security or Coupon is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Fiscal Agent subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer, the Guarantor and the Fiscal Agent may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Securities or Coupons must be surrendered before replacements will be issued. In case any such lost, stolen, mutilated, defaced or destroyed Coupon has become or is about to become due and payable, the Issuer in its discretion may, instead of delivering replacements therefor, pay such Coupon when due.

## **12. MEETINGS OF HOLDERS OF SECURITIES AND MODIFICATION**

### **12.1 Meetings of Holders of Securities**

The Fiscal Agency Agreement contains provisions for convening meetings of Holders of Securities to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by Holders of Securities holding not less than one twentieth in principal amount of the Securities 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 at least two thirds of the aggregate principal amount of the Securities for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders of Securities whatever the principal amount of the Securities held or represented. Any Extraordinary Resolution duly passed shall be binding on Holders of Securities (whether or not they were present at the meeting at which such resolution was passed) and on all Holders of Coupons.

The Fiscal Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in principal amount of the Securities outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holders of

Securities 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 or more Holders of Securities.

## **12.2 Modification**

The Securities, these Conditions, the Deed of Covenant and the Deed of Guarantee may be amended without the consent of the Holders of Securities to correct a manifest error. No other modification may be made to the Securities, these Conditions the Deed of Covenant or the Deed of Guarantee except with the sanction of a resolution of the Holders of the Securities.

In addition, the parties to the Fiscal Agency Agreement may agree to modify any provision thereof, provided that the Issuer shall not agree, without the consent of the Holders of Securities, to any such modification unless, in the opinion of the Issuer and the Guarantor, (i) it is of a formal, minor or technical nature; (ii) it is made to correct a manifest error; or (iii) it is not materially prejudicial to the interests of the Holders of Securities.

## **13. FURTHER ISSUES**

The Issuer may from time to time without the consent of the Holders create and issue further securities either having the same terms and conditions as the Securities 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 Securities) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Securities include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Securities.

## **14. NOTICES**

Notices to Holders of Securities will be deemed to be validly given if published in a leading daily newspaper having general circulation in Europe. The Issuer shall also ensure that all notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Securities are for the time being listed and/or admitted to trading. Any such notice shall be deemed to have been validly given on the date of the first such publication or, if published more than once on the first date on which publication is made.

Notwithstanding the above, while all the Securities are represented by Global Securities and the Global Securities are deposited with a common depositary for Euroclear and/or Clearstream, Luxembourg, notices to Holders of Securities may be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg in accordance with their respective rules and operating procedures, and such notices shall be deemed to have been given to Holders on the date of delivery to Euroclear and/or Clearstream, Luxembourg. Holders of Coupons will be deemed for all purposes to have notice of the contents of any notice given to the Holders of Securities in accordance with this Condition.

## **15. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of the Securities under the Contracts (Rights of Third Parties) Act 1999.

## 16. GOVERNING LAW

### 16.1 Governing Law

The Fiscal Agency Agreement, the Securities, the Coupons and the Guarantee 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, other than the provisions of Conditions 2.1 and 2.2 which are governed by and construed in accordance with the laws of The Netherlands, and the provisions of Conditions 3.2 and 3.3, and the corresponding provisions of the Guarantee, which are governed by and construed in accordance with the laws of the Kingdom of Spain.

### 16.2 Jurisdiction

The courts of England have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising from or connected with the Securities or the Coupons (including a dispute relating to the existence, validity or termination of the Securities or any non-contractual obligations arising out of or in connection with the Securities or the consequences of their nullity). The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary. This Condition is for the benefit of the Holders only. As a result, nothing in this Condition 16 prevents any Holder from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction. To the extent allowed by law, Holders may take concurrent Proceedings in any number of jurisdictions.

### 16.3 Agent for Service of Process

The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Leadenhall Secretaries Limited, or, if different, its registered office for the time being or at any address of the Issuer in England at which process may be served on it.

If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall forthwith appoint a further person in England to accept service of process on its behalf in England and notify the name and address of such person to the Fiscal Agent and, failing such appointment within 15 days, any Holder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the specified office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Holder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England.

## 17. DEFINITIONS

In these Conditions:

“**30/360 Day Count**” means, in respect of any period, the number of days in the relevant period, from (and including) the first day in such period to (but excluding) the last day in such period (such number of days being calculated on the basis of a 360 day year consisting of 12 months of 30 days each), divided by 360;

“**10 year Swap Rate**” has the meaning given to it in Condition 4.3;

“**10 year Swap Rate Quotations**” has the meaning given to it in Condition 4.3;

an “**Acquisition Event**” shall be deemed to occur if the Guarantor (or any of its subsidiaries) has not completed the acquisition of Talisman Energy Inc. and the Guarantor has publicly announced that it no longer intends to pursue such acquisition;

“**Additional Amounts**” has the meaning given to it in Condition 8.1;

“**Affiliates**” means an entity that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Guarantor;

“**Arrears of Interest**” has the meaning given to it in Condition 5.1;

“**business day**” has the meaning given to it in Condition 7.5;

“**Business Day**” means a day, other than a Saturday, Sunday or public holiday, on which the Target System is operating;

“**Calculation Amount**” has the meaning given to it in Condition 4.2;

a “**Capital Event**” shall be deemed to occur if the Issuer or the Guarantor has received, and notified the Holders in accordance with Condition 14 that it has so received, confirmation from any Rating Agency that, due to (i) any amendment to, clarification of, or change in hybrid capital methodology or a change in the interpretation thereof, in each case occurring or becoming effective after the Issue Date; or (ii) the application of a different hybrid capital methodology or set of criteria by the relevant Rating Agency after the Issue Date (due to changes in the rating previously assigned to the Issuer and/or the Guarantor or to any other reasons), the Securities will no longer be eligible for the same or a higher amount of “equity credit” (or such other nomenclature that the relevant Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) attributed to the Securities at the Issue Date;

“**Compulsory Arrears of Interest Settlement Event**” has the meaning given to it in Condition 5.3;

“**Condition**” means the terms and conditions of the Securities;

“**Deferral Notice**” has the meaning given to it in Condition 5.1;

“**Deferred Interest Payment**” has the meaning given to it in Condition 5.1;

“**Early Redemption Amount**” means in respect of a redemption of the Securities following the occurrence of a Tax Event, an Acquisition Event or a Capital Event, 101 per cent. of the principal amount of such Securities;

“**Euro Perpetual Securities**” means the €1,000,000,000 6 Year Non-Call Perpetual Securities issued by the Issuer with the Securities and unconditionally and irrevocably guaranteed on a subordinated basis by the Guarantor;

“**First Reset Date**” means 25 March 2025;

“**Fitch**” means Fitch Ratings España SAU;

“**Further Securities**” means any Securities issued pursuant to Condition 13 and forming a single series with the outstanding Securities;

“**Guarantor**” means Repsol, S.A.;

“**Holder**” has the meaning given to it in Condition 1.2;

“**IFRS-EU**” means International Financial Reporting Standards, as adopted by the European Union;

“**Interest Payment**” means, in respect of an interest payment on an Interest Payment Date, the amount of interest payable on the presentation and surrender of the relevant Coupon for the relevant Interest Period in accordance with Condition 4;

“**Interest Payment Date**” means 25 March in each year;

“**Interest Period**” means the period beginning on (and including) the Issue 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;

“**Issue Date**” means 25 March 2015;

“**Issuer**” means Repsol International Finance B.V.;

“**Issuer Winding-up**” means a situation where (i) an order is made or a decree or resolution is passed for the winding-up, liquidation or dissolution of the Issuer, except for the purposes of a solvent merger, reconstruction or amalgamation, or (ii) a trustee (*curator*) is appointed by the competent District Court in The Netherlands in the event of bankruptcy (*faillissement*) affecting the whole or a substantial part of the undertaking or assets of the Issuer and such appointment is not discharged within 30 days;

“**Junior Obligations**” means the Junior Obligations of the Guarantor and the Junior Obligations of the Issuer;

“**Junior Obligations of the Guarantor**” means all obligations of the Guarantor issued or incurred directly or indirectly by it, which rank or are expressed to rank junior to the Guarantee, including (i) all present or future series of preferred securities (*participaciones preferentes*) issued directly by the Guarantor or indirectly through a wholly-owned subsidiary with the guarantee of the Guarantor in accordance with Law 10/2014 (or any other law or regulation of Spain or of any other jurisdiction applicable from time to time) and (ii) Ordinary Shares of the Guarantor;

“**Junior Obligations of the Issuer**” means all obligations of the Issuer, issued or incurred directly or indirectly by it, which rank or are expressed to rank junior to the Securities, including (i) Ordinary Shares of the Issuer and (ii) Preferred Shares of the Issuer, if any;

“**Law 10/2014**” means the Additional Provision First of Law 10/2014 of June 26, on the supervision and solvency of credit entities (“*Ordenación, supervisión y solvencia de entidades de crédito*”) of the Kingdom of Spain (as amended or replaced from time to time);

“**Mandatory Settlement Date**” has the meaning given to it in Condition 5.3;

“**Maturity Date**” has the meaning given to it in Condition 4.1;

“**Moody’s**” means Moody’s Investors Service Limited;

“**Ordinary Shares of the Guarantor**” means ordinary shares in the capital of the Guarantor, having at the Issue Date a nominal value of €1.00 each;

“**Ordinary Shares of the Issuer**” means ordinary shares in the capital of the Issuer, having on the Issue Date a nominal value of €1,000 each;

“**Parity Obligations**” means the Parity Obligations of the Guarantor and the Parity Obligations of the Issuer;

**“Parity Obligations of the Guarantor”** means any obligations of the Guarantor, issued directly by it or indirectly through a wholly-owned subsidiary with the guarantee of the Guarantor, which rank or are expressed to rank *pari passu* with the Guarantee (which include the guarantees granted by the Guarantor in connection with the Euro Perpetual Securities);

**“Parity Obligations of the Issuer”** means any obligations of the Issuer, issued or incurred directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with the Securities including the Euro Perpetual Securities;

**“Preferred Shares of the Issuer”** means any preference shares in the capital of the Issuer (and, if divided into classes, each class thereof);

**“Prevailing Interest Rate”** means the rate of interest payable on the Securities applicable from time to time pursuant to Condition 4;

**“Proceedings”** has the meaning given to it in Condition 16.2;

**“Rating Agency”** means S&P, Moody’s or Fitch or, in each case, any successor to the rating agency business thereof;

**“Redemption Date”** means the date fixed for redemption of the Securities pursuant to Conditions 6.2, 6.3, 6.4, 6.5 and 6.6;

**“Relevant Date”** means (i) in respect of any payment other than a sum to be paid by the Issuer or the Guarantor in a winding-up or administration of the Issuer or the Guarantor, as the case may be, the date on which such payment first becomes due and payable, but if the full amount of moneys payable on such date has not been received by the Fiscal Agent on or prior to such date, the Relevant Date means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Holders of Securities in accordance with Condition 14 and (ii) in respect of a sum to be paid by the Issuer or the Guarantor in a winding-up or administration of the Issuer or the Guarantor, as the case may be, the date that is one day prior to the date on which an order is made or a resolution is passed for the winding-up, or in the case of an administration, one day prior to the date on which any dividend is distributed;

**“Reset Date”** means the First Reset Date and each date falling on the sixth anniversary thereafter;

**“Reset Interest Determination Date”** means, in respect of any Reset Period, the day falling two Business Days prior to the beginning of the relevant Reset Period;

**“Reset Period”** means each period from and including the First Reset Date to but excluding the next following Reset Date and thereafter from and including each Reset Date to but excluding (i) with respect to a Reset Period other than the last Reset Period, the next following Reset Date and (ii) with respect to the last Reset Period, the Maturity Date;

**“Reset Reference Banks”** has the meaning given to it in Condition 4.3;

**“Reset Reference Bank Rate”** has the meaning given to it in Condition 4.3;

**“Reset Screen Page”** has the meaning given to it in Condition 4.3;

**“S&P”** means Standard & Poor’s Credit Market Services Europe Limited;

**“Senior Obligations of the Guarantor”** means all obligations of the Guarantor, including subordinated obligations of the Guarantor according to Spanish insolvency law, other than Parity Obligations of the Guarantor and Junior Obligations of the Guarantor;



**“Senior Obligations of the Issuer”** means all obligations of the Issuer, including subordinated obligations of the Issuer according to Dutch insolvency law, other than Parity Obligations of the Issuer and Junior Obligations of the Issuer;

**“Subordinated Loan”** means the subordinated loan made by the Issuer to the Guarantor dated 25 March 2015, pursuant to which the proceeds of the issue of the Securities are on-lent to the Guarantor;

**“Subsequent Fixed Interest Rate”** has the meaning given in Condition 4.4;

a **“Substantial Purchase Event”** shall be deemed to have occurred if at least 80 per cent. of the aggregate principal amount of the Securities originally issued (which for these purposes shall include any Further Securities) is purchased by the Issuer, the Guarantor or any subsidiary of the Guarantor (and in each case is cancelled in accordance with Condition 6.8(a));

**“Talisman Preferred Securities”** means the U.S.\$200,000,000 Cumulative Redeemable Rate Reset First Preferred Shares, Series 1 issued by Talisman Energy Inc. on 5 December 2011;

**“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;

a **“Tax Event”** shall be deemed to have occurred if, as a result of a Tax Law Change, in respect of (i) the Issuer’s obligation to make any payment of interest under the Securities on the next following Interest Payment Date; or (ii) the obligation of the Guarantor to make any payment of interest in favour of the Issuer under the Subordinated Loan on the next following due date for such payment, the Issuer or the Guarantor (as the case may be) would no longer be entitled to claim a deduction in respect of interest paid when computing its tax liabilities in The Netherlands or in Spain (as the case may be), or such entitlement is materially reduced.

**“Tax Law Change”** means a change in or proposed change in, or amendment to, or proposed amendment to, the laws or regulations of The Netherlands or Spain or, in either case, any political subdivision or any authority thereof or therein having power to tax, including, without limitation, any treaty to which The Netherlands or Spain is a party, or any change in the official or generally published interpretation of such laws or regulations, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations or interpretations thereof that differs from the previously generally accepted position in relation to similar transactions, which change, amendment or interpretation becomes or would become, effective after 22 March 2015;

**“Taxing Authority”** has the meaning given to it in Condition 8.1; and

a **“Withholding Tax Event”** shall be deemed to occur if as a result of a Tax Law Change, in making any payments in respect of the Securities or the Guarantee the Issuer or the Guarantor has paid or will or would on the next Interest Payment Date be required to pay Additional Amounts in respect of the Securities or the Guarantee that cannot be avoided by the Issuer or the Guarantor, as the case may be, taking measures reasonably available to it.

## SUMMARY OF PROVISIONS RELATING TO THE SECURITIES IN GLOBAL FORM

The Securities will initially be in the form of Temporary Global Securities which will be deposited on or around the Issue Date with a common depository for Euroclear and Clearstream, Luxembourg.

The Securities are not intended to be held in a manner which would allow Eurosystem eligibility.

Each Temporary Global Security will be exchangeable in whole or in part for interests in a Permanent Global Security not earlier than 40 days after the later of the commencement of the offering and the Issue Date upon certification as to non-U.S. beneficial ownership. No payments will be made under each Temporary Global Security unless exchange for interests in the corresponding Permanent Global Security is improperly withheld or refused. In addition, interest payments in respect of the Securities cannot be collected without such certification of non-U.S. beneficial ownership.

Each Permanent Global Security will become exchangeable in whole, but not in part, for Securities in definitive form (“**Definitive Securities**”) in the denomination of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000 each at the request of the bearer of the relevant Permanent Global Security if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) if principal in respect of any of the relevant Securities is not paid when due and payable. No Securities in definitive form will be issued with a denomination above €199,000. Securities of one denomination will not be exchangeable for Securities of another denomination.

Whenever a Permanent Global Security is to be exchanged for Definitive Securities, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Securities, duly authenticated and with Coupons and Talons attached, in an aggregate principal amount equal to the principal amount of the corresponding Permanent Global Security to the bearer of such Permanent Global Security against the surrender of the relevant Permanent Global Security to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) the relevant Temporary Global Security is not duly exchanged, whether in whole or in part, for the corresponding Permanent Global Security by 5.00 p.m. (London time) on the thirtieth day after the time at which the preconditions to such exchange are first satisfied; or
- (b) Definitive Securities have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has duly requested exchange of a Permanent Global Security for Definitive Securities; or
- (c) the relevant Temporary or Permanent Global Security (or any part of it) has become due and payable in accordance with the Conditions of the relevant Securities or the date for final redemption of the Securities has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the relevant Temporary or Permanent Global Security on the due date for payment,

then the relevant Global Security (including the obligation to deliver Definitive Securities) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (b) and (c) above) or at 5.00 p.m. (London time) on such due date (in the case of (c) above), and the bearer of such Global Security will have no further rights thereunder (but without prejudice to the rights which the bearer of the Global Security or others may have under the deed of covenant dated 25 March 2015 that relates to the relevant Securities (each a “**Deed of Covenant**”) executed by the Issuer). Under a Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to an interest in the relevant Global Security will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before such Global Security becomes void, they had been the holders of Definitive Securities in an aggregate principal

amount equal to the principal amount of Securities they were shown as holding in the records of Euroclear and/or (as the case may be) Clearstream, Luxembourg.

In addition, each Temporary Global Security and Permanent Global Security will contain provisions which modify the Terms and Conditions of the corresponding Securities as they apply to such Temporary Global Security and Permanent Global Security. The following is a summary of certain of those provisions:

*Payments:* All payments in respect of each Temporary Global Security and Permanent Global Security will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the relevant Temporary Global Security or (as the case may be) Permanent Global Security to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the relevant Securities. On each occasion on which a payment of principal or interest is made in respect of a Temporary Global Security or (as the case may be) a Permanent Global Security, the Issuer shall procure that the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

*Payments on business days:* In the case of all payments made in respect of a Temporary Global Security or a Permanent Global Security “**business day**” means any day on which the TARGET System is open.

*Notices:* While all the Securities of a given series are represented by a Permanent Global Security (or by a Permanent Global Security and/or a Temporary Global Security) and such Permanent Global Security is (or such Permanent Global Security and/or Temporary Global Security are) deposited with a common depository for Euroclear and Clearstream, Luxembourg, notices to Holders of such series of Securities may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Holders in accordance with Condition 14 (*Notices*) of the relevant Securities, on the date of delivery to Euroclear and Clearstream, Luxembourg.

## FORM OF GUARANTEE

*The text of the Deed of Guarantee for each of the Euro Perpetual Securities and the Euro Dated Securities is as follows:*

This Deed of Guarantee is made on 25 March 2015

BY

(1) REPSOL, S.A. (the “**Guarantor**”)

IN FAVOUR OF

- (2) THE HOLDERS of any Security or Securities (as defined below) or the coupons relating to them; and
- (3) THE ACCOUNT HOLDERS (as defined in the Deed of Covenant described below).

WHEREAS

- (A) Repsol International Finance B.V. (the “**Issuer**”) proposes to issue [€1,000,000,000 6 Year Non-Cal Perpetual Securities] [€1,000,000,000 10 Year Non-Call Securities due 2075] (the “**Securities**”, which expression shall, if the context so admits, include the Global Securities (whether in temporary or permanent form)) in connection with which, the Issuer and the Guarantor have become parties to a fiscal agency agreement (the “**Fiscal Agency Agreement**”) dated 25 March 2015 between, inter alios, the Issuer, the Guarantor and Citibank, N.A., London Branch in its various capacities as set out therein relating to the Securities, and the Issuer has executed and delivered a deed of covenant (the “**Deed of Covenant**”) dated 25 March 2015.
- (B) The Guarantor has duly authorised the giving of a guarantee on a subordinated basis in respect of the Securities and the Deed of Covenant.

**THIS DEED WITNESSES** as follows:

### **1. Interpretation**

- 1.2 All terms and expressions which have defined meanings in the Conditions (as defined in the Deed of Covenant), the Fiscal Agency Agreement or the Deed of Covenant shall have the same meanings in this Deed of Guarantee except where the context requires otherwise or unless otherwise stated.
- 1.3 Any reference in this Deed of Guarantee to a Clause is, unless otherwise stated, to a clause hereof.
- 1.4 All references in this Deed of Guarantee to an agreement, instrument or other document (including the Conditions, the Fiscal Agency Agreement and the Deed of Covenant) shall be construed as a reference to that agreement, instrument or other document as the same may be amended, supplemented, replaced or novated from time to time.
- 1.5 Any reference in this Deed of Guarantee to any legislation (whether primary legislation or regulations or other subsidiary legislation made pursuant to primary legislation) shall be construed as a reference to such legislation as the same may have been, or may from time to time be, amended or re-enacted.
- 1.6 Clause headings are for ease of reference only.

## **2. Guarantee and Indemnity**

2.1 Subject to the limitations contained in this Deed of Guarantee, the Guarantor hereby unconditionally and irrevocably guarantees on a subordinated basis:

2.1.1 to each Holder the due and punctual payment of all sums from time to time payable by the Issuer in respect of any Security as and when the same become due and payable and accordingly agrees to pay to such Holder, forthwith upon demand by such Holder and in the manner and currency prescribed by the Conditions for payments by the Issuer thereunder, any and every sum or sums which the Issuer is at any time liable to pay in respect of such Security in accordance with the Conditions and which the Issuer has failed to pay at the time such demand is made; and

2.1.2 to each Account Holder the due and punctual payment of all sums from time to time payable by the Issuer to such Account Holder in respect of the Direct Rights in accordance with the Deed of Covenant as and when the same become due and payable and accordingly agrees to pay to such Account Holder, forthwith upon demand by such Account Holder in the manner and currency prescribed by the Conditions for payments by the Issuer thereunder, any and every sum or sums which the Issuer is at any time liable to pay to such Account Holder in respect of the Direct Rights in accordance with the Deed of Covenant and which the Issuer has failed to pay at the time such demand is made.

2.2 The Guarantor undertakes to each Holder and each Account Holder that, should any amount referred to in Clause 2.1 not be recoverable from the Guarantor thereunder for any reason whatsoever (including, without limitation, by reason of any Security, any provision of any Security, the Deed of Covenant or any provision thereof being or becoming void, unenforceable or otherwise invalid under any applicable law) then, notwithstanding that the same may have been known to such Holder or Account Holder, the Guarantor will, forthwith upon demand by such Holder or Account Holder, pay such sum by way of a full indemnity in the manner and currency prescribed by the Securities or (as the case may be) the Deed of Covenant. This indemnity constitutes a separate and independent obligation from the other obligations under this Guarantee and shall give rise to a separate and independent cause of action.

## **3. Taxes**

The Guarantor covenants in favour of each Holder and each Account Holder that it will duly perform and comply with its obligations expressed to be undertaken by it in Condition 8.

## **4. Preservation of Rights**

4.1 The obligations of the Guarantor herein contained shall be deemed to be undertaken as principal debtor.

4.2 The obligations of the Guarantor herein contained shall be continuing obligations notwithstanding any settlement of account or other matters or things whatsoever and, in particular but without limitation, shall not be considered satisfied by any partial payment or satisfaction of all or any of the Issuer's obligations under any Security or the Deed of Covenant and shall continue in full force and effect until all sums due from the Issuer in respect of the Securities and under the Deed of Covenant have been paid, and all other obligations of the Issuer thereunder or in respect thereof have been satisfied in full.

- 4.3 Neither the obligations of the Guarantor herein contained nor the rights, powers and remedies conferred upon the Holders, the Account Holders or any of them by this Deed of Guarantee or by law shall be discharged, impaired or otherwise affected by:
- 4.3.1 the winding up, bankruptcy, moratorium or dissolution of the Issuer or analogous proceeding in any jurisdiction or any change in its status, function, control or ownership; or
  - 4.3.2 any of the obligations of the Issuer under any of the Securities or the Deed of Covenant being or becoming illegal, invalid or unenforceable; or
  - 4.3.3 time or other indulgence being granted or agreed to be granted to the Issuer in respect of its obligations under any of the Securities or the Deed of Covenant; or
  - 4.3.4 any amendment to, or any variation, waiver or release of, any obligation of the Issuer under any of the Securities or the Deed of Covenant; or
  - 4.3.5 any other act, event or omission which, but for this Clause 4.3, might operate to discharge, impair or otherwise affect the obligations of the Guarantor herein or any of the rights, powers or remedies conferred upon the Holders, the Account Holders or any of them by this Deed of Guarantee or by law.
- 4.4 Any settlement or discharge between the Guarantor and the Holders, the Account Holders or any of them shall be conditional upon no payment to the Holders, the Account Holders or any of them by the Issuer or any other person on the Issuer's behalf being avoided or reduced by virtue of any provisions or enactments relating to bankruptcy, insolvency or liquidation for the time being in force and, in the event of any such payment being so avoided or reduced, the Holders and the Account Holders shall each be entitled to recover the amount by which such payment is so avoided or reduced from the Guarantor subsequently as if such settlement or discharge had not occurred.
- 4.5 No Holder or Account Holder shall be obliged before exercising any of the rights, powers or remedies conferred upon it by this Deed of Guarantee or by law:
- 4.5.1 to make any demand of the Issuer, other than (in the case of a Holder) the presentation of the relevant Security;
  - 4.5.2 to take any action or obtain judgment in any court against the Issuer; or
  - 4.5.3 to make or file any claim or proof in a winding-up or dissolution of the Issuer
- and, save as aforesaid, the Guarantor hereby expressly waives, in respect of each Security, presentment, demand, protest and notice of dishonour.
- 4.6 The Guarantor agrees that so long as any amounts are or may be owed by the Issuer under any of the Securities or the Deed of Covenant or the Issuer is under any actual or contingent obligations thereunder, the Guarantor shall not exercise rights which the Guarantor may at any time have by reason of performance by the Guarantor of its obligations hereunder:
- 4.6.1 to claim any contribution from any other guarantor of the Issuer's obligations under the Securities or the Deed of Covenant; and/or
  - 4.6.2 to take the benefit, in whole or in part, of any security enjoyed in connection with any of the Securities or the Deed of Covenant, by any Holder or Account Holder; and/or
  - 4.6.3 to be subrogated to the rights of any Holder or Account Holder against the Issuer in respect of amounts paid by the Guarantor under this Deed of Guarantee.

## **5. Conditions, Status and Subordination**

- 5.1 The Guarantor covenants that it will duly perform those obligations in the Conditions which relate to it and which are expressed to relate to it.
- 5.2 The Guarantor undertakes that its obligations hereunder rank as described in Conditions 3.2 and 3.3.

## **6. Delivery of Deed of Guarantee**

A duly executed original of this Guarantee shall be delivered promptly after execution to the Fiscal Agent and such original shall be held by the Fiscal Agent until the date on which complete performance by the Issuer of its obligations in respect of the Securities occurs. A certified copy of this Guarantee may be obtained by any Holder or any Account Holder from the Fiscal Agent at its specified office at the expense of such Holder or Account Holder. Any Holder or Account Holder may protect and enforce his rights under this Guarantee (in the courts specified in Clause 10 below) upon the basis described in the Deed of Covenant (in the case of a Account Holder) and a copy of this Guarantee certified as being a true copy by a duly authorised officer of the Issue and Paying Agent without the need for production in any court of the actual records described in the Deed of Covenant or this Guarantee. Any such certification shall be binding, except in the case of manifest error or as may be ordered by any court of competent jurisdiction, upon the Guarantor and all Holders and Account Holders. This Clause shall not limit any right of any Holder or Account Holder to the production of the originals of such records or documents or this Guarantee in evidence.

## **7. Deed Poll; Benefit of Guarantee**

- 7.1 This Deed of Guarantee shall take effect as a Deed Poll for the benefit of the Holders and the Account Holders from time to time.
- 7.2 The obligations assumed by the Guarantor herein shall ensure for the benefit of each Holder and Account Holder, and each Holder and each Account Holder shall be entitled severally to enforce such obligations against the Guarantor.
- 7.3 The Guarantor may not assign or transfer all or any of its rights, benefits and obligations hereunder except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation of the Guarantor on terms approved by an Extraordinary Resolution of the Holders.

## **8. Provisions Severable**

If at any time any provision hereof is or becomes illegal, invalid or unenforceable in any respect under the laws of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions hereof nor the legality, validity or enforceability of such provision under the laws of any other jurisdiction shall in any way be affected or impaired thereby.

## **9. Notices**

- 9.1 All communications to the Guarantor hereunder shall be made in writing (by letter, telex or fax) and shall be sent to the Guarantor at:

Address: Calle Méndez Álvaro 44  
28045 Madrid  
Spain

Fax: + 34 902 555 134

Attention: Finance Department

or to such other address or fax number or for the attention of such other person or department as the Guarantor has notified to the Holders and Account Holders in the manner prescribed for the giving of notices in connection with the Securities.

9.2 Every communication sent in accordance with Clause 9.1 shall be effective upon receipt by the Guarantor; and provided, however, that any such notice or communication which would otherwise take effect after 4.00 p.m. on any particular day shall not take effect until 10.00 a.m. on the immediately succeeding business day in the place of the Guarantor.

## 10. Law and Jurisdiction

10.1 Governing Law: This Deed of Guarantee and all non-contractual obligations arising out of or connected with it shall be governed by, and shall be construed in accordance with, English law, except for the provisions of Conditions 3.2 and 3.3 referred to in Clause 5.2, which shall be governed by and construed in accordance with Spanish law.

10.2 Subject to subclause 10.3 below, the Guarantor agrees for the benefit of the Holders and the Account Holders only that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Deed of Guarantee (including any dispute relating to any non-contractual obligations arising out of or in connection with this Deed of Guarantee) and accordingly submits to the exclusive jurisdiction of the courts of England.

10.3 The Holders and Account Holders may take any suit, action or proceedings (including any proceedings relating to any non-contractual obligations arising out of or in connection with this Deed of Guarantee) (together referred to as “**Proceedings**”) against the Guarantor in any other court of competent jurisdiction and, to the extent allowed by law, may take concurrent Proceedings in any number of jurisdictions. The Guarantor hereby appoints Leadenhall Secretaries Limited at its registered office for the time being in England to accept service of any Proceedings on its behalf.

In witness whereof this Deed has been signed as a deed by the Guarantor and is hereby delivered on the date first above written.

**SIGNED as a DEED and DELIVERED** )  
on behalf of Repsol, S.A. )  
a company incorporated in the Kingdom of Spain )  
by: )  
● )  
being a person who in accordance with )  
the laws of that territory is acting under )  
the authority of the company )



## USE OF PROCEEDS

The net proceeds of the issuance of the Securities, amounting to approximately €1,990,400,000, will be used to finance in part the acquisition of the Canadian-based upstream oil and gas company Talisman Energy Inc. (see “*Acquisition of Talisman Energy*”). In the event that the aforementioned transaction is not consummated, the proceeds of the issuance of the Securities may either (i) be used for the Group’s general corporate purposes, which may include the financing of other merger and acquisition activities, if any or (ii) the Issuer may give notice that an Acquisition Event has occurred and redeem any series of Securities in accordance with Condition 6.6 (*Redemption for Acquisition Event*) of the Euro Perpetual Securities or Condition 6.5 (*Redemption for Acquisition Event*) of the Euro Dated Securities.

## DESCRIPTION OF THE ISSUER

### History

The Issuer 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 Dutch Chamber of Commerce under number 24251372. The Issuer is domiciled in The Netherlands and its registered office and principal place of business is Koninginnegracht 19, 2514 AB 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. In order to achieve its objectives, the Issuer raises funds primarily by issuing debt instruments in the capital and money markets.

### Organisational structure

The Issuer is a wholly-owned subsidiary of the Guarantor. At the date of this Prospectus, the authorised capital of the Issuer is €1,502,885,000 divided into 1,502,885 ordinary shares with a nominal value of €1,000 each and the issued share capital of the Issuer is €300,577,000, represented by 300,577 fully paid upshares.

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

	<b>Percentage ownership</b>
	<b>%</b>
Occidental de Colombia LLC., Delaware.....	25.00
Repsol International Capital, Ltd., Cayman Islands <sup>(1)</sup> .....	100.00
Repsol Netherlands Finance BV., The Hague .....	66.50
Repsol Investerings, BV., The Hague .....	100.00
Repsol Capital, S.L., Madrid .....	99.99

<sup>(1)</sup> On 17 December 2014, Repsol International Capital, Ltd, commenced a process of voluntary liquidation

## Administrative, management and supervisory bodies

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

<u>Name</u>	<u>Function</u>	<u>Principal activities outside Repsol</u>
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
María Lourdes González – Poveda	Director	N/A
Francisco Javier Nogales Aranguéz	Director	N/A

The business address of each of the directors is Koninginnegracht 19, 2514 AB 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.

## DESCRIPTION OF THE GUARANTOR AND THE GROUP

### Overview

The Guarantor is a limited liability company (*sociedad anónima*) duly incorporated on 12 November 1986 under the laws of the Kingdom of Spain, under which it now operates.

The Guarantor is registered with the Commercial Register of Madrid under page number M-65289, and its tax identification number is A-78/374725. It is domiciled in Spain with its registered office and principal place of business at Calle Méndez Álvaro, 44, 28045 Madrid, Spain, and its telephone number is (+34) 91 753 8000. The Guarantor is the parent company of the Group.

Repsol 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 and transport activities. While Repsol operates in over 35 countries, it has a unified global corporate structure with headquarters in Madrid, Spain.

### History

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.

Certain key milestones in the history of Repsol are set forth below:

- In 1989, the shares of the Guarantor were first listed on the Spanish stock exchanges (Madrid, Barcelona, Bilbao and Valencia) and, through American Depositary Shares (“ADS”), on the New York Stock Exchange, beginning the process of privatisation.
- The privatisation culminated with the public offers for the sale of shares in the Guarantor carried out by the *Sociedad Estatal de Participaciones Industriales*, a Spanish government agency, in 1996 and 1997.
- Between 1999 and 2000, Repsol acquired 99% of YPF S.A., Argentina’s leading oil company and a former national operator in the industry, for €14,298 million as part of its international expansion. In the same year, shares in the Guarantor were listed on the Buenos Aires Stock Exchange, and in 2000, the Guarantor changed its name to Repsol YPF, S.A. In 2008, Repsol agreed to the sale of 14.9% of YPF S.A. to the Petersen Group and granted two purchase options with a term of four years for a total additional interest of 10.1% of YPF S.A.’s share capital, which were exercised, the last in 2011.
- During the months of February and March of 2011, the Guarantor sought the formal delisting of its ADS from the New York Stock Exchange and deregistration with the U.S. Securities and Exchange Commission (“SEC”). The last day of trading of the Guarantor’s ADS on the New York Stock Exchange was 4 March 2011. The deregistration from the SEC and the resulting definitive termination of Repsol’s reporting obligations became effective in June 2011. The Guarantor maintained its ADS programme in effect and, on 9 March 2011, the Guarantor’s ADS began to trade on the “OTCQX” market.
- On 7 May 2012, 51% of the Group’s shares in YPF S.A. and YPF Gas S.A. were declared of public interest and subject to expropriation following the passing of the Expropriation Act (*Ley N° 26.741 Declárase de Interés Público Nacional el logro del autoabastecimiento de hidrocarburos. Créase el Consejo Federal de Hidrocarburos. Declárase de Utilidad Pública y*

*sujeto a expropiación el 51% del patrimonio de YPF S.A. y Repsol YPF Gas S.A.*) in the Argentinian Parliament and the subsequent publication in the Official Gazette of the Republic of Argentina, with the law taking effect on the same date (the “**Expropriation**”).

- On 31 May 2012, the general shareholders’ meeting of the Guarantor agreed to change the corporate name of Repsol YPF, S.A. to Repsol, S.A. On the same date, the Guarantor’s Board of Directors approved a resolution to move the company’s registered office to Calle Méndez Álvaro, 44, Madrid, Spain.
- On 26 February 2013, Repsol signed an agreement with the Shell Group for the sale of part of Repsol’s liquefied natural gas (“**LNG**”) assets and businesses. The sale concluded with three different transactions which closed in October and December 2013 and January 2014.
- On 25 February 2014, the Board of Directors of the Guarantor approved the signing of an Agreement with the Republic of Argentina entitled the “Agreement for the Amicable Settlement and Compromise of Expropriation” designed to put an end to the controversy originated by the Expropriation (the “**Agreement**”). The Agreement was signed on 27 February 2014 between the Guarantor, Repsol Capital S.L. and Repsol Butano S.A. on the one hand and the Republic of Argentina on the other. On the same date, the Guarantor signed an agreement with YPF S.A. and YPF Gas S.A. (“**Convenio de Finiquito**”), pursuant to which the parties agreed to withdraw ongoing legal procedures and the granting of a series of waivers and mutual indemnities.
- Under the terms of the Agreement, the Republic of Argentina recognised in favour of Repsol the existence of a firm and autonomous credit right and committed irrevocably to pay Repsol U.S.\$5,000 million as compensation for the Expropriation. To settle the compensation, the Republic of Argentina agreed to deliver to Repsol U.S. dollar-denominated sovereign bonds issued by it (the “**Government Bonds**”).
- On 8 May 2014, the Repsol Group and the Republic of Argentina verified the fulfilment of the conditions precedent as well as the performance of the other actions to which the effectiveness and enforcement of the Agreement were subject. As a consequence, the Republic of Argentina delivered to Repsol, S.A. a portfolio of Argentinian sovereign bonds with a total nominal value of U.S.\$5,317 million.
- On 9, 13 and 22 of May 2014, respectively, Repsol agreed with JP Morgan Securities plc several transactions relating to the sale of the whole portfolio of Government Bonds delivered by the Republic of Argentina pursuant to the Agreement for a total of U.S.\$4,997 million. These sales extinguished the debt recognised by the Republic of Argentina to Repsol under the Agreement.
- In addition, Repsol also sold substantially all its interest in the share capital of YPF S.A. which had not been subject to expropriation. On 6 May 2014, Repsol sold to Morgan Stanley & Co. LLC 11.86% of the share capital of YPF S.A. for approximately U.S.\$1,255 million and on 12 May 2014, Repsol sold 0.48% of the share capital of YPF S.A. to JMB Capital Partners Master Fund, L.P. and Scoggin International Fund Ltd. As at the date of this Prospectus, Repsol’s interest in YPF S.A. was below 0.001%.

### ***Recent developments***

On 16 December 2014, Repsol announced that it had entered into an agreement to acquire 100% of the share capital of Talisman Energy Inc. (“**Talisman**”), a Canadian-based upstream oil and gas company, for U.S.\$8.3 billion (equivalent to €6.6 billion based on an exchange rate of U.S.\$/€ of €1.25), plus assumed debt of U.S.\$4.7 billion.

An Interim Order from the Court of Queen’s Bench of Alberta, Canada (the “**Court**”) was obtained by Talisman on 13 January 2015 providing for the calling and holding of special shareholders’ meetings of Talisman. Talisman’s special shareholders’ meetings were held on 18 February 2015 where over 99% of holders of common shares and preferred shares approved the transaction. The Final Order approving the Plan of Arrangement was granted by the Court on 20 February 2015. See “*Acquisition of Talisman Energy*” below.

### ***Business segments and organisational structure***

Repsol currently operates the following business segments:

- *Upstream*, responsible for oil and gas exploration and development of crude oil and natural gas reserves;
- *Downstream*, responsible for (i) refining, trading and transportation of crude and oil products, as well as commercialisation of oil products, petrochemical products and liquefied petroleum gases, (ii) commercialisation, transportation and regasification of natural gas and liquefied natural gas (“**LNG**”) and (iii) renewable energy power projects; and
- *Gas Natural Fenosa*, through its shareholding in Gas Natural SDG, S.A. (“**Gas Natural SDG**”), whose main activities are the distribution and commercialisation of natural gas, and the generation, distribution and commercialisation of electricity.

Below is a list of the significant investee companies of the Group as at 31 December 2014, including the country of incorporation, main activities and the direct or indirect ownership interest of the Guarantor in such investee companies.

<b>Name</b>	<b>Country</b>	<b>Activity</b>	<b>% Control owned<sup>(1)</sup></b>
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	30.00%
Repsol International Finance B.V. ....	Netherlands	Financing and portfolio company	100.00%
Petróleos del Norte, S.A. (Petronor) ....	Spain	Refining	85.98%
Repsol E&P Bolivia, S.A. ....	Bolivia	Exploration and production of oil and gas	100.00%
Repsol Trading, S.A. ....	Spain	Trading of oil products	100.00%
Repsol Sinopec Brasil, S.A. ....	Brazil	Exploration and production of oil and gas	60.01%
Refinería de la Pampilla S.A.A. <sup>(2)</sup> ....	Perú	Refining and marketing of oil products	51.03%
Repsol Nuevas Energías, S.A. ....	Spain	Gas & Power <sup>(3)</sup>	100.00%

(1) There is no difference between the percentage of share capital owned and voting rights in the Guarantor.

(2) Indirect ownership interest.

(3) The transportation, commercialisation, trading and liquefied natural gas activities of Gas & Power are conducted through subsidiaries of Repsol Exploración, S.A. and the renewable generation activities are conducted through Repsol Nuevas Energías, S.A.

### **Business Overview**

#### *Upstream*

Set forth below is certain information in respect of Repsol’s operating data for the periods indicated.

	<b>2014</b>	<b>2013</b>
Net non-developed acreage (km <sup>2</sup> )	188,278	223,363

Net developed acreage (km <sup>2</sup> )	1,035	880
Reserves of crude oil, condensate and LPG (Mboe)	441	422
Natural gas reserves (Mboe)	1,098	1,093
Proven reserves replacement ratio (%)	118	275
Net liquids production (kbbbl/d)	134	139
Net gas production (kboe/d)	220	207
Net hydrocarbon production (kboe/d)	355	346
Average crude oil realisation price (\$/bbl)	79.6	88.7
Average gas realisation price (\$/Thousand scf)	3.8	4.0

*Note: These metrics include, in proportion to the Group's respective ownership interest, the figures corresponding to its joint ventures or other companies managed as such.*

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). It is important to mention that the first phase of the Margarita-Huacaya project (Bolivia) came on-stream in May 2012, with the second phase officially opened in October 2013. Repsol are already working on the third phase of the project. Additionally, the Kinteroni field (Peru) started its production in March 2014. On the other hand, strategic areas for short and medium-term growth that have been consolidated in recent years and which are particularly important are (i) the U.S. Gulf of Mexico, with the important Shenzi field in operation since 2009 and the non-conventional assets in the Mississippian Lime providing additional production for the Group since the first half of 2012, (ii) offshore fields in Brazil, mainly the Sapinhoá field (which came on-stream in January 2013 reaching peak production in the first FPSO in Sapinhoá South in July 2014 and the first well in the second FPSO in Sapinhoá North was connected in November 2014) and the Lapa field (ex-Carioca field) in which during 2014 Repsol obtained the approval from the Brazilian authorities to the development plan to the NE field and (iii) Russia, where in January 2013 the process of formation of the joint venture AROG (51% NNK/Alliance Oil and 49% Repsol) was successfully completed and in February 2013, the field Syskonsyninskoye (SK) came on-stream.

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

As of 31 December 2014, Repsol, through its Upstream segment, had oil and gas exploration and/or production interests in 29 countries, either directly or through its subsidiaries, and Repsol acted as operator in 22 of them.

Average net production for the year 2014 (355 kboe/d) was 2.5% higher than in 2013 (346 kboe/d). The increase is due to the connection of four additional production wells in the Sapinhoá field in 2014, the Kinteroni field starting its production in late March 2014, drilling development in the midcontinent and Phase II of the Margarita-Huacaya project and SK coming on-stream in Russia in October and February 2013, respectively. The increase has in part been offset by the disruption to production in Libya for more than 220 days during the year.

Average production in Libya in 2014 stood at 13.3 kboe/d compared to 42.3 kboe/d in 2012 where there was no disruption in production. Average daily production in Libya in 2013 where there was also disruption to

production was 28.8 kboe/d. In other words, production in Libya fell by around 54% in 2014 compared to 2013, when production was not at its usual levels either.

Below is an overview of Repsol's net proved reserves corresponding to the years ended 31 December 2014 and 2013.

	Net proved reserves (unaudited)					
	Crude oil, condensate and LPG <sup>(1)</sup>		Natural gas <sup>(2)</sup>		Oil equivalent <sup>(3)</sup>	
	2014	2013	2014	2013	2014	2013
Europe	3	4	-	-	3	4
South America	257	242	5.913	5.872	1.311	1.287
Trinidad and Tobago	28	29	1.611	1.665	315	325
Venezuela	42	44	2.260	2.304	445	454
Peru	84	78	1.553	1.433	361	333
Rest of South America	103	91	489	470	190	175
North America	46	38	83	44	60	46
Africa	105	112	113	149	125	139
Asia	30	26	55	73	40	39
<b>Total</b>	<b>441</b>	<b>422</b>	<b>6.164</b>	<b>6.138</b>	<b>1.539</b>	<b>1.515</b>

*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. Net proved reserves include, in proportion to the Group's respective ownership interest, the figures corresponding to its joint ventures or other companies managed as such.

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

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

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

At 31 December 2014, Repsol's proven reserves, estimated in accordance with the SEC's conceptual framework for the oil and gas industry and in accordance with the criteria envisaged under the Petroleum Reserves Management System of the Society of Petroleum Engineers (PRMS-SPE), amounted to 1,539 Mboe, of which 441 Mboe (29%) related to crude oil, condensate and liquefied gases, and the remaining 1,098 Mboe (71%) to natural gas.

In 2014, the development of these reserves was positive with a total incorporation of 153 Mboe, mainly from the extensions and discoveries in Peru and Brazil, and review of the previous estimates in Trinidad & Tobago, the U.S. and Brazil. In 2014, Repsol achieved a proven reserves replacement ratio (measuring total additions of proven reserves over the period relative to production for the period) of 118% (275% in 2013 and 204% in 2012) for crude oil, condensate, LPG and natural gas (139% for crude oil, condensate and LPG, and 106% for natural gas), in line with the long-term objectives, incorporating resources which Repsol believes will strengthen future growth.

### Downstream

Set forth below is certain information in respect of Repsol's operating data for the periods indicated.

	2014	2013
Refining capacity (kbb/d)	998	998
Conversion index (%)	59	59
Refining margin indicator in Spain (\$/bbl)	4.1	3.3
Refining margin indicator in Peru (\$/bbl)	4.8	0.8
Crude processed (million t)	39.5	38.1
Number of service stations	4,649	4,604
Oil product sales (kt)	43,586	43,177



LPG sales (kt)	2,506	2,464
Petrochemical product sales (kt)	2,661	2,337
LNG sold in North America (tbtu)	274	184
LNG regasified (100%) in Canaport (tbtu)	18	37

*Note: these metrics include, in proportion to the Group's respective ownership interest, the figures corresponding to its joint ventures or other companies managed as such.*

Repsol's Downstream businesses engage refining and commercialisation of oil products, petrochemicals products, liquefied petroleum gas, as well as the commercialisation of natural gas and liquefied natural gas. Also includes the activities corresponding to the midstream phase (transportation and regasification of natural gas) and renewable energy power projects.

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). Additionally the Group maintains its regasification and transport assets and its marketing businesses in North America.

The refining margin in Spain stood at U.S.\$4.1 per barrel in 2014, higher than 2013 (U.S.\$3.3 per barrel). In Peru, the annual refining margin came in at U.S.\$4.8 per barrel, in comparison to the U.S.\$0.8 per barrel seen in 2013.

In this context, the Repsol refineries managed by the Downstream division processed 39.5 million tons of crude oil in 2014, representing an increase of 3.7% compared to 2013. The average use of refining capacity in 2014 was 80.8% in Spain, higher than the 78.1% recorded in the preceding year. In Peru, refinery use was also higher than in 2013, from 60% to 64.4% in 2014.

#### *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. 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 distribution.

As of the date of this Prospectus, Repsol has a 30% interest in Gas Natural SDG, S.A. (see “— *Material Contracts*” below).

### **Board of Directors, Senior Management and Employees**

#### *Board of Directors*

As of the date of this Prospectus, the members of the Board of Directors of the Guarantor are as follows:

	<b>Position</b>	<b>Year first appointed</b>	<b>Current term expires</b>
Antonio Brufau Niubó .....	Chairman and Director	1996	2015
Isidro Fainé Casas .....	Vice-Chairman and Director	2007	2016
Manuel Manrique Cecilia .....	Vice-Chairman and Director	2013	2017
Josu Jon Imaz San Miguel .....	CEO and Director	2014	2015
Artur Carulla Font .....	Director	2006	2018
Luis Carlos Croissier Batista .....	Director	2007	2015
Rene Dahan .....	Director	2013	2017

	<b>Position</b>	<b>Year first appointed</b>	<b>Current term expires</b>
Ángel Durández Adeva.....	Director	2007	2015
Javier Echenique Landiribar.....	Director	2006	2018
Mario Fernández Pelaz .....	Director	2011	2015
María Isabel Gabarró Miquel .....	Director	2009	2017
José Manuel Loureda Mantiñán .....	Director	2007	2015
Juan María Nin Génova .....	Director	2007	2016
Henri Philippe Reichstul.....	Director	2005	2018
J. Robinson West.....	Director	2015	2015
Luis Suárez de Lezo Mantilla.....	Director and Secretary of the Board of Directors	2005	2017

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

#### *Executive Committee (Comité de Dirección)*

The Guarantor 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 Prospectus, are as follows:

<b>Name</b>	<b>Position</b>
Antonio Brufau Niubó .....	Chairman
Josu Jon Imaz San Miguel .....	Chief Executive Officer (CEO)
Luis Suárez de Lezo Mantilla.....	General Counsel and Secretary of the Board of Directors
Miguel Martínez San Martín .....	Chief Financial Officer (CFO)
Pedro Fernández Frial .....	Executive Director of Strategy, Control and Resources
Cristina Sanz Mendiola.....	Executive Director of People and Organisation
Begoña Elices García.....	Executive Director of Communication and Chairman's Office
Luis Cabra Dueñas .....	Executive Director of Exploration and Production

According to the audited consolidated financial statements, as at 31 December 2014 the Group's employee headcount was 24,289 persons.

#### *Share capital and major shareholders*

As at the date of this Prospectus, the Guarantor's share capital is comprised of 1,374,694,217 shares at a nominal value of €1, fully subscribed and paid, and admitted in its entirety to listing on the automated quotation system (*mercado continuo*) of the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges and on the Buenos Aires Stock Exchange. The Guarantor also has a programme of ADS, currently traded on the OTCQX market in the United States.

In accordance with the latest information available to Repsol, at the date of this Prospectus the Guarantor's major shareholders beneficially owned the following percentages of its ordinary shares:

<b>Shareholder</b>	<b>Percentage ownership (direct)</b>	<b>Percentage ownership (indirect)</b>	<b>Total number of shares</b>	<b>Total percentage ownership</b>
	%	%		%
Fundación Bancaria Caixa d' Estalvis i Pensions de Barcelona. <sup>(1)</sup> .....	0.00	11.71	160,908,892	11.71

Sacyr, S.A. <sup>(2)</sup> .....	0.00	8.89	122,208,433	8.89
Temasek <sup>(3)</sup> .....	0.00	6.03	82,949,191	6.03
Blackrock, Inc. <sup>(4)</sup> .....	0.00	3.09	40,939,119	3.09

(1) *Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona holds its interest through CaixaBank, S.A., and Vidacaixa, S.A.*

(2) *Indirect ownership held through Sacyr Participaciones Mobiliarias, S.L., a wholly-owned subsidiary.*

(3) *Temasek Holdings (Private) Limited (Temasek) holds its stake through Chembra Investments PTE Ltd.*

(4) *Blackrock holds its share through several subsidiaries, all of them with the same voting policies. This information is based on the statement filed by Blackrock with the CNMV on 25 June 2014 on Repsol S.A.'s share capital at that date.*

## Material Contracts

The material contract to which the 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, is 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 SDG shall be formed by 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 SDG’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 SDG 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 SDG, including the Chairman and the Chief Executive Officer. The remaining two Executive Directors shall be independent directors.
- Before presentation to the board of Gas Natural SDG, 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 Fenosa’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 SDG’s share capital.

## Shareholder remuneration

The Guarantor has remunerated its shareholders in each of the last 15 years. For instance, during 2013 the Guarantor purchased free of charge allocation rights (“Rights”) in two paid-up capital increases at a total price of €0.918 gross per Right as part of the “Repsol Flexible Dividend” programme and additionally, on 20

June 2013, paid a cash dividend drawn from 2012 profits of €0.04 gross per share. Over the course of 2014 the Guarantor purchased Rights in two paid-up capital increases at a total price of €0.962 gross per Right as part of the “Repsol Flexible Dividend” programme and additionally, on 6 June 2014, paid an extraordinary interim cash dividend drawn from 2014 profits of €1 gross per share. In January 2015, the Guarantor purchased Rights in one paid-up capital increase at a total price of €0.472 gross per Right as part of the “Repsol Flexible Dividend” programme.

## **Legal and Arbitration Proceedings**

The Repsol Group companies are party to judicial and arbitration proceedings arising in the ordinary course of their business activities. The most significant of these and their status at the reporting date are summarised below.

### **Argentina**

#### *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 to 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 91 million Argentine Peso (€17 million) for the period from 1993 to 1997, amount which updated at 18 August 2012 by an expert appraiser, this amount would total 387 million Argentine Peso (€43 million) plus interest and expenses

This claim has been pending court ruling since 10 February 2014 and an appeal has been lodged to have the sentence issued.

### **United States of America**

#### *The Passaic River and Newark Bay lawsuit.*

The events underlying this lawsuit relate to the sale by Maxus Energy Corporation (“**Maxus**”) of its former chemicals subsidiary Diamond Shamrock Chemical Company (“**Chemicals**”) to Occidental Chemical Corporation (“**OCC**”). Maxus agreed to indemnify Occidental for certain contingencies relating to the business and activities of Chemicals prior to September 4, 1986 (the date of the Chemicals share purchase agreement), including certain environmental liabilities relating to certain chemical plants and waste disposal sites used by Chemicals prior to the Closing Date. In 1995, YPF acquired Maxus and in 1999, Repsol S.A. acquired YPF (see Note 4).

In December 2005, the New Jersey Department of Environmental Protection (“**DEP**”) and the New Jersey Spill Compensation Fund (together, the “**State of New Jersey**”) sued Repsol YPF S.A. (today called Repsol, S.A., hereinafter, “**Repsol**”), YPF, YPF Holdings Inc. (“**YPFH**”), CLH Holdings (“**CLHH**”), Tierra Solutions, Inc. (“**Tierra**”), Maxus and OCC for the alleged contamination caused by the former Chemicals plant located on Lister Avenue in Newark which allegedly contaminated the Passaic River, Newark Bay and other bodies of water and properties in the vicinity (the “**Passaic River and Newark Bay lawsuit**”). In August 2010, the lawsuit was extended to YPF International S.A. (“**YPFI**”), and Maxus International Energy Company (“**MIEC**”) (all of which together, “**Original Defendants**”). In February 2009, Maxus and Tierra included another 300 companies in the suit (including certain municipalities) as third parties since they are potentially liable.

On 26 September 2012 OCC lodged a Second Amended Cross Claim (the “**Cross Claim**”) against Repsol, YPF, Maxus, Tierra and CLHH.

On 6 June 2013, the Original Defendants (with the exception of OCC) signed a Settlement Agreement with the State of New Jersey, in which they do not acknowledge liability but do undertake to pay \$130 million (\$65 million payable by Repsol and the other \$65 million payable by YPF/Maxus) in exchange for the withdrawal by the State of New Jersey of its proceedings against Repsol, YPF, YPFI, YPFH, CLHH, MIEC, Maxus, and Tierra and a level of protection against potential future lawsuits. Under the agreement, the State of New Jersey reserves the right to proceed with its case against OCC, which was not party to the agreement. In turn, OCC is entitled to press ahead with its Cross Claim. The Settlement Agreement, which has been approved by the Court of New Jersey, stipulates that the related hearings may not take place before December 2015.

In August 2014, OCC signed an agreement with the State of New Jersey which was approved by the state court on 16 December 2014.

In November 2014, the judge issued a new timeline for the proceedings, setting the date for the hearing for 7 December 2015, among other things. On 21 November 2014, Repsol, YPF and Maxus presented Motions to Dismiss OCC’s Cross Claim.

On 13 January 2015, the assistant judge on the case (the “**Special Master**”) issued an opinion and recommendation with respect to the Motions to Dismiss presented by Maxus, YPF and Repsol in favour of dismissing most of OCC’s claims. OCC appealed the Special Master’s opinion and recommendation before the Court of New Jersey. OCC’s appeal was heard on 29 January 2015. The judge decided to uphold the Special Master’s recommendation in its entirety, dismissing, in full or in part, without scope for re-admission, 10 of the 12 claims presented by OCC.

## **Ecuador**

### *Lawsuit regarding payments in respect of LPG surpluses to the State of Ecuador by Duragas, S.A.*

Ecuador’s hydrocarbon regulator (La Agencia de Regulación y Control Hidrocarburífero) (“**ARCH**”) is authorised to audit the revenue, costs, and expenses of LPG operators. The regulator’s audit of Duragas, S.A. from 2002 to 2013 revealed a difference between the amount of LPG acquired from EP PETROECUADOR (formerly Petrocomercial, a public company and Ecuador’s sole authorised supplier of LPG) for domestic consumption and the amount actually sold to the sector by Duragas, S.A., company of the Group. The ARCH determined that the difference between the LPG tariffs established for domestic and industrial consumption must be recalculated to benefit EP PETROECUADOR. According to EP PETROECUADOR, the results of this reassessment for such years would total U.S.\$60 million, plus the interest and costs pending its appraisal.

Duragas, S.A. has appealed in due time and form all of the ARCH’s reports and subsequent settlement, demands and payment notices and requests received from EP PETROECUADOR, submitting both formal and material arguments (the existence of technically unavoidable shortages in containers, failure to make the distinction between the remaining LPG in containers and the amounts sold to the industrial market, etc). To date, the courts have not rendered any judgment on the merits of the case.

While these appeals are being substantiated, EP PETROECUADOR has taken coercive action to collect the amounts it is claiming for the years 2004-2011, amounting to U.S.\$50 million. Although these coercive procedures were unorthodox and have overlooked the established legal channels, which could be recognised in one of the appeals filed by Duragas, S.A., all of them tend to adopt what is known as the “solve et repete” rule (i.e. the requirement to pay or set aside the amount dispute if a party wants to challenge the claim arising from coercive action), and thus, while the validity of the ARCH’s report is being determined for each year, Duragas, S.A. is anticipating and bearing the economic damages derived from these coercive measures, becoming more the actual claimant (in terms of returning the amount claimed) rather than respondent (for the amount assessed in the ARCH’s report).

On 22 October 2014 and after several discussions initiated in July, the Ministerio de Recursos Naturales No Renovables, the ARCH, EP PETROECUADOR and Duragas, S.A. signed a Settlement Agreement (Acuerdo Transaccional) upon payment of US\$31 million, putting an end to the disputes among the parties. Pursuant to the Settlement Agreement, all the parties are currently dealing with the dismissal of judicial proceedings related to the issue.

## **Spain**

*Claims against the Quarterly Resolutions issued by the Directorate-General of Energy and Mining Policy regarding bottled LPG prices during parts of 2009 to 2012*

During 2014, Repsol Butano, S.A. was notified of four sentences issued by the Contentious Administrative Court of the National High Court (Audiencia Nacional) and one issued by the Madrid High Court (Tribunal Superior de Justicia de Madrid) awarding Repsol Butano, S.A. the right of being compensated for the damages caused by the quarterly resolutions issued by the Directorate-General of Energy and Mining Policy determining the maximum retail prices for regulated LPG containers for the second, third and fourth quarters of 2011 and the first, second and third quarter of 2012 totalling €93.5 million of principal plus the corresponding late payment interest legally due.

In those sentences, the Courts declared the existence in these cases of the elements that determine the public administration pecuniary liability and also confirmed the quantification of the damages caused by the quarterly resolutions appealed by Repsol Butano, S.A. as stated by the independent experts designated by Repsol Butano, S.A. and the court, for the aforementioned amount.

Although the above sentences are being appealed by the State Attorney, the public administration did not dispute its pecuniary liability but rather questioned the assessment and quantification of the damages with arguments that have been individually dismissed on substantiated grounds by the above mentioned sentences upholding the claims of Repsol Butano, S.A.

Such reasoning of the courts, along with the arguments raised by Repsol Butano, S.A. to defend its claim, means the probability of the abovementioned sentences being upheld by the Supreme Court (Tribunal Supremo) is very elevated.

Withdrawal of the proceedings initiated as a consequence of the expropriation of the Repsol Group's shares in YPF, S.A. and YPF Gas, S.A.

In accordance with the commitments assumed under the Amicable Settlement and Expropriation Compromise Agreement signed with Argentina (see Note 4), in 2014 Repsol withdrew, among others, the following proceedings it had initiated in 2012 and 2013 in response to the YPF expropriation: i) the arbitration proceedings taken against the Argentine Republic before the ICSID Arbitration Tribunal under the scope of the Agreement between the Argentinean Republic and the Kingdom of Spain on the Reciprocal Promotion and Protection of Investments; ii) the lawsuits initiated against the Argentine government claiming the unconstitutionality of the intervention of YPF and YPF Gas by the Argentine government and the temporary occupation by the Argentine government of the rights attaching to the expropriated shares of YPF S.A. and YPF Gas S.A. owned by the Repsol Group; iii) the Class Action Complaint brought against the Argentine state in New York state regarding the breach of its obligation to launch a public takeover offer for the shares of YPF before taking control of the company; and iv) the lawsuit brought against the Argentine state in New York state over YPF's failure to present, under the Argentine state's administration, Form 13D, as required by the Securities and Exchange Commission (SEC).

### ***Administrative and legal proceedings with tax implications***

Repsol does business globally, operating as a vertically-integrated oil and gas company, which translates into growing complexity with respect to tax management in the current international context.

In accordance with prevailing tax legislation, tax returns cannot be considered final until they have been inspected by the tax authorities or until the inspection period in each tax jurisdiction has prescribed.

The years for which the Repsol Group has its tax returns open to inspection in respect of the main applicable taxes are as follows:

<b>Country</b>	<b>Years open to inspection</b>
Algeria	2010-2014
Bolivia	2009-2014
Canada	2010-2014
Ecuador	2011-2014
Spain	2010-2014
United States	2010-2014
Libya	2007-2014
Netherlands	2009-2014
Peru	2010-2014
Portugal	2011-2014
Trinidad and Tobago	2010-2014
Venezuela	2010-2014

Whenever discrepancies arise between Repsol and the tax authorities with respect to the tax treatment applicable to certain operations, the Group acts with the authorities in a transparent and cooperative manner in order to resolve the resulting controversy, using the legal channels at its disposal with a view to reaching non-litigious solutions.

However, there are administrative and legal proceedings with tax implications that might be adverse to the Group's interest and that have given rise to litigious situations that could result in contingent tax liabilities of undetermined amounts at present. Repsol believes that it has acted lawfully in handling the foregoing matters and that its defence arguments are underpinned by reasonable interpretations of prevailing legislation, to which end it has lodged appeals as necessary to defend the interests of the Group and its shareholders.

It is difficult to predict when these tax proceedings will be resolved due to the extensive appeals process. Based on the advice received from in-house and external tax experts, Repsol believes that the tax liabilities that may ultimately derive from these proceedings will not have a significant impact on the financial statements although the Group can give no assurance that this will be the case. In the Group's experience, the result of lawsuits claiming sizeable amounts have either tended to result in immaterial settlements or the courts have found in favour of the Group.

The Group's criterion is to recognise provisions for tax-related proceedings that it deems it is likely to lose and does not recognise provisions when the risk of losing the case is considered possible or remote. The amounts to be provisioned are calculated on the basis of the best estimate of the amount needed to settle the proceeding in question, underpinned, among others things, by a case-by-case analysis of the facts, the legal opinions of its in-house and external advisers or prior experience in these matters.

At 31 December 2014, the Group had recognised provisions under the caption "Other provisions" (see Note 15 of the Group's audited consolidated financial statements as of and for the year then ended) that are deemed adequate to cover tax contingencies.

The main tax-related proceedings at 31 December 2014 are as follows:

***Bolivia***

Repsol E&P Bolivia, S.A. and YPFB Andina, S.A. (“**YPFB**”), in which the Repsol Group owns 48.33%, have been handed down rulings by Bolivia’s Supreme Court denying the possibility of deducting royalties and hydrocarbon interests for corporate income tax calculation purposes. This issue dates from before the oil sector was nationalised. The Company believes that there is jurisprudence in constitutional law in support of its position, specifically and expressly endorsed by Law 4115, of 26 September 2009. The Constitutional Court of Bolivia has returned the Repsol E&P case to the Supreme Court, which is expected to rule in favour of the Group’s interests. YPFB Andina, meanwhile, is awaiting the Constitutional Court’s ruling.

### ***Brazil***

Petrobras, as operator of block BM-S-9, in which Repsol has a 25% ownership interest, has been notified by the Sao Paulo tax authorities of an assessment that it had breached certain formal requirements (the issuance of supporting tax documentation) related to the onshore-offshore movement of materials and equipment to the offshore drilling platform (including the movement of the platform itself to the drilling site). The criterion adopted by Petrobras is in line with widespread industry practice. This case is being heard at an administrative state court of second instance.

Elsewhere, Petrobras, as operator of the Albacora Leste, BM-S-7 and BMS-9 consortia (and other consortia in which Repsol Sinopec Brasil has no interests), has received infraction notices with respect to withholding income tax (*Imposto de Renda Retido na Fonte* or IRRF) and CIDE (*Contribuição de Intervenção no Domínio Econômico*), withholdings made in 2008 and 2009 and in respect of these same taxes as well as the Social Integration and Contribution to the Social Security Financing Program (PIS/COFINS for its acronym in Portuguese) in 2010 in relation to payments to foreign companies for the chartering of exploration platforms and related services used at the above-listed blocks. The Company is evaluating its liability in the matter from both a tax and also a contractual perspective.

In addition, Repsol Sinopec Brasil received notices of infraction with respect to IRRF and CIDE withholdings made in 2009 in relation to payments to foreign companies for the chartering of exploration vessels and related services used at blocks BM S-48 and BM-C33, which Repsol Sinopec Brasil operates. The Company, in keeping with the reports provided by its internal and external tax consultants, believes that its approach is both legal and in line with widespread sector practice. This case is being heard at an administrative federal court of second instance.

### ***Canada***

The Canadian tax authorities have rejected the application of certain tax incentives related to the Canaport assets. Repsol Energy Canada Ltd. and Repsol Canada, Ltd. appealed the corresponding tax assessments (2005-2008), firstly via administrative and subsequently via judicial redress proceedings. Canada’s Tax Court ruled in favour of Repsol on 27 January 2015. This sentence may still be appealed.

### ***Ecuador***

The Ecuador internal revenue service (SRI) has questioned the deduction from income tax of payments for the transportation of crude oil to Ecuador company Oleoducto de Crudos Pesados, S.A. (“**OCP**”) under a ship-or-pay arrangement by several consortia in which Repsol Ecuador, S.A. has ownership interests. The matter has been appealed before Ecuador’s National Court of Justice.

The SRI has also queried the criteria used to set the benchmark price applicable to sales of its crude to the Bloque 16 consortium in which Repsol Ecuador, S.A. holds a 35% interest. This matter is pending sentencing by the Tax Court.

OCP, a 29.66% investee of Repsol Ecuador, S.A., is disputing with the government of Ecuador the tax treatment of subordinated debt issued to finance its operations. The National Court handed down a favourable ruling for this company, which the authorities appealed before the Constitutional Court. The Constitutional Court has rendered the National Court ruling null and void and has ordered a new ruling. The



government also dismissed the National Court members who ruled in favour of the company. The National Court has issued three rulings that overrule the first ruling (i.e., in favour of the interests of SRI) in respect of 2003 to 2006 fiscal years. OCP is taking the opportune steps before the Constitutional Court and is analysing the possibility of filing an arbitration claim against the government of Ecuador for various reasons.

### *Spain*

The main litigations deriving from the inspections of income tax returns from 1998 to 2001 and from 2002 to 2005 concluded in 2013. The corresponding sentences and rulings had the effect of cancelling 90% of the tax liability initially assessed by the tax authorities and that had been appealed by the Company. With regard to the penalties linked to those inspections, the Courts have cancelled all the penalties that have already been pronounced as at the date of the Prospectus.

Elsewhere, the settlements and fines deriving from the inspections corresponding to the 2006-2009 corporate income tax, value added tax and hydrocarbon tax returns and other duties and withholdings are still open to final administrative decision. The matters under discussion, which are mainly related to corporate income tax (transfer pricing, foreign portfolio loss recognition, investment incentives) imply a change in the tax authority's criteria with respect to earlier inspections. Repsol, in keeping with the reports provided by its internal and external tax advisers, believes that it has acted lawfully in these matters and, accordingly, does not expect them to result in liabilities that could have a significant impact on the Group's results. The Group will appeal the assessments handed down by the tax authorities as necessary in order to uphold and defend the Group's legitimate interests.

Lastly, in relation to the sentence issued by the European Union Court of Justice on 27 February 2014, declaring the Tax on the Retail Sale of Certain Hydrocarbons (IVMDH for its acronym in Spanish), levied from 2002 to 2012, contrary to EU law, Repsol has initiated several proceedings against the Spanish tax authorities in order to uphold the interests of its customers and their right to seek the refund of the amounts incorrectly collected in this respect.

### *Trinidad and Tobago*

BP Trinidad & Tobago LLC, in which Repsol has a 30% interest along with the BP Group, is regularly inspected by the Board of Inland Revenue. At present, inspections are ongoing in respect of multiple taxes, including the petroleum profit tax, the supplemental petroleum tax, VAT and withholdings, and tax years. These matters are for the most part at the pre-litigation stage.

## ACQUISITION OF TALISMAN ENERGY

### Overview

On 15 December 2014, following approval by the Board of Directors of both companies, the Guarantor and Canadian-based upstream oil and gas company Talisman Energy Inc. (“**Talisman**”) entered into a definitive agreement (the “**Arrangement Agreement**”) under which Repsol agreed to acquire all the outstanding common shares of Talisman for a cash consideration of U.S.\$8.00 per share and, concurrently, all of Talisman’s outstanding preferred shares for C\$25.00 cash per share. The aggregate purchase price amounts to U.S.\$8.3 billion (equivalent to €7.4 billion based on an exchange rate of U.S.\$/€ of €1.12), plus assumed net debt of U.S.\$4.8 billion as of 31 December 2014 (U.S.\$5.0 billion including preferred shares). The transaction is aimed at increasing the Group’s presence in OECD countries and reinforcing the size of the Group’s upstream business.

To finance the acquisition, Repsol intends to use its cash reserves obtained from the recovery of value from YPF pursuant to the agreement reached with the Argentinian government (see “*Description of the Guarantor and the Group — History*”) as well as the net proceeds from the issuance of the Securities and other sources of liquidity available to the Group.

### Description of Talisman Energy Inc.

Talisman is incorporated under the Canada Business Corporations Act and its main business activities include the exploration, development, production, transportation and marketing of crude oil, natural gas and natural gas liquids. Talisman has two main operating areas: the Americas (U.S., Canada and Colombia), and Asia-Pacific (Australia, Timor-Leste, Indonesia, Malaysia, Papua New Guinea and Vietnam), and its common shares are listed on the Toronto (TSX) and New York (NYSE) stock exchanges.

According to the annual information published by Talisman for the year ended 31 December 2014 (consolidated financial statements, management’s discussion and analysis, annual information form and form 40-f), Talisman had approximately 873 mboe of 1P reserves before contracts and royalties (of which approximately 69 % were being developed) and 2P reserves of 1,382 mboe before contracts and royalties. Of the 2P reserves, 54% were located in the U.S. and Canada and 33% in Southeast Asia. Its net total production for the year 2014 was 289 kboep/d (after contract and royalty rates) based on Talisman guidance (369 kboep/d gross before contracts and royalties). Its net liquids production was 107 kboe/d and its net gas production was 1,095 mscfpd for the same period, respectively.

Talisman’s asset portfolio comprises assets in the Americas (U.S., Canada and Colombia), Asia-Pacific (Australia, Timor-Leste, Indonesia, Malaysia, Papua New Guinea and Vietnam) and EMEA (UK, Norway, Algeria and Kurdistan/Northern Iraq).

According to information published by Talisman for the year ended 31 December 2014, Talisman’s net income was U.S.\$-0.9 billion, its operating cash flow was U.S.\$1.9 billion and its net debt was U.S.\$5.0 billion. Talisman had over 2,700 permanent employees as at 31 December 2014.

### Rationale for Acquisition

Repsol believes the acquisition will transform Repsol into one of the world’s largest privately-owned energy groups, with increased presence in OECD countries, incorporating reserves and production in politically stable countries. Additionally, it will add a significant exploration portfolio and productive assets in North America, Southeast Asia as well as Colombia and Norway, among others.

The incorporation of Talisman is expected to boost 1P net reserves by 45% to 2,233 mboe considering the conversion factor to gas used by Talisman. Following completion of the acquisition, the Repsol Group will be present in more than 50 countries with over 27,000 employees.

Additionally, the combined management of assets is expected to generate synergies of approximately U.S.\$220 million per year (on a pre-tax basis; full crystallisation of synergies expected within two years following completion), mainly from the optimisation of corporate functions, management of businesses and exploration, an increased commercialisation capacity in North America and the application of technology and best operating practices.

### **Steps to Closing the Acquisition**

The acquisition will be effected pursuant to a Plan of Arrangement implemented under the Canada Business Corporation Act. Approval is required from both the holders of common shares and, in a separate class vote and with respect to the acquisition of the preferred shares only, the holders of preferred shares, with the required approval in each case expected to be at least two thirds of the shares represented at special meetings of each class of shares called to approve the Plan of Arrangement.

As at the date of this Prospectus, the main milestones of the transaction that have been achieved are:

- An Interim Order from the Court of Queen’s Bench of Alberta, Canada (the “**Court**”) was obtained by Talisman on 13 January 2015 providing for the calling and holding of special shareholders’ meetings of Talisman.
- On 20 January 2015, Talisman delivered to its shareholders an Information Circular (including full details of the transaction) and supporting materials necessary for the holding of the shareholders’ meetings.
- Talisman’s special shareholders’ meetings were held on 18 February 2015 where over 99% of holders of common shares and preferred shares approved the transaction.
- The Final Order approving the Plan of Arrangement was granted by the Court on 20 February 2015.

The Arrangement Agreement contains standard provisions for this type of transaction and interim covenants to ensure that there is no loss in the value of Talisman’s business prior to closing, such as covenants not to divest material assets and covenants to operate “in the ordinary course of business”. If the Arrangement Agreement is terminated in certain circumstances, including if Talisman wishes to enter into an agreement with respect to a superior proposal where Repsol has determined not to exercise its matching right, Repsol will be entitled to a termination payment of U.S.\$270 million.

The completion of the transaction remains subject to the receipt of required regulatory approvals and the satisfaction or waiver of other customary closing conditions. As at the date of this Prospectus, all regulatory approvals are on track and it is anticipated that the completion of the transaction will occur in the second quarter of 2015.

Copies of the Arrangement Agreement, the Information Circular and supporting materials for the holding of the shareholders’ meeting have been filed by Talisman with Canadian securities regulators and the U.S. Securities and Exchange Commission and are available at [www.sedar.com](http://www.sedar.com) and [www.sec.gov/edgar](http://www.sec.gov/edgar). Neither the contents of such website nor of other websites accessible through such website form part of this Prospectus.

## TAXATION

The following is a general description of certain tax considerations relating to the Securities. It does not purport to be a complete analysis of all tax considerations relating to the Securities whether in those countries or elsewhere. Prospective purchasers of the Securities should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of The Netherlands and the Kingdom and Spain of acquiring, holding and disposing of the Securities and receiving payments of interest, principal and/or other amounts under the Securities. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

Also investors should note that the appointment by an investor in the Securities, or any person through which an investor holds the Securities, of a custodian, collection agent or similar person in relation to such Securities in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment

### **Dutch Tax**

This is a general summary and the tax consequences as described here may not apply to a holder of the Securities. Any potential investors should consult their own tax advisers for more information about the tax consequences of acquiring, owning and disposing of the Securities in their particular circumstances.

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

This summary is based on the tax laws of The Netherlands as they are in force and in effect on the date of this Prospectus. The Netherlands means the part of the Kingdom of The Netherlands located in Europe. The laws upon which this summary is based are subject to change, potentially with retroactive effect. A change to such laws may invalidate the contents of this summary, which will not be updated to reflect any such change. This summary assumes that each transaction with respect to Securities is at arm's length.

### ***Withholding Tax***

All payments by the Issuer under the Securities can be made free of withholding or deduction of any taxes of whatever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein.

### ***Taxes on Income and Capital Gains***

A holder of the Securities will not be subject to any Netherlands taxes on income or capital gains in respect of the Securities, including such tax on any payment under the Securities or in respect of any gain realised on the disposal, deemed disposal or exchange of the Securities, provided that:

- i. such holder is neither a resident nor deemed to be a resident of the Netherlands (which may include individuals resident in the European Economic Area, Switzerland and the non-European part of the Netherlands, who derive, alone or together with their partner, 90% or more of their income from the Netherlands);

- ii. such holder does not have an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise, as the case may be, Securities are attributable;
- iii. if such holder is an individual, neither such holder nor any of the holder's spouse, partner, a person deemed to be the holder's partner, or other persons sharing such holder's house or household, or certain other of such holder's relatives (including foster children), whether directly and/or indirectly as (deemed) settlor, grantor or similar originator (the "**Settlor**"), or upon the death of the Settlor, the Settlor's beneficiaries (the "**Beneficiaries**") in proportion to their entitlement to the estate of the Settlor, of a trust, foundation or similar arrangement (a "**Trust**"), (a) indirectly has control of the proceeds of the Securities in The Netherlands, nor (b) has a substantial interest in the Issuer and/or any other entity that legally or *de facto*, directly or indirectly, has control of the proceeds of the Securities in The Netherlands. For purposes of this clause iii, a substantial interest is generally not present if a holder does not hold, alone or together with the holder's spouse, partner, a person deemed to be such holder's partner, other persons sharing such holder's house or household, certain other of such holder's relatives (including foster children), or a Trust of which the holder or any of the aforementioned persons is a Settlor or a Beneficiary, whether directly or indirectly, (a) the ownership of, certain other rights, such as usufruct over, or rights to acquire (whether or not already issued), shares representing 5% or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of a company; (b) the ownership of, or certain other rights, such as usufruct over profit participating certificates (*winstbewijzen*), or membership rights in a co-operative association, that relate to 5% or more of the annual profit of a company or co-operative association or to 5% or more of the liquidation proceeds of a company or co-operative association; or (c) membership rights representing 5% or more of the voting rights in a co-operative association's general meeting;
- iv. if such holder is a company, such holder (a) has no substantial interest in Issuer, or (b) has a substantial interest in the Issuer that is not held for the avoidance of The Netherlands income tax or dividend withholding tax as (one of) the main purpose(s), or (c) has a substantial interest in the Issuer that can be allocated to its business assets. For purposes of this clause iv, a substantial interest is generally not present if a holder does not hold, whether directly or indirectly, (a) the ownership of, certain other rights, such as usufruct, or rights to acquire (whether or not already issued) shares representing over 5% or more of the total issued and outstanding capital (or of the issued and outstanding capital of any class of shares) of a company; or (b) the ownership of, or certain other rights, such as usufruct, over profit participating certificates (*winstbewijzen*) that relate to 5% or more of the annual profit of a company or to 5% or more of the liquidation proceeds of a company; and
- v. if such holder is an individual, such income or capital gain does not form a "benefit from miscellaneous activities" in The Netherlands (*resultaat uit overige werkzaamheden*) which, for instance, would be the case if the activities in The Netherlands with respect to Securities exceed "normal active asset management" (*normaal, actief vermogensbeheer*) or if income and gains are derived from the holding, whether directly or indirectly, of (a combination of) shares, debt claims or other rights (a "lucrative interest"; *lucratief belang*) that the holder thereof has acquired under such circumstances that such income and gains are intended to be remuneration for work or services performed by such holder (or a related person) in The Netherlands, whether within or outside an employment relationship, where such lucrative interest provides the holder thereof, economically speaking, with certain benefits that have a relationship to the relevant work or services.

A holder of the Securities will not be subject to taxation in The Netherlands by reason only of the execution, delivery and/or enforcement of the documents relating to an issue of the Securities or the performance by the Issuer of its obligations thereunder or under the Securities.

### ***Gift, Estate or Inheritance Taxes***

No gift, estate or inheritance taxes will arise in The Netherlands with respect to an acquisition of the Securities by way of a gift by, or on the death of, a holder who is neither resident nor deemed to be resident in The Netherlands for Netherlands inheritance and gift tax purposes, unless in the case of a gift of the Securities by an individual who at the date of the gift was neither resident nor deemed to be resident in The Netherlands, if such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in The Netherlands.

For purposes of Netherlands gift and inheritance tax, an individual with The Netherlands nationality will be deemed to be resident in The Netherlands if such individual has been resident in The Netherlands at any time during the ten years preceding the date of the gift or the individual's death.

For purposes of Netherlands gift tax, an individual not holding Netherlands nationality will be deemed to be resident in The Netherlands if such individual has been resident in The Netherlands at any time during the twelve months preceding the date of the gift.

For purposes of Netherlands gift and inheritance tax, a gift that is made under a condition precedent is deemed to have been made at the moment such condition precedent is satisfied. If the condition precedent is fulfilled after the death of the donor, the gift is deemed to have been made upon the death of the donor.

For purposes of Netherlands gift, estate and inheritance taxes, (i) a gift by a Trust, will be construed as a gift by the Settlor, and (ii) upon the death of the Settlor, as a rule, the Settlor's Beneficiaries, will be deemed to have inherited directly from the Settlor. Subsequently, the Beneficiaries will be deemed to be the Settlor of the Trust for purposes of The Netherlands gift, estate and inheritance tax in case of subsequent gifts or inheritances.

### ***Value Added Tax***

There is no Netherlands value added tax payable in respect of payments in consideration for the issue of the Securities, in respect of the payment of interest or principal under the Securities, or the transfer of the Securities.

### ***Other Taxes and Duties***

There is no Netherlands registration tax, capital tax, stamp duty or any other similar tax or duty payable in The Netherlands by a holder of Securities in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgment in the courts of The Netherlands) of the Securities or the performance of the obligations of the Issuer under the Securities.

### ***Residence***

A holder of the Securities will not be treated as a resident of The Netherlands by reason only of the holding of the Securities or the execution, performance, delivery and/or enforcement of the Securities.

### ***Spanish Tax***

This is a general summary and the tax consequences as described here may not apply to a holder of Securities. Any potential investors should consult their own tax advisers for more information about the tax consequences of acquiring, owning and disposing of Securities in their particular circumstances.

This taxation summary solely addresses the principal Spanish tax consequences of the acquisition, the ownership and disposition of Securities issued by Issuer after the date hereof held by a holder of Securities. It does not consider every aspect of taxation that may be relevant to a particular holder of Securities under special circumstances or who is subject to special treatment under applicable law or to the special tax

regimes applicable in the Basque Country and Navarra (*Territorios Forales*). Where in this summary English terms and expressions are used to refer to Spanish concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Spanish concepts under Spanish tax law.

This summary is based on the tax laws of Spain as they are in force and in effect on the date of this Prospectus. The laws upon which this summary is based are subject to change, potentially with retroactive effect. A change to such laws may invalidate the contents of this summary, which will not be updated to reflect any such change. This summary assumes that each transaction with respect to Securities is at arm's length.

### ***Payments made by the Issuer***

On the basis that the Issuer is not resident in the Kingdom of Spain for tax purposes and does not operate in the Kingdom of Spain through a permanent establishment, branch or agency, all payments of principal and interest in respect of the Securities can be made free of any withholding or deduction for or on account of any taxes in the Kingdom of Spain of whatsoever nature imposed, levied, withheld, or assessed by the Kingdom of Spain or any political subdivision or taxing authority thereof or therein, in accordance with applicable Spanish law.

Under certain conditions, withholding taxes may apply to Spanish taxpayers when a Spanish resident entity or a non-resident entity that operates in the Kingdom of Spain through a permanent establishment in the Kingdom of Spain is acting as depository of the Securities or as collecting agent of any income arising from the Securities.

### ***Payments made by the Guarantor***

In the opinion of the Guarantor, any payments of principal and interest made by the Guarantor under the Guarantee should be characterised as an indemnity and, accordingly, be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by the Kingdom of Spain or any political subdivision or authority thereof or therein having power to tax.

However, although no clear precedent, statement of law or regulation exists in relation thereto, in the event that the Spanish Tax Authorities take the view that the Guarantor has validly, legally and effectively assumed all the obligations of the Issuer under the Securities subject to and in accordance with the Guarantee, they may attempt to impose withholding tax in the Kingdom of Spain on any payments made by the Guarantor in respect of interest.

In such case, Additional Provision One of Law 10/2014 of June 26, on supervision and solvency of credit entities ("**Law 10/2014**"), would apply to the Securities, provided that the Securities are issued by a company which is (i) tax resident in a country within the European Union, other than a tax haven, and (ii) whose voting rights are completely held directly by a Spanish entity.

Should Law 10/2014 be applicable, the Guarantor, in accordance with Law 10/2014 and Royal Decree 1065/2007 of July 27, as amended by Royal Decree 1145/2011 of July 29 ("**Royal Decree 1065/2007**") (although Royal Decree 1065/2007 makes reference to the previous Law 13/1985, the Guarantor believes that it shall also be applicable in relation to Law 10/2014), would not be obliged to withhold taxes in Spain on any interest paid under the Guarantee to the beneficial owners of the income arising from the Securities (each of them, a "**Holder**", and collectively the "**Holders**"), that (i) can be regarded as listed debt securities issued under Law 10/2014; and (ii) are initially registered at a foreign clearing and settlement entity that is recognised under Spanish regulations or under those of another OCDE member state, provided that the Fiscal Agent fulfils with the information procedures described in "*Taxation - Spanish Tax – Disclosure of Information in connection with payments under the Guarantee*" below.

Therefore should Law 10/2014 be applicable, the abovementioned exemption from Spanish withholding tax should be applicable while the Securities are represented by Global Securities and the Global Securities are deposited within a common depositary for Euroclear and/or Clearstream, Luxembourg, upon the compliance by the Fiscal Agent of the information procedures. On the contrary, while the Securities are represented by Definitive Securities, the regime described below (if Law 10/2014 was not deemed to be applicable) would apply.

If Law 10/2014 was not deemed to be applicable to the Securities, payment of interest made under the Guarantee to the Holders may be subject to Spanish withholding tax at the then applicable rate (currently, 20%; and 19% in 2016), unless the recipient is:

- (i) resident for tax purposes in a Member State of the European Union other than Spain (or is a permanent establishment of such resident situated in another Member State of the European Union) and it is not resident in or acting through a territory considered as a tax haven pursuant to Spanish Law (currently as set out in Royal Decree 1080/1991, of 5 July) or through a permanent establishment in Spain or in a country outside the European Union, or
- (ii) resident for tax purposes in a state with which Spain has entered into a Double Tax Treaty which makes provision for full exemption from tax imposed in Spain on such payment under the Double Tax Treaty, or
- (iii) eligible to any other withholding tax exemption applies under Spanish law.

provided that, in either case of (i) and (ii) above, such recipient submits to the Guarantor a tax residence certificate duly issued by the tax authorities in its own jurisdiction stating its residence for tax purposes either within the relevant EU Member State or in the relevant country for the purposes of the Double Tax Treaty, such certificate being valid for a period of one year from the date of issue under Spanish law and therefore new certificates needing to be issued periodically.

Holders entitled to withholding tax exemption, but the payment to whom was not exempt from Spanish withholding tax due to the failure to deliver by the Holder or the Fiscal Agent (as the case may be) of a valid certificate of tax residence of the Holder or certain information relating to the Securities (as the case may be) in a timely manner may apply directly to the Spanish tax authorities for any refund to which they may be entitled. Holders are advised to consult their own tax advisers regarding their eligibility to claim a refund from the Spanish tax authorities and the procedures to be followed in such circumstances.

In connection with Spanish tax resident Holders and Non-Spanish tax resident Holders acting with respect to the Securities through a permanent establishment in Spain, income deriving from the Securities and the Guarantee is subject to tax in Spain. Payments made under the Guarantee which correspond to payments of interest under the Securities may be subject to withholding on account of Spanish taxes.

#### ***Disclosure of Information in connection with payments under the Guarantee***

In accordance with section 5 of Article 44 of Royal Decree 1065/2007 and provided that the Securities are initially registered for clearance and settlement in Euroclear and Clearstream, Luxembourg, the Fiscal Agent would be obliged to provide the Guarantor in relation to payments made under the Guarantee with a declaration (the form of which is set out in the Fiscal Agency Agreement), which should include the following information:

- (i) description of the Securities (and date of payment of the interest income derived from such Securities);
- (ii) total amount of interest derived from the Securities; and



- (iii) total amount of interest allocated to each non-Spanish clearing and settlement entity involved.

According to section 6 of Article 44 of Royal Decree 1065/2007, the relevant declaration will have to be provided to the Guarantor on the business day immediately preceding each Interest Payment Date. If this requirement is complied with, the Guarantor will pay gross (without deduction of any withholding tax) all interest under the Securities to all Holders (irrespective of whether they are tax resident in Spain).

In the event that the Fiscal Agent were to fail to provide the information detailed above, according to section 7 of Article 44 of Royal Decree 1065/2007, the Guarantor, or the Fiscal Agent acting on its behalf would be required to withhold tax from the relevant interest payments at the general withholding tax rate (currently, 20%; and 19% in 2016). If on or before the 10th day of the month following the month in which the interest is payable, the Fiscal Agent designated by the Issuer were to submit such information, the Guarantor or the Fiscal Agent acting on its behalf would refund the total amount of taxes withheld.

If Additional Provision One of Law 10/2014 were not deemed applicable to the Securities, the relevant Additional Amounts will be payable according to Condition 8.1 (*Taxation – Additional Amounts*) of the Terms and Conditions of the Securities.

In the event that the current applicable procedures were to be modified, amended or supplemented by, amongst others, a Spanish law, regulation, interpretation or ruling of the Spanish Tax Authorities, Repsol, S.A. would inform the Holders of such information procedures and of their implications, as the Guarantor may be required to apply withholding tax on interest payments under the Securities if the Holders were not to comply with such information procedures.

## SUBSCRIPTION AND SALE

Banco Santander, S.A., CaixaBank, S.A., Crédit Agricole Corporate and Investment Bank, Deutsche Bank AG, London Branch, J.P. Morgan Securities plc, Merrill Lynch International, Natixis, UBS Limited and UniCredit Bank AG (the “**Joint Bookrunners**”) have, in two subscription agreements dated 23 March 2015 (the “**Subscription Agreements**”) and made between the Issuer, the Guarantor and the Joint Bookrunners upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe for the Securities. The Joint Bookrunners are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreements prior to the closing of the issue of the Securities.

### United Kingdom

Each Joint Bookrunner has represented, warranted and undertaken that:

- (a) 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 Financial Services and Markets Act 2000 (the “**FSMA**”) received by it in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

### United States of America

The Securities 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 certain transactions exempt 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.

The Securities are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder.

Each Joint Bookrunner has represented and agreed that, except as permitted by the Subscription Agreements, it will not offer, sell or deliver Securities (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Issue Date (the “**distribution compliance period**”), within the United States or to, or for the account or benefit of, U.S. persons. Each Joint Bookrunner has further represented and agreed that it will send to each distributor, dealer or person to which it sells any Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Securities within the United States by any distributor, dealer or person (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

### The Netherlands

Each Joint Bookrunner has represented and agreed that the Securities have not been and will not be offered to the public in The Netherlands in reliance on Article 3(2) of the Prospectus Directive 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 Securities shall require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or supplement to a prospectus pursuant to Article 16 of the Prospectus Directive.

### **The Kingdom of Spain**

Each Joint Bookrunner has represented and agreed that the Securities and this Prospectus have not been and will not be offered, sold, distributed or redistributed in the Kingdom of Spain except in circumstances which do not constitute a public offer of securities in Spain within the meaning of and subject to the restrictions under, Article 30bis of the Spanish Securities Market Law (*Ley 24/1988, de 28 de julio, del Mercado de Valores*), Royal Decree 1310/2005 of 4 November (*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.

### **General**

Each Joint Bookrunner has agreed and undertaken that it will not, directly or indirectly, offer or sell any Securities or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Securities by it will be made on the same terms. Persons into whose hands this Prospectus comes are required by the Issuer, the Guarantor and the Joint Bookrunners to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Securities or possess, distribute or publish this Prospectus or any other offering material relating to the Securities, in all cases at their own expense.

## GENERAL INFORMATION

### Authorisation

1. The creation and issue of the Securities has been authorised by a resolution of the Board of Directors of the Issuer dated 18 March 2015. The giving of the Guarantee of the Securities has been authorised by a resolution of the Chief Executive Officer (*Consejero Delegado*) of the Guarantor dated 18 March 2015 and by a resolution of the Board of Directors of the Guarantor dated 15 December 2014.

### Legal and Arbitration Proceedings

2. Save as disclosed in “*Description of the Guarantor and the Group — Legal and Arbitration Proceedings*” on page 97 of this Prospectus, there are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer or the Guarantor is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer or the Guarantor and its subsidiaries.

### Significant/Material Change

3. There has been no significant change in the financial or trading position of the Issuer since 31 December 2013 and there has been no material adverse change in the prospects of the Issuer since 31 December 2013. Save as disclosed in “*Acquisition of Talisman Energy*” on page 103 of this Prospectus, there has been no significant change in the financial or trading position of the Guarantor or the Group since 31 December 2014 and there has been no material adverse change in the prospects of the Guarantor or the Group since 31 December 2014.

### Auditors

4. The consolidated financial statements for the years ended 31 December 2014 and 2013 of the Guarantor have been audited by Deloitte, S.L. (of which the partners are members of the *Registro Oficial de Auditores de Cuentas*), independent auditor of the Guarantor. The address of Deloitte, S.L. is Plaza Pablo Ruiz de Picasso, 1, Torre Picasso, 28020 Madrid, Spain.

The financial statements for the financial years ended 31 December 2013 and 2012 of the Issuer have been audited by Deloitte Accountants B.V. (of which the partners are members of the *Nederlandse Beroepsorganisatie van Accountants*), independent auditor of the Issuer. The address of Deloitte Accountants B.V. is Wilhelminakade 1, 3072 AP, Rotterdam, The Netherlands or P.O. Box 2031, 3000 CA, Rotterdam, The Netherlands.

### Documents on Display

5. Copies of the following documents may be inspected during normal business hours at the offices of the Fiscal Agent and at the registered/head office of the Issuer and the Guarantor for 12 months from the date of this Prospectus:
  - (a) the constitutional documents of the Issuer (together with English translations thereof);
  - (b) the constitutional documents of the Guarantor (together with English translations thereof);
  - (c) drafts (subject to modification) of the Fiscal Agency Agreements, the Deeds of Covenant and the Deeds of Guarantee;

- (d) the audited unconsolidated financial statements of the Issuer for the years ended 31 December 2013 and 2012; and
- (e) the audited consolidated financial statements of the Guarantor and investees comprising the Group for the years ended 31 December 2014 and 2013.

Each of the translations into English of the documents referred to in paragraphs (a), (b), (d) and (e) above is a direct and accurate translation of the corresponding document. In the event of any discrepancy between the English language version and the original language version, the original language version shall prevail.

### **Yield**

- 6. From (and including) the Issue Date to (but excluding) the First Reset Date, the yield on the Euro Perpetual Securities will be 3.875 per cent. per annum. From (and including) the Issue Date to (but excluding) the First Reset Date, the yield on the Euro Dated Securities will be 4.50 per cent. per annum. In each case, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

### **Legend Concerning US Persons**

- 7. The Securities and any Coupons and Talons appertaining thereto will bear a legend to the following effect: "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."

### **Admission to Listing and Trading**

- 8. This prospectus has been approved by the CSSF. Application has been made to the Luxembourg Stock Exchange for the Securities 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.

### **Fees**

- 9. The estimated costs and expenses in relation to admission to trading are €23,400.

### **ISIN and Common Code**

- 10. The Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN of the Euro Perpetual Securities is XS1207054666 and the common code is 120705466. The ISIN of the Euro Dated Securities is XS1207058733 and the common code is 120705873.

### **Joint Bookrunners transacting with the Issuer and the Guarantor**

- 11. Certain of the Joint Bookrunners and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer, the Guarantor and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Joint Bookrunners and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantor or their affiliates. Certain of the Joint Bookrunners or their affiliates that have a lending relationship with the Issuer and/or the Guarantor routinely hedge their

credit exposure to the Issuer and/or the Guarantor consistent with their customary risk management policies. Typically, such Joint Bookrunners and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities and/or instruments of the Issuer, the Guarantor or their affiliates, including potentially the Securities. Any such short positions could adversely affect future trading prices of the Securities. The Joint Bookrunners and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

**REGISTERED AND HEAD  
OFFICE OF THE ISSUER**

**Repsol International Finance B.V.**

Koninginnegracht 19  
2514 AB The Hague  
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**REGISTERED AND HEAD  
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**Repsol, S.A.**

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28045 Madrid  
Spain

**FISCAL AGENT**

**Citibank, N.A., London Branch**

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Canary Wharf  
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United Kingdom

**STRUCTURING ADVISER**

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**GLOBAL COORDINATORS**

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United Kingdom

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London EC2N 2DB  
United Kingdom

**J.P. Morgan Securities plc**

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**CaixaBank, S.A.**

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**Crédit Agricole Corporate and Investment Bank**

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France

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United Kingdom

**J.P. Morgan Securities plc**

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London E14 5JP  
United Kingdom

**Merrill Lynch International**

2 King Edward Street  
London EC1A 1HQ  
United Kingdom

**Natixis**

30 Avenue Pierre Mendes France  
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France

**UBS Limited**

1 Finsbury Avenue  
London EC2M 2PP  
United Kingdom

**UniCredit Bank AG**

Arabellastraße 12  
81925 Munich  
Germany



## LEGAL ADVISERS

*To the Issuer and the Guarantor as to English and Spanish law:*

**Freshfields Bruckhaus Deringer LLP**  
Fortuny 6  
28010 Madrid  
Spain

*To the Issuer as to Dutch tax law:*

**Freshfields Bruckhaus Deringer LLP**  
Strawinskylaan 10  
1077 XZ Amsterdam  
The Netherlands

*To the Issuer as to Dutch law (other than Dutch tax law):*

**Van Doorne N.V.**  
Jachthavenweg 121  
1081 KM Amsterdam  
The Netherlands

*To the Joint Bookrunners as to English law:*

**Allen & Overy LLP**  
One Bishops Square  
London E1 7ER  
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*To the Joint Bookrunners as to Spanish law:*

**Allen & Overy LLP**  
Calle Pedro de Valdivia 10  
28006 Madrid  
Spain

## AUDITORS TO THE ISSUER

**Deloitte Accountants B.V.**  
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## AUDITORS TO THE GUARANTOR

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Spain