

BASE PROSPECTUS

**REPSOL
YPF**



REPSOL INTERNATIONAL FINANCE B.V.

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

EURO 10,000,000,000

Guaranteed Euro Medium Term Note Programme

Guaranteed by

REPSOL YPF, S.A.

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

On 5 October 2001, Repsol International Finance B.V. and Repsol YPF, S.A. entered into a euro 5,000,000,000 Guaranteed Euro Medium Term Note Programme (the *Programme*) and issued an Offering Circular in respect thereof. Further Offering Circulars describing the Programme were issued on 21 October 2002, 4 November 2003 and 10 November 2004. With effect from the date hereof, the Programme has been updated and this Base Prospectus supersedes any previous Offering Circular issued in respect of the Programme. Any Notes (as defined below) to be issued on or after the date hereof under the Programme are issued subject to the provisions set out herein, save that Notes which are to be consolidated and form a single series with Notes issued prior to the date hereof will be issued subject to the Conditions of the Notes applicable on the date of issue for the first tranche of Notes of such series. Subject as aforesaid, this does not affect any Notes issued prior to the date hereof.

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

Application has been made to the Commission de Surveillance du Secteur Financier (*CSSF*) in its capacity as the competent authority under the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities (the *Luxembourg Act*), for the approval of this Base Prospectus as a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the *Prospectus Directive*). Application has also been made to the Luxembourg Stock Exchange for the Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Investment Services Directive 93/22/EC and application may be made to list such Notes on the *AIAF Mercado de Renta Fija*. Unlisted Notes and Notes to be listed on other or additional regulated markets may also be issued pursuant to the Programme. According to the Luxembourg Act, the CSSF is not competent for approving prospectuses for the listing of money market instruments having a maturity at issue of less than 12 months and complying with the definition of securities. The relevant Final Terms (as defined in "General Description of the Programme" below) in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Luxembourg Stock Exchange (or any other regulated market). Notes will not be issued in the United States of America (the *United States* or *U.S.*) or to U.S. persons or for the account or benefit of a U.S. person (as such term is defined in Regulation S of the United States Securities Act of 1933, as amended (the *Securities Act*)) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

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

The Programme has been rated by Moody's Investors Service Limited, by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies Inc. and by Fitch Ratings Ltd. Tranches of Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Prospective investors should have regard to the factors described under the section headed "Risk Factors" on pages 13 to 23 in this Base Prospectus.

Arranger

Merrill Lynch International

Dealers

Banco Bilbao Vizcaya Argentaria, S.A.
BNP PARIBAS
Citigroup
Merrill Lynch International

Barclays Capital
Caixa d'Estalvis i Pensions de Barcelona
Goldman Sachs International
Santander

The date of this Base Prospectus is 2 February 2007.

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

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

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

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

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

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

The Dealers and the Arranger have not separately verified the information contained in this Base Prospectus. None of the Dealers or the Arranger makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Base Prospectus. Neither this Base Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation, offer or invitation by any of the Issuer, the Guarantor, the Dealers or the Arranger to any recipient of this Base Prospectus or any other financial statements to subscribe for or purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of the Issuer or the Guarantor during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of the Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes (provided that, in the case of any Tranche of Notes to be admitted to trading on the Luxembourg Stock Exchange’s regulated market, the aggregate principal amount of Notes allotted

does not exceed 105% of the aggregate principal amount of the relevant Tranche) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes.

In this Base Prospectus, unless otherwise specified or the context otherwise requires, references to *Ps.* are to the lawful currency/units of currency of Argentina, references to *U.S.\$* and *U.S. dollars* are to the lawful currency/units of currency of the United States and references to *€* and *euro* are to the lawful currency/units of currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

SUPPLEMENTS TO THE BASE PROSPECTUS

If at any time the Issuer shall be required to prepare a supplement to this Base Prospectus pursuant to Article 13 of the Luxembourg Act, the Issuer shall prepare and make available an appropriate amendment or supplement to this Base Prospectus or a further base prospectus, which, in respect of any subsequent issue of Notes to be listed on the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's regulated market, shall constitute a *Supplement to the Base Prospectus*, as required by the Luxembourg Act.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

Document	Page reference
(a) Form 20-F of Repsol YPF, S.A. filed with the Securities and Exchange Commission (the <i>SEC</i>) on 14 July 2006, incorporating the Annual Report 2005 of Repsol YPF, S.A., including the audited consolidated annual financial statements of Repsol YPF for the year ended 31 December 2005, together with the notes to such financial statements and the audit report thereon (the <i>Form 20-F</i>):	
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- Consolidated Income Statement for the year ended 31 December 2005.....	F5
- Consolidated Cash Flow Statement for the year ended 31 December 2005.....	F6
- Consolidated Statement of Changes in Equity for the year ended 31 December 2005	F7
- Notes to the Consolidated Financial Statements for 2005	F8-F177
 (b) the Annual Report 2004 of Repsol YPF, S.A., including the audited consolidated annual financial statements of Repsol YPF for the year ended 31 December 2004, together with the notes to such financial statements and the audit report thereon:	
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 (c) The audited non-consolidated financial statements of the Issuer, including the notes to such financial statements and the audit reports thereon, for the financial year ended 31 December 2005:	
- Management report	1-2
- Balance sheet as at 31 December 2005	3-4
- Statement of income for the year ended 31 December 2005	5
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Document	Page reference
(d) The audited non-consolidated financial statements of the Issuer, including the notes to such financial statements and the audit reports thereon, for the financial year ended 31 December 2004:	
- Management report	1-2
- Balance sheet as at 31 December 2004	3-4
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(g) certain announcements relating to Repsol YPF and communicated to the SEC and the <i>Comisión Nacional del Mercado de Valores</i> (the <i>CNMV</i>) since 14 July 2006 (being the date on which the Form 20-F was filed with the SEC):	
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As long as any of the Notes are outstanding, this Base Prospectus, any Supplement to the Base Prospectus and each document incorporated by reference into this Base Prospectus will be available for inspection, free of charge, at the specified offices of the Issuer, at the specified office of the Luxembourg Paying Agent, during normal business hours, and on the website of the Luxembourg Stock Exchange at "www.bourse.lu". In addition, copies of the documents referred to in sub-paragraphs (a), (c), (d) and (e) above can be obtained from the website of Repsol YPF at "www.repsolypf.com".

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

Repsol YPF, S.A. has received comments from the SEC relating to its annual report on Form 20-F for the year ended 31 December 2005. As of the date of this Base Prospectus, the SEC review process is ongoing. Under Section 408 of the U.S. Sarbanes-Oxley Act of 2002, the SEC must consider various factors in scheduling reviews of issuers, and is required to review the filings of all U.S. publicly-traded companies, such as Repsol YPF, S.A., at least once every three years.

Any information not listed in, or specifically excluded from, the cross-reference list set out above but included within the documents incorporated by reference is given for information purposes only.

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GENERAL DESCRIPTION OF THE PROGRAMME

Issuer:	Repsol International Finance B.V.
Guarantor:	Repsol YPF, S.A.
Description:	Guaranteed Euro Medium Term Note Programme
Size:	Up to euro 10,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. The Issuer may increase the size of the Programme in accordance with the terms of the Dealer Agreement.
Arranger:	Merrill Lynch International
Dealers:	Banco Bilbao Vizcaya Argentaria, S.A. Banco Santander Central Hispano, S.A. Barclays Bank PLC BNP PARIBAS Caixa d'Estalvis I Pensions de Barcelona Citigroup Global Markets Limited Goldman Sachs International Merrill Lynch International
	The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Base Prospectus to Permanent Dealers are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and to Dealers are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Trustee:	Citicorp Trustee Company Limited
Issuing and Paying Agent:	Citibank, N.A.
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a Series) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in one or more tranches (each a Tranche) on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in a final terms supplement to this Base Prospectus (the Final Terms).
Issue Price:	Notes may be issued at their nominal amount or at a discount or

premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.

- Form of Notes:** The Notes may be issued in bearer form only. Each Tranche of Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in “Summary of the Programme – Selling Restrictions”), otherwise such Tranche will be represented by a permanent Global Note.
- Clearing Systems:** Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Guarantor, the Issuing and Paying Agent, the Trustee and the relevant Dealer.
- Initial Delivery of Notes:** If the Global Note is intended to be issued in NGN form, the Global Note representing Notes will, on or before the issue date for each Tranche, be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. If the Global Note is not intended to be issued in NGN form, the Global Note representing Notes may (or, in the case of Notes listed on the Luxembourg Stock Exchange, will), on or before the issue date for each Tranche, be deposited with a common depository for Euroclear and/or Clearstream, Luxembourg. Global Notes relating to Notes that are not listed on the Luxembourg Stock Exchange may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Guarantor, the Issuing and Paying Agent, the Trustee and the relevant Dealer.
- Currencies:** Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer, the Guarantor and the relevant Dealer(s).
- Maturities:** Subject to compliance with all relevant laws, regulations and directives, any maturity from one month from the date of original issue.
- Specified Denomination:** Definitive Notes will be in such denominations as may be specified in the relevant Final Terms, save that: (i) the minimum denomination of each Note will be such amount as may be allowed or required, from time to time, by the relevant regulatory authority or any laws or regulations applicable to the relevant Specified Currency; and (ii) the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances that require the publication of a prospectus under the Prospectus Directive will be euro 50,000 (or its equivalent in any other currency as at the date of issue of the Notes).
- So long as the Notes are represented by a temporary Global Note or permanent Global Note and the relevant clearing system(s) so

permit, the Notes will be tradeable as follows: (a) if the Specified Denomination stated in the relevant Final Terms is euro 50,000 (or its equivalent in another currency), in the authorised denomination of euro 50,000 (or its equivalent in another currency) and integral multiples of euro 50,000 (or its equivalent in another currency) thereafter, or (b) if the Specified Denomination stated in the relevant Final Terms is euro 50,000 (or its equivalent in another currency) and integral multiples of euro 1,000 (or its equivalent in another currency) in excess thereof, in the minimum authorised denomination of euro 50,000 (or its equivalent in another currency) and higher integral multiples of euro 1,000 (or its equivalent in another currency), notwithstanding that no definitive notes will be issued with a denomination above euro 99,000 (or its equivalent in another currency).

Fixed Rate Notes:	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.
Floating Rate Notes:	Floating Rate Notes will bear interest determined separately for each Series as follows: <ul style="list-style-type: none">(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the issue date of the first Tranche of a Series; or(ii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin. Interest periods will be specified in the relevant Final Terms.
Zero Coupon Notes:	Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.
Dual Currency Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as may be specified in the relevant Final Terms.
Index-Linked Notes:	Payments of principal in respect of Index-Linked Redemption Notes or of interest in respect of Index-Linked Interest Notes will be calculated by reference to such index and/or formula as may be specified in the relevant Final Terms.
Interest Periods and Interest Rates:	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.
Redemption:	The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then current

laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the Financial Services and Markets Act 2000, must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).

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

Other Notes: Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, partly paid Notes and any other type of Note that the Issuer, the Guarantor, the Trustee and the relevant Dealer(s) may agree to issue under the Programme will be set out in the relevant Final Terms.

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

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

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

Status of Notes: The Notes and the guarantee in respect of them will constitute unsubordinated and unsecured obligations of the Issuer and the Guarantor, respectively, all as described in “Terms and Conditions of the Notes – Guarantee and Status”.

Negative Pledge: See “Terms and Conditions of the Notes – Negative Pledge” below.

Cross Default: See “Terms and Conditions of the Notes – Events of Default”.

Early Redemption: Except as provided in “Optional Redemption” above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See “Terms and Conditions of the Notes – Redemption, Purchase and Options”.

Withholding Tax:	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of The Netherlands and the Kingdom of Spain, subject to customary exceptions (including the ICMA Standard EU Exceptions), all described in “Terms and Conditions of the Notes – Taxation”.
Governing Law:	English.
Listing and Admission to Trading:	Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange’s regulated market and to be listed on the Luxembourg Stock Exchange or as otherwise specified in the relevant Final Terms. As specified in the relevant Final Terms, a Series of Notes may be unlisted.
Selling Restrictions:	<p>United States, the European Economic Area, United Kingdom Spain, The Netherlands and Japan. See “Subscription and Sale”.</p> <p>The Issuer and the Guarantor are Category 2 for the purposes of Regulation S under the Securities Act.</p> <p>The Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the D Rules) unless (i) the relevant Final Terms state that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the C Rules) or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.</p>

RISK FACTORS

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

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

Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and the Issuer and the Guarantor do not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus, including the descriptions of the Issuer and the Guarantor, and reach their own views prior to making any investment decisions.

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

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

1. Risk Factors relating to the Issuer and the Guarantor

International reference crude oil prices may fluctuate due to factors beyond Repsol YPF's control

World oil prices have fluctuated widely over the last 10 years and are subject to international supply and demand factors over which Repsol YPF has no control. Political developments throughout the world (especially in the Middle East), the evolution of stocks of oil and products, the circumstantial effects of climate changes and meteorological phenomena, such as storms and hurricanes, which have affected especially the Gulf of Mexico, the increase in demand in countries with strong economic growth, such as China and India, as well as significant conflicts, like the conflict in Iraq, political instability and the threat of terrorism from which some producing areas suffer periodically, together with the risk that the supply of crude-oil may become a political weapon, as could happen in the conflict that affects the international community with Iran or the conflict of Venezuela with the United States, can particularly affect the world oil market and oil prices. In 2005, the average international price for West Texas Intermediate (*WTI*) crude oil price was U.S.\$56.59 per barrel, compared to an average of U.S.\$27.86 per barrel for the period 1995-2005, with high and low annual averages of U.S.\$56.59 per barrel in 2005 and U.S.\$14.39 per barrel in 1998, respectively. Reductions in oil prices negatively affect Repsol YPF's profitability, the valuation of its assets and its plans for capital investment including projected capital expenditures related to exploration and development activities. A significant reduction of capital investments may negatively affect Repsol YPF's ability to replace oil reserves.

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

Natural gas prices in the various regions in which Repsol YPF operates tend to vary from one to another 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. Because of the significance of the overall investment in infrastructures, natural gas prices in regions where Repsol YPF operates are expected to remain lower than prevailing prices for natural gas produced in regions where there is strong natural gas demand and adequate transportation networks, such as in the United States.

In addition, Repsol YPF has entered into long-term contracts to purchase and supply gas in different parts of the world. In order to supply its clients in Spain and other markets, Gas Natural SDG, S.A. (*Gas Natural*), 30.85% of which is owned by Repsol YPF, has entered into long-term contracts to purchase natural gas from Algeria and Norway, in addition to long-term contracts to purchase LNG from Algeria, Nigeria, Libya, Trinidad and Tobago and Qatar. 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. In addition, gas availability could be subject to risks of contract fulfilment from counterparties. 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 called for under such contracts.

Repsol YPF also has long-term contracts to sell gas mainly to clients in Argentina, Bolivia, Brazil, Chile, Venezuela and Spain. These contracts present additional types of risks to the company as they are linked to current proved reserves in Argentina, Bolivia, Venezuela and Trinidad and Tobago. If sufficient reserves in those countries were not available, Repsol YPF might not be able to fulfil these contracts, several of which include penalty clauses for non-fulfilment.

Any of the above items could materially adversely affect Repsol YPF's business, results of operations and financial condition.

Repsol YPF has extensive operations in Argentina

As of 31 December 2005, approximately 30.47% of Repsol YPF's assets were located in Argentina, corresponding for the most part to exploration and production activities. In addition, in 2005, approximately 36.89% of Repsol YPF's operating income was generated from activities in Argentina.

Since the end of 2001, companies that operate in Argentina have had to cope with difficulties as a result of the serious economic and political crisis affecting Argentina. Monetary and currency exchange control measures, including restrictions on bank deposit withdrawals and tight restrictions on transferring funds abroad, suspension of foreign debt payment by Argentina and abrogation of the convertibility law (and the consequent depreciation of the peso against the dollar) had a significant negative impact on the Argentine economic system, resulting in a reduction of economic activity, increasing inflation and exchange rate volatility. These conditions have adversely affected the financial condition of Repsol YPF's Argentine subsidiaries and their operational results and may continue to impair their ability to make distributions within the Repsol YPF group.

With the improvement in the political and economic condition of the country in 2003 and 2004, the regulatory environment applicable to the energy sector, which was deeply affected by the emergency measures adopted during the crisis, began to stabilise. However, since March 2004 and, as a consequence of a shortage in the domestic supply of natural gas and high international oil prices, the government has adopted additional measures that modify the regulatory environment. On the one hand, the government has approved an increase in well head gas prices for industries and power generating plants; on the other hand, it has imposed restrictions on gas exports to Chile and has adopted additional measures, including

imposing limits on the gas supply to industrial consumers and power generating plants, as the government gives priority to residential consumers. The government has increased the export tax up to a maximum of 45% for crude oil and fixed it at 20% for LPG. For gasoline, it has reintroduced an export tax of 5%. On 25 July 2006, Resolution No. 534/2006 of the Ministry of Economy and Production came into force, increasing the rate applicable to natural gas exports up to 45%; also, it has requested that this estimation be made on the basis of the fixed price set for natural gas imports from Bolivia. The incidence of this increase and the transfer of most of these increasing costs to customers are presently under negotiation.

In the domestic oil product market, translation of relatively high domestic inflation rates (12.3% in 2005) and international oil prices into higher domestic prices has been delayed. These measures could have a negative impact on Repsol YPF's business, financial condition and operational results in Argentina.

As of the date of this Base Prospectus, Argentina had completed the restructuring of a substantial portion of its bond indebtedness in 2005 and cancelled all of its debt with the International Monetary Fund (IMF). The country is also seeking to settle the non-restructured part of its external public debt and the claims brought before international courts by foreign companies affected during the crisis.

In addition, Repsol YPF's Argentine subsidiary YPF, S.A. (*YPF*) is subject to the risk that the Argentine authorities impose restrictions limiting or prohibiting the export of natural gas and crude oil from Argentina. Any such export restriction imposed on YPF could materially and adversely affect Repsol YPF's business and operational results.

Repsol YPF's business and operational results have been, and may continue to be, materially and adversely affected by economic, political and regulatory risks and events in Argentina. In particular, during past years, the energy sector and YPF have been affected by difficulties in passing through domestic inflation rates and the impact of the price of crude oil and by-products quoted in dollars on domestic prices fixed in pesos, difficulties in increasing domestic natural gas sale prices and the levy of a tax specifically targeted on hydrocarbon exports.

The main economic risks Repsol YPF faces due to its operations in Argentina are the following:

- difficulties in passing domestic inflation rates and international crude oil price fluctuation and exchange rates to domestic prices;
- difficulties in increasing the local prices of natural gas for its residential customers (households);
- higher taxes on hydrocarbon exports, in addition to their application to customs areas, which did not previously fall under the ambit of these customs duties;
- deficiencies in the natural gas supply pursuant to long-term contracts for both the export and domestic markets. This situation could generate future indemnity payments which may finally be submitted for arbitration;
- restrictions on hydrocarbon export volumes;
- the permanence of natural gas export permits from the Northwest Basin;
- the likelihood of being fined by the Argentine government for a failure to dispose of foreign currency to Argentina during 2002 due to a different interpretation of the enforcement of Decree 1589/89 and an incorrect statement of export prices in customs forms relating to oil forward sales;

- political pressure to carry out hydrocarbon import activities even though they might be unprofitable or loss-making;
- the likelihood of incurring significant costs and liabilities relating to environmental and safety matters, including more stringent enforcement of such laws;
- uncertainty about concession renewals, which (mostly) expire in 2017; and
- further depreciation of the peso in relation to foreign currencies may adversely affect the financial condition or operational results of Argentine companies and their ability to meet their foreign currency obligations.

The new regulatory environment and outlook for companies that operate in the oil and gas industry in Bolivia

Repsol YPF commenced operations in Bolivia in 1994, where it is currently carrying out oil and gas exploration, production, hydrocarbons commercialisation and LPG distribution activities. During 2005, Repsol YPF's operations in Bolivia accounted for 0.99% of its consolidated operating revenues and they had a negative impact on consolidated operating income of 0.21%. As of 31 December 2005, the net investment at risk of Repsol YPF's operations in Bolivia amounted to euro 548 million. At such date, Repsol YPF's net proved oil and gas reserves in Bolivia were 604 million barrels of oil equivalent including the minority interest of Empresa Petrolera Andina, S.A. (*Andina, S.A.*) and 336 million barrels of oil equivalent excluding the minority interest of Andina, S.A. The latter represents 11% of Repsol YPF's total net proved oil and gas reserves at 31 December 2005.

Since mid-2004, the regulatory environment and outlook for companies that operate in the oil and gas industry in Bolivia has deteriorated. In May 2005, the National Congress of Bolivia approved a new Hydrocarbon Law (*Law No. 3058*) (the *Hydrocarbons Law*) that stipulated a new legal framework for, and affected various aspects of, the legal regime under which Repsol YPF and all oil and gas companies had been operating, which, among other things, included the imposition of an additional 32% tax on oil and gas production (*IDH*), and a requirement for all companies to migrate to one of the new contract models established in the new Hydrocarbons Law. The Hydrocarbons Law transfers the ownership of all hydrocarbons in the wellhead to the Bolivian State. In its ruling of 2 June 2006, the Bolivian Constitutional Court confirmed the constitutionality of the Hydrocarbon Law.

In December 2005, Evo Morales, the leader of the Movement to Socialism party, following an election campaign in which he discussed frequently the need for the Bolivian State to have greater involvement in the oil and gas industry, was elected president.

Supreme Decree 28.701, published on 1 May 2006, has nationalised all of Bolivia's natural hydrocarbon resources, and the Bolivian State, through Yacimientos Petrolíferos Bolivianos (*YPFB*), a Bolivian oil company, took over their commercialisation for the internal and export markets as well as the possible industrialisation projects. Accordingly, the Bolivian State is taking control of and directing the production, transportation, refining, storage, distribution, commercialisation and industrialisation of all hydrocarbons in Bolivia.

In addition, the government is beginning to negotiate the acquisition of as many shares as is necessary in Andina, S.A. (an affiliate of Repsol YPF) for YPFB to control at least 50% plus one vote in said company. YPFB, which now holds 48% of Andina, S.A.'s share capital, has recently replaced the directors nominated by the Pensions Funds and nominated its representatives in Andina S.A.'s Board of Directors. This 48% interest in Andina S.A. was owned by the Bolivian citizens and was part of the Collective Capital Fund (*Fondo de Capitalización Colectiva*) of privatised companies (*empresas capitalizadas*). Supreme Decree 28.701 has transferred the ownership of this 48% interest to YPFB.

Supreme Decree 28.701 also established that, within a period of 180 days from its publication, private companies in Bolivia must adjust their activities in the country through the negotiation and execution of new agreements reflecting the new legal framework. Any company that fails to comply with this time limit will be prohibited from continuing its activities in Bolivia. Repsol YPF has indicated its willingness to negotiate with the Bolivian government, though Repsol YPF also intends to pursue all available legal rights.

To implement the Supreme Decree, the Bolivian government established several coordination committees composed of representatives of the government and oil and gas companies. The Bolivian government also announced that negotiations would not conclude until the audit commissioned by the government regarding the amounts invested in the country by oil companies was concluded.

Subsequently and as a consequence of the Hydrocarbons Law and Supreme Decree No. 28.701, on 28 October 2006, Repsol YPF and its affiliate, Andina, S.A., signed operation contracts with YPFB that established the conditions for the exploration and production of hydrocarbons in Bolivia. These operation contracts will not be in full force and effect until their approval by the Bolivian Congress and their notarisation by the government notary. In the meantime, the Bolivian government issued Supreme Decree 28.900-A that established the regulations to be applied to the companies until the new contracts are approved by Congress and subsequently notarised.

The oil and gas industry is subject to particular operational risks, and Repsol YPF depends 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 YPF. These activities are subject to production, equipment and transportation risks, natural hazards and other uncertainties including those relating to the physical characteristics of an oil or natural gas field. The operations of Repsol YPF may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of equipment and compliance with governmental requirements. If these risks materialise, Repsol YPF may suffer substantial losses and disruptions to its operations. These activities are also subject to the payment of royalties and taxation, which tend to be relatively higher than those payable in respect of other commercial activities.

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

If Repsol YPF fails to acquire or discover, and, thereafter, develop new oil and gas reserves on a cost-effective basis, its business, results of operations and financial condition would be materially and adversely affected.

Repsol YPF's operations are subject to extensive regulation

The oil industry is subject to extensive regulation and intervention by governments throughout the world in such matters as the award of exploration and production interests, the imposition of specific drilling and exploration obligations, restrictions on production, price controls, required divestments of

assets and foreign currency controls over the development and nationalisation, expropriation or cancellation of contract rights. Such legislation and regulations apply to virtually all aspects of Repsol YPF's operations, inside and outside Spain, and may change. In Spain, for example, the government regulates maximum price levels for bottled LPG exceeding 8 kgs as well as for the supply of piped LPG.

In addition, the terms and conditions of the agreements under which Repsol YPF's oil and gas interests are held generally reflect negotiations with governmental authorities and vary significantly by country and even by field within a country. These agreements generally take the form of licences or production sharing agreements. Under licence agreements, the licence holder provides financing and bears the risk of the exploration and production activities in exchange for resulting production, if any. Part of the production may have to be sold to the state or the state-owned oil company. Licence holders are generally required to pay royalties and income tax. Production sharing agreements generally require the contractor to finance exploration and production activities in exchange for the recovery of its costs from part of production (cost oil) and the remainder of production (profit oil) is shared with the state-owned oil company.

Repsol YPF has operations in many countries throughout the world, including Iran. U.S. legislation, such as the Iran Sanctions Act of 1996, as amended and extended by the ILSA Extension Act of 2001 and further amended by the Iran Freedom Support Act of 2006 (the *Sanctions Act*), may impact Repsol YPF's operations in Iran. For example, the Sanctions Act requires the President of the United States to impose two or more of certain enumerated sanctions under certain circumstances on companies that engage in trade with or investment activities in Iran. These sanctions include, among others:

- prohibitions on loans from U.S. financial institutions, contracts with the U.S. government, and exports of certain U.S. technology; and
- additional sanctions, as appropriate, to restrict imports from sanctioned persons.

Repsol YPF cannot predict changes in U.S. legislation or interpretations of, or the implementation policy of the U.S. government with respect to, U.S. legislation, including the Sanctions Act.

Repsol YPF is subject to extensive environmental regulations and risks

Repsol YPF is subject to extensive environmental laws and regulations in almost all the countries in which it operates, which regulate, among other matters affecting Repsol YPF's operations, environmental quality standards for products, air emissions and climate change, water discharges, remediation of soil pollution and the generation, handling, storage, transportation, treatment and disposal of waste materials. These laws and regulations have had and will continue to have a substantial impact on Repsol YPF's operations. Repsol YPF's operations are subject to certain environmental risks that are inherent in the oil and gas industry and which may arise unexpectedly and result in material adverse effects on Repsol YPF's business, financial condition and results of operations.

Most of Repsol YPF's reserves are located in developing countries

Substantial portions of Repsol YPF's hydrocarbons reserves are located in countries outside the EU, certain of which may be politically or economically less stable than EU countries. At 31 December 2005, 95.3% of Repsol YPF's net proved hydrocarbons reserves were located in Latin America and 4.3% in North Africa and the Middle East. Reserves in developing countries as well as related production operations may be subject to risks, including increases in taxes and royalties, the establishment of limits on production and export volumes, the compulsory renegotiation 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 by actions of insurgent groups. In addition, political changes may lead to changes in the

business environment in which Repsol YPF operates. Economic downturns, political instability or civil disturbances may disrupt distribution logistics or limit sales in the markets affected.

Exchange rates may fluctuate due to factors beyond Repsol YPF's control

Repsol YPF faces exchange rate risk because the revenues and cash receipts it receives from sales of crude oil, natural gas and refined products are generally denominated in U.S. dollars or influenced by the U.S. dollar exchange rate, while a significant portion of Repsol YPF's expenses are denominated in the local currency of the countries where it operates, principally the euro and the Argentine peso. While an increase in the value of the U.S. dollar against these currencies tends to increase Repsol YPF's net income, such an increase would also increase the value of Repsol YPF's debt as the majority of its debt is denominated in U.S. dollars (either directly or synthetically through currency forward contracts). By contrast, a decrease in the value of the U.S. dollar against these currencies tends to decrease Repsol YPF's net income and reduce the value of its debt. In addition, Repsol YPF publishes its financial statements in euro by translating assets and liabilities expressed in currencies other than euro at period-end exchange rates and revenues and expenses expressed in currencies other than the euro at average exchange rates for the period. Fluctuations in the exchange rates used to translate these currencies into euro could have a material adverse effect on Repsol YPF's financial statements expressed in euro.

Conditions in the petrochemicals industry are cyclical and may change due to factors beyond Repsol YPF's control

The petrochemicals industry is subject to wide fluctuations in supply and demand reflecting the cyclical nature of the chemicals market at regional and global levels. These fluctuations affect prices and profitability for petrochemicals companies, including Repsol YPF. Repsol YPF's petrochemicals business is also subject to extensive governmental regulation and intervention in such matters as safety and environmental controls.

2. Risk Factors relating to the Notes

Investors are Relying Solely on the Creditworthiness of the Issuer and the Guarantor

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

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

Exchange Rate Risks and Exchange Controls

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

Such risks include, without limitation, the possibility of significant changes in the rate of exchange between the applicable Specified Currency and the Noteholder's Currency and the possibility of the imposition or modification of exchange controls by authorities with jurisdiction over such Specified

Currency or the Noteholder's Currency. Such risks generally depend on a number of factors, including financial, economic and political events over which the Issuer has no control. In addition, if the formula used to determine the amount of principal or interest payable with respect to a Note contains a multiple or leverage factor, the effect of any change in the applicable Specified Currency, index or formula will be magnified.

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

Liquidity Risks

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

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

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

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

Further, compliance with the EU Transparency Obligations Directive may be unduly burdensome for the Issuer and could result in the Issuer electing to terminate the listing of Notes on the Luxembourg Stock Exchange.

The Issuer's and the Guarantor's (as applicable) credit rating are an assessment by the relevant rating agencies of each such company's ability to pay its debts when due. Consequently, real or anticipated changes in such credit ratings will generally affect the market value of the Notes. These credit ratings may not reflect the potential impact of risks relating to structure, market or other factors discussed in this Base Prospectus on the value of the Notes. 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.

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

An investor's total return on an investment in any Notes will be affected by the level of fees charged by an agent, nominee service provider and/or clearing system used by the investor. Such a

person or institution may charge fees for the opening and operation of an investment account, transfers of Notes, custody services and on payments of interest and principal. Potential investors are, therefore, advised to investigate the basis on which any such fees will be charged on the relevant Notes.

Tax consequences of holding the Notes

Potential investors should consider the tax consequences of investing in the Notes and consult their tax advisers about their own tax situation.

Change of Law

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

Ratings of the Notes

The ratings to the Notes reflect only the views of the rating agencies and in assigning the ratings the rating agencies take into consideration the credit quality of the Issuer and the Guarantor and structural features and other aspects of the transaction.

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

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

Risks Related to the Structure of a Particular Issue of Notes

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

Notes Subject to Optional Redemption by the Issuer

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

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

Index-Linked Notes and Dual Currency Notes

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the price of securities or commodities, to movements in currency exchange rates or other factors (each, a “Relevant Factor”). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies, which may be different from the currency in which Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency than expected;
- they may lose all or a substantial portion of their principal;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Partly-paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

Variable Rate Notes with a Multiplier or Other Leverage Factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than Notes without such features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate applicable to the relevant Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

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

other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

Notes Issued at a Substantial Discount or Premium

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

Specified Denominations

In relation to any issue of Notes which under the Conditions have a minimum denomination of euro 50,000 plus a higher integral multiple of another smaller amount (or, where the relevant Specified Currency is not euro, its equivalent in the Specified Currency) (each a *Specified Denomination*), it is possible that Notes may be traded in the clearing systems in amounts in excess of euro 50,000 (or its equivalent in the Specified Currency). In such a case, should definitive Notes be required to be issued, a holder who, as a result of trading such amounts, holds a principal amount of less than euro 50,000 (or its equivalent in the Specified Currency) in his account with the relevant clearing system at the relevant time may not receive all of his entitlement in the form of definitive Notes, and consequently may not be able to receive interest or principal in respect of all of his entitlement, unless and until such time as his holding becomes an integral multiple of a Specified Denomination.

European Union Savings Tax Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required, since 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest and other similar income paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during such period they elect otherwise) to operate a withholding tax in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

USE OF PROCEEDS

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

INFORMATION ON REPSOL INTERNATIONAL FINANCE B.V.

History

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

The Issuer is registered in the Commercial Register of the Hague Chamber of Commerce under number 24251372. The Issuer is domiciled in The Netherlands and its registered office and principal place of business is Koningskade 30, 2596 AA The Hague, the Netherlands and its telephone number is +31 70 3262133.

Principal activities

The principal activity of the Issuer is to finance the business operations of Repsol YPF. The Issuer may, from time to time, obtain financing (including through loans or issuing other securities), which may rank *pari passu* with the Notes.

Organisational structure

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

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

	Percentage ownership
	%
Repsol (UK) Ltd., London ⁽¹⁾	99.99
Repsol Canada, Ltd	100.00
Repsol Canada LNG, Ltd	100.00
Repsol Energy Canada, Ltd	100.00
Gaviota RE, Luxembourg	99.88
Repsol Occidental Corp., Delaware	25.00
Repsol LNG Port Spain, BV., The Hague	100.00
Repsol Netherlands Finance BV., The Hague	66.50
Repsol Investerings, BV., The Hague	100.00
Repsol International Capital, Ltd., Cayman Islands	100.00
Repsol YPF Capital, S.L., Madrid	99.99

(1) *Company in winding-up process.*

Administrative, management and supervisory bodies

The directors of the Issuer are:

Name	Function	Principal activities outside Repsol YPF
Godfried Arthur Leonard Rupert Diepenhorst	Director	On the management board of 3 holding and finance companies in the Netherlands (DCC International Holdings B.V., Iwasaki Eye Lighting Europe B.V., HQE Trust B.V.). Furthermore, he is a board member of a charity organisation (Protestants Weduwen en Wezen Funds) and a real estate foundation (Stichting Sandberg van Leuvenum). Honorary Consul of the Republica of Mauritius in The Netherlands.
Francisco Javier Sanz Cedrón	Director	N/A
Luis López Tello Díaz Aguado	Director	N/A
Luis José del Pilar Pieltain Álvarez-Arenas	Director	N/A

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

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

Selected financial information

The audited non-consolidated financial statements of the Issuer, including the notes to such financial statements and the auditors' reports thereon, for the years ended 31 December 2005 and 2004, have each been filed with the CSSF and are deemed to be incorporated in, and to form part of, this Base Prospectus (see "Documents Incorporated by Reference" above).

The selected non-consolidated financial data set forth below should be read in conjunction with, and is qualified in its entirety by reference to, such audited non-consolidated financial statements:

	2004 ⁽¹⁾ (millions of euro)	2005 ⁽¹⁾ (millions of euro)	2005 ⁽¹⁾ (millions of U.S.\$)
Statements of Income			
Financial income and expense	107	177	211
Income before provision for income taxes	104	175	208
Net income	92	157	187
Balance Sheet			
Total non-current assets	4,602	4,611	5,489
Total current assets	2,840	1,619	1,928
Total assets	7,442	6,230	7,417
Long-term liabilities	4,087	3,162	3,765
Short-term liabilities	2,483	1,921	2,287

	2004⁽¹⁾	2005⁽¹⁾	2005⁽¹⁾
	<u>(millions of euro)</u>	<u>(millions of euro)</u>	<u>(millions of U.S.\$)</u>
Shareholders' equity	872	1,147	1,365
Total liabilities and shareholders' equity	7,442	6,230	7,417

(1) *The financial information expressed in euro is presented for the convenience of the reader and is translated from U.S. dollars at the noon buying rates in New York City for cable transfers into euro as certified for customs purposes by the Federal Reserve Bank of New York on 31 December 2004 and 2005 which were euro 0.74 and euro 0.84 per U.S. dollar respectively. The translated amounts should not be construed as a representation that U.S. dollars have been, could have been, or could be in the future, converted into euro at these or any other rates of exchange.*

The individual financial statements of the Issuer are prepared in accordance with Dutch GAAP.

Reconciliation between Dutch GAAP and EU-IFRS

Under generally accepted accounting principles in The Netherlands (*Dutch GAAP*), transaction costs that are directly attributable to the issue of notes are deferred and amortised using the straight-line method as opposed to the effective interest method used under International Financial Reporting Standards, as adopted by the European Union (*IFRS*). As at 31 December 2005, the recognition of the notes at amortised cost, as required under IFRS, has had the effect of increasing equity by approximately U.S.\$1 million.

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

INFORMATION ON REPSOL YPF, S.A.

History

Repsol YPF, S.A. was incorporated in Spain on 12 November 1986 as a limited liability company (*sociedad anónima*) for an indefinite duration pursuant to the laws of the Kingdom of Spain, under which it now operates.

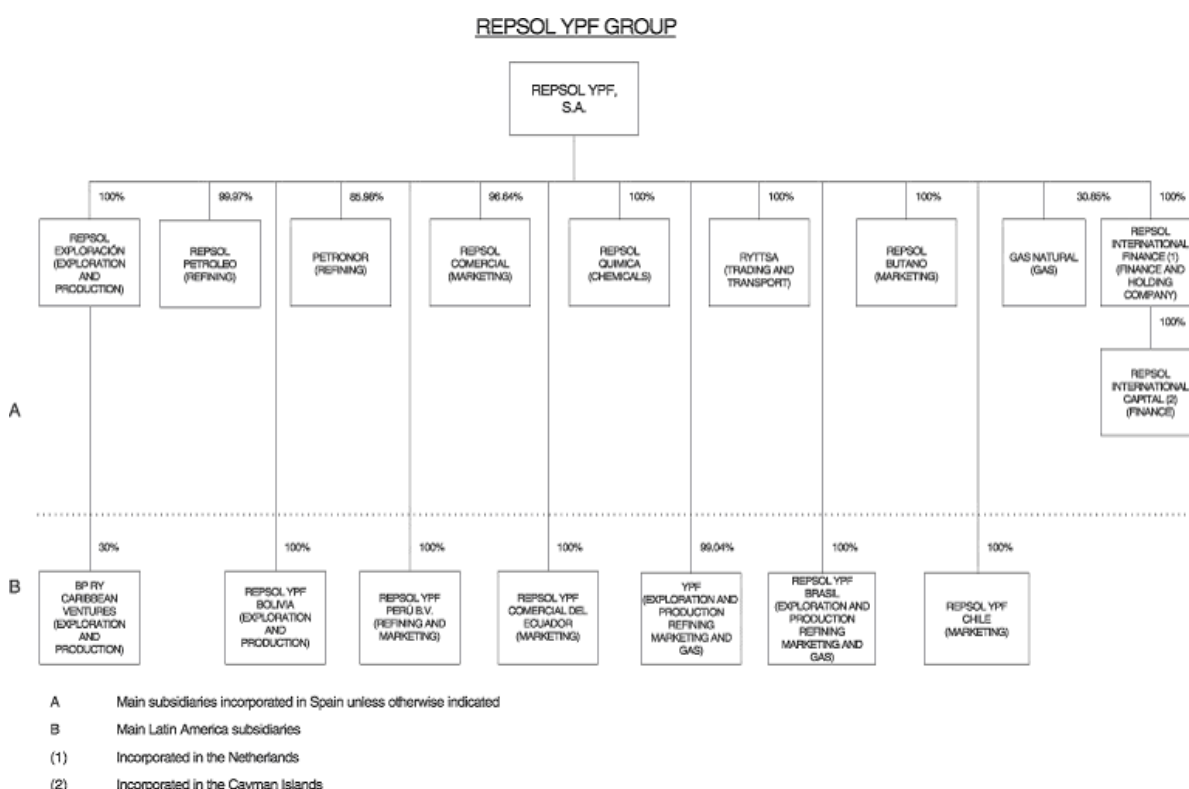
Repsol YPF, S.A. is registered with the Commercial Register of Madrid under the page number M-65289, and its tax identification number is A-78374725. Repsol YPF, S.A. is domiciled in Spain and its registered office and principal place of business is Paseo de la Castellana 278-280, 28046 Madrid, Spain and its telephone number is +34 91 348 8100.

Principal activities

For a description of the principal activities of Repsol YPF, please refer to the section titled “Business Description” in this Base Prospectus.

Organisational structure

Below is a simplified organisational chart of Repsol YPF, S.A.’s significant subsidiaries and joint-controlled companies as at 31 December 2005, including the country of incorporation, main activities and Repsol YPF, S.A.’s ownership interest:



For a complete list of Repsol YPF, S.A.’s subsidiaries, please refer to Exhibit 1 of Repsol YPF’s Consolidated Annual Report for the financial year ended 31 December 2005 incorporated by reference in this Base Prospectus.

The organisational structure of Repsol YPF includes three strategic business divisions, which report directly to the Chief Executive Officer:

- Business Division of Upstream, which Repsol YPF believes will be its principal source of growth. This Division has direct responsibility for exploration and production (except in Argentina, Brazil and Bolivia) and midstream and marketing of LNG on a worldwide basis.
- Business Division of Downstream, which manages the business areas of refining, marketing and chemicals (except in Argentina, Brazil and Bolivia) and LPG and trading on a worldwide basis.
- Business Division of Argentina, Brazil and Bolivia, which is responsible for the integrated value chain (exploration, production, refining, logistics, marketing and chemicals) in such countries. This Division consists of five business areas and the support functions necessary for the integrated management of such business areas.

This organisational structure transfers to the business areas the functions and resources relating to planning and budgets and also includes five divisions which report directly to the Chief Executive Officer: (i) Corporate Division of Legal and General Counsel, (ii) Corporate Division of Finance and Corporate Services, (iii) Corporate Division of Control and Corporate Development, (iv) Corporate Division of Human Resources and (v) Corporate Division of Communication and Head of the Chairman's Office.

The Divisions of Corporate Audit and Reserves Control, which operate under the Corporate Division of Finance and Corporate Services, report directly to the Audit Committee of the Board of Directors.

Selected consolidated financial information

The audited consolidated financial statements of Repsol YPF, including the notes to such financial statements and the audit reports thereon, for the years ended 31 December 2005 and 2004, have each been filed with the CSSF and are deemed to be incorporated in, and to form part of, this Base Prospectus (see "Documents Incorporated by Reference" above).

The selected consolidated financial data set forth below should be read in conjunction with, and is qualified in its entirety by reference to, such audited consolidated financial statements:

	Year ended December 31,	
	2005	2004
	(millions of euro, except per share and ADS amounts)	
<i>Amounts in accordance with IFRS ⁽¹⁾ for years 2004 and 2005:</i>		
Consolidated income statement data		
Operating revenues	51,045	40,292
Operating income	6,161	4,686
Income before income taxes and minority interest	5,556	4,193
Net income	3,224	2,566
Net income per share ⁽²⁾	2.56	1.98
Weighted average shares outstanding (millions) ⁽²⁾	1,221	1,221

	Year ended December 31,	
	2005	2004
(millions of euro, except per share and ADS amounts)		
<i>Amounts in accordance with IFRS ⁽¹⁾ for years 2004 and 2005:</i>		
Consolidated balance sheet data		
Property, plant and equipment, net	23,304	20,303
Total current assets	14,305	11,780
Total assets	45,782	39,693
Long-term debt.....	6,236	7,333
Preference shares	3,485	3,386
Short-term debt.....	2,701	3,142
Shareholders' equity	16,790	13,230
Capital stock	1,221	1,221
Other consolidated data		
Cash flow from operating activities.....	6,056	4,314
Cash flow from investing activities	(3,132)	(3,486)
Cash flow from financing activities.....	(3,665)	(2,198)
Dividends per share ⁽²⁾	0.60	0.50

In reading Repsol YPF's financial information provided above, please note the following:

- (1) *As applied to Repsol YPF, there are no material differences between IFRS as adopted by the EU and IFRS as issued by the International Accounting Standards Board. Therefore, no additional items relating to IFRS as issued by the International Accounting Standards Board are disclosed.*
- (2) *Based on the average number of shares outstanding during the year that amounted to 1,220,863,463 shares for the years ended 31 December 2004 and 2005.*

BUSINESS DESCRIPTION

1. Information on Repsol YPF

Overview

Repsol YPF is an integrated oil and gas group engaged in all aspects of the petroleum business, including exploration, development and production of crude oil and natural gas, transportation of petroleum products, liquefied petroleum gas (*LPG*) and natural gas, petroleum refining, petrochemical production and marketing of petroleum products, petroleum derivatives, petrochemicals, *LPG* and natural gas.

Repsol YPF began operations in October 1987 as part of a reorganisation of the oil and gas businesses then owned by *Instituto Nacional de Hidrocarburos*, a Spanish government agency which acted as a holding company of government-owned oil and gas businesses. In April 1997, the Spanish government sold in a global public offering its entire remaining participation in Repsol YPF. During 1999, and as part of its international growth strategy, Repsol YPF acquired, through a series of acquisitions, YPF, a leading Argentine petroleum company.

On 28 June 2000, the general meeting of shareholders approved the change of the company's name from Repsol, S.A. to Repsol YPF, S.A.

Through the acquisition of YPF, Repsol YPF sought to achieve a balance between upstream and downstream operations, position itself as a market leader in Latin America, achieve operating and capital expenditure synergies and consolidate its business scale and financial strength.

Repsol YPF has operations mainly in 32 countries, the most significant of which are Spain and Argentina.

Economic and Operating Information

Below are summaries of the operating income and revenues of Repsol YPF by business segment:

	<u>2005</u>	<u>2004</u>	<u>05 vs. 04</u>
	(millions of euro)		(%)
Operating revenue by business segment			
Exploration and Production	9,203	8,302	10.9
Refining and Marketing	41,298	32,815	25.9
Chemicals.....	4,186	3,025	38.4
Gas and Electricity	2,765	1,991	38.9
Corporate and Others	(6,407)	(5,841)	9.7
	<u>51,045</u>	<u>40,292</u>	<u>26.7</u>

	<u>2005</u>	<u>2004</u>	<u>05 vs. 04</u>
	(millions of euro)		(%)
Operating income by business segment			
Exploration and Production	3,246	3,062	6.0%
Refining and Marketing	2,683	1,585	69.3
Chemicals.....	308	262	17.6
Gas and Electricity	389	310	25.5
Corporate and Others	(465)	(533)	(12.8)
	<u>6,161</u>	<u>4,686</u>	<u>31.5</u>

Below are summaries of the operating revenues of Repsol YPF by geographic segment:

	<u>2005</u>	<u>2004</u>	<u>05 vs. 04</u>
	(millions of euro)		(%)
Operating revenue by geographic segment			
Spain.....	32,794	25,678	27.7
ABB.....	9,443	8,079	16.9
Rest of the World.....	8,808	6,535	34.8
	<u>51,045</u>	<u>40,292</u>	<u>26.7</u>

The interim unaudited consolidated preview of the income statement for the third quarter of 2006, which incorporates the income statement of Repsol YPF for the nine months ended 30 September 2006, has been filed with the CNMV and is incorporated by reference in, and forms part of, this Base Prospectus.

Below is a summary of selected operating data of Repsol YPF:

	<u>2005</u>	<u>2004</u>
Crude oil net proved reserves⁽¹⁾⁽²⁾	1,166,660	1,581,697
Spain	3,223	3,749
ABB ⁽²⁾	898,197	1,231,816
Rest of the World	265,240	346,132
Gas net proved reserves⁽²⁾⁽³⁾	12,136,643	14,342,169
Spain	974	–
ABB ⁽²⁾	7,698,326	9,500,318
Rest of the World	4,437,342	4,841,851
Hydrocarbon net production⁽⁴⁾	415,886	426,671
Spain	1,259	1,373
ABB	303,886	315,310

	2005	2004
Rest of the World	110,742	109,788
Refining capacity^{(5) (9)}	1,233	1,234
Spain	740	740
ABB	391	392
Rest of the World	102	102
Crude oil processed^{(6) (9)}	55.3	54.9
Spain	33.8	34.3
ABB	17.4	17.1
Rest of the World	4.2	3.5
Number of service stations⁽¹⁰⁾	6,853	6,913
Spain	3,618	3,616
ABB	2,245	2,370
Rest of the World	990	927
Sales of petroleum products^{(7) (9)}	57,940	54,968
Spain	33,631	33,028
ABB	15,815	15,073
Rest of the World	8,494	6,867
Sales of petrochemical products⁽⁷⁾		
By region:	4,644	4,104
Spain	1,481	1,342
ABB	1,102	909
Rest of the World	2,061	1,853
By product:	4,644	4,104
Basic	979	420
Derivative	3,665	3,684
LPG sales⁽⁷⁾	3,342	3,217
Spain	1,921	1,955
Argentina	314	310
Rest of Latin America	918	863
Rest of the World	189	89
Natural gas sales⁽⁸⁾	36.11	32.85
Spain	23.36	20.99
America	8.59	7.92
Rest of the World	4.16	3.94

- (1) *Thousands of barrels of crude oil.*
- (2) *As restated (at 31 December 2004) to give effect to the reserves reduction with respect to fields in Argentina and Bolivia.*
- (3) *Millions of cubic feet of gas.*
- (4) *Thousands of barrels of oil equivalent.*
- (5) *Thousands of barrels per day.*
- (6) *Millions of tonnes of oil equivalent.*
- (7) *Thousands of tonnes.*
- (8) *Billion cubic meters. Includes 100% of sales volumes reported by Gas Natural although at 31 December 2005 Repsol YPF owned 30.85% of Gas Natural and accounts for it using the proportional integration method under IFRS because, since 1 January 2002, Gas Natural reports 100% of the natural gas sales volumes of each of its consolidated subsidiaries, regardless of Gas Natural's stake in such subsidiaries. Since 2004, natural gas sales in Spain have included LNG supplied to wholesale customers in Spain, whereas in prior years these sales were reported as "Rest of the World." Natural gas sales for 2003 have been restated in accordance with this criterion.*
- (9) *Information includes 50% of Refinor refinery (Argentina), 30% of REFAP refinery (Brazil) and 30.71% of Manguinhos refinery (Brazil).*
- (10) *Information for ABB includes 50% of Refinor's service stations.*

Operations

Exploration and Production

Exploration and Production (**E&P**) accounted for approximately 53% and 65% of Repsol YPF's operating income in 2005 and 2004, respectively.

E&P includes the exploration and production of crude oil and natural gas in different parts of the world. Repsol YPF's oil and gas reserves are located in Latin America (Argentina, Bolivia, Trinidad and Tobago, Venezuela, Brazil, Ecuador, Colombia and Peru), North Africa (Libya and Algeria), the Middle East, Spain and the United States.

Repsol YPF's other E&P activities include the liquefaction of natural gas in Trinidad and Tobago, the sale and transportation of LNG and the supply and retail sale of natural gas and natural gas liquids in Argentina.

At 31 December 2005, Repsol YPF had oil and gas exploration and production interests in 24 countries, through concessions and contractual agreements, either directly or through its subsidiaries. Repsol YPF acted as operator in 20 of these countries.

Repsol YPF and Gas Natural reached an agreement for both companies to intensify their collaboration in the LNG business and further information is detailed in the "Gas and Electricity" section of this part of this Base Prospectus.

Refining and Marketing

Refining and Marketing operations contributed 43.55% of the total operating income of Repsol YPF in 2005 and 33.82% in 2004.

Repsol YPF's Refining and Marketing business unit comprises refining, transportation and marketing (both at the retail and wholesale level) of petroleum products and distribution and retail sale of LPG, including butane and propane. Repsol YPF conducts refining activities in three countries as operator and is the leading refiner in the Spanish and Argentine markets.

Refining

Repsol YPF's refineries produce a wide range of petroleum products, including automotive and industrial fuels, lubricants, basic petrochemicals, asphalt and coke.

At 31 December 2005, Repsol YPF had wholly and partially-owned refineries in: Spain, Argentina, Peru and Brazil:

Spain. Repsol YPF owns five refineries in Spain which have a total installed capacity of 740 thousand barrels per day.

Argentina. Repsol YPF owns and operates three refineries in Argentina, which have a total installed capacity of 319.5 thousand barrels per day. Additionally, Repsol YPF has a 50% interest in the Refinor refinery, which results in a refining capacity for Repsol YPF of approximately 13 thousand barrels per day.

Peru. Repsol YPF owns one refinery in Peru, which has a total refining capacity of approximately 102 thousand barrels per day.

Brazil. Repsol YPF has a 30.71% interest in the refinery at Manguinhos and a 30% interest in the REFAP refinery, which results in a refining capacity for Repsol YPF of approximately 58 thousand barrels per day.

Marketing

Repsol YPF's points of sale (service stations and gas pumps) as of 31 December 2005 amounted to 6,853 of which 3,618 were located in Spain, 1,830 in Argentina, 428 in Portugal, 415 in Brazil, 211 in Chile, 155 in Peru, 121 in Ecuador and 75 in Italy. 3,685 of the points of sale were owned or controlled by Repsol YPF under long-term commercial contracts or other types of contractual relationships that secure a long-term direct influence over such points of sale. The other 3,168 service stations are "flagged points of sale" that are owned by third parties and has signed a reflagging contract that provides Repsol YPF with the rights (i) to become such service stations' exclusive supplier and (ii) to brand the service station with its brand name.

LPG

Repsol YPF participates in the LPG market mainly in Spain, Argentina, Chile, Perú, Ecuador and Portugal.

Sales of LPG during 2005 amounted to 3,342 thousand tonnes: 1,921 thousand tonnes in Spain, 314 thousand tonnes in Argentina, 918 thousand tonnes in the rest of Latin America and 189 thousand tonnes in the rest of the World.

Chemicals

Repsol YPF leads the Spanish market in basic and derivative petrochemical products, polymers and intermediate products. Repsol YPF's most significant production facilities are located in Spain (the Puertollano and Tarragona complexes), since 30 November 2004 in Portugal (the Sines complex) and Argentina (the La Plata, Plaza Huincul and Bahía Blanca complexes). The Chemicals division is responsible for management, feedstock, distribution and marketing principally in Europe and the Mercosur region. Most of these units are in the same industrial complexes as Repsol YPF's refineries, which allows for a high degree of integration between both businesses.

Gas and Electricity

Gas and Electricity activities contributed 6.3% to Repsol YPF's operating income in 2005 and 6.6% in 2004.

Repsol YPF is involved, directly or through its affiliates, in the natural gas and electricity sectors. In the natural gas sector, Repsol YPF is engaged in the supply, storage, transportation, distribution and marketing of natural gas in Spain, the distribution and marketing of natural gas in Italy, Argentina and Mexico and the distribution of natural gas in Brazil and Colombia. In the electricity sector, Repsol YPF is engaged in power generation in Spain, Puerto Rico and Argentina and marketing in Spain.

Since April 2002, from an operational point-of-view, the downstream business of Gas and Electricity (including electricity generation and natural gas distribution) has been integrated under Gas Natural whereas the upstream business of Gas and Electricity has remained under Repsol YPF.

Repsol YPF and la Caixa d'Estalvis i Pensions de Barcelona (*la Caixa*) have entered into an agreement, with respect to Gas Natural, the most significant aspects of which are the following:

- Repsol YPF and la Caixa will jointly control Gas Natural in accordance with the principles of transparency, independence and professional diligence.
- The Board of Directors of Gas Natural will be composed of 17 members. Repsol YPF and la Caixa will each have the right to nominate five directors. Repsol YPF and la Caixa will vote in favour of each other's nominees. One director will be appointed by Caixa de Catalunya and the remaining six directors will be independent directors.
- La Caixa will nominate the Chairman of the Board of Directors of Gas Natural and Repsol YPF will nominate the Managing Director. Repsol YPF's and la Caixa's directors will vote in favour of each other's nominees for these positions.
- The Executive Committee of the Board of Directors of Gas Natural will be composed of eight members, consisting of three members nominated by each of Repsol YPF and la Caixa out of the directors they respectively nominated to the Board of Directors of Gas Natural, including the Chairman of the Board of Directors and the managing director. The other two members of the Executive Committee will be independent directors.
- The partners will jointly agree, prior to submission to the Board of Directors of Gas Natural, on (i) the strategic plan of Gas Natural, which will include all decisions affecting the strategy of Gas Natural, (ii) the corporate structure of Gas Natural, (iii) the annual budget of Gas Natural, (iv) any business combinations and (v) any acquisitions or disposal of strategic assets of Gas Natural.

These agreements will remain effective for as long as both parties hold a minimum participation in Gas Natural of 15%.

Since 2002, Repsol YPF and Gas Natural have been cooperating to coordinate the "midstream" business through the creation of separate legal entities for those activities that require a separate corporate entity (e.g., integrated projects) or through specific collaboration agreements where mutual assistance and cooperation in carrying out midstream activities can give rise to synergies and other benefits for both parties.

Repsol YPF and Gas Natural reached an agreement for both companies to intensify their collaboration in the LNG business areas of exploration, production, transportation, trading and wholesale marketing.

In the area of exploration, production and liquefaction (upstream), the agreement contemplates the partnership to develop new projects where Repsol YPF will be the operator and holder of 60% of the assets. Gas Natural will hold the remaining 40%.

In the area of transportation, trading and wholesale marketing (midstream), the agreement contemplates both companies creating a joint venture aimed at the wholesale marketing and transportation of LNG. Both Repsol YPF and Gas Natural will hold 50% stakes in this joint venture. The chairman of the joint venture will be elected on a rotational basis, and Gas Natural will nominate the chief executive officer.

Pursuant to the agreement, Gas Natural and Repsol YPF will also develop in a coordinated manner diverse regasification plant projects where Gas Natural will be the operator and the regasification rights will be allocated to the new joint venture. The initial term of this collaboration agreement is 10 years.

Repsol YPF consolidates its interest in Gas Natural by way of the proportional integration method.

Development of the Business

Repsol YPF's net income in the first nine months of 2006 was 3.1% higher than for 2005, reaching euro 2,651 million as opposed to euro 2,571 million. Income from operations increased by 5.5% to euro 5,066 million.

EBITDA (earnings before interest, taxes, depreciation and amortisation) rose 7.1% to euro 7,135 million as opposed to euro 6,664 million in the same period in 2005. At euro 2.17, earnings per share also posted a significant 3.1% rise.

These results were achieved against a backdrop of high oil prices, with Brent trading up 24.7%, the refining margin down 20.5%, and with higher international margins on chemicals, although these results were also accompanied by higher energy costs. The growth trend in gas and power was ongoing due to positive results in distribution in Latin America, gas marketing and the power business in Spain.

The interim unaudited consolidated preview of the income statement for the third quarter of 2006, which incorporates the income statement of Repsol YPF for the nine months ended 30 September 2006, has been filed with the CNMV, SEC and CNV and is incorporated by reference in, and forms part of, this Base Prospectus.

Performance by Business Areas

Exploration & Production: 13.4% income growth

At euro 2,890 million, income from exploration and production operations in the first nine months of 2006 was 13.4% higher than the equivalent euro 2,549 million in 2005.

Growth in operating income was mainly driven by high crude oil reference prices, which boosted the company's liquids realisation price to an average of U.S.\$47.65 per barrel in the first nine months of 2006, as opposed to U.S.\$36.27 per barrel in 2005, and by higher realisation prices in Trinidad & Tobago, Venezuela, and Argentina.

Total production in the nine months ended 30 September 2006 fell 4% year-on-year to 1,109,600 barrels of oil equivalent per day (*boepd*), mainly brought about by a drop in production in Venezuela due to the migration from operating concessions to mixed companies, and problems in delivery to Petróleos de Venezuela, S.A. (*PDVSA*), and also by the lower production in Argentina as a result of the decline in

the oil fields. These factors were partly compensated for by production growth in Trinidad & Tobago, Peru, Bolivia, and Brazil.

For the nine months ended 30 September 2006, investments in this area were 263.7% higher year-on-year, reaching euro 3,386 million. This increase was driven by the acquisition of the Shenzi oil field for euro 1,727 million, the commencing of the Canaport (Canada) and Gassi Touuil (Algeria) projects, the acquisition of a 10% stake in West Siberian Resources, and larger investments in development and exploration.

Investments in development accounted for 30.6% of total investment for the nine months ended 30 September, and were mainly spent in Argentina (60%), Venezuela (9%), Trinidad & Tobago (9%), Algeria (4%), Ecuador (4%), and the United States of America (4%).

Refining & Marketing: 2.6% sales growth

Income from operations in the refining and marketing area was euro 1,611 million for the first nine months of 2006, falling 23% against the euro 2,093 million in 2005. This lower performance was principally due to the outcome of lower refining margins and narrower marketing margins in Argentina due to the impossibility of passing product price rises on to retail prices. In Spain, margins were higher year-on-year.

Total oil product sales rose by 2.6% to 43.8 million tons. In Spain and in Argentina, Brazil and Bolivia (**ABB**), light product sales to our own network were higher.

LPG sales worldwide were 15.3% higher than in the first nine months of 2005 and included wholesales in Argentina, which in 2005 were booked to ABB.

Latin American sales increased by 10.6% with respect to the first nine months of 2005. Retail margins have increased in all countries except Peru, where they remained in line with those of the previous year.

Investments in refining and marketing were euro 492 million, 30.2% down on the 2005 figure of euro 705 million, which included the acquisition of Shell's LPG assets in Portugal.

Chemicals: 6.6% rise in sales

In chemicals, income from operations in the first nine months of 2006 was euro 208 million, a decrease of 21.5% from 2005, mainly because of higher energy costs, the fact that the 2005 results included capital gains on the sale of a 28% stake in PBB Polisur, and the positive impact of the Sines acquisition.

Total petrochemical product sales during this period reached 3,629 thousand tons, 6.6% more than 2005 despite the scheduled turnovers at the propylene oxide, styrene monomer and derivatives plants in Tarragona.

For the first nine months of 2006, investments in chemicals totalled euro 128 million, 8.5% higher than the same period a year ago, and included increasing the capacity at the propylene oxide/styrene monomer plant at the Tarragona complex, in addition to the cracker and high-density plant at the Sines Complex in Portugal.

Gas & Power: 24.5% income growth

Income from gas and power operations in the first nine months of 2006 totalled euro 361 million as opposed to euro 290 million in the same period in 2005. This rise was mainly attributable to larger capital gains from the sale of Enagás shares and a positive earnings performance by Gas Natural.

Power activities both in Spain and internationally posted considerable income growth, and natural gas marketing in Spain showed ongoing improvement.

Investments in gas and power during the first nine months of 2006 totalled euro 236 million, lower than the 2005 equivalent, which included the acquisition of Dersa, a wind power generation company.

Lower financial charges

Financial charges in the first nine months of 2006 were euro 387 million as opposed to euro 464 million in the same period in 2005. This decrease was mainly the result of lower interest expenses owing to a year-on-year reduction in average net debt, in addition to the impact of positive translation differences due to the appreciation of the Brazilian real and the euro against the U.S. dollar.

The Company's net debt at the end of September 2006 was euro 5,870 million, euro 1,357 million higher than at the end of 2005. The variations in the first nine months of 2006 were mainly attributed to investments which in the third quarter of 2006 amounted to euro 2,611 million, principally due to the acquisition of the Shenzi oil field for euro 1,727 million and to the payment of euro 369 million in dividends during this quarter.

2. Directors and Senior Management

Board of Directors

As of the date of this Base Prospectus, the members of the Board of Directors of Repsol YPF, S.A. are as follows:

	Position	Year Appointed	Current Term Expires
Antonio Brufau Niubó ⁽¹⁾⁽²⁾	Chairman and director	1996	2007
Juan Abelló Gallo ⁽⁶⁾	Director	2006	- ⁽⁷⁾
Paulina Beato Blanco ⁽³⁾	Director	2005	2010
Artur Carulla Font ⁽³⁾	Director	2006	2010
Javier Echenique Landiribar ⁽¹⁾⁽³⁾	Director	2006	2010
Antonio Hernández-Gil Álvarez-Cienfuegos ⁽¹⁾⁽³⁾	Director	1997	2009
José Manuel Loureda Mantiñán ⁽⁶⁾	Director	2007	- ⁽⁸⁾
Jorge Mercader Miró ⁽¹⁾⁽⁵⁾	Director	2004	2009
Carmelo de las Morenas López ⁽³⁾	Director	2003	2007
PEMEX Internacional España, S.A. ⁽¹⁾⁽⁴⁾	Director	2004	2010
Manuel Raventós Negra ⁽⁵⁾	Director	2007	- ⁽⁸⁾
Henri Philippe Reichstul ⁽¹⁾⁽³⁾	Director	2005	2010
Luis Fernando del Rivero Asensio ⁽⁶⁾	Director	2006	- ⁽⁷⁾
Luis Suárez de Lezo Mantilla ⁽¹⁾⁽²⁾	Director and Secretary	2005	2009

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

(2) *Executive Director.*

- (3) *Independent outside director as determined in accordance with the Bylaws and the Regulations of the Board of Directors.*
- (4) *Raul Cardoso Maycotte serves as representative of PEMEX Internacional España, S.A. (a related company of PEMEX) on the Board of Directors of Repsol YPF, S.A. Spanish law permits limited liability companies to serve as members of the Board of Directors. A company serving in such a capacity must appoint a natural person to represent it at the meetings of the Board of Directors.*
- (5) *Nominated for membership by Caja de Ahorros y Pensiones de Barcelona.*
- (6) *Nominated for membership by Sacyr Vallehermoso, S.A.*
- (7) *Appointed by a resolution of the Board of Directors dated 29 November 2006. These appointments will be subject to ratification at the next General Shareholders' Meeting.*
- (8) *Appointed by a resolution of the Board of Directors dated 31 January 2007. These appointments will be subject to ratification at the next General Shareholders' Meeting.*

The business address of each of the directors is Paseo de la Castellana 278-280, 28046 Madrid, Spain.

The principal business activities of the directors of Repsol YPF, S.A. performed outside Repsol YPF are:

Antonio Brufau Niubó: Vice Chairman of Gas Natural SDG, S.A. and director of Suez, S.A.

Juan Abelló Gallo: Chairman of Torreal, S.A. and Alcaliber, S.A. (as representative of Nueva Compañía de Inversiones, S.A.); Vice Chairman of Sacyr Vallehermoso, S.A. (as representative of Nueva Compañía de Inversiones, S.A.) and CVNE (as representative of Austral, B.V.); and director of AGBAR (as representative of Nueva Compañía de Inversiones, S.A.), Insec (as representative of Torreal, S.A.), Lanetro ZED, S.A. (as representative of Nueva Compañía de Inversiones, S.A.) and Gruppo Banca Leonardo.

Paulina Beato Blanco: Advisor to the Iberoamerican Secretary General (*Secretaría General Iberoamericana*) and professor for Economic Analysis in various universities.

Artur Carulla Font: Chief Executive Officer of Agrolimen, S.A. and Corporación Agrolimen, S.A., Chairman of the Board of directors of Affinity Petcare, S.A., Gallina Blanca, S.A., Biocentury, S.L., The Eat Out Group, S.L. and Quercus Equity, S.L., member of the Board of Directors of Arbora & Ausonia, S.L.U., member of the Management Board of the Instituto de Empresa Familiar, Vice President of the Círculo de Economía and member of Fundación ESADE.

Javier Echenique Landiribar: director of Telefónica Móviles México, Actividades de Construcción y Servicios (ACS), S.A., Uralita, S.A., Grupo Empresarial ENCE, S.A., and Consulnor, S.A. Furthermore, Javier Echenique Landiribar is member of the Delegate Committee of Telefónica, S.A. in the Basque region, member of the Foundation Board of Fundación Novia Salcedo, director of Agencia de Calidad y Acreditación del Sistema Universitario Vasco and member of the Círculo de Empresarios Vascos.

Antonio Hernández-Gil Álvarez-Cienfuegos: Director and member of the Audit and Control Committee of Barclays Bank, S.A.

José Manuel Loureda Mantiñán: Director of Sacyr Vallehermoso, S.A. (as representative of Prilou, S.A.), Chairman of Valoriza and Director of Autopista Vasco Aragonesa (Avasa), Vallehermoso, Testa, Sacyr and Itinere.

Jorge Mercader Miró: Chairman of Miquel y Costas & Miquel, S.A., Second Vice Chairman of la Caixa Chairman of Sociedad General de Aguas de Barcelona, S.A. (**AGBAR**), director of Caixa Holding, S.A. and director of Corporación Alimentaria Peñasanta, S.A. (**CAPSA**).

Carmelo de las Morenas López: director of the Britannia Steam Ship Insurance Association Limited and director of Orobaena, S.A.T.

Manuel Raventós Negra: Third Vice Chairman of “la Caixa”, Vice Chairman of Sociedad General de Aguas de Barcelona, S.A., Director of Caifor, S.A., Director of Abertis Infraestructuras, S.A., Director of Confide Residencial, S.L. (as representative of Grupo Confide, S.A.), Director of SAR, S.A. (as representative of Grupo Confide, S.A.), Chairman and Chief Operating Officer of Josep Maria Raventós i Blanc, S.A., Chairman of Cefrusa Servicios Frigoríficos, S.A. (as representative of Urcu, S.A.), Director of Migjorn, S.A. (as representative of Urcu, S.A.), Member of the Board of Directors of L’Institut Agrícola Català de Sant Isidre and Foment del Treball Nacional, Member of Foundation Esade, Foundation Institució Cultural del Cic and Foundation Elisava Escola Superior de Disseny.

Raul Cardoso Maycotte: Managing director of PEMEX Internacional España, S.A. and P.M.I. Holdings Petróles España, S.L., as well as the Mexican representative to OPEC and the International Energy Agency, amongst other forums.

Henri Philippe Reichstul: member of the Strategic Board of ABDIB, director of Prisma Energy Internacional, director of TAM – Linhas Aéreas, S.A., member of Coinfra, member of the Advisory Board of Lhoist do Brasil Ltda., member of the Consulting Board of Peugeot Citroen do Brasil, Director of the Holdings/VIVO, Director of Pão de Açucar Group and Vice Chairman of the Brazilian Foundation for Sustainable Development.

Luis Fernando del Rivero Asensio: Executive Chairman of Sacyr Vallehermoso, S.A. and member of the Board of Directors of the following entities of the Sacyr Vallehermoso Group: Testa Inmuebles en Renta, S.A., Sacyr, S.A.U., Vallehermoso División Promoción, S.A.U., Itínere Infraestructuras, S.A., Valoriza, S.A.U., Vice Chairman of Autopista Vasco Aragonesa Concesionaria Española, S.A. and Chairman of Tesfran.

Luis Suárez de Lezo Mantilla: Director of Compañía Logística de Hidrocarburos, S.A. (CLH) and Repsol Gas Natural LNG, S.L.

Potential Conflicts of Interest

There are no conflicts of interests between any duties owned by the directors of Repsol YPF, S.A. to Repsol YPF, S.A. and their respective private interests and/or other duties.

Delegate Committee (Comisión Delegada)

The Delegate Committee has been permanently delegated all the powers of the Board of Directors, except those which cannot by law be delegated and those considered as such by the Regulations of the Board of Directors. According to the Regulations of the Board of Directors, the Delegate Committee meets on a monthly basis and its minutes are presented to the Board of Directors.

The Chairman of the Board of Directors serves as the Chairman of the Delegate Committee and the Secretary of the Board serves as Secretary to the Committee.

Whenever the issue is of sufficient importance, in the opinion of the Chairman or three members of the Delegate Committee, the resolutions adopted by the Delegate Committee are submitted to the full Board for ratification. The same applies to any business referred by the Board to be studied by the Delegate Committee, while reserving the ultimate decision for the Board. In all other cases, the resolutions adopted by the Delegate Committee shall be valid and binding with no need for subsequent ratification by the Board.

The Delegate Committee is composed of the Chairman and a maximum of seven directors, who are appointed from among the executive directors, institutional external directors and independent external directors based upon the relative weight of each type of director in the composition of the Board of Directors. The appointment of its members requires the vote of two-thirds of the members of the Board of Directors.

Antonio Brufau Niubó is the Chairman of the Delegate Committee, and its other members are Javier Echenique Landiribar, Antonio Hernández-Gil Álvarez-Cienfuegos, Jorge Mercader Miró, PEMEX Internacional España, S.A., represented by Raul Cardoso Maycotte, Henri Philippe Reichstul, Luis Fernando del Rivero Asensio and Luis Suárez de Lezo Mantilla.

The Regulations that govern the Delegate Committee are set out in Repsol YPF, S.A.'s Bylaws and the Regulations of the Board of Directors.

Audit and Control Committee (Comisión de Auditoría y Control)

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

The Audit and Control Committee carries out supervision, reporting, advising and proposal functions, supports the Board in its supervisory duties, including the periodic review of the preparation of economic and financial information of Repsol YPF, executive controls, supervision of the internal audit department and the independence of the external auditors, as well as the review of compliance with all the legal provisions and internal regulations applicable to Repsol YPF. This Committee is competent to formulate and submit proposals to the Board regarding the appointment of external auditors, extension of their appointment, their removal and the terms of their engagement. It also informs the General Meeting, through its Chairman, on any issues raised by shareholders regarding matters within its competence.

Moreover, since April 2005, the Audit and Control Committee is also responsible for supervising the procedures and systems for recording and internal controls over Repsol YPF's hydrocarbon reserves, and steers the environmental and work safety policies, guidelines and objectives of Repsol YPF.

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

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

As of the date of this Base Prospectus, the members of the Audit and Control Committee are Paulina Beato Blanco (Chairman), Artur Carulla Font, Javier Echenique Landiribar and Carmelo de las Morenas López. The Board of Directors of Repsol YPF, S.A. at its meeting on 28 April 2004, announced that Carmelo de las Morenas López met the conditions to be considered an "Audit Committee Financial Expert" pursuant to the rules and regulations of the SEC.

The Regulations that govern the Audit and Control Committee are set out in Repsol YPF, S.A.'s Bylaws, in the Regulations of the Board of Directors and in the Regulations of the Audit and Control Committee.

Nomination and Compensation Committee (Comisión de Nombramientos y Retribuciones)

The Nomination and Compensation Committee of the Board of Directors, which is composed of three directors appointed for a four-year term, among other functions, is responsible for the nomination of directors, director compensation policy and reporting on director compensation to the Board of Directors. Executive directors may not sit on the Nomination and Compensation Committee. As of the date of this Base Prospectus, the members of the Nomination and Compensation Committee are Antonio Hernández-Gil Álvarez-Cienfuegos (Chairman), Artur Carulla Font and Manuel Raventós Negra.

On 26 March 2003, the Board of Directors approved the Regulations that govern the Nomination and Compensation Committee.

Strategy, Investment and Competition Committee (Comisión de Estrategia, Inversiones y Competencia)

The Strategy, Investment and Competition Committee was created on 25 September 2002 to, among other functions, inform and present proposals to the Board of Directors regarding relevant strategic decisions and investments in and divestments of assets that require action by the Board of Directors.

The Strategy, Investment and Competition Committee is comprised of a minimum of three directors appointed for a four-year term. The members of the Committee are PEMEX Internacional España, S.A., represented by Raul Cardoso Maycotte (Chairman), Juan Abelló Gallo, José Manuel Loureda Mantiñán and Jorge Mercader Miró.

On 26 March 2003, the Board of Directors approved the Regulations that govern the Strategy, Investment and Competition Committee.

Executive Committee (Comité de Dirección)

Effective as of 13 January 2005, Repsol YPF approved an organisational structure that simplified and rationalised the committee structures of Repsol YPF, and streamlined the decision-making process. The former Executive Committee and the Management Committee were replaced by a single Executive Committee (*Comité de Dirección*), which is charged with the tasks of defining Repsol YPF's strategy and managing Repsol YPF's operations, and whose members as of the date of this Base Prospectus were as follows:

Name	Position
Antonio Brufau Niubó.....	Chairman and Chief Executive Officer
Pedro Fernández Frial	Business director of Downstream
Nemesio Fernández-Cuesta Luca de Tena.....	Business director of Upstream
Jesús Fernández de la Vega Sanz	Corporate director of Human Resources
Jaume Giró Ribas	Corporate director of Communication and Head of the Chairman's Office
Enrique Locutura Rupérez	Business director of Argentina, Brazil and Bolivia
Miguel Martínez San Martín.....	Corporate director of Control and Corporate Development
Fernando Ramírez Mazarredo	Corporate director of Finance and Corporate Services
Luis Suárez de Lezo Mantilla	Corporate director of Legal and General Counsel
Cristina Sanz Mendiola	Corporate director of Resources

The following is a summary of the business experience and areas of expertise of the members of the Executive Committee.

Antonio Brufau Niubó: A graduate in Economics from the University of Barcelona, he began his professional career at Arthur Andersen, where he became Partner and director of Auditing. In 1988, he joined la Caixa as deputy managing director and, from 1999 to 2004, held the position of managing

director for the la Caixa Group. Appointed Chairman of the Gas Natural Group in July 1997, he was a member of Repsol YPF, S.A.'s Board of Directors from 1996 until becoming Chairman and CEO of Repsol YPF, S.A.'s Board of Directors on 27 October 2004, a position he currently holds. He is also Vice Chairman of the Gas Natural Group. During his extensive business career, Antonio Brufau has served on the Board of Directors of several companies, including Suez, Enagás, Abertis, Aguas de Barcelona, Colonial and Caixa Holding, the CaixaBank France and CaixaBank Andorra. Until December 2005, he was the only Spanish member on the Executive Committee of the International Chamber of Commerce (*ICC*). In July 2002, he was appointed Chairman of Barcelona's *Círculo de Economía*, a position he held until July 2005.

Pedro Fernández Frial: An Industrial Engineer with a degree from the *Escuela Técnica Superior de Ingenieros Industriales* in Madrid, he began his career with Repsol YPF in 1980, holding various technical and management positions in the Refining area. In 1992, he joined Repsol YPF's Planning and Control Office, working in planning for the gas business. In 1994, he was named director of Planning and Control for the Chemicals area and during 2002 and 2003 was responsible for this area. Until becoming executive director of Downstream in 2005, he occupied the position of corporate director of Planning and Control of Repsol YPF.

Nemesio Fernández-Cuesta Luca de Tena: A graduate in Economic and Business Studies from the *Universidad Autónoma* of Madrid, he has been State Trade Expert and Economist since 1981. He has extensive professional experience in the energy sector as a civil servant, moving on to Repsol YPF in 1987, where he has held a number of positions, including Marketing Executive Vice President. In 1996, he was appointed Secretary of Energy and Natural Resources by the Spanish Government. He returned to Repsol YPF in 2003, holding the position of director of Shared Services and is the executive director of Upstream.

Jesús Fernández de la Vega Sanz: A graduate in Law from the *Universidad Complutense* of Madrid, with a further degree in Comparative Law from the University of Strasbourg, he is a Technical Labour and Social Security Inspector and was assistant general director of Studies and director general of Employment at the Ministry of Labour and Social Security and member of the Economic and Social Council. In 1985, he joined the INH as Secretary General and has been group managing director of Human Resources since the creation of Repsol YPF, where he has played a prominent role in the successive integration processes that make up Repsol YPF today.

Jaume Giró Ribas: A graduate in Communication Sciences from the University of Navarra, with a diploma in Business Administration and Management from the ESADE Business School, he began his professional career working for the regional press in Navarra and with the *La Vanguardia*, a national daily newspaper. In 1987, he joined the Europa Press news agency, where he became Chief Economics Editor in Barcelona. In 1990, he began working in the business field as Communications Manager for Gas Natural. In June 1991, he was appointed director of External Relations for the Barcelona Division of Gas Natural and in 1994 became corporate director of External Relations for the Gas Natural Group. In 1995, he was also appointed Head of the Chairman's Office and in September 1996, joined the Management Committee of Gas Natural Group. Since November 2004, he has been group executive director of Communication and Head of the Chairman's Office of Repsol YPF.

Enrique Locutura Rupérez: A graduate in Mining Engineering from *Escuela Técnica Superior de Ingenieros de Minas* in Madrid, he began his professional career in 1972 at the *Empresa Nacional del Petróleo de Tarragona, S.A., ENTASA*, now part of Repsol YPF. In 1986, after holding various posts in Technical Management with the company ENPETROL, he joined Campsa as Engineering Manager, and in 1987 was appointed its technical director. In 1988, he joined Repsol, S.A. Planning and Control Management, serving as director of Exploration and Distribution with responsibility for planning its gas business. From 1989 until 1993, he held the position of General Manager of Campsa and of CLH, and from 1993 until 2000 he held the position of managing director of Repsol Química, S.A., Vice President of Repsol Comercial and Chief Executive Officer of *Petróleos del Norte, S.A. (Petronor)*. In 2000 he was

appointed corporate director of Shared Services at Repsol YPF, a post he held until 23 June 2003 when he became Chief Executive Officer of Gas Natural. He is currently the executive director for Argentina, Brazil and Bolivia for Repsol YPF a position he has held since 13 January 2005.

Miguel Martínez San Martín: An Industrial Engineer with a degree from the Escuela Técnica Superior de Ingenieros Industriales in Madrid, specialising in financial information systems, he was a Manager in the Audit Division of Arthur Andersen, economic financial director for Elosua and Page Ibérica. In 1993, he joined Repsol YPF, S.A. as economic financial director of Refining and Repsol Comercial, where he has also held the position of director of the company-owned-and-operated network, Campsared. Until becoming group managing director of Control and Corporate Development, he held the position of director of Repsol YPF's Service Stations in Europe.

Fernando Ramírez Mazarredo: A graduate in Economic and Business Sciences from the University of Madrid and a Certified Public Accountant. He has extensive experience as an auditor. He was Managing Partner of Arthur Andersen, Advisor and Deputy Chairman of the CNMV and assistant general manager of la Caixa. In 1996, he was appointed assistant managing director of this saving bank, a position he held until becoming group managing director of Finance and Corporate Services. He was also Chairman of the Spanish Financial Futures market (*Mercado Español de Futuros Financieros*) from April 2004 to June 2005.

Luis Suárez de Lezo Mantilla: A graduate in Law from the Universidad Complutense of Madrid and a State Attorney (on leave), specialising in Commercial and Administrative Law, he was director of Legal Affairs for Campsa until the end of the oil monopoly and the senior partner of his own law firm, specialising in the energy sector. He is General Counsel and Secretary of the Board of Directors of Repsol YPF.

Cristina Sanz Mendiola: A graduate in Senior Industrial Engineering from the Escuela Técnica Superior de Ingenieros Industriales in Madrid, she began her career in the iron and steel industry and worked for one year in Pittsburgh, Pennsylvania, at Carnegie-Mellon University, in association with the Department of Engineering and Public Policy. Later, as a member of the Corps of Industrial Engineers of the Spanish Ministry of Industry and Energy, she was appointed general subdirector of International Industrial Relations in charge of both bilateral and European Union relations, and she had an active role in the negotiations for the incorporation of Spain in the European Economic Community. She subsequently became general subdirector of Energy Planning of the Spanish Government, a position that included responsibilities in the areas of Environment and Research and Development. In 1994, she joined Repsol S.A. as director of the Environmental Department and later assumed responsibility for Security and Quality. Since January 2005, she has been corporate director of Resources, responsible for Engineering, Information Systems, Technology, Purchasing and Contracting, Environment and Safety and Insurance.

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

Disclosure Committee (Comité Interno de Transparencia)

The Disclosure Committee, formed in November 2002, performs, among other things, the following functions:

- Supervision of the establishment and maintenance under the Chief Executive Officer and the Chief Financial Officer of procedures governing the preparation of information to be publicly released by Repsol YPF in accordance with applicable law and regulation or which are, in general, communicated to the markets, in addition to the supervision of certain controls and other procedures that are designed to ensure that (1) such information is recorded, processed,

summarised and reported accurately and on a timely basis; and (2) such information is accumulated and communicated to management, including Chief Executive and the Chief Financial Officer, as appropriate to allow timely decisions regarding such requisite disclosure, making the improvement proposals it deems appropriate to the Chief Executive and Chief Financial Officer.

- Revision and evaluation of the accuracy, reliability, sufficiency and clarity of all information contained in documents destined for public release by Repsol YPF, including, in particular, communications made to the CNMV, the SEC, the CNV and the other regulators and supervisory bodies of the stock markets on which shares in Repsol YPF, S.A. are listed.
- Supervision of the Disclosure Committee established by YPF, S.A. in connection with the listing of its shares in the United States.
- Carrying out any other function which, in connection with the preparation and communication of financial information, is requested by the Board of Directors, the Audit and Control Committee, the Chief Executive Officer or the Chief Financial Officer.

The Disclosure Committee is composed of the economic and administration director, who is the Chairman of the Committee, the Legal Services corporate director, who acts as the Secretary of the Committee, the corporate audit director, the economic and administration director for the Corporation, the internal control and accounting policies director, the investor relations director, the external relations director, the corporate risk management director, the corporate governance affairs director, a representative of the Corporate Division of Communication and Head of the Chairman's Office, a representative of the Corporate Division of Control and Corporate Development, a representative of the Corporate Division of Human Resources, a representative of the Business Division of Upstream, a representative of Business Division of Downstream and a representative of the Business Division of Argentina, Brazil and Bolivia.

Share Ownership of Directors and Officers

The total number of shares owned by the members of the Board of Directors according to the latest information available to Repsol YPF was 159,347, representing 0.0131% of the capital stock of Repsol YPF, S.A.

	Number	Number	Total	% total	Nominating	Number of shares	
	of	of shares		shares		shareholder	owned by nominating
	shares	indirectly	shares	outstanding	shareholder	Number ⁽¹⁾	%
	owned	held					
Antonio Brufau Niubó.....	24,354	-	24,354	0.002	-	-	-
					Sacyr		
Juan Abelló Gallo ⁽⁴⁾	1,000	81,926	82,926	0.007	Vallehermoso	244,294,779	20.010
Paulina Beato Blanco	100	-	100	0.000	-	-	-
Artur Carulla Font	1,225	-	1,225	0.000	-	-	-
Javier Echenique Landiribar	-	17,200	17,200	0.001	-	-	-
Antonio Hernández-Gil Álvarez							
Cienfuegos	-	-	-	-	-	-	-
					Sacyr		
José Manuel Loureda Mantiñán ⁽⁴⁾	2,300	21,000	23,300	0.002	Vallehermoso	244,294,779	20.010
Jorge Mercader Miró ⁽³⁾	50	-	50	0.000	la Caixa	111,106,507	9.101
Carmelo de las Morenas López	7,376	-	7,376	0.001	-	-	-
PEMEX Internacional España, S.A. ⁽²⁾	1	-	1	0.000	PEMEX	58,955,269	4.83
Manuel Raventós Negra ⁽³⁾	100	-	100	0.000	la Caixa	111,106,507	9.101

	Number of shares owned	Number of shares indirectly held	Total shares	% total shares outstanding	Nominating shareholder	Number of shares owned by nominating shareholder	
Henri Philippe Reichstul	50	-	50	0.000	-	-	-
					Sacyr		
Luis Fernando del Rivero Asensio ⁽⁴⁾	1,000	-	1,000	0.000	Vallehermoso	244,294,779	20.010
Luis Suárez de Lezo Mantilla	1,665	-	1,665	0.000	-	-	-

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

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

(3) Nominated for membership by *la Caixa*. In addition, *la Caixa* has a 67.6% interest in *Repinves*, which holds a 5.02% interest in *Repsol YPF*.

(4) Nominated for membership by *Sacyr Vallehermoso*.

The members of the Executive Committee of Repsol YPF together own less than 1% of the outstanding shares of Repsol YPF. As of the latest practicable date, the total amount of voting securities owned, directly or indirectly, by the directors and officers of Repsol YPF was 199,420 ordinary shares, or 0.0163% of the total number of ordinary shares of Repsol YPF, S.A. issued and outstanding.

3. Major Shareholders and Related Party Transactions

Major Shareholders of Repsol YPF, S.A. and Restrictions on Certain Transactions

Major Shareholders in 2005

Repsol YPF, S.A. is listed on the Spanish, New York and Buenos Aires stock exchanges. To the best of the knowledge of Repsol YPF, S.A., according to the latest information available to Repsol YPF, the following entities held significant shareholdings in the issued share capital of Repsol YPF, S.A.:

Shareholder	Percentage ownership (direct)	Percentage ownership (indirect)	Total percentage ownership
	%	%	%
Caixa Holding, S.A. ⁽¹⁾	9.101	5.022	14.123
Chase Nominees Ltd.	9.826	0	9.826
Repinves, S.A.	5.022	0	5.022
Petróleos de México (PEMEX) ⁽²⁾	0	4.83	4.83
Capital Group International	5.38	0	5.38
Sacyr Vallehermoso, S.A.	0	20.010	20.010
Sacyr Vallehermoso Participaciones Mobiliarias, S.L.	20.010	0	20.010

(1) Indirect ownership held through *Repinves, S.A.*

(2) Indirect ownership held through *Repcon Lux, S.A.* and *Pemex Internacional España, S.A.*

On 12 June 2006, BBVA notified the CNMV and the SEC that it had sold its stable 5.04% interest in Repsol YPF, S.A. (61,500,000 shares) to finance strategic investments. Following the sale of these shares in Repsol YPF, S.A., BBVA no longer holds a stable interest in Repsol YPF, S.A.

On 16 October 2006, Sacyr Vallehermoso, S.A. announced that it had bought a 9.24% stake in Repsol YPF, S.A. On 26 October 2006, Sacyr Vallehermoso, S.A. notified the CNMV of its intention to increase its stake in Repsol YPF, S.A. to 20%.

On 28 November 2006, in a regulatory announcement (*hecho relevante*) to the CNMV, Sacyr Vallehermoso, S.A. reported that its stake in the share capital of Repsol YPF, S.A. as at that date comprised: (i) a direct stake of 13.12609%, (ii) an indirect stake of 5.000% established by way of a return swaps transaction with Citigroup (to be exchanged and settled for shares), and (iii) a volatility risk hedging structure over a further 1.8839% with Banco de Santander, which is due to mature on 9 January 2007.

On 28 December 2006, Sacyr Vallehermoso, S.A. announced to the CNMV in a regulatory announcement (*hecho relevante*), that Sacyr Vallehermoso Participaciones Mobiliaria S.L., a company 100%-owned by Sacyr Vallehermoso, S.A., directly acquired 84,043,173 shares in Repsol YPF, S.A., a shareholding representing 6.884% of the share capital, established by way of a return swaps transaction with Citigroup as well as by the hedging structure with Banco de Santander. As a result, the total shareholding that Sacyr Vallehermoso, S.A. holds in Repsol YPF, S.A. has increased to 20.010% of the share capital. The acquisition of this shareholding has meant a total investment for Sacyr Vallehermoso, S.A. of euro 6,525.55 million, an average price of euro 26.71 per share.

Restrictions in the Event of Certain Transactions

Royal Decree-Law 4/2006 expanded the functions of the Spanish National Energy Commission (*Comisión Nacional de Energía*). Under the Royal Decree-Law 4/2006, prior administrative authorisation must be sought for certain acquisitions or investments in companies that engage in regulated activities or activities that, although not regulated in the strict sense, are subject to significant oversight by administrative bodies in Spain. Nevertheless, according to the information made public by Sacyr Vallehermoso on 26 October 2006, the National Energy Commission has ruled that the acquisition of Repsol YPF, S.A.'s shares is not subject to that Royal Decree-Law.

Related Party Transactions

Information related to transactions between Repsol YPF and certain related parties can be found (i) on page 124 *et seq.* of Repsol YPF's Form 20-F, and (ii) in the semi-annual information on related party transactions filed with the CNMV on 30 July 2006, in each case, as supplemented by the regulatory announcements of significant events (*hechos relevantes*) issued by Repsol YPF during the period commencing 15 July 2006 and ending on the date of this Base Prospectus. All of the above information is incorporated by reference in, and forms part of, this Base Prospectus.

Interest of Management in Certain Transactions

At 31 December 2005, loans by Repsol YPF to its senior management totalled approximately euro 0.339 million and bore interest at an average rate of 2.80%. All such loans were granted before 2003.

4. Recent Developments

As far as Repsol YPF is aware, there have been no recent events particular to the Issuer or the Guarantor that are, to a material extent, relevant to the evaluation of the Issuer's or the Guarantor solvency. Repsol YPF does, however, note the following recent developments:

Reserves Revisions and Independent Review

On 26 January 2006, Repsol YPF announced that, in connection with the determination of its worldwide proved oil and gas reserves as of 31 December 2005, it would reduce its prior proved reserves estimates (as originally reported) by 1,254 million barrels of oil equivalent. This amount represented 25% of Repsol YPF's total proved reserves originally reported as of 31 December 2004. At the same time, Repsol YPF announced that its Audit and Control Committee was undertaking an independent review of the facts and circumstances of the reduction in proved reserves with the assistance of independent counsel, King & Spalding LLP. The Audit and Control Committee presented the final conclusions of the independent review to the Board of Directors at its meeting of 15 June 2006.

For further details, please refer to the regulatory announcement of significant events (*hechos relevantes*) of Repsol YPF dated 26 January 2006 or page 121 of Form 20-F, each of which is incorporated by reference in, and forms part of, this Base Prospectus.

Repsol YPF reinforces its presence in the Gulf of Mexico, USA

On 12 July 2006, Repsol YPF acquired the 28% stake held by BP plc in the deepwater Shenzi field, in the Green Canyon area of the Gulf of Mexico, for U.S.\$2,145 million. The Shenzi field is operated by BHP Billiton with a 44% interest and the third partner is Amerada Hess with a 28% interest.

This field was discovered in 2002 and five appraisal wells have been drilled to date on the Southern Flank of the structure. The operator has designed a development plan for the Southern Flank of the field and the commercial production is expected to begin mid-year 2009.

Additional phases for the Southern Flank development of the Shenzi field include the completion of oil-bearing shallower reservoirs and water injection, which should increase the quoted reserves for this southern portion of the field.

The Northern Flank has also been evaluated extensively by Repsol YPF technical experts. Exploration will begin in this area in the first quarter of 2007. According to the evaluations that have been realised to date, the Northern Flank has a high potential.

Given the proximity between the Shenzi field and other Repsol YPF assets, the acquisition of this asset complements the activities of the company in the deepwater of the Gulf of Mexico.

Repsol YPF acquires a 28% stake in the Genghis Khan project in the Gulf of Mexico, USA

On 10 November 2006, the consortium, comprised of Repsol YPF (28%), BHP Billiton (44%) and Hess Corporation (28%), acquired the Genghis Khan oil field from Anadarko Petroleum Corporation. The total cost of the transaction amounts to USD\$1.35 billion, of which Repsol YPF's investment is USD\$ 378 million.

Currently, the Genghis Khan field has two wells and estimated hydrocarbon reserves of between 65 and 170 million barrels. The importance of the Genghis Khan acquisition is based on being an extension of the Shenzi field, in which Repsol YPF has a 28% stake, in addition to constituting one of the largest oil fields in the deep waters of the U.S. Gulf of Mexico. The development of both projects in the same area generates important synergies for Repsol YPF.

Repsol YPF announced that it will invest over euro 600 million to double production at its Petrochemical complex in Portugal

Repsol YPF has announced on 27 July 2006, that it contemplates investing between euro 500 million and euro 700 million, at the Sines complex (Portugal), for the purposes of a 40% increase in the

capacity of the cracker, the construction of two new plants of petrochemical products, and one plant of cogeneration. This investment will double the production capacity of the petrochemical complex, will balance the production of ethylene and propylene with the derivatives plant (creating more added value this way), will contribute to the reduction of costs, will expand the range of products and will increase production with greater added value.

Repsol YPF and Gazprom sign a Memorandum of Understanding

In October 2006, Repsol YPF and Gazprom signed a memorandum of understanding (**MOU**) to study the possible joint development of gas and petroleum projects in Europe, Latin America and Africa, as well as LNG projects using resources from the Russian Federation. The parties have set up a Coordinating Committee to develop this MOU.

Gazprom is the world's leading gas company in terms of reserves and production, and develops its activities throughout the entire integrated gas chain, having recently received from the Russian Federation Government the exclusive exportation rights of gas from that country. This MOU will allow the two companies to develop LNG projects jointly, such as the Baltic LNG project in the Russian Federation. Repsol YPF will contribute with its experience in the LNG business, its future regasification capacity in Canada for the USA market, as well as with its sound position in the Spanish market. Repsol YPF recently opened an office in Moscow to meet growing activity in Russia, to foment new projects, and to have more efficient access to the opportunities that the Russian petroleum industry has to offer.

Repsol YPF signs a framework labour agreement up to 2008 with the UGT (Union General de Trabajadores) and CC.OO (Comisiones Obreras) trade unions

On 18 September 2006, Repsol YPF signed a framework labour agreement through to 2008 with the UGT (*Union General de Trabajadores*) and CC.OO (*Comisiones Obreras*) trade unions. The agreement makes it possible to sustain the company's competitive position in terms of salary and timetable, contemplating wage rises in line with the cost of living +0.75% per annum and includes agreements and protocols for reconciling work with family life; equality of the sexes and protection for victims of domestic violence.

Recent changes in the Board of Directors

Raul Cardoso Maycotte serves as representative of PEMEX Internacional España, S.A. (a related company of PEMEX) on the Board of Directors of Repsol YPF, S.A. On July 26 2006, the Board of Directors was informed of the decision of PEMEX Internacional España, S.A. to replace Mr. Luis Ramírez-Corzo Hernández as its representative on the Board of Directors of Repsol YPF, S.A., and to appoint Mr. Raul Cardoso Maycotte in his stead.

On 29 November 2006, the Board of Directors of Repsol YPF, S.A., with the approval of the Nomination and Compensation Committee, appointed Mr. Luis del Rivero Asensio and Mr. Juan Abelló Gallo as new board members (classified as institutional outside directors), proposed by the new shareholder Sacyr Vallehermoso, S.A.

On 31 January 2007, the Board of Directors of Repsol YPF, S.A., with the approval of the Nomination and Compensation Committee, appointed Mr. José Manuel Loureda Mantiñán and Mr. Manuel Raventós Negra as new board members (classified as institutional outside directors), proposed by the new shareholder Sacyr Vallehermoso, S.A. and la Caixa, respectively.

Repsol YPF increased its interim dividend by 20% for 2006

On 11 January 2007, Repsol YPF paid a pre-tax interim dividend for 2006, which was approved by the board of directors of Repsol YPF, S.A. and announced on 21 December 2006. The dividend amount of 0.36€per share represented an increase of 20% over the 2005 interim dividend.

5. Available Information

Certain codes of conduct and other internal regulations, as well as certain corporate governance regulations applicable to and recommendations made for Spanish-listed companies are available on the Repsol YPF website www.repsolypf.com (which does not form part of this Base Prospectus).

LEGAL AND ARBITRATION PROCEEDINGS

Neither the Guarantor nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) during the 12 months preceding the date of this Base Prospectus, which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer and/or the Guarantor and/or the consolidated subsidiaries of the Guarantor.

Repsol YPF does, however, note the following legal and arbitration proceedings, which are described in further detail on page 143 *et seq.* of the Form 20-F, filed by Repsol YPF with the SEC on 14 July 2006 and incorporated by reference in this Base Prospectus:

United States

Potential liabilities related to the 1986 sale by Maxus Energy Corporation of Diamond Shamrock Chemicals Company to Occidental Petroleum Corporation. The following list includes a brief description of certain potential liabilities arising out of the 1986 sale of a former chemicals subsidiary, Diamond Shamrock Chemicals Company (**Chemicals**), of Maxus Energy Corporation (**Maxus**), which itself became an indirect subsidiary of Repsol YPF, S.A. upon the acquisition of YPF, S.A. in 1999, to a subsidiary of Occidental Petroleum Corporation (**Occidental**). Under the related share sale and purchase agreement, Maxus assumed certain liabilities relating to the past operations of Chemicals, substantially all of which liabilities have since been assumed by Tierra Solutions Inc. (**Tierra**), a subsidiary of YPF S.A.

- *New Jersey Department of Environmental Protection and others against Honeywell International and others (including Occidental Petroleum Corporation).* These proceedings were brought in New Jersey state court. The State filed a lawsuit seeking, among other things, the clean-up of various sites where chromite ore residue is allegedly located, in addition to the recovery of past costs incurred by the State at such sites and, with respect to certain costs at 18 sites, triple damages. The Department of Environmental Protection claims that the defendants are jointly and severally liable, without regard to fault, for much of the alleged damage. The total amount has not been determined.
- *State of New Jersey against YPF Holdings Inc., CLH, Occidental, Maxus and Tierra, Repsol YPF, S.A. and YPF S.A.* These proceedings were brought for environmental damage to Newark Bay and the Passaic River in New Jersey state court. The amount is undetermined.
- *Occidental against Maxus.* These proceedings were brought in Ohio state court in 1998 in relation to the interpretation of the share sale and purchase agreement. The amount claimed is in excess of U.S.\$9 million.
- *Occidental against Maxus.* These proceedings were brought in Texas state court in 2002, also in relation to the interpretation of the share and purchase agreement. The amount claimed as of 31 December 2005 is undetermined. After a trial in May 2006, a judgment was entered in Occidental's favour. Maxus has appealed this decision and has posted a bond of approximately U.S.\$14.9 million.

At 31 December 2005, Repsol YPF, through YPF Holdings Inc., the intermediate holding company, recorded provisions for approximately U.S.\$95 million (euro 80 million) to cover environmental liabilities expected to arise under the share sale and purchase agreement. Repsol YPF considers such provisions sufficient to cover environmental liabilities expected to arise under the purchase and sale agreement that were at such date determined to be probable and capable of being reasonably estimated. However, changes to circumstances after 31 December 2005, including adverse

decisions in litigation, the discovery of new matters or the discovery of damage to the environment or natural resources, could increase these liabilities in the future.

Two class actions brought by Reynolds and others against Repsol YPF, S.A. and others. These proceedings were brought on 31 January 2006 following the 25% reduction in the proved reserves of Repsol YPF, S.A. before the Southern District Court of New York, U.S.A. The claimants brought these class actions to seek damages for certain investors (class members) for harm caused during a specified period (class period). The two class actions were brought as a single proceeding, which is ongoing and likely to last for more than a year. The defendants had until 15 December 2006 to present a motion to dismiss the claim. They requested and obtained an extension of this deadline, to try to reach an agreement whereby the matter could be settled. The amount is undetermined, but, given the information currently available, the outcome is likely to be unfavourable and could amount to U.S.\$8.5 million.

Spain

Repsol YPF Lubricantes y Especialidades, S.A., Repsol Petróleo, S.A. and Repsol YPF, S.A. On 22 August 2006, Repsol YPF Lubricantes y Especialidades, S.A. (**RYLESA**), Repsol Petróleo, S.A. and Repsol YPF, S.A. were served notice by the European Commission of the initiation of proceedings and Statements of Objections in the case COMP/F/38.710 – Bitumen Spain, pursuant to article 81 of the EC Treaty, prohibiting all agreements between undertakings and concerted practices which may affect trade between Member States, and which have as their object or effect the prevention, restriction or distortion of competition within the common market. Proceedings are ongoing and are expected to continue for more than a year. The amount is undetermined and the amount of the fine could reach euro 55.3 million.

Repsol YPF Lubricantes y Especialidades, S.A., Repsol Petróleo, S.A. and Repsol YPF, S.A./Comisión Europea. In 2005, RYLESA, Repsol Petróleo, S.A. and Repsol YPF, S.A. were served notice by the European Commission of the initiation of proceedings regarding the existence of a cartel in the paraffin market. As yet no list of accusations exists, however the most specific market definition cannot be made until such list is communicated. A declaration of clemency was made at the commencement of proceedings, and proceedings are expected to continue for more than a year. The most recent stage was the request for information prior to the communication of the list of accusations. The amount is undetermined and the estimated amount of damages thus far is euro 35 million.

Ecuador

General State Controller's Office against Repsol YPF Ecuador S.A. These proceedings were brought before the Supreme Court of Justice, Contentious-Administrative Court, Ecuador, instigated by the State General Inspectorate and concerning crude oil transportation tariffs. The amount is undetermined but the indicative amount is U.S.\$99.36 million.

Trinidad & Tobago

Trinidad and Tobago Arbitration. These arbitration proceedings were brought before UNCITRAL New York regarding purchase agreements in respect of the 2/3 trains of Trinidad and Tobago. The amount is undetermined.

Argentina

- *Superficiaries' Association of Patagonia (Asociación de Superficiarios de la Patagonia) against YPF S.A. and others.* These proceedings were brought before the Supreme Court of Justice of Argentina against 18 companies. The claimant is seeking the repair of alleged environmental damage caused by hydrocarbons-related activity, the creation of a fund for environmental repair and adoption of measures to avoid future damage. The amount is undetermined but the indicative value is Ps. 547.6 million.

- *Salagre, Pedro and others against YPF S.A. and others.* These proceedings were brought before Federal Court number 2 of La Plata, Argentina. The claimant is bringing a claim in response to damage to the environment, property and health as a result of the alleged pollution of the Western Lateral Canal. The claimant also requests the repair of the canals surrounding the La Plata Refinery, beds, ground and underground watercourses, in addition to efforts to prevent further pollution. The amount is undetermined and it is difficult to assess the remedial costs.
- *Social Ecological Fishing, Hunting and Nautical Association against YPF S.A.* These proceedings were brought before the Federal Civil and Commercial Court number 1 of the Federal Capital, Argentina. The claimant is seeking the cessation of pollution by the refinery and the total cleansing of the eastern and western canals, of the Santiago River and of the mouth of the La Plata River. If repair is not feasible, the claimant is seeking damages in lieu to be contributed to the environmental compensation fund, the creation of the environmental compensation fund and compensation for damage to the environment. The amount claimed is Ps. 500 million.
- *Confederación Indígena del Neuquén and others against YPF S.A.* These proceedings were brought before the Federal Court of the First Judicial Division of Neuquén, Argentina. The claimant is seeking damages for rescission of contract and tort arising from hydrocarbons exploration and exploitation, including damage to the *mapuche* society and culture, harm to psychological and physical health, damage to the affected areas, vegetation, fauna and air, and pain and suffering. The claimant is also seeking the cessation of pollution and a remedy. The claim is based on alleged current and past damage caused by hydrocarbons-related activities in the Área Loma La Lata-Sierra Barrosa in the Neuquén province. The amount claimed is U.S.\$490 million.
- *National Navy Retirement Centre (Centro de Retirados de la Armada Nacional) against Repsol YPF S.A.* These proceedings were brought before Civil and Commercial Court number 22 of La Plata, Argentina. The claimant is seeking a remedy for alleged ecological damage to the La Plata River caused by the La Plata Refinery. The claimant alleges that YPF S.A. has dumped pollutants that affected the bed of the Santiago River and sections of the banks of the La Plata River. The amount claimed is U.S.\$1,390 million.
- *Autogas S.A. against YPF S.A.* These proceedings were brought before the National Commercial Court of First Instance number 14, Argentina. The claimant alleges that harm was caused to it by YPF S.A. in the latter's alleged exercise of a dominant market position, breach of contract and infringement of trademark law, from 1993 to 1997. The amount claimed is Ps. 117 million, which has been increased to Ps. 416 million.
- *International Arbitration initiated by EDF Internacional S.A.* EDF Internacional S.A. has brought international arbitration proceedings under the Argentine Chamber of Commerce regulations against Endes Internacional S.A. and YPF S.A., seeking payment by YPF S.A. of U.S.\$69 million plus interest, totalling U.S.\$103 million.
- *Félix Victor Hugo and others against YPF S.A. and others.* These proceedings were brought before the Contentious-Administrative Court number 1 – sole Office of the Judicial Department of Lomas de Zamora, seeking compensation for individual damage to the claimant's health, the cessation of collective environmental damage, and the repair of environment in the Dock Sud area. The amount is undetermined.
- *Mendoza Beatriz Silvia and others against National State and others.* These proceedings were brought before the National Supreme Court of Justice, Argentina. The claimant is seeking compensation for alleged individual damage to the claimant's health, and the repair of the collective environmental damage to the Cuenca Matanza-Riachuelo river basin. There has been a

request for an interim measure setting up an Environmental Remedy and Assistance Fund, funded by the State, the province and the city of Buenos Aires, and also a record of the lawsuit at the General Inspectorate for Justice, in the public trade registries of the respective jurisdictions, and in the stock ledger of each of the co-defendants. The amount is undetermined.

- *Various accumulated proceedings between the National State and YPF S.A. and others.* These proceedings were brought before the Federal Contentious-Administrative Chamber of Argentina, challenging the validity of the various decisions pronounced by the National Ministry of Works and Public Services between 1982 and 1983, which obliged petrol companies dealing in international airliner fuel to pay YPF S.A. a surcharge. The proceedings are for Ps. 117 million plus interest since March 1991 (currently totalling Ps. 220 million).
- *Arbitration proceedings brought by ENDESA against YPF S.A.* These proceedings are arbitration proceedings in which the Empresa Nacional de Electricidad S.A. (Chile) (Endesa) claims U.S.\$354 million for YPF S.A.'s alleged liability for failing to provide gas for the second turbine at the Central Taltal plant. The amount is U.S.\$354 million.
- *Francisco Yobino Agropecuaria S.A. against Repsol Comercial de Productos Petrolíferos S.A.; Petróleos Transandinos YPF S.A. and YPF S.A. and others.* In these proceedings the claimant, who is a creditor for a small amount in the bankruptcy proceedings of Aerolíneas Argentinas, seeks that certain payments made by different companies to the latter be declared null and void due to simulation or fraud. The amount is undetermined.
- *National Competition Commission (Comisión Nacional de Defensa de la Competencia – CNDC) number 683: Investigation into the Natural Gas Market.* The preliminary allegations brought against the producing companies, requiring their explanation, consist of: (i) the inclusion of clauses, within natural gas sale and purchase agreements, that restrict competition; and (ii) observations on gas importation from Bolivia, emphasising (a) the old and expired agreement between the State YPF and the Bolivian YPF (*YPFB*) under which – according to the CNDC – YPF S.A. sold Bolivian gas in Argentina for less than its production cost; and (b) the frustrated attempts, by the company Duke y Distribuidora de Gas del Centro, to import gas from Bolivia in 2001.
- *National Competition Commission (CNDC) number 679: Investigation into Liquefied Petroleum Gases (LPG) Market, during the period 1997/1999.* These proceedings are an investigation into whether the abuse of market dominance that occurred (and was penalised) between 1993 and September 1997 was committed again between October 1997 and March 1999. On 19 December 2003 the CNDC closed the investigation and charged YPF S.A. with abuse of market dominance during the above-mentioned period. On 20 January 2004, YPF S.A. answered the charge, arguing that there was no restriction by YPF S.A. of LPG supply in the domestic market and that, in the period under investigation, the entire domestic demand for LPG could have been met by the production of YPF S.A.'s competitors, and hence YPF S.A.'s market share could not be classified as dominant.
- *National Competition Commission (CNDC) number 922: Bulk Liquefied Petroleum Gases (LPG) Market, during the period 2002/2003.* These proceedings are against YPF S.A. for the abuse of its market dominance in the bulk LPG market during 2002 and 2003. The alleged conduct consisted of the bulk selling of LPG in the domestic market at prices exceeding export parity, thus limiting product availability domestically.
- *National Competition Commission (CNDC) number 830: Bulk provision of Liquefied Petroleum Gases (LPG) via tender offers (ofertas de compra).* These proceedings are an investigation resulting from a clause on product destination contained in agreements on bulk LPG provision. The CNDC considers that the clause prevents the bulk breaker (*fraccionador*) purchasing the

product from selling it on to third parties, thus potentially limiting, falsifying or distorting competition and consequently damaging general economic interests. The penalty could reach U.S.\$150 million.

- *Report by the National Energy Department (Nota SE number 1009) analysing changes in reserves in the Área Ramos de la Cuenca Noroeste.* These proceedings are in relation to the export authorisation granted in Energy Department Decision number 167/97 (the **Export Authorisation**). The Export Authorisation is linked to the long-term natural gas exportation agreement between YPF S.A. and Gas Atacama Generación. The report states that domestic market supply is being jeopardised by the reduction of the natural gas reserves underpinning the Export Authorisation. The report places a preventive restriction on the amount of natural gas exportable under the Export Authorisation, restricting volume by 20% (and thus restricting the corresponding export authorisation). It also orders YPF S.A. to present a discharge, under official threat of expiry or discontinuance of the Export Authorisation, which would have a greater affect on the export authorisation in question.
- *National Energy Department.* These proceedings refer to documentation certifying the incorporation of proved reserves of natural gas allowing exports to continue from the Cuenca Noroeste basin, as authorised under Energy Department Decisions 629/1999, 565/1999, and 576/1999 (the **Export Permits**). These Export Permits concern long-term natural gas exportation to customers. If the National Energy Department considers the newly incorporated reserves insufficient to continue meeting such export obligations and the other obligations of YPF S.A., it may order the expiry or discontinuance of one or more Export Permits. This would have a direct impact on the Export Agreements, to the detriment of customers. If YPF S.A. were judged not to have acted as a prudent and diligent operator, and/or not to have sufficient reserves, YPF S.A. would be liable for any harm to export customers caused by this situation.

Bolivia

- *Empresa Petrolera Andina S.A.* These proceedings are arbitration proceedings brought before the International Arbitration Court of the International Chamber of Commerce in Paris, in which Univen Logistics, S.A. alleges that Empresa Petrolera Andina S.A. may have supplied petroleum condensate in spite of specifications by the Hydrocarbons Supervisory Department obliging producers to give priority supply to the domestic market. The amount is U.S.\$217 million.

Brazil

- *People's Action against Assets Swapping (Acción Popular contra la Permuta de Activos).* These proceedings seek the annulment of the exchange of assets agreement, the claimant alleging that grave harm or injury to the assets of the federal government of Brazil was caused, due to disparity in the value of the assets. The amount is undetermined and the reference value was U.S.\$500 million for the assets of each of the parties.

TAXATION

The Netherlands

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

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

This summary is based on the tax laws of The Netherlands as they are in force and in effect on the date of this Base Prospectus. The laws upon which this summary is based are subject to change, perhaps 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 Notes is at arm's length.

Withholding tax

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

Taxes on income and capital gains

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

Individuals

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

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

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

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

A person has a substantial interest in the Issuer if such person – either alone or, in the case of an individual, together with his partner (*partner*), if any – owns, directly or indirectly, either a number of shares representing five per cent. or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of the Issuer, or rights to acquire, directly or indirectly, shares, whether or not already issued, representing five per cent. or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of the Issuer, or the ownership of profit participating certificates (*winstbewijzen*) relating to five per cent. or more of the annual profit of the Issuer, or to five per cent. or more of the liquidation proceeds of the Issuer.

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

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

- a. if his investment activities go beyond the activities of an active portfolio investor, for instance in case of the use of insider knowledge (*voorkennis*) or comparable forms of special knowledge; or
- b. if he makes Notes available or is deemed to make Notes available, legally or in fact, directly or indirectly, to certain parties as meant by articles 3.91 and 3.92 of the Dutch Income Tax Act 2001 under circumstances described therein.

Entities

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

- (a) such Non-Resident holder of Notes derives profits from an enterprise, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net value of such enterprise, other than as a holder of securities, such enterprise either being managed in The Netherlands or carried on, in whole or in part, through a permanent establishment or a permanent representative in The Netherlands, and its Notes are attributable to such enterprise; or
- (b) such Non-Resident holder of Notes has a substantial interest in the Issuer.

A person other than an individual has a substantial interest in the Issuer, (i) if it has a substantial interest in the Issuer (as described above under *Individuals*) or (ii) if it has a deemed substantial interest in the Issuer. A deemed substantial interest may be present if its shares, profit participating certificates or

rights to acquire shares or profit participating certificates in the Issuer have been acquired by such person or are deemed to have been acquired by such person on a non-recognition basis.

General

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

Gift and inheritance taxes

A person who acquires Notes as a gift, in form or in substance, or who acquires or is deemed to acquire Notes on the death of an individual, will not be subject to Dutch gift tax or to Dutch inheritance tax, as the case may be, unless:

- (i) the donor is, or the deceased was resident or deemed to be resident in The Netherlands for purposes of gift or inheritance tax, as the case may be; or
- (ii) the Notes are or were attributable to an enterprise or part of an enterprise that the donor or the deceased carried on through a permanent establishment or a permanent representative in The Netherlands at the time of the gift or of the death of the deceased; or
- (iii) the donor made a gift of Notes, then became a resident or deemed resident of The Netherlands, and died as a resident or deemed resident of The Netherlands within 180 days of the date of the gift.

Other taxes and duties

No Dutch registration tax, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, is payable by a holder of Notes in The Netherlands in respect of, or in connection with, the execution, delivery and/or enforcement by legal proceedings (including the enforcement of any foreign judgment in the courts of The Netherlands) of the documents relating to the issue of Notes or the performance by the Issuer of its obligations thereunder or under the Notes.

The Kingdom of Spain

General

The following summary is based on the advice of Análisis Asesoramiento e Información, S.L., Repsol YPF's special Spanish tax counsel, with respect to taxes imposed by the Kingdom of Spain. It is a summary of the principal Spanish tax consequences of the ownership and disposition of Notes.

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

Non-Resident Holder

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

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

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

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

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

Residents

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

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

It is to be noted that if Notes are traded in Spain, general rules governing advanced taxation at source (*retenciones*) will be applicable in connection with Spanish tax-resident holders of the Notes. Since 1 January 2007, the rate of taxation at source was set at 18% (previously 15%). This advanced tax is credited against final individual or corporate income tax with no limit; hence, any excess entitles the taxpayer to a refund.

Luxembourg

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

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

This summary is based on the tax laws of Luxembourg as they are in force and in effect on the date of this Base Prospectus. The laws upon which this summary is based are subject to change, perhaps with retroactive effect. A change to such laws may invalidate the contents of this summary, which will not be updated to reflect any such changes in laws. This summary assumes that each transaction with respect to Notes is at arm's length.

Withholding tax

The Council of the European Union (the *EU*) has adopted a Directive regarding the taxation of savings income (*Directive 2003/48/EC of 3 June 2003*) (the *Directive*). The Directive requires Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual in another Member State, except that Austria, Belgium, and Luxembourg will instead impose a withholding system for a transitional period unless during such period they elect otherwise.

Luxembourg implemented the Directive in its domestic legislation. In the event of interest payments on the Notes being made or secured by paying agents located in Luxembourg for the immediate benefit of beneficial owners who are resident in an EU Member State other than Luxembourg, or in any of the territories dependent or associated with an EU Member State, and being either (i) individuals or (ii) certain residual entities (generally entities other than legal entities, undertakings for collective investments in transferable securities (*UCITS*), and entities taxed as enterprises) (the *Residual Entities*), such paying agent must withhold a withholding tax at a rate of 15%. This rate will be increased to 20% as of 1 July 2008 and to 35% as of 1 July 2011. Such beneficial owners and residual entities can avoid such withholding by either authorising the relevant paying agent to exchange information regarding the interest payment to the relevant tax authorities or providing it with a certificate issued by the latter.

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

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

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

Taxes on income, capital gains and wealth

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

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

Luxembourg gift and inheritance taxes

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

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in the Amended and Restated Dealer Agreement dated 2 February 2007 (as further amended and/or supplemented from time to time, the *Dealer Agreement*) between the Issuer, the Guarantor, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for certain of its expenses incurred in connection with the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Final Terms.

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

Selling Restrictions

United States

The Notes have not been and will not be registered under the U.S. Securities Act of 1933 as amended (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.

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

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver the Notes of any identifiable Tranche, (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche, as determined and certified to the Issuer by the Issuing and Paying Agent or, in the case of Notes issued on a syndicated basis, the Lead Manager, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes 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 completion of the distribution of the Notes comprising any Tranche, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Each issue of Dual Currency Notes and Indexed Notes will be subject to such additional United States selling restrictions as the Issuer and the relevant Purchaser or Purchasers may agree, as indicated in the applicable Final Terms. Each Dealer has agreed that it will offer, sell or deliver such Notes only in compliance with such additional United States selling restrictions.

European Economic Area

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

- (a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a ***Non-exempt Offer***), in the period beginning on the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive and ending on the date specified in such prospectus or final terms, as applicable;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than euro 43,000,000 and (3) an annual net turnover of more than euro 50,000,000, as shown in its last annual or consolidated accounts;
- (d) at any time to fewer than 100 natural or legal persons (other than “qualified investors” as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (e) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

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

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

United Kingdom

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

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (the *FSMA*)) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

The Netherlands

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

Spain

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes have not been and will not be offered or sold in the Kingdom of Spain by means of an offer (as defined and construed by Spanish law) and represents and agrees that it has not and will not offer, promote (whether through information or dissemination in media directed at the public in general or through individual promotions) or sell in the Kingdom of Spain any Note save in compliance with the requirements of (i) the Spanish Securities Market Law 24/1988 of 28 July 1988 as amended; (ii) Royal Decree 1310/2005, dated 4 November 2005, relating to issues and public offerings for the sale of securities; and (iii) any other regulations supplementing, completing, or amending such laws and decrees.

Japan

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes have not been and will not be registered under the

Securities and Exchange Law of Japan (the *Securities and Exchange Law*). Accordingly, each of the Dealers has represented and agreed, and each further Dealer will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

General

These selling restrictions may be modified by the agreement of the Issuer, the Guarantor and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a Supplement to the Base Prospectus.

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

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

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

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

TERMS AND CONDITIONS OF THE NOTES

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

The Notes are constituted by the Amended and Restated Trust Deed (as amended and/or supplemented as at the date of issue of the Notes (the **Issue Date**), the **Trust Deed**) dated 2 February 2007 between the Issuer, the Guarantor, and Citicorp Trustee Company Limited (the **Trustee**, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Notes, Receipts, Coupons and Talons referred to below. The Amended and Restated Agency Agreement (as amended and/or supplemented as at the Issue Date, the **Agency Agreement**) dated 2 February 2007 has been entered into in relation to the Notes between the Issuer, the Guarantor, the Trustee, Citibank, N. A. as initial issuing and paying agent and the other agents named in it. The issuing and paying agent, the paying agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the **Issuing and Paying Agent**, the **Paying Agents** (which expression shall include the Issuing and Paying Agent), and the **Calculation Agent(s)**. Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at Agency & Trust, 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB) and at the specified offices of the Paying Agents.

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

1. Form, Specified Denomination and Title

The Notes are issued in bearer form (**Notes**) in each case in the Specified Denomination(s) shown hereon, provided that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum Specified Denomination shall be euro 50,000 (or its equivalent in any other currency as at the date of issue of those Notes). Notes of one Specified Denomination may not be exchanged for Notes of another denomination.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index-Linked Interest Note, an Index-Linked Redemption Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

So long as the Notes are represented by a temporary Global Note or permanent Global Note and the relevant clearing system(s) so permit, the Notes will be tradeable only in (a) if the Specified

Denomination stated in the relevant Final Terms is euro 50,000 (or its equivalent in another currency), the authorised denomination of euro 50,000 (or its equivalent in another currency) and integral multiples of euro 50,000 (or its equivalent in another currency) thereafter, or (b) if the Specified Denomination stated in the relevant Final Terms is euro 50,000 (or its equivalent in another currency) and integral multiples of euro 1,000 (or its equivalent in another currency) in excess thereof, the minimum authorised denomination of euro 50,000 (or its equivalent in another currency) and higher integral multiples of euro 1,000 (or its equivalent in another currency), notwithstanding that no definitive notes will be issued with a denomination above euro 99,000 (or its equivalent in another currency).

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

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

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

2. Guarantee and Status

- (a) **Guarantee:** The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Notes, Receipts and Coupons. Its obligations in that respect (the **Guarantee**) are contained in the Trust Deed.
- (b) **Status:** The Notes and the Receipts and Coupons relating to them constitute (subject to Condition 3) unsecured and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and Coupons relating to them and of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by the laws of bankruptcy and other laws affecting the rights of creditors generally and subject to Condition 3, at all times rank at least equally with all their respective other present and future unsecured and unsubordinated obligations.

3. Negative Pledge

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

In these Conditions, **Relevant Indebtedness** means any obligation in respect of present or future indebtedness in the form of, or represented or evidenced by, bonds, debentures, notes or other securities which are, or are intended to be (with the consent of the issuer thereof), quoted, listed, dealt in or traded on any stock exchange or over-the-counter market other than such indebtedness which by its terms will mature within a period of one year from its date of issue.

4. Interest and other Calculations

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

(b) **Interest on Floating Rate Notes and Index-Linked Interest Notes:**

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

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

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

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate plus or minus (as indicated hereon) the Margin (if any). For the purposes of this sub-paragraph (A), **ISDA Rate** for an Interest Accrual

Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified hereon;
- (y) the Designated Maturity is a period specified hereon; and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

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

(B) Screen Rate Determination for Floating Rate Notes

- (x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:
 - (1) the offered quotation; or
 - (2) the arithmetic mean of the offered quotations,

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

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

- (y) if the Relevant Screen Page is not available or if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00a.m. (London time), or

if the Reference Rate is EURIBOR, at approximately 11.00a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

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

(iv) *Rate of Interest for Index-Linked Interest Notes:* The Rate of Interest in respect of Index-Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.

(c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity

Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 5(b)(i)).

- (d) **Dual Currency Notes:** In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating the Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.
- (e) **Partly Paid Notes:** In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up principal amount of such Notes and otherwise as specified hereon.
- (f) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 4 to the Relevant Date.
- (g) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding:**
 - (i) If any Margin is specified hereon (either (x) generally or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 4(b) above by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin, subject always to the next paragraph.
 - (ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
 - (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes *unit* means the lowest amount of such currency that is available as legal tender in the country or countries (as appropriate) of such currency.
- (h) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

- (i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts:** The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange or other relevant authority of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 4(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 8, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.
- (j) **Determination or Calculation by Trustee:** If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, the Trustee shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.
- (k) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

Business Day means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency and/or
- (ii) in the case of euro, a day on which the TARGET System is operating (a ***TARGET Business Day***) and/or
- (iii) in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle

payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

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

- (i) if **Actual/365** or **Actual/Actual – ISDA** is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)
- (ii) if **Actual/365 (Fixed)** is specified hereon, the actual number of days in the Calculation Period divided by 365
- (iii) if **Actual/365 (Sterling)** is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366
- (iv) if **Actual/360** is specified hereon, the actual number of days in the Calculation Period divided by 360
- (v) if **30/360**, **360/360** or **Bond Basis** is specified hereon, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month))
- (vi) if **30E/360** or **Eurobond Basis** is specified hereon, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month) and
- (vii) if **Actual/Actual-ICMA** is specified hereon,
 - (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
 - (b) if the Calculation Period is longer than one Determination Period, the sum of:
 - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

- (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

Determination Period means the period from and including a Determination Date in any year to but excluding the next Determination Date.

Determination Date means the date specified as such hereon or, if none is so specified, the Interest Payment Date..

Euro-zone means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended from time to time.

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

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

Interest Commencement Date means the Issue Date or such other date as may be specified hereon.

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

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

Interest Period Date means each Interest Payment Date unless otherwise specified hereon.

ISDA Definitions means the 2000 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the issue date of the first Tranche (as defined in the Trust Deed) of the relevant Series of Notes, unless otherwise specified hereon.

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

Reference Banks means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

Reference Rate means the rate specified as such hereon.

Relevant Date means whichever is the later of:

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

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

Relevant Screen Page means such page, section, caption, column or other part of a particular information service as may be specified hereon.

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

TARGET System means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System or any successor thereto.

- (1) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior approval of the Trustee) appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

5. Redemption, Purchase and Options

- (a) **Redemption by Instalments and Final Redemption:**
 - (i) Unless previously redeemed, or purchased and cancelled, as provided in this Condition 5, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified

hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

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

(b) **Early Redemption:**

(i) *Zero Coupon Notes:*

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 5(c) or upon it becoming due and payable as provided in Condition 9 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.
- (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 5(c) or upon it becoming due and payable as provided in Condition 8 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (as well after as before judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 4(c).

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

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

- (c) **Redemption for Taxation Reasons:** The Notes (other than Notes in respect of which the Issuer shall have given a notice of redemption pursuant to Condition 5(d) or in respect of which a Noteholder shall have exercised its option under Condition 5(e) in each case prior to any notice being given under this Condition 5(c)) may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Note) or, at any time (if this Note is neither a Floating Rate Note or an Index Linked Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 5(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that it or (if the Guarantee were called) the Guarantor has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of The Netherlands or (in the case of a payment to be made by the Guarantor) the Kingdom of Spain, or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Notes (or the Guarantee, as the case may be) then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two directors of the Issuer (or two authorised officers of the Guarantor, as the case may be) stating that the obligation referred to in (i) above cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above in which event it shall be conclusive and binding on Noteholders and Couponholders.
- (d) **Redemption at the Option of the Issuer:** If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a principal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

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

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

- (e) **Redemption at the Option of Noteholders:** If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option, the holder must deposit such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent, together with a duly completed option exercise notice (*Exercise Notice*) in the form obtainable from any Paying Agent, within

the notice period. No Note so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

- (f) **Partly Paid Notes:** Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.
- (g) **Purchases:** The Issuer, the Guarantor and any other Subsidiary may at any time purchase Notes in the open market or otherwise at any price (provided that they are purchased together with all unmatured Receipts and Coupons and unexchanged Talons relating to them). Any purchase by tender shall be made available to all Noteholders alike. The Notes so purchased, while held by or on behalf of the Issuer, the Guarantor or any other Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 8, 11(a) and 12.

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

- (h) **Cancellation:** All Notes so redeemed or purchased and any unmatured Receipts and Coupons and all unexchanged Talons attached to or surrendered with them will be surrendered for cancellation by surrendering to the Issuing and Paying Agent and may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.

6. Payments and Talons

- (a) **Payments of Principal and Interest:** Payments of principal and interest shall be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note) (or in the case of partial payment, endorsement thereof), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 6(e)(vi)) or Coupons (in the case of interest, save as specified in Condition 6(e)(ii)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.
- (b) **Payments in the United States:** Notwithstanding the foregoing, if any Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States and its possessions with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

- (c) **Payments subject to Fiscal Laws:** All payments are subject in all cases to any applicable fiscal or other laws and regulations but without prejudice to the provisions of Condition 7. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (d) **Appointment of Agents:** The Issuing and Paying Agent, the Paying Agents and the Calculation Agent initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Issuing and Paying Agent, the Paying Agents and the Calculation Agent act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer and the Guarantor reserve the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) one or more Calculation Agent(s) where the Conditions so require, (iii) Paying Agents having specified offices in at least two major European cities (including Luxembourg) so long as the Notes are listed on the Luxembourg Stock Exchange and (iv) such other agents as may be required by the rules of any other stock exchange on which the Notes may be listed in each case, as approved by the Trustee and (v) a Paying Agent with a specified office in a European Union member state other than The Netherlands or Spain (if any) that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council Meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

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

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

- (e) **Unmatured Coupons and Receipts and Unexchanged Talons:**
- (i) Upon the due date for redemption of Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index Linked Notes), they should be surrendered for payment together with all unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).
- (ii) Upon the due date for redemption of any Note comprising a Floating Rate Note, Dual Currency Interest Note or Index-Linked Note, unexpired Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Note, any unexpired Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

- (iv) Upon the due date for redemption of any Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
 - (v) Where any Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
 - (vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Note. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note.
- (f) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Paying Agents in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).
- (g) **Non-Business Days:** If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, **business day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as **Additional Financial Centres** hereon and:
- (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or
 - (ii) (in the case of a payment in euro) which is a TARGET Business Day.

7. Taxation

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

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

- (b) by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with The Netherlands or, in the case of payments made by the Guarantor, the Kingdom of Spain other than the mere holding of the Note or Coupon and/or
- (c) by or on behalf of a holder who could avoid such withholding or deduction by making a declaration of non-residence in a valid form but fails to do so and/or
- (d) more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting such Note, Receipt or Coupon for payment on the last day of such period of 30 days (assuming the day to have been a business day for the purpose of Condition 6(g)) and/or
- (e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council Meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive or law and/or
- (f) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

8. Events of Default

If any of the following events (each an *Event of Default*) occurs and is continuing, the Trustee at its discretion may, and if so requested by holders of at least one-fifth in principal amount of the Notes then outstanding (as defined in the Trust Deed) or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) shall, subject to its being indemnified to its satisfaction, give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together with accrued interest:

- (a) **Non-Payment:** the Issuer fails to pay any interest on any of the Notes when due and such failure continues for a period of 14 days; or
- (b) **Breach of Other Obligations:** the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations in the Notes or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days after notice of such default shall have been given to the Issuer or the Guarantor by the Trustee; or
- (c) **Cross-Default:**
 - (i) any Relevant Indebtedness of the Issuer or the Guarantor becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described); or
 - (ii) any Relevant Indebtedness of the Issuer or the Guarantor is not paid when due or, as the case may be, within any applicable grace period; or
 - (iii) the Issuer or the Guarantor fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any Relevant Indebtedness of any other person,

provided that the aggregate of all such amounts which have become due and payable, as described in (c)(i) above, and/or have not been paid when due, as described in (c)(ii) and/or (c)(iii) above (as the case may be), equals or exceeds the greater of an amount equal to 0.25% of Total Shareholders Equity and U.S.\$50,000,000 or its equivalent (as reasonably determined by the Trustee); or

- (d) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or any substantial part of the property, assets or revenues of the Issuer or the Guarantor and is not discharged or stayed within 30 days; or
- (e) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or the Guarantor becomes enforceable against the whole or any substantial part of the assets or undertaking of the Issuer or the Guarantor and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person); or
- (f) **Insolvency:** the Issuer or the Guarantor is insolvent or bankrupt, stops, suspends or threatens to stop or suspend payment of all of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or substantially all of the debts of the Issuer or the Guarantor; or
- (g) **Winding-up:** an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or the Guarantor, or the Issuer or the Guarantor ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Trustee or by an Extraordinary Resolution of the Noteholders; or
- (h) **Illegality:** it is unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed; or
- (i) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs; or
- (j) **Guarantee:** the Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect, provided that in the case of an event falling within paragraphs (b) to (e) or (h) to (j) the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Noteholders.

For the purposes of this Condition:

Total Shareholders' Equity means the total shareholders equity of the Guarantor, as shown in the then latest audited consolidated accounts of the Guarantor.

9. Prescription

Claims in respect of principal and interest will become void unless presentation for payment is made as required by Condition 6 within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date.

10. Replacement of Notes, Receipts, Coupons and Talons

If any Note, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Issuing and Paying Agent in London or at the specified office of the

Paying Agent in Luxembourg, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security and indemnity and otherwise as the Issuer and the Guarantor may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

11. Meetings of Noteholders, Modification, Waiver and Substitution

- (a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10% in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one person being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Notes, or the dates on which interest is payable in respect of the Notes, (ii) to reduce or cancel the nominal amount of, or interest on, the Notes, (iii) to change the currency of payment of the Notes or the Coupons, (iv) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, or (v) to modify or cancel the Guarantee, in which case the necessary quorum shall be one person holding or representing not less than 75%, or at any adjourned meeting not less than 25%, in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.
- (b) **Modification and waiver:** The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed which in the opinion of the Trustee is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed which is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.
- (c) **Substitution:** The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders or the Couponholders, to the substitution of certain other entities in place of the Issuer or Guarantor, or of any previous substituted company, as principal debtor or Guarantor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders or the Couponholders, to a change of the law governing the Notes, the Receipts, the Coupons, the Talons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.
- (d) **Entitlement of the Trustee:** In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer or the Guarantor any

indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

12. Enforcement

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the Notes, the Receipts and the Coupons, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-fifth in principal amount of the Notes outstanding, and (b) it shall have been indemnified to its satisfaction. No Noteholder, holder of Receipts or Couponholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

13. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any other Subsidiary and any entity related to the Issuer or the Guarantor or any other Subsidiary without accounting for any profit.

14. Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

15. Notices

Notices to Noteholders will be valid if published in a leading newspaper having general circulation in the United Kingdom (which is expected to be the *Financial Times*) and (so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that Stock Exchange so require), published either on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *d'Wort*) or, if in the opinion of the Trustee such publication shall not be practicable, in an English language newspaper of general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made.

Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.

16. The Contracts (Rights of Third Parties) Act 1999

The Notes confer no rights on any person pursuant to the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect right or remedy of the third party which exists or is available apart from that Act.

17. Governing Law

- (a) **Governing Law:** The Trust Deed, the Notes, the Receipts, the Coupons and the Talons are governed by, and shall be construed in accordance with, English law.
- (b) **Jurisdiction:** The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes, Receipts, Coupons or Talons or the Guarantee and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed, the Notes, Receipts, Coupons or Talons or the Guarantee (“**Proceedings**”) may be brought in such courts. Each of the Issuer and the Guarantor has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.
- (c) **Agent for Service of Process:** Each of the Issuer and the Guarantor has irrevocably appointed an agent in England to receive service of process in any Proceedings in England based on any of the Trust Deed, the Notes, Receipts, Coupons or Talons or the Guarantee.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Initial Issue of Notes

If the Global Notes are stated in the applicable Final Terms to be issued in NGN form, they are intended to be eligible collateral for Eurosystem monetary policy and will be delivered on or prior to the original issue date of the Tranche to the Common Safekeeper. Depositing the Global Notes with the Common Safekeeper does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any and all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Global Notes that are issued in CGN form may be delivered on or prior to the original issue date of the Tranche to a Common Depository.

If the Global Note is a CGN, upon the initial deposit of a Global Note with a Common Depository, Euroclear or Clearstream, Luxembourg (the *Clearing Systems*) will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is an NGN, the nominal amount of the Notes represented by such Global Note shall be the aggregate amount from time to time entered in the records of both Clearing Systems. The records of such Clearing Systems shall be conclusive evidence of the nominal amount of Notes represented by such Global Note and, for these purposes, a statement issued by a Clearing System stating the nominal amount of Notes represented by such Global Note at any time shall be conclusive evidence of the records of the relevant Clearing System at the relevant time.

Notes that are initially deposited with the Common Depository may also (if indicated in the relevant Final Terms) be credited to the accounts of subscribers with other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system as the holder of a Note represented by a Global Note must look solely to Euroclear, Clearstream, Luxembourg or such clearing system (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Notes, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes or so long as the Notes are represented by such Global Note and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note in respect of each amount so paid.

Exchange

Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- (i) if the relevant Final Terms indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see “Summary of the Programme - Selling Restrictions”), in whole, but not in part, for the Definitive Notes (as defined and described below); and

- (ii) otherwise, in whole or in part, upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under “Partial Exchange of Permanent Global Notes”, in part, for Definitive Notes:

- (i) if the permanent Global Note is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system (an ***Alternative Clearing System***) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or
- (ii) if principal in respect of any Notes is not paid when due,

in each case by the holder giving notice to the Issuing and Paying Agent of its election or such exchange.

Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Final Terms) relating to Partly Paid Notes.

Delivery of Notes

If the Note is a CGN, on or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent.

In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes or (iii) if the Global Note is an NGN, procure that details of such exchange be entered *pro rata* in the records of the relevant Clearing System.

In this Base Prospectus, ***Definitive Notes*** means, in relation to any Global Note, the definitive Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

Exchange Date means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or, in the case of failure to pay principal in respect of any Notes when due, 30 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

Amendment to Conditions

The temporary Global Notes and permanent Global Notes contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Base Prospectus. The following is a summary of some of those provisions:

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. If the Global Note is an NGN, the Issuer shall procure that details of such payment be entered *pro rata* on the records of the relevant Clearing System and, in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant Clearing System and represented by the Global Note will be reduced accordingly. Payment under the NGN will be made to its holder. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant Clearing System shall not affect such discharge.

Prescription

Claims in respect of principal and interest will become void unless presentation or payment is made, as required by Condition 6, within a period of 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date as defined in Condition 7.

Meetings

The holder of a permanent Global Note shall (unless such permanent Global Note represents only one Note) be treated as being one person for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes.

Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

Purchase

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

Issuer's Option

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of such clearing system (to be reflected in the records of such clearing system as either a pool factor or a reduction in nominal amount, at their discretion).

Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time, where the permanent Global Note is a CGN, presenting the permanent Global Note to the Issuing and Paying Agent, or to a Paying Agent acting on behalf of the Issuing and Paying Agent, for notation. Where the Global Note is an NGN, the Issuer shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant Clearing System and the nominal amount of the Notes recorded in those records will be reduced accordingly.

NGN Nominal Amount

Where the Global Note is an NGN, the Issuer shall procure that any exchange, payment, cancellation or exercise of any option or any right under the Notes, as the case may be, shall be entered in the records of the relevant clearing systems and, upon such entry being made, in respect of payments of principal, the nominal amount of the Notes represented by such Global Note shall be adjusted accordingly.

Trustee's Powers

In considering the interests of Noteholders while any Global Note is held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note.

Notices

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note, except that so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, notices shall also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be *d'Wort*).

Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Base Prospectus, but will be contained in the relevant Final Terms and thereby in the Global Notes. While any instalments of the subscription moneys due from a holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holder in respect of them.

Specified Denominations

So long as the Notes are represented by a temporary Global Note or permanent Global Note and the relevant clearing system(s) so permit, the Notes will be tradeable as follows: (a) if the Specified Denomination stated in the relevant Final Terms is euro 50,000 (or its equivalent in another currency), in the authorised denomination of euro 50,000 (or its equivalent in another currency) and integral multiples of euro 50,000 (or its equivalent in another currency) thereafter, or (b) if the Specified Denomination stated in the relevant Final Terms is euro 50,000 (or its equivalent in another currency) and integral multiples of euro 1,000 (or its equivalent in another currency) in excess thereof, in the minimum authorised denomination of euro 50,000 (or its equivalent in another currency) and higher integral multiples of euro 1,000 (or its equivalent in another currency), notwithstanding that no definitive notes will be issued with a denomination above euro 99,000 (or its equivalent in another currency).

FORM OF FINAL TERMS

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

Final Terms dated [●]

REPSOL INTERNATIONAL FINANCE B.V.
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
Guaranteed by Repsol YPF, S.A.
under the Euro 10,000,000,000 Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 2 February 2007 [and the Supplement to the Base Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (*Directive 2003/71/EC*) (the **Prospectus Directive**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Base Prospectus dated [original date] [and the Supplement to the Base Prospectus dated [____]]. This document contains the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (*Directive 2003/71/EC*) (the **Prospectus Directive**) and must be read in conjunction with the Base Prospectus dated 2 February 2007 [and the Supplement to the Base Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated [original date] and the Supplement to the Base Prospectus dated [●] and are attached hereto. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectuses dated [original date] and 2 February 2007 [and the Supplements to the Base Prospectus dated [●] and [●]].

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.]

[When completing final terms or adding any other final terms or information consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]

1. (i) Issuer: Repsol International Finance B.V.
- (ii) Guarantor: Repsol YPF, S.A.
2. [(i)] Series Number: []
- [(ii)] Tranche Number: []
- (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*
3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount: []
- [(i)] Series: []
- [(ii)] Tranche: []
5. Issue Price: [] % of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
6. (i) Specified Denomination: [euro 50,000]
- [euro 50,000] and integral multiples of [euro 1,000] in excess thereof up to and including [euro 99,000]. No definitive notes will be issued with a denomination above [euro 99,000].]
- [If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: there must be a common factor in the case of two or more Specified Denominations.]*
- (ii) Calculation Amount [_____]
7. [(i)] Issue Date: [_____]
- [(ii)] Interest Commencement Date [_____]
8. Maturity Date: [Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]
9. Interest Basis: [•% Fixed Rate]
 [[specify reference rate] +/- •% Floating Rate]
 [Zero Coupon]
 [+]
 [Other (specify)]
 (further particulars specified below)

10. Redemption/Payment Basis: [Redemption at par]
[Index-Linked Redemption]
[Dual Currency]
[Partly Paid]
[Instalment]
[Other (*specify*)]
- (N.B. If the Final Redemption Amount is an amount other than 100% of the nominal value, the Notes will constitute derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to Commission Regulation (EC) No. 809/2004 (the **Prospectus Directive Regulation**) will apply)*
11. Change of Interest or Redemption/Payment Basis: [*Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis*]
12. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
13. [(i)] Status of the Notes: [Senior/[Dated/Perpetual]/ Subordinated]
- [(ii)] Status of the Guarantee: [Senior/[Dated/Perpetual]/Subordinated]]
- [(iii)] [Date [Board] approval for issuance of Notes [and Guarantee] obtained: [] [and [], respectively]]
- (N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)*
14. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate[(s)] of Interest: []% per annum [payable [annually / semi-annually / quarterly / monthly] in arrear]
- (ii) Interest Payment Date(s): [] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of **Business Day***] / not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [] per [] in Calculation Amount
- (iv) Broken Amount(s): [____] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [____] [*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]*]
- (v) Day Count Fraction: [30/360 / Actual/Actual (ICMA/ISDA) / other]

- (vi) Determination Dates: [] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual ([ISMA])*)
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/*give details*]
16. **Floating Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Interest Period(s) []
- (ii) Specified Interest Payment Dates: []
- (iii) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (*give details*)]
- (iv) Business Centre(s): []
- (v) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/*other (give details)*]
- (vi) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]): []
- (vii) Screen Rate Determination:
- Reference Rate: []
 - Interest Determination Date(s): []
 - Relevant Screen Page: []
- (viii) ISDA Determination:
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (ix) Margin(s): [+/-][] % per annum
- (x) Minimum Rate of Interest: [] % per annum

- (xi) Maximum Rate of Interest: [] % per annum
- (xii) Day Count Fraction: []
- (xiii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
17. **Zero Coupon Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) [Amortisation/ Accrual] Yield: [] % per annum
- (ii) Reference Price: []
- (iii) Any other formula/basis of determining amount payable: []
18. **Index-Linked Interest Note/other variable-linked interest Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Index/Formula/other variable: [Give or annex details]
- (ii) Calculation Agent responsible for calculating the interest due: []
- (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: []
- (iv) Determination Date(s): []
- (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: []

- (vi) Interest or calculation period(s): []
- (vii) Specified Interest Payment Dates: []
- (viii) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (give details)]
- (ix) Business Centre(s): []
- (x) Minimum Rate/Amount of Interest: []% per annum
- (xi) Maximum Rate/Amount of Interest: []% per annum
- (xii) Day Count Fraction: []

19. **Dual Currency Note Provisions** [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Rate of Exchange/method of calculating Rate of Exchange: [Give details]
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: []
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: []
- (iv) Person at whose option Specified Currency(ies) is/are payable: []

PROVISIONS RELATING TO REDEMPTION

20. **Call Option** [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Optional Redemption Date(s): []

- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [] per Note of [] denomination
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: []
- (b) Maximum Redemption Amount: []
- (iv) Notice period []
21. **Put Option** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [] per Note of [] denomination
- (iii) Notice period []
22. **Final Redemption Amount of each Note** [[] per Note of [] denomination / other / see Appendix]
(N.B. In relation to any issue of Notes that are expressed at paragraph 6 of Part A and paragraph 10 of Part B to have a minimum denomination and higher integral multiples above such minimum denomination that are less than the minimum denomination, the following wording should be added: "For the avoidance of doubt, in the case of a holding of Notes in an integral multiple of €1,000 in excess of €50,000 as envisaged in paragraph 6 of Part A and paragraph 10 of Part B, such holding will be redeemed at its nominal amount.")
(N.B. If the Final Redemption Amount is less than 100% of the nominal value, the Notes will constitute derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply)
- In cases where the Final Redemption Amount is Index-Linked or other variable-linked:
- (i) Index/ Formula/variable [Give or annex details]

- (ii) Calculation Agent responsible for calculating the Final Redemption Amount: []
 - (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable []
 - (iv) Determination Date(s): []
 - (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: []
 - (vi) Payment Date: []
 - (vii) Minimum Final Redemption Amount: []
 - (viii) Maximum Final Redemption Amount []
23. **Early Redemption Amount** []

Early Redemption Amount(s) of each Note payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): []

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes: **Bearer Notes**

- (i) New Global Note [Yes/No]
- (ii) Form [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]

[Temporary Global Note exchangeable for Definitive Notes on the “Exchange Date” (as specified and defined in the temporary Global Note)]

[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]

[Registered Notes]

25. Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details]
(N.B. This item relates to the date and place of payment, and not interest period end dates, to which each of items 15(ii), 16(iv) and 18(ix) relates)
26. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
27. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details]
(N.B. A new form of temporary Global Note and/or permanent Global Note may be required for Partly Paid Issues.)
28. Details relating to Instalment Notes:
- (i) Instalment Amount(s): [Not Applicable/give details]
- (ii) Instalment Date(s): [Not Applicable/give details]
29. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions [in Condition ●] apply]
(If redenomination is applicable, specify the terms of the redenomination in an Annex to the Final Terms)
30. Consolidation provisions: [Not Applicable/The provisions [in Condition ●] apply]
31. Other final terms: [Not Applicable/give details]
(When adding any other final terms, consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)
32. (i) If syndicated, names of Managers: [Not Applicable/give names]

- (ii) Stabilising Manager(s) (if any), together with the address of each such stabilising manager: [Not Applicable/*give name(s) and address(es)*]
- 33. If non-syndicated, name of relevant Dealer: [Not Applicable/*give name*]
- 34. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable [TEFRA D / TEFRA C / TEFRA not applicable]
- 35. Additional selling restrictions: [Not Applicable/*give details*]

LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the €10,000,000,000 Euro Medium Term Note Programme of Repsol International Finance B.V.

RESPONSIBILITY

[Each of the Issuer and the Guarantor][The Issuer] accepts responsibility for the information contained in these Final Terms. [[●] has been extracted from [●]. [Each of the Issuer and the Guarantor][The Issuer] confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced inaccurate or misleading.]

Signed on behalf of the Issuer:

By:
Duly authorised

[Signed on behalf of the Guarantor:

By:
Duly authorised]

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing: [London/Luxembourg/other (*specify*)/None]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [] with effect from []] [Not Applicable.]
- (iii) Estimate of total expenses related to admission to trading: []

2. RATINGS

Ratings: The Notes to be issued have been rated:

[S & P: []]
[Moody's: []]
[Fitch: []]
[[Other]: []]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

3. [NOTIFICATION]

The *Commission de Surveillance du Secteur Financier (CSSF)* [has been requested to provide/has provided - include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues] the [*include names of competent authorities of host Member States*] with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.]

4. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

[Save as discussed in ["Subscription and Sale"], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the issue.]

5. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[(i)] Reasons for the offer: [].

(See "Use of Proceeds" wording in the Base Prospectus. If reasons for the offer differ from making profit and/or hedging certain risks, will need to include those reasons here.)

[(ii)] Estimated net proceeds: [].

(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses, state amount and sources of other funding.)

[(iii)] Estimated total expenses: [].

(Expenses are required to be broken down into each principal intended “use” and presented in order of priority of such “uses”.)

(N.B. If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and, where such reasons are inserted in (i), disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.)

6. **[YIELD**

(Fixed Rate Notes only)

Indication of yield: [].

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

7. **[PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING**

(Index-Linked or other variable-linked Notes only)

(Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident. Need to include a description of any market disruption or settlement disruption events that affect the underlying and any adjustment rules in relation to events concerning the underlying (if applicable).)

(Where the underlying is an index, need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index, need to include equivalent information. Where the underlying is a security, need to include the name of the issuer of the security and the International Securities Identification Number (ISIN) or equivalent identification number. Where the underlying is a basket of underlyings, need to include the relevant weightings of each underlying in the basket.)

8. **PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT**

(Dual Currency Notes only)

(Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.)

9. **OPERATIONAL INFORMATION**

(i) ISIN Code: []

(ii) Common Code: []

(iii) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg (together with the address of each such clearing system) and the relevant identification [Not Applicable/give name(s), address(es) and number(s)]

number(s):

(iv) Delivery: Delivery [against/free of] payment

(v) Names and addresses of additional Paying Agent(s) (if any): []

(vi) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes/No]

[Note that the designation “Yes” simply means that the Notes are intended upon issue to be deposited with one of the International Central Securities Depositories (ICSDs), being Euroclear and Clearstream, Luxembourg, as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any and all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] *(Include this text if “Yes” is selected in which case the Notes must be issued in NGN form.)*

GENERAL INFORMATION

- (1) In connection with the application to list the Notes issued under the Programme on the Luxembourg Stock Exchange, legal notice relating to the issue of the Notes and copies of the Articles of Association (*Statuten*) of the Issuer and the Bylaws (*Estatutos sociales*) of the Guarantor will be deposited with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés a Luxembourg*), where such documents may be examined and copies obtained.
- (2) The Issuer and the Guarantor have obtained all necessary consents, approvals and authorisations in The Netherlands and the Kingdom of Spain, respectively, in connection with the establishment of the Programme and the guarantee relating to the Programme. The establishment of the Programme was authorised by resolutions of the Board of Managing Directors of the Issuer passed on 7 September 2001 and the update of the Programme was authorised by a resolution of the Board of Directors of the Issuer passed on 30 November 2006. The giving of the guarantee relating to the Programme by the Guarantor was authorised by a resolution of the Board of Directors of the Guarantor passed on 19 July 2001 and the update of the Programme was authorised by a resolution of the Board of Directors of the Guarantor passed on 30 November 2005.
- (3) On 1 September 2004, a new insolvency law (*Ley 22/2003*), which is applicable in the event of the insolvency or bankruptcy of Repsol YPF, S.A. came into force in Spain. This law has replaced a number of pre-existing laws and regulations and has substantially changed and modernised Spanish insolvency proceedings and creditors' rights in such proceedings. For instance, the law has removed the traditional ranking privilege for creditors whose rights arise from documents that have been notarised and has imposed restrictions on the early termination of certain obligations due to the insolvency of the relevant debtor.
- (4) There has been no material adverse change in the prospects of the Issuer since 31 December 2005 (being the date of the last published audited financial statements) nor has there been any significant change in the financial or trading position of the Issuer and its consolidated subsidiaries since 31 December 2005.

There has been no material adverse change in the prospects of the Guarantor since 31 December 2005 (being the date of the last published audited financial statements) nor has there been any significant change in the financial or trading position of the Group since 30 September 2006.

- (5) Each Note, Receipt, Coupon and Talon will bear the following legend: “Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code”.
- (6) Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.

- (7) For so long as Notes may be issued pursuant to this Base Prospectus, the following documents (or copies thereof) will be available (in the case of (v), (vi), (vii) and (ix) free of charge), during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of DEXIA Banque Internationale Luxembourg S.A.:

- (i) the Trust Deed (which includes the guarantee relating to the Programme, the form of the Global Notes, the definitive Notes, the Coupons, the Receipts and the Talons);
 - (ii) the Dealer Agreement;
 - (iii) the Articles of Association (“*Statuten*”) of the Issuer;
 - (iv) the Bylaws (“*Estatutos sociales*”) of the Guarantor;
 - (v) the audited non-consolidated financial statements of the Issuer, including the notes to such financial statements and the audit reports thereon, for each of the financial years ended 31 December 2005 and 2004 (each prepared in accordance with Dutch GAAP);
 - (vi) Form 20-F of Repsol YPF filed with the SEC on 14 July 2006, incorporating the Annual Report 2005 of Repsol YPF, including the audited consolidated annual financial statements for the financial year ended 31 December 2005 and the comparative information required for the financial year ended 31 December 2004, which were prepared in accordance with IFRS, together with the notes to such financial statements and the audit report thereon;
 - (vii) the interim unaudited consolidated preview of the income statement for the third quarter of 2006, which incorporates the income statement of Repsol YPF for the nine months ended 30 September 2006;
 - (viii) the significant events (*hechos relevantes*) communicated by Repsol YPF to the CNMV since 14 July 2006;
 - (ix) each Final Terms for Notes that are listed on the Luxembourg Stock Exchange or any other stock exchange;
 - (x) copy of this Base Prospectus, together with any Supplement to the Base Prospectus or further Base Prospectus;
 - (xi) copy of the subscription agreement for Notes issued on a syndicated basis that are listed on the Luxembourg Stock Exchange; and
 - (xii) all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the Issuer’s request any part of which is included or referred to in this Base Prospectus.
- (8) (i) The consolidated financial statements of Repsol YPF for the years ended 31 December 2005 and 2004 have been audited for by Deloitte, S.L., (members of the *Registro Oficial de Auditores de Cuentas*), Independent Auditors of Repsol YPF, and unqualified opinions have been reported thereon. The address of Deloitte, S.L. is Plaza Pablo Ruiz de Picasso, 1, Torre Picasso, 28020 Madrid, Spain.
- (ii) The financial statements of the Issuer have been audited for the financial years ended 31 December 2005 and 2004 by Deloitte Accountants B.V. (registered with the *Kamer van Koophandel* of Amsterdam), Independent Auditors of the Issuer, and unqualified opinions have been reported thereon. The address of Deloitte Accountants B.V. is Admiraliteitskade 50, 3063 ED Rotterdam, The Netherlands.
- (9) Freshfields Bruckhaus Deringer has acted as legal adviser to the Issuer and the Guarantor as to English law and Spanish law; Linklaters has acted as legal adviser to the Dealers as to English law and Spanish law; Van Doorne N.V. has acted as legal advisers to the Issuer as to Dutch law;

Loyens & Loeff N.V. has acted as legal adviser to the Issuer as to Dutch tax law; and Análisis Asesoramiento e Información, S.L. has acted as legal advisers to the Guarantor as to Spanish tax law, Loyens Winandy has acted as legal advisers to the Issuer as to Luxembourg tax law, in each case in relation to the update of the Programme.

- (10) The Issuer does not intend to provide any post-issuance information, except if required by any applicable law or regulation.

**REGISTERED OFFICE OF THE
ISSUER**

Koningskade 30
2596 AA The Hague
The Netherlands

**REGISTERED OFFICE OF THE
GUARANTOR**

Paseo de la Castellana 278-280
28046 Madrid
Spain

TRUSTEE

**Citicorp Trustee Company
Limited**

Agency & Trust, 14th Floor
Citicorp Centre, Canada Square
Canary Wharf, London E14 5LB

**LISTING AGENT AND PAYING
AGENT**

**Dexia Banque Internationale à
Luxembourg, société anonyme**
69 route d'Esch
L-2953 Luxembourg

AUDITORS OF THE ISSUER

Deloitte Accountants B.V.
Admiraliteitskade 50
3063 ED Rotterdam
The Netherlands

**ISSUING AND PAYING AGENT AND
CALCULATION AGENT**

Citibank N.A.
21st Floor
Citigroup Centre, Canada Square,
Canary Wharf, London E14 5LB

AUDITORS OF THE GUARANTOR

Deloitte, S.L.
Plaza Pablo Ruiz de Picasso, 1
Torre Picasso
28020 Madrid, Spain

ARRANGER

Merrill Lynch International

Merrill Lynch Financial Centre
2 King Edward Street
London EC1A 1HQ

DEALERS

Banco Bilbao Vizcaya Argentaria S.A.

Via los Poblados, 4th Floor
28033 Madrid
Spain

Barclays Bank PLC

5 The North Colonnade
Canary Wharf
London E14 4BB

**Caixa d'Estalvis i Pensions de
Barcelona**

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08028 Barcelona
Spain

Goldman Sachs International

Peterborough Court
133 Fleet Street
London EC4A 2BB

Banco Santander Central Hispano, S.A.

Ciudad Grupo Santander
Avenida de Cantabria, s/n 28033 28660 Madrid,
Spain

BNP PARIBAS

10 Harewood Avenue
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Citigroup Global Markets Limited

Citigroup Centre
Canada Square, Canary Wharf
London E14 5LB

Merrill Lynch International

Merrill Lynch Financial Centre
2 King Edward Street
London EC1A 1HQ

