

## 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, 10 November 2004 and 2 February 2007. 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 (which is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC) and to be listed on the official list of the Luxembourg Stock Exchange. Application may also be made to list such Notes on the *AIAF Mercado de Renta Fija*. Unlisted Notes and Notes to be listed and admitted to trading on other or additional regulated markets may also be issued pursuant to the Programme. According to the Luxembourg Act, the CSSF is not competent for approving prospectuses for the listing of money market instruments having a maturity at issue of less than 12 months and complying with the definition of securities. 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 official list of the Luxembourg Stock Exchange (or any other regulated market) and admitted to trading on the regulated market thereof (or any such other regulated market).

For the purposes of the Transparency Directive 2004/109/EC, the Issuer has selected Luxembourg as its 'home member state'. The 'home member state' of the Guarantor for such purposes is Spain.

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 official list of the Luxembourg Stock Exchange, will) be deposited on the issue date of the Tranche to a common depository on behalf of Euroclear and Clearstream, Luxembourg (the *Common Depository*). 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 14 to 26 in this Base Prospectus.

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*Arranger*  
**Merrill Lynch International**  
*Dealers*

**Banco Bilbao Vizcaya Argentaria, S.A.**  
**BNP PARIBAS**  
**Caja Madrid**  
**Citi**  
**Merrill Lynch International**  
**The Royal Bank of Scotland**

**Barclays Capital**  
**Caixa d'Estalvis i Pensions de Barcelona**  
**CALYON Crédit Agricole CIB**  
**Goldman Sachs International**  
**Santander Global Banking & Markets**  
**Société Générale Corporate and Investment Banking**

**UBS Investment Bank**

The date of this Base Prospectus is 28 October 2008.

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 or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the

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

In this Base Prospectus, unless otherwise specified or the context otherwise requires, references to *Ps.* 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 official list of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's regulated market, shall constitute a *Supplement to the Base Prospectus*, as required by the Luxembourg Act.

### DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have been filed with the CSSF, shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

<u>Document</u>	<u>Page reference</u>
(a) Condensed consolidated interim financial statements and interim consolidated management's report of Repsol YPF for the six-month period ended 30 June 2008:	
- Deloitte's letter dated 30 July 2008 re. Report on Limited Review of Condensed Consolidated Interim Financial Statements (translation of a report originally issued in Spanish) .....	3-4
- Condensed Consolidated Interim Financial Statements for the Six-Month Period Ended 30 June 2008 ..	5-35
- Interim Consolidated Management's Report for the Six-Month Period Ended 30 June 2008.....	36-47
(b) Form 20-F of Repsol YPF, S.A. filed with the Securities and Exchange Commission (the <i>SEC</i> ) on 30 May 2008, incorporating the Annual Report 2007 of Repsol YPF, S.A., including the audited consolidated annual financial statements of Repsol YPF for the year ended 31 December 2007, together with the notes to such financial statements and the audit report thereon (the <i>Form 20-F</i> ):	
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 (c) The sections listed below of the Annual Report 2006 of Repsol YPF, S.A., including the audited consolidated annual financial statements of Repsol YPF for the year ended 31 December 2006, together with the notes to such financial statements and the audit report thereon:	
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- Consolidated statements of changes in equity as of 31 December 2006 and 2005 .....	81
- Notes and Appendices to the consolidated financial statements.....	82-166
 (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 2007:	
- Balance sheet as at 31 December 2007 .....	3-4
- Statement of income for the year ended 31 December 2007.....	5
- Notes to financial statements at 31 December 2007.....	6-13

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- Additional information.....	14
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(e) the audited non-consolidated financial statements of the Issuer, including the notes to such financial statements and the audit reports thereon, for the financial year ended 31 December 2006:	
- Balance sheet as at 31 December 2006 .....	3-4
- Statement of income for the year ended 31 December 2006.....	5
- Notes to financial statements at 31 December 2006.....	6-13
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(f) 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 30 May 2008 (being the date on which the Form 20-F was filed with the SEC):	
- Press release regarding the sale of Repsol's service station network in Ecuador. (5/06/2008).....	1-2
- Press release regarding a new oil discovery adjacent to Carioca. (13/06/2008) .....	3-4
- Official notice regarding Repsol talks with Rosneft. (11/07/2008) .....	5
- Official notice. Based on Libya's new energy framework, Repsol extends oil production and exploration licences in Libya to 2032. (17/07/2008).....	6-7
- Official notice. Negotiations between Gas Natural SDG, S.A. and ACS. (30/07/2008) .....	8
- Official notice. De Vido Meets YPF Management. (22/10/2008).....	9

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](http://www.bourse.lu)". In addition, copies of the documents referred to in sub-paragraphs (a), (b) and (c) above can be obtained from the website of Repsol YPF at "[www.repsol.com](http://www.repsol.com)" and copies of the documents referred to in sub-paragraphs (d) and (e) above can be obtained from the website of the Issuer at "[www.repsolinternationalfinancebv.com](http://www.repsolinternationalfinancebv.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 Staff of the SEC relating to its annual report on Form 20-F for the year ended 31 December 2007. 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 companies that are publicly-traded in the U.S., 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 and is not incorporated in, and does not form part of, this Base Prospectus.

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## GENERAL DESCRIPTION OF THE PROGRAMME

<b>Issuer:</b>	Repsol International Finance B.V.
<b>Guarantor:</b>	Repsol YPF, S.A.
<b>Description:</b>	Guaranteed Euro Medium Term Note Programme
<b>Size:</b>	Up to €10,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. The Issuer may increase the size of the Programme in accordance with the terms of the Dealer Agreement.
<b>Arranger:</b>	Merrill Lynch International
<b>Dealers:</b>	Banco Bilbao Vizcaya Argentaria, S.A.  Banco Santander S.A.  Barclays Bank PLC  BNP PARIBAS  Caixa d'Estalvis i Pensions de Barcelona  Caja de Ahorros y Monte de Piedad de Madrid  CALYON  Citigroup Global Markets Limited  Goldman Sachs International  Merrill Lynch International  Société Générale  The Royal Bank of Scotland plc  UBS Limited  The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Base Prospectus to <b><i>Permanent Dealers</i></b> 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 <b><i>Dealers</i></b> are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
<b>Trustee:</b>	Citicorp Trustee Company Limited
<b>Issuing and Paying Agent:</b>	Citibank, N.A., London Branch



<b>Method of Issue:</b>	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a <i>Series</i> ) 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 <i>Tranche</i> ) 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 <i>Final Terms</i> ).
<b>Issue Price:</b>	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.
<b>Form of Notes:</b>	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.
<b>Clearing Systems:</b>	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.
<b>Initial Delivery of Notes:</b>	If the Global Note is intended to be issued in NGN form, the Global Note representing Notes will, on or before the issue date for each Tranche, be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. If the Global Note is not intended to be issued in NGN form, the Global Note representing Notes may (or, in the case of Notes listed on the official list of the Luxembourg Stock Exchange, will), on or before the issue date for each Tranche, be deposited with a common depositary for Euroclear and/or Clearstream, Luxembourg. Global Notes relating to Notes that are not listed on the official list of the Luxembourg Stock Exchange may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Guarantor, the Issuing and Paying Agent, the Trustee and the relevant Dealer.
<b>Currencies:</b>	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 €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 €50,000 (or its equivalent in another currency), in the authorised denomination of €50,000 (or its equivalent in another currency) and integral multiples of €50,000 (or its equivalent in another currency) thereafter, or (b) if the Specified Denomination stated in the relevant Final Terms is €50,000 (or its equivalent in another currency) and integral multiples of €1,000 (or its equivalent in another currency) in excess thereof, in the minimum authorised denomination of €50,000 (or its equivalent in another currency) and higher integral multiples of €1,000 (or its equivalent in another currency), notwithstanding that no definitive notes will be issued with a denomination above €9,000 (or its equivalent in another currency).

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

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

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the issue date of the first Tranche of a Series; or
- (ii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (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.

<b>Zero Coupon Notes:</b>	Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.
<b>Dual Currency Notes:</b>	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.
<b>Index-Linked Notes:</b>	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.
<b>Interest Periods and Interest Rates:</b>	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.
<b>Redemption:</b>	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 would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000, must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
<b>Redemption by Instalments:</b>	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.
<b>Other Notes:</b>	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.

<b>Optional Redemption:</b>	<p>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.</p> <p>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).</p>
<b>Risk Factors:</b>	<p>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.</p>
<b>Status of Notes:</b>	<p>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”.</p>
<b>Negative Pledge:</b>	<p>See “Terms and Conditions of the Notes – Negative Pledge” below.</p>
<b>Cross Default:</b>	<p>See “Terms and Conditions of the Notes – Events of Default”.</p>
<b>Early Redemption:</b>	<p>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”.</p>
<b>Withholding Tax:</b>	<p>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”.</p>
<b>Governing Law:</b>	<p>English.</p>
<b>Listing and Admission to Trading:</b>	<p>Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange’s regulated market and to be listed on the official list of the Luxembourg Stock Exchange or as otherwise specified in the relevant Final Terms. As specified in the relevant Final Terms, a Series of Notes may be unlisted.</p>

**Selling Restrictions:**

United States, the European Economic Area, United Kingdom, Spain, The Netherlands and Japan. See “Subscription and Sale”.

The Issuer and the Guarantor are Category 2 for the purposes of Regulation S under the Securities Act.

The Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the **D Rules**) unless (i) the relevant Final Terms state that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the **C Rules**) or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (**TEFRA**), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

## **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 2007, the average international price for West Texas Intermediate (*WTI*) crude oil price was U.S.\$72.37 per barrel, compared to an average of U.S.\$ 38.39 per barrel for the period 1998-2007, with high and low annual averages of U.S.\$72.37 per barrel in 2007 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 infrastructure, 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 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 may not be able to satisfy its obligations under 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 30 June 2008, approximately 22% of Repsol YPF's assets were located in Argentina, corresponding for the most part to exploration and production activities. In addition, as of June 2008, approximately 20% of Repsol YPF's operating income was generated from activities in Argentina.

The Argentine economy has experienced significant volatility in recent decades, including numerous periods of low or negative growth and high and variable levels of inflation and currency devaluation. Since the most recent crisis of 2001 and 2002, the Argentine economy has grown at a rapid pace, with GDP increasing on a real basis by 8.7% in 2003, 9.0% in 2004, 9.2% in 2005, 8.5% in 2006 and 8.7% in 2007. However, in the first half of 2008 real GDP growth slowed and no assurances can be given that historic rates of growth will return or that the current rates will not decline further. The Argentine economy remains susceptible to, among other things, a decline in commodity prices, limited international financing and investment in infrastructure and an increase in inflation. Sustained inflation in Argentina could increase Repsol YPF's costs of operation, in particular labour costs, and without a corresponding increase in the price of our products, may negatively impact the results of operations and financial condition. Additionally, Argentina restructured a substantial portion of its bond indebtedness in 2005 and, as of the date of this Base Prospectus, has 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 this regard, the Argentine government recently announced that it would repay U.S.\$6,700 million corresponding to a portion of the defaulted debt that was not included in the aforementioned debt restructuring in 2005 (the so-called "Paris Club" debt). If economic conditions in Argentina were to

deteriorate, it would likely have an adverse effect on the business, results of operations and financial condition Repsol YPF.

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, in the recent past, the energy sector and YPF S.A. (*YPF*) have been affected by difficulties in passing through the impact of domestic inflation rates and 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. A continuing delay could have a negative impact on Repsol YPF's business, results of operations and financial condition in Argentina.

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

- limitations on its ability to pass increases in international prices of crude oil and other hydrocarbon fuels and exchange rate fluctuations through to domestic prices, or to increase local prices of natural gas (in particular for residential customers), gasoline and diesel;
- higher taxes on hydrocarbon exports;
- in connection with the Argentine government's policy to provide absolute priority to domestic demand, regulatory orders to supply natural gas and other hydrocarbon products to the domestic retail market in excess of previously contracted amounts;
- restrictions on hydrocarbon export volumes driven mainly by the requirement to satisfy domestic demand;
- the import of certain hydrocarbon fuels at international market prices to satisfy domestic demand at significantly lower domestic prices;
- regulatory developments leading to the imposition of stricter supply requirements, fines or other actions by governmental authorities in response to fuel shortages at service stations;
- higher taxes on domestic fuel sales not compensated by price increases;
- termination of, or failure to obtain the extension of concession permits, most of which expire in 2017;
- Work disruptions and stoppages by the workforce;
- possible conflicts between regulations or taxes (including royalties) enacted or administered by provinces and those enacted by federal law;
- the implementation or imposition of stricter quality requirements for petroleum products in Argentina; 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.

In recent years, new duties have been imposed on exports. In March 2002, oil and gas companies were levied with a five-year, 20% tax on proceeds from the export of crude oil and a five-year, 5% tax on proceeds from the export of oil products. These duties on exports were increased on 11 May 2004 to the following taxation rates: 25% on exports of crude oil, 20% on exports of butane, methane and LPG, and 5% on exports of gasoline and diesel. On 26 May 2004, a 20% duty on natural gas and natural gas liquids



exports was imposed. On 4 August 2004, the Ministry of Economy and Production issued a resolution establishing a progressive scheme of export duties for crude oil, with rates ranging from 25% to 45%, depending on the quotation of the WTI reference price at the time of export and thereby modifying the fixed 25% tax rate established in May of that year.

Resolution 394/2007 of the Ministry of Economy and Production, published on 16 November 2007, amends the export duties on crude oil and other crude derivative products. The current regime provides that when the WTI international price exceeds the reference price, which is fixed at US\$60.9/barrel, the producer shall be allowed to collect at US\$42/barrel, with the remainder being withheld by the Argentine government as an export tax. If the WTI international price is under the reference price but over US\$45/barrel, a 45% withholding rate will apply. If such price is under US\$45/barrel, the applicable export tax is to be determined within a term of 90 business days. The withholding rate determined as indicated above also currently applies to diesel, gasoline and other crude derivative products. In addition, the calculation procedure described above applies to other petroleum products and lubricants based upon different withholding rates, reference prices and prices allowed to producers.

With respect to natural gas products, in July 2006, the Ministry of Economy and Production issued Resolution 534/06, which increased to 45% the export duty on natural gas. This resolution also required the Customs General Administration to apply the natural gas price set by the Framework Agreement between Argentina and Bolivia (the *Framework Agreement*), which was approximately US\$6/mmBtu (million British thermal units) in December 2007, as the valuation basis for calculating export duties on natural gas sales, irrespective of the actual price of such sales. In 2006, exports from the Tierra del Fuego province, which were previously exempted from taxes, were made subject to export duties at the prevailing rates. Moreover, in May 2007 the Ministry of Economy and Production increased to 25% the export duty on exports of butane, propane and LPG.

Resolution No. 127/2008 of the Ministry of Economy and Production increased export duties applicable to natural gas exports from 45% to 100%, mandating a valuation basis for the calculation of the duty as the highest price established in any contract of any Argentine importer for the importation of gas, abandoning the previously applicable reference price set by the Framework Agreement between Argentina and Bolivia mentioned above. Resolution No. 127/2008 provides with respect to LPG products (including butane, propane and blends thereof) that if the international price of the relevant LPG product, as notified daily by the Secretariat of Energy, is under the reference price established for such product in the Resolution (US\$338/m<sup>3</sup> for propane, US\$393/m<sup>3</sup> for butane and US\$363/m<sup>3</sup> for blends of the two), the applicable export duty for such product will be 45%. If the international price is the same as or greater than the reference price, the producer will be allowed to collect the maximum amount established by the Resolution for the relevant product (US\$223/m<sup>3</sup> for propane, US\$271/m<sup>3</sup> for butane and US\$250/m<sup>3</sup> for blends of the two), with the remainder being withheld by the Argentine government as an export tax.

As a result of the aforementioned export tax increases, YPF may be and, in certain cases, has already been forced to seek the renegotiation of its export contracts, despite, in most cases, the prior authorisation of such contracts by the Argentine government. Repsol YPF cannot provide assurances that YPF will be able to renegotiate such contracts on terms acceptable to them.

The imposition of these export taxes has adversely affected YPF's results of operations. Repsol YPF cannot assure you that these taxes will not continue or be increased in the future or that other new taxes will not be imposed.

The Argentine Hydrocarbons Law (Law No. 17,319) allows for hydrocarbon exports as long as they are not required for the domestic market and are sold at reasonable prices. In the case of natural gas, Law 24,076 and related regulations require that the needs of the domestic market be taken into account when authorising long term natural gas exports.

During the last several years, the Argentine authorities have adopted a number of measures that have resulted in the substantial restriction of exports of natural gas from Argentina, and the Argentine government's current policy is not to allow any exports of natural gas other than to the residential sector in certain other countries.

Due to the foregoing, YPF has been obliged to sell a part of its natural gas production previously destined for the export market in the local Argentine market and has not been able to meet its contractual gas export commitments in whole or, in some cases, in part, leading to disputes with its export clients and forcing YPF to declare force majeure under its export sales agreements. Repsol YPF believes that these actions from the government constitute force majeure events that relieve YPF from any contingent liability for the failure to comply with its contractual obligations, although no assurance can be given that this position will prevail.

In addition, the effectiveness after certain specific dates of certain natural gas export authorisations is subject to an analysis by the Secretariat of Energy of natural gas reserves in the Noroeste basin. The result of such analysis is uncertain and may have an adverse impact upon YPF's performance of the export gas sales agreements related to such export authorisations should the Secretariat determine that reserves are inadequate.

Crude oil exports, as well as the export of most hydrocarbon products, currently require prior authorisation from the Secretariat of Energy (pursuant to the regime established under Resolution S.E. No. 1679/04 as amended and supplemented by other regulation). Oil companies seeking to export crude oil or LPG must first demonstrate that the local demand for such product is satisfied or that an offer to sell the product to local purchasers has been made and rejected. Oil refineries seeking to export diesel fuel must also first demonstrate that the local demand of diesel is duly satisfied. Because domestic diesel production does not currently satisfy Argentine domestic consumption needs, YPF has been prevented since 2005 from selling diesel production in the export market, and thereby obliged to sell in the local market at significantly lower prices.

Repsol YPF is unable to predict how long these measures will be in place, or whether such measures or any further measures adopted will affect additional volumes of natural gas, crude oil, diesel fuel, or other products could materially and adversely affect Repsol YPF's business, results of operations and financial condition.

**The regulatory environment and outlook for companies that operate in the oil and gas industry in Bolivia remains uncertain and could have a material adverse affect on our business, financial condition and results of operation**

Supreme Decree No. 28,701, published on 1 May 2006, nationalised all of Bolivia's natural hydrocarbon resources and the Bolivian State, through Yacimientos Petrolíferos Fiscales Bolivianos (*YPFB*), a Bolivian oil company, took over their commercialisation for the internal and export markets as well as potential industrialisation projects. On 28 October 2006, as a consequence of a new hydrocarbons law enacted on 19 May 2005 and Supreme Decree No. 28,701, Repsol YPF and its affiliate, Empresa Petrolera Andina S.A. (*Andina*), signed an operations contract with YPFB that established the conditions for the exploration and production of hydrocarbons in Bolivia. These contracts were approved by the Bolivian Congress and notarised and they entered into effect on 2 May 2007.

Executive Decree No. 29,486 established that at least 50% plus one vote of Andina's share capital had to be held by YPFB by no later than 30 April 2008. On 30 April 2008, a share transfer agreement in respect of 1.08% of Andina's share capital was signed, pursuant to which YPFB's aggregate shareholding in Andina increased to 50.184%. In September 2008, the Bolivian Commercial Registry registered a change of corporate name from Empresa Petrolera Andina S.A. to YPFB Andina S.A. and the Andina shareholders' agreement between Repsol YPF and YPFB was signed on 15 October 2008, to be effective from 8 November 2008.

We cannot predict the effect that these actions will have on our operations in Bolivia, or whether new actions will be taken by the Bolivian government. These and any other actions could have a material adverse effect on the business, results of operations and financial condition of Repsol YPF.

**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 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 may 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. In Spain, for example, the government regulates maximum price levels for LPG bottle sizes between 8 and 20 kilograms (inclusive) as well as for the supply of piped LPG. In addition, legislation and regulations may change in the future.

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 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 and the United States, certain of which may be politically or economically less stable than EU countries and the United States. At 31 December 2007, 91.5% of Repsol YPF's net proved hydrocarbons reserves were located in Latin America and 6.0% 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 or cancellation of contracts, the nationalisation or denationalisation of assets, changes in local government regimes and policies, changes in business customs and practices, payment delays, currency exchange restrictions and losses and impairment of operations 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 by such events.

### **Repsol YPF's oil and natural gas reserves are estimates**

Repsol YPF's oil and gas proved reserves are estimated in accordance with the guidelines established by the Securities and Exchange Commission. Proved reserves are estimated using geological and engineering data to determine with reasonable certainty whether the crude oil or natural gas in known reservoirs is recoverable under existing economic and operating conditions.

The accuracy of proved reserve estimates depends on a number of factors, assumptions and variables, among which the most important are the following:

- the results of drilling, testing and production after the date of the estimates that may require substantial upward or downward revisions;
- the quality of available geological, technical and economic data and their interpretation and judgment;

- the production performance of reservoirs;
- developments such as acquisitions and dispositions, new discoveries and extensions of existing fields and the application of improved recovery techniques;
- the changes in oil and natural gas prices, which could have an effect on the quantities of proved reserves because the estimates of reserves are based on prices and costs at the date when such estimates are made. A decline in the price of oil or gas could make reserves no longer economically viable to exploit and therefore not classifiable as proved; and
- whether the prevailing tax rules, other government regulations and contractual conditions will remain the same as on the date estimates are made. Changes in tax rules and other government regulations could make reserves no longer economically viable to exploit.

Many of these factors, assumptions and variables involved in estimating proved reserves are beyond Repsol YPF's control and may prove to be incorrect over time. Consequently, measures of reserves are not precise and are subject to revision. Any downward revision in Repsol YPF's estimated quantities of proved reserves could adversely impact Repsol YPF's financial results, leading to increased depreciation, depletion and amortisation charges and/or impairment charges, which would reduce earnings and shareholders' equity.

#### **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.

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 ascribed 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 the 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 rate 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 the prevailing rates on its Notes.

### *Notes Issued at a Substantial Discount or Premium*

The market values of Notes issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing Notes. Generally, the longer the remaining term of 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 €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 €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 €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 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 adopted similar measures (a withholding system in the case of Switzerland).

## **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:

	<u>Percentage ownership</u>
	%
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 Investeringen, BV., The Hague .....	100.00
Repsol International Capital, Ltd., Cayman Islands .....	100.00
Repsol YPF Capital, S.L., Madrid .....	99.99

## 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 two holding and finance companies in The Netherlands, DCC International Holdings B.V. and MKS Holding B.V. Honorary Consul of the Republic of Mauritius in The Netherlands.
Francisco Javier Sanz Cedrón	Director	N/A
José Javier Molina Fernández	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 2007 and 2006, 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:

	2006 <sup>(1)</sup>		2007 <sup>(1)</sup>	
	(millions of euro)	(millions of U.S.\$)	(millions of euro)	(millions of U.S.\$)
<b>Statements of Income</b>				
Financial income and expense .....	368	486	177	258
Income before provision for income taxes .....	365	482	173	253
Net income .....	351	463	157	230
<b>Balance Sheet</b>				
Total non-current assets .....	4,246	5,603	5,472	7,990
Total current assets .....	1,244	1,643	1,041	1,520
Total assets .....	5,490	7,246	6,513	9,510
Long-term liabilities .....	3,397	4,483	4,614	6,738
Short-term liabilities .....	707	934	588	858
Shareholders' equity .....	1,386	1,829	1,311	1,914
Total liabilities and shareholders' equity .....	5,490	7,246	6,513	9,510

(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 2006 and 2007, which were €0.7577 and €0.6848 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 2007, the recognition of the notes at amortised cost, as required under IFRS, had the effect of increasing equity by approximately U.S.\$ 2.59 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.

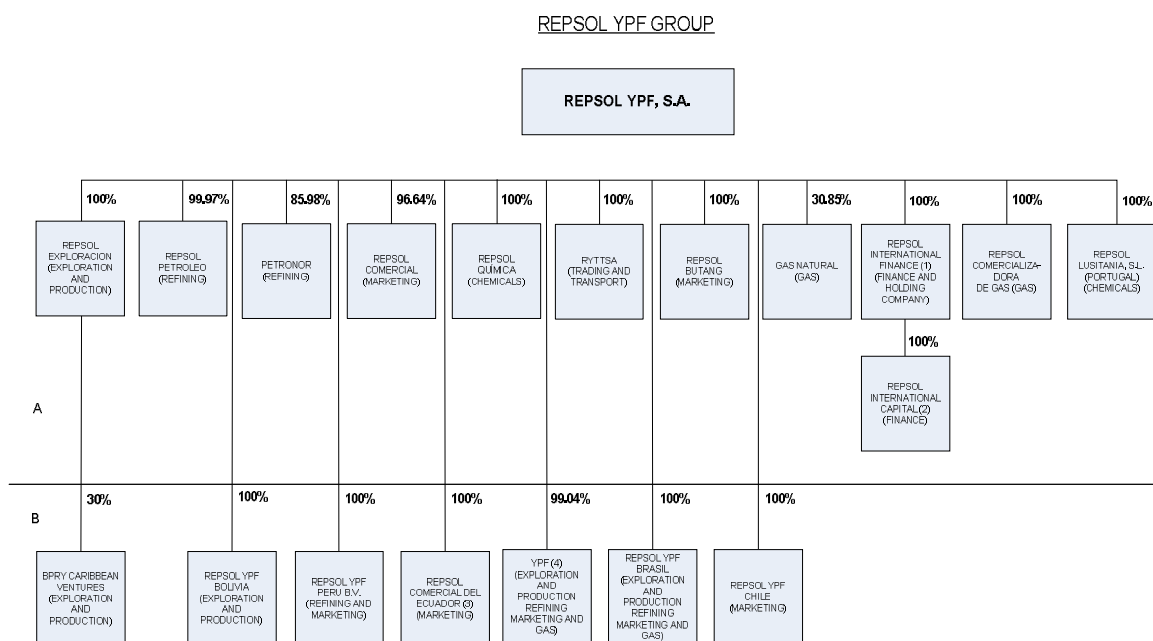
Repsol YPF, S.A. is registered with the Commercial Register of Madrid under the page number M-65289, and its tax identification number is A-78374725. Repsol YPF, S.A. is domiciled in Spain and its registered office and principal place of business is Paseo de la Castellana 278-280, 28046 Madrid, Spain and its telephone number is +34 91 348 8000.

### 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 2007, including the country of incorporation, main activities and Repsol YPF, S.A.’s ownership interest:



A Principal subsidiaries incorporated in Spain unless otherwise indicated.

B Principal Latin America subsidiaries.

(1) Incorporated in The Netherlands.

(2) Incorporated in the Cayman Islands.

(3) Assets classified as held for sale as of 30 June 2008 (see note 2 of the condensed consolidated interim financial statements of Repsol YPF for the six month period ended 30 June 2008).

(4) 14.9% was sold in February 2008 (see note 6 of the condensed consolidated interim financial statements of Repsol YPF for the six month period ended 30 June 2008).

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 2007, incorporated by reference in this Base Prospectus.

Between May 2005 and May 2007, Repsol YPF's organisational structure included three strategic business areas, which reported directly to the Chief Executive Officer:

- Business Division of Upstream, which had 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 managed 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 (ABB), which was responsible for the integrated value chain (exploration, production, refining, logistics, marketing and chemicals) in such countries. This Division consisted of five business areas and the support functions necessary for integrated management of such business areas.

This organisational structure transferred to the business areas the functions and resources relating to planning and budgets and also included five divisions which reported directly to the Chief Executive Officer: Corporate Division of Legal and General Counsel, Corporate Division of Finance and Corporate Services, Corporate Division of Control and Corporate Development, Corporate Division of Human Resources and Corporate Division of Communication and Head of the Chairman's Office.

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

On 30 May 2007, at the proposal of its Chairman and CEO, Antonio Brufau, Repsol YPF's Board of Directors unanimously approved a new organisational structure oriented towards the execution of the company's large growth projects as well as setting the pace for future developments.

Under this organisational structure, the Chief Operating Officer reports directly to the Chairman who oversees the control and coordination of all of Repsol YPF's business units. This role has been assumed by the current Group Managing Director of Control and Corporate Development, Miguel Martínez.

The company created the Liquefied Natural Gas (LNG) Division due to the importance of this activity where it foresees substantial future development.

The position of Executive Managing Director of the YPF Division was also created in order to maximise the value of Repsol YPF's assets in Argentina.

The company's four business executive managing directors are the following:

- Executive Managing Director of Upstream (Exploration and Production), Nemesio Fernández-Cuesta;
- Executive Managing Director of Downstream (Refining, Marketing, LPG and Chemicals), Pedro Fernández Frial;
- Executive Managing Director of YPF (Exploration, Production, Refining, Marketing and Chemicals in Argentina), Antonio Gomís Sáez; and



- Executive Managing Direction of LNG, Enrique Locutura.

These four executive managing directors, in addition to the Group Managing Director of Resources, Cristina Sanz, who is responsible for the provision of the necessary services for the development of the businesses, report directly to the new Chief Operating Officer (COO).

In addition to the Chief Operating Officer, who reports directly to the Chairman and CEO, the following are the principal officers of the company:

- The General Counsel and Secretary of the Board of Directors (responsible for, among other things, the legal affairs and management of the Group's real estate assets);
- The Head of Communication and Head of the Chairman's Office (responsible for communication, institutional and international affairs, social responsibility and brand positioning);
- The Chief Financial Officer (responsible for finance and fiscal-economic management, management control and investor relations); and
- The Group Managing Direction of Human Resources (responsible for employee organisation, development, planning and remuneration).

Additionally the corporate divisions of Corporate Strategy and Development, and Management Development report directly to the Chairman and CEO.

Repsol YPF's organisational structure also provides for the position of Corporate Director of Management Development, who reports to the Chairman and CEO.

This organisational structure of Repsol YPF and the creation of the position of Chief Operating Officer to oversee its coordination and control is targeted towards better identification and development of organic growth opportunities.

Following the introduction of this new organisational structure, segment information from 1 January 2008 will be reported based on the following segments:

#### Three integrated strategic businesses

- Upstream, corresponding to the exploration and development operations of crude oil and natural gas reserves, except in YPF;
- LNG, corresponding to the Liquid Natural Gas business, except in YPF; and
- Downstream, corresponding to refining, sales activities for oil products, Chemicals and LPG, except in YPF.

#### Two interests in strategic companies

- YPF, which includes the operations of YPF, S.A. and its group companies in all the businesses outlined above; and
- Gas Natural, corresponding to the sale of natural gas and power generation.

As a result of this change, the segment information of the Repsol YPF Group starting on 1 January 2008, is published according to this new organisational structure. To facilitate a comparison of the change

in such financial information with the data corresponding to 2007, these are presented where necessary using the same criteria as the data corresponding to 2008.

All financial and business information prior to 1 January 2008 was published in accordance with the segment structure previously in effect, given that the new organisational structure and information systems related thereto were not completely developed by then.

### Selected consolidated financial information

The selected consolidated financial data set forth below should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2007 and the condensed consolidated interim financial statements for the six months ended 30 June 2008 (the interim financial statements have been the subject of a limited review by the Guarantor's auditors). Both the audited consolidated financial statements for the year ended 31 December 2007 and the condensed consolidated interim financial statements for the six months ended 30 June 2008 are incorporated by reference in, and form part of, this Base Prospectus.

	Year ended 31 December		Six months ended
	2007	2006	30 June 2008 (unaudited) <sup>(1)</sup>
(millions of euro, except per share amounts)			
<b>Consolidated income statement data</b>			
Operating revenues.....	55,923	55,080	32,731
Operating income.....	5,808	5,911	3,502
Income from continuing operations <sup>(2)</sup> .....	5,693	5,568	3,501
Net income attributable to the shareholders of the parent company.....	3,188	3,124	2,117
Net income attributable to minority interests.....	167	224	131
Basic and diluted earnings per share <sup>(3)</sup> .....	2.61	2.56	1.74
<b>Consolidated balance sheet data</b>			
Property, plant and equipment, net.....	23,676	23,475	23,171
Total current assets.....	15,623	14,162	17,498
Total assets.....	47,164	45,201	48,855
Noncurrent financial liabilities.....	10,065	10,483	9,534
Current financial liabilities.....	1,501	1,556	2,027
Shareholders' Equity.....	18,511	17,433	19,139
Minority interest.....	651	609	1,176
Total Net Equity.....	19,162	18,042	20,315
Share Capital.....	1,221	1,221	1,221
<b>Consolidated cash flow data</b>			
Cash flow from operating activities.....	5,712	6,038	2,075
Cash flow from investing activities.....	(4,082)	(5,220)	(1,220)
Cash flow from financing activities.....	(1,378)	(957)	(726)
Dividends per share <sup>(3)</sup> .....	0.86	0.66	0.50

(1) The condensed consolidated interim financial statements as of and for the six months ended 30 June 2008 have been the subject of a limited review by the Guarantor's auditors, as described in the auditors' limited review report, which was filed with the CNMV on 31 July 2008 and is incorporated by reference in this Base Prospectus.

- (2) *Includes the items "Operating income", "Financial Results" and "Share of results of companies accounted for using the equity method" of the Consolidated Income Statement.*
- (3) *Based on the average number of shares (excluding treasury shares) in issue during such financial period, which was 1,220.9 million shares for the years ended 31 December 2007 and 2006, and 1,216.0 million shares for the period ended 30 June 2008.*

## BUSINESS DESCRIPTION

### 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 33 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>2007</u>	<u>2006</u>	<u>07 vs. 06</u>
	(millions of euro)		(%)
<b>Operating revenue by business segment</b>			
Exploration and Production .....	9,756	10,454	(6.7)
Refining and Marketing .....	45,166	43,646	3.5
Chemicals.....	5,256	4,670	12.5
Gas and Electricity .....	3,154	3,308	(4.6)
Corporate and Others .....	(7,409)	(6,998)	5.9
	<u>55,923</u>	<u>55,080</u>	<u>1.5</u>

	<b>2007</b>	<b>2006</b>	<b>07 vs. 06</b>
	<b>(millions of euro)</b>		<b>(%)</b>
<b>Operating income by business segment</b>			
Exploration and Production .....	2,968	3,286	(9.7)
Refining and Marketing .....	2,358	1,855	27.1
Chemicals.....	231	353	(34.5)
Gas and Electricity .....	516	469	10.0
Corporate and Others .....	(265)	(52)	409.6
	<b>5,808</b>	<b>5,911</b>	<b>(1.7)</b>

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

	<b>2007</b>	<b>2006</b>	<b>07 vs. 06</b>
	<b>(millions of euro)</b>		<b>(%)</b>
<b>Operating revenue by geographic segment</b>			
Spain.....	33,638	34,259	(1.8)
ABB.....	10,815	10,795	0.2
Rest of the World.....	11,470	10,026	14.4
	<b>55,923</b>	<b>55,080</b>	<b>1.5</b>

The condensed interim consolidated financial statements of Repsol YPF for the six-month period ended 30 June 2008 have been filed with the CNMV and are incorporated by reference in, and form part of, this Base Prospectus.

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

	<b>2007</b>	<b>2006</b>
<b>Crude oil net proved reserves<sup>(1)</sup></b> .....	<b>951,578</b>	<b>1,059,356</b>
Spain .....	2,871	3,117
ABB .....	652,961	722,461
Rest of the World .....	295,746	333,780
<b>Gas net proved reserves<sup>(2)</sup></b> .....	<b>8,156,157</b>	<b>8,718,327</b>
Spain .....	—	—
ABB .....	4,191,702	4,525,311
Rest of the World .....	3,964,455	4,193,017
<b>Hydrocarbon net production<sup>(3)</sup></b> .....	<b>379,310</b>	<b>411,848</b>
Spain .....	731	1,024
ABB .....	272,077	296,183
Rest of the World .....	106,502	114,641
<b>Refining capacity<sup>(4)(8)</sup></b> .....	<b>1,233</b>	<b>1,233</b>
Spain .....	740	740
ABB .....	391	391
Rest of the World .....	102	102
<b>Crude oil processed<sup>(5)(8)</sup></b> .....	<b>56.9</b>	<b>56.1</b>
Spain .....	33.6	34.1
ABB .....	19.0	18.0
Rest of the World .....	4.3	4.0

	<b>2007</b>	<b>2006</b>
<b>Number of service stations<sup>(6)</sup></b> .....	<b>6,514</b>	<b>6,806</b>
Spain .....	3,568	3,606
ABB .....	2,045	2,121
Rest of the World .....	901	1,079
<b>Sales of petroleum products<sup>(7)(8)</sup></b> .....	<b>61,467</b>	<b>58,732</b>
Spain .....	34,408	34,297
ABB .....	17,535	15,924
Rest of the World .....	9,524	8,511
<b>Sales of petrochemical products by region<sup>(7)</sup></b>		
By region: .....	<b>4,926</b>	<b>4,778</b>
Spain .....	1,532	1,561
ABB .....	1,359	1,066
Rest of the World .....	2,035	2,151
By product: .....	<b>4,926</b>	<b>4,778</b>
Basic .....	968	936
Derivative .....	3,958	3,842
<b>LPG sales<sup>(7)</sup></b> .....	<b>3,793</b>	<b>3,725</b>
Spain .....	1,684	1,680
Argentina <sup>(9)</sup> .....	751	795
Rest of Latin America .....	1,110	1,023
Rest of the World .....	248	227
<b>Natural gas sales<sup>(10)</sup></b> .....	<b>36.41</b>	<b>36.20</b>
Spain .....	22.15	23.11
ABB .....	9.92	9.19
Rest of the World .....	4.34	3.90

(1) Thousands of barrels of crude oil.

(2) Millions of cubic feet of gas.

(3) Thousands of barrels of oil equivalent.

(4) Thousands of barrels per day.

(5) Millions of tonnes of oil equivalent.

(6) Information for ABB includes 50% of Refinor's service stations.

(7) Thousands of tonnes.

(8) Information includes 50% of Refinor refinery (Argentina), 30% of REFAP refinery (Brazil), 31.13% of Manguinhos refinery (Brazil) for 2007 and 2006.

(9) Retail sales reached 317 thousand tonnes in 2006 and 363 thousand tonnes as at 31 December 2007.

(10) Billion cubic meters. Includes 100% of sales volumes reported by Gas Natural although at December 31, 2007 and 2006 Repsol YPF owned 30.85% of Gas Natural and accounts for it using the proportional integration method under IFRS because 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.

## Operations

### Exploration and Production

Exploration and Production (**E&P**) accounted for approximately 51% and 56% of Repsol YPF's operating income in 2007 and 2006, 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), 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 2007 Repsol YPF had oil and gas exploration and production interests in 27 countries, through concessions and contractual agreements, either directly or through its subsidiaries. Repsol YPF acted as operator in 20 of these countries.

### ***Refining and Marketing***

Refining and Marketing operations contributed 40.6% of the total operating income of Repsol YPF in 2007 and 31.4% in 2006.

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, jet fuels, lubricants, basic petrochemicals, asphalt and coke.

At 31 December 2007, 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 31.13% 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 2007 amounted to 6,514 of which 3,568 were located in Spain, 1,731 in Argentina, 440 in Portugal, 314 in Brazil, 230 in Peru, 120 in Ecuador and 111 in Italy. 3,472 of such 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 3,042 service stations are "flagged points of sale" that are owned by third parties who have 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.

The number of service stations at 31 December 2007 decreased to 6,514 service stations from 6,806 service stations at 31 December 2006 mainly as a result of the sale of the network in Chile, which consisted of 206 service stations.

### ***LPG***

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

Sales of LPG during 2007 amounted to 3,793 thousand tonnes: 1,684 thousand tonnes in Spain, 751 thousand tonnes in Argentina, 1,110 thousand tonnes in the rest of Latin America and 248 thousand tonnes in the rest of the World.

### ***Chemicals***

In 2007, the Chemicals business generated 4% of Repsol YPF's consolidated operating income, as compared to a 6% contribution to consolidated operating income in 2006.

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 Ensenada, 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 8.9% to Repsol YPF's operating income in 2007 and 7.9% in 2006.

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, Mexico and Argentina and marketing in Spain.

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

On April 2005, 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 creation of a partnership (60% Repsol YPF; 40% Gas Natural) in respect of any integrated projects undertaken by either of the two parties. Any such partnership projects would be developed under the relevant agreements, with Repsol YPF as the operator of exploration and production activities.

In the area of transportation, trading and wholesale marketing (midstream), the agreement provides for the creation of a joint venture to conduct the wholesale marketing and transportation of LNG in all of the markets in which Repsol YPF and Gas Natural operate, with the exception of Spain, Portugal, France and Italy. This joint venture (Repsol – Gas Natural LNG, S.L. - Stream) was created in July 2005, with each of Repsol YPF and Gas Natural holding a 50% stake. The chairman of the joint venture is elected on a rotating basis, with Gas Natural having the right to 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 (Repsol – Gas Natural LNG, S.L. – Stream).

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 for the first half of 2008 amounted to €2,117 million, a 24.1% increase over the same period in 2007.

Operating income was €3,502 million and EBITDA (earnings before interest, taxes, depreciation and amortisation) reached €4,916 million compared to €4,274 million obtained during the first half of 2007.

The first half of 2008 was influenced by the strength of the euro against the dollar, as well as by high international prices for crude oil. In this regard, it must be noted that throughout 2008 the price of Brent crude oil showed continuous growth from \$96.02 / barrel at the beginning of the year, until it reached \$138.86 / barrel at 30 June 2008.

In addition, the dollar depreciated slowly throughout the year from 1.47 U.S Dollars to the euro at 31 December 2007 to 1.58 U.S Dollars to the euro at 30 June 2008.

The condensed interim consolidated financial statements of Repsol YPF for the six-month period ended 30 June 2008, which incorporate the income statement of Repsol YPF for the six months ended 30 June 2008, have been filed with the CNMV and are incorporated by reference in, and form part of, this Base Prospectus.

### **Performance by Business Areas**

For the purposes of this Base Prospectus, all financial information and business descriptions for periods prior to 1 January 2008 have been prepared on the basis of the reporting structures in place prior to the changes, as described under “Organisational structure” above. Developments of the business during the first 6 months of 2008 have been described using the new reporting segments.

#### ***Upstream: 49.6% income growth***

At €1,327 million, income from upstream operations in the first six months of 2008 was 49.6% higher than the equivalent €887 million in 2007.

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.\$98.2 per barrel in the first six months of 2008, compared with U.S.\$54 per barrel in 2007.

Total production in the six months ended 30 June 2008 fell 19.7% year-on-year to 335 thousand barrels of oil equivalent per day (*Kboepd*). However, excluding the fall in production due to contractual and regulatory changes in Bolivia (64.3 Kboepd) and Venezuela (3.1 Kboepd), and the end of operations in Dubai in April 2007 (10.1 Kboepd), the fall in total production was 1%, which was mainly attributable to gas supply restrictions imposed on *Petróleos de Venezuela, S.A.* in Venezuela.

For the six months ended 30 June 2008, investments in this area were 41.1% lower year-on-year, falling €482 million. Investments in development represented 49% of the total amount and were mainly spent in the Gulf of Mexico and Trinidad & Tobago.

#### ***LNG: 8.7% income growth***

Income from LNG operations in the first six months of 2008 totalled €50 million, compared with €46 million in the same period in 2007. This increase is explained by the enhanced performance of LNG marketing activities and fleet management, in addition to higher electricity pool prices in the Spanish market which had a positive impact on the results of BBE, a company in which Repsol holds a 25% interest.

Investments in LNG during the first six months of 2008 totalled €145 million and were mainly spent on the development of the Canaport regasification terminal and the Peru LNG liquefaction project.

### ***Downstream: 2% decline in income***

Income from operations in the downstream area was €1,125 million for the first six months of 2008, falling 2% from €1,148 million in 2007. This lower performance was principally due to the outcome of lower refining margins, particularly in petrochemicals, and to a lesser extent, the drop in sales volumes as well as currency exchange differences. The effect of this was compensated by the positive impact of higher crude oil and oil product prices in the valuation of the company's inventories.

Oil product sales fell by 4.6% to 21,937 thousand tons compared with 22,986 thousand tons in the same period in 2007. LPG sales worldwide in the first six months of 2008 were 5.7% lower than in the first six months of 2007 falling from 1,773 thousand tons to 1,673 thousand tons. Also Petrochemical product sales declined by 4% from the 1,556 thousand of tons of the six first months of 2007 to the 1,494 thousand tonnes in the same period in 2008.

During the first six months of 2008, investments in the downstream area were €30 million, an increase of 71.2% compared with the same period in 2007 (€38 million), which was mainly spent in current refining and chemical projects, upgrading operations and installations, safety and the environment, fuel quality and conversion.

### ***YPF: 3.2% income growth***

Income from YPF operations in the first six months of 2008 was €644 million compared with €624 million in the same period in 2007.

In the first half of 2008 YPF investments were €66 million, most of which was spent in upstream development projects.

### ***Gas Natural: 7.1% income growth***

Income from Gas Natural operations in the first six months of 2008 totalled €287 million, compared with €268 million in the same period in 2007. This improvement was mainly driven by the good performance of the power and gas distribution activities. The contribution from the power assets acquired in Mexico at the end of 2007 are incorporated in the first-half results for 2008.

Gas Natural investments during the first six months of 2008 totalled €126 million and were mainly allotted to distribution activities in Spain and power generation projects.

### ***Financial charges***

Financial charges in the first six months of 2008 were €59 million, compared with €45 million in the same period in 2007.

Repsol YPF's net debt as at 30 June 2008 was €3,213 million, €280 million lower than at the end of 2007. The reduction in the first six months of 2008 was mainly attributable to the impact of currency conversion differences, particularly the depreciation of the dollar against the euro which reduced the nominal amount of debt.

## 1. Directors, Senior Management and Employees

### Directors and Officers of Repsol YPF

#### *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:

	<b>Position</b>	<b>Year Appointed</b>	<b>Current Term Expires</b>
Antonio Brufau Niubó <sup>(1)(2)</sup>	Chairman and Director	1996	2011
Luis Fernando del Rivero Asensio <sup>(1)(6)</sup>	1st Vice-Chairman and Director	2006	2011
Isidro Fainé Casas <sup>(1)(5)</sup>	2nd Vice-Chairman and Director	2007	2012
Juan Abelló Gallo <sup>(6)(12)</sup>	Director	2006	2011
Paulina Beato Blanco <sup>(3)(7)</sup>	Director	2005	2010
Artur Carulla Font <sup>(3)(10)</sup>	Director	2006	2010
Luis Carlos Croissier Batista <sup>(3)(12)</sup>	Director	2007	2011
Carmelo de las Morenas López <sup>(3)(8)</sup>	Director	2003	2011
Ángel Durández Adeva <sup>(3)(8)</sup>	Director	2007	2011
Javier Echenique Landiribar <sup>(1)(3)(8)</sup>	Director	2006	2010
Antonio Hernández-Gil Álvarez-Cienfuegos <sup>(1)(3)(9)</sup>	Director	1997	2009
José Manuel Loureda Mantiñán <sup>(6)(12)</sup>	Director	2007	2011
Juan María Nin Génova <sup>(5)(10)(12)</sup>	Director	2007	2012
PEMEX Internacional España, S.A. <sup>(1)(4)(11)</sup>	Director	2004	2010
Henri Philippe Reichstul <sup>(1)(3)</sup>	Director	2005	2010
Luis Suárez de Lezo Mantilla <sup>(1)(2)</sup>	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 Criteria CaixaCorp, S.A., member of the “la Caixa” group.*

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

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

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

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

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

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

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

The principal business activities of the Directors of Repsol YPF performed outside Repsol YPF are:

*Antonio Brufau Niubó: Vice-Chairman of Gas Natural and Chairman of Comupet Madrid 2008, S.L. and Club Español de la Energía.*

*Luis Fernando del Rivero Asensio:* Executive Chairman of Sacyr Vallehermoso, S.A., Vice-Chairman of Autopista Vasco Aragonesa Concesionaria Española, S.A., Joint and Several Administrator of Sacyr Vallehermoso Participaciones Mobiliarias, S.L. and Sacyr Vallehermoso Participaciones, S.A.U., Chairman of Tesfran and Director of the following entities in 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 Gestión, S.A.U., Autovía del Noroeste Concesionaria de la Comunidad Autónoma de la Región de Murcia, S.A., Autopista del Atlántico Concesionaria Española, S.A., Autovía del Barbanza Concesionaria de la Xunta de Galicia, S.A., Sociedad Concesionaria Aeropuerto de Murcia, S.A., Aeropuerto de la Región de Murcia, S.A., Somague S.G.P.S.

*Isidro Fainé Casas:* Chairman of “la Caixa” and Abertis Infraestructuras, S.A., Vice-Chairman of Telefónica, S.A., Critería CaixaCorp, S.A. and Confederación Española de Cajas de Ahorros (CECA) and Chairman of Foundation “la Caixa”. He is also Director of Banco BPI, S.A., Sanef and Inbursa and representative of Critería Caixacorp on the Board of Hisusa, Holding de Infraestructuras y Servicios Urbanos, S.A.

*Juan Abelló Gallo:* Chairman of Torreal, S.A. and Alcaliber, S.A. (representing Nueva Compañía de Inversiones, S.A.); Vice-Chairman of Sacyr Vallehermoso, S.A. (representing Nueva Compañía de Inversiones, S.A.) and CVNE (representing Austral, B.V.); and Director of Zed Worldwide, S.A. (representing Nueva Compañía de Inversiones, S.A.) and Gruppo Banca Leonardo.

*Paulina Beato Blanco:* Advisor to the Iberoamerican Secretary General (*Secretaría General Iberoamericana*), Director of Solfocus Europe, professor for Economic Analysis in various universities and member of a special Board for promoting Knowledge Society in Andalusia.

*Artur Carulla Font:* Chief Executive Officer of Arborinvest, S.A. and Corporación Agrolimen, S.A., Chairman of the following companies: Affinity Petcare, S.A., Preparados Alimenticios, S.A. (Gallina Blanca Star), Biocentury, S.L., The Eat Out Group, S.L., Reserva Mont-Ferrat, S.A. and Arbora & Ausonia, S.L.U.. Director of Quercus Capital Riesgo, S.G.E.C.R., S.A. and Consorcio de Jabugo, S.A. and Member of the Regional Board of Telefónica in Catalonia. He is also Vice-Chairman of Círculo de Economía, Vice-Chairman of Foundation ESADE, Member of Foundation Lluís Carulla, Member of the Management Board of Instituto de la Empresa Familiar and Member of Foundation MACBA (Museo de Arte Contemporáneo de Barcelona).

*Luis Carlos Croissier Batista:* Director of Adolfo Domínguez, S.A., Testa Inmuebles en Renta, S.A., Eolia Renovables de Inversiones SCR, S.A., Grupo Copo de Inversiones, S.A. and Begar, S.A. and Sole Director of Eurofocus Consultores, S.L.

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

*Ángel Durández Adeva:* Director of Gestevisión Telecinco, S.A., Member of the Advisory Board of Iroko Films, Exponencial-Agencia de Desarrollos Audiovisuales, S.L., DBP Consultants, Ambers & Co, Responsables Consultores and FRIDE (Foundation for international relations and foreign development), Director of Arcadia Capital, S.L., Chairman of Información y Control de Publicaciones, S.A., Member of Foundation Germán Sánchez Ruipérez and Foundation Independiente and Vice-President of Foundation Euroamérica.

*Javier Echenique Landiribar:* Director of Telefónica Móviles, México, Actividades de Construcción y Servicios (ACS), S.A., Abertis Infraestructuras, S.A., Grupo Empresarial ENCE, S.A., Celistics, L.L.C. and Consulnor, S.A., Delegate of the Board of Telefónica, S.A. in the Basque region, Member of the Advisory Board of Telefónica Spain, Member of Foundation 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. and Dean of the Madrid Bar Association.

*José Manuel Loureda Mantiñán:* Director of Sacyr Vallehermoso, S.A. (as representative of Prilou, S.A.), Chairman of Valoriza Gestión, S.A.U. and Director of Autopista Vasco Aragonesa Concesionaria Española, S.A., Vallehermoso División Promoción, S.A.U., Testa Inmuebles en Renta, S.A., Sacyr, S.A.U., Itínere Infraestructuras, S.A. and Somague S.G.P.S., S.A.

*Juan María Nin Génova:* President and CEO of “la Caixa”, Vice-Chairman of “la Caixa” Foundation and member of the Board of Directors of Critería CaixaCorp, S.A., CaiFor, S.A., Gas Natural and Banco BPI, S.A., member of the Board of Governors of Universidad de Deusto, Foundation ESADE, Círculo Ecuéstre, APD (Management Progress Association), Foundation Federico García Lorca and Foundation Consejo España-Estados Unidos.

*Raúl Cardoso Maycotte:* Managing Director of Pemex Internacional España, S.A. and P.M.I. Holdings Petróleos España, S.L., as well as being the Mexican representative for OPEC and the International Energy Agency, amongst other forums.

*Henri Philippe Reichstul:* Member of the Strategic Board of ABDIB, Member of the Board of Ashmore Energy Internacional, Chairman of Brenco - Companhia Brasileira de Energía Renovável, Member of Coinfra, Member of the Advisory Board of Lhoist do Brasil Ltda., Member of the Conseil de Surveillance of PSA Peugeot Citroen, S.A. and Vice-Chairman of the Board of the Brazilian Foundation for Sustainable Development.

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

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 or by the Regulations of the Board of Directors be delegated. The Delegate Committee can also approve certain issues initially reserved for the full Board of Directors, subject to subsequent ratification by the Board of Directors.

The Delegate Committee meets when it is summoned by the Chairman or when requested by a majority of its members in accordance with the Regulations of the Board of Directors. The Chairman of the Board of Directors serves as the Chairman of the Delegate Committee and the Secretary of the Board serves as Secretary to the Committee.

Whenever the issue is of sufficient importance, in the opinion of the Chairman or three members of the Delegate Committee, the resolutions adopted by the Delegate Committee 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.

However, in all other cases, the resolutions adopted by the Delegate Committee shall be valid and binding with no need for subsequent ratification by the Board. The Delegate Committee is composed of the Chairman and a maximum of seven directors, who are appointed from among the executive directors, institutional outside directors and independent outside directors, based upon the relative weight of each type of director in the current composition of the Board of Directors. The Regulations that govern the Delegate Committee are set out in Repsol YPF’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 was established on 27 February 1995.

The Audit and Control Committee carries out, among other functions, 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, of any issues raised by shareholders regarding matters within its competence.

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

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

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

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

### *Activities of the Audit and Control Committee during 2007*

The Audit and Control Committee held 10 meetings during 2007 and, among other activities, has performed: (i) a periodic review of the financial information; (ii) the monitoring of the annual corporate audit plan; (iii) the supervision of the internal control systems; and (iv) the oversight of the independence of the external auditors.

In 2005, the Audit and Control Committee adopted certain procedures for the receipt, retention and treatment of complaints received by Repsol YPF regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters. Communications on these matters can be sent to the Audit and Control Committee via our corporate website, repsolnet or by post or electronic mail.

### *Nomination and Compensation Committee (Comisión de Nombramientos y Retribuciones)*

The Nomination and Compensation Committee of the Board of Directors, established on 27 February 1995, is composed of a minimum of three non-executive Directors appointed by the Board of Directors for a four-year term. The Chairman of the Committee must be an independent outside director.

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

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

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

On 19 December 2007, the Board of Directors agreed in the course of amending its Regulations that the Strategy, Investment and Competition Committee would be replaced by the Strategy, Investment and Corporate Social Responsibility Committee.

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

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

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

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

*Executive Committee (Comité de Dirección)*

Effective as of 13 January 2005, Repsol YPF approved an organisational structure that simplified and rationalised its committee structures and streamlined its 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 the Group's strategy and managing the Group's operations. As of the date of this Base Prospectus, the members of the Executive Committee are:

Name	Position
Antonio Brufau Niubó.....	Chairman and Chief Executive Officer
Miguel Martínez San Martín.....	Chief Operating Officer
Pedro Fernández Frial .....	Executive Managing Director of Downstream
Nemesio Fernández-Cuesta Luca de Tena.....	Executive Managing Director of Upstream
Javier Macián Pérez.....	Group Managing Director of Human Resources
Jaume Giró Ribas .....	Group Managing Director of Communication and Head of the Chairman's Office
Antonio Gomís Sáez.....	Executive Managing Director of YPF
Enrique Locutura Rupérez .....	Executive Managing Director of LNG



Name	Position
Fernando Ramírez Mazarredo .....	Chief Financial Officer
Luis Suárez de Lezo Mantilla .....	General Counsel and Secretary of the Board of Directors
Cristina Sanz Mendiola .....	Group Managing 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:* Graduate in Economics from the University of Barcelona. From 1999 to 2004, he was Managing Director of the “la Caixa” group. Appointed Chairman of the Gas Natural group in July 1997, he served as a member of the Repsol YPF Board of Directors from 1996, until nominated Chairman and CEO of Repsol YPF on 27 October 2004, a position which he currently occupies. 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 in the Executive Committee of the International Chamber of Commerce (ICC). From July 2002 to July 2005 he was Chairman of Barcelona’s Círculo de Economía.

*Miguel Martínez San Martín:* He is an Industrial Engineer with a degree from the Escuela Técnica Superior de Ingenieros Industriales of Madrid who specialises in financial information systems. On 31 May 2007 he was appointed Chief Operating Officer and had previously joined the Executive Committee of Repsol YPF in January 2005 as Group Managing Director of Control and Corporate Development. In 1993 he started at Repsol YPF 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. Afterwards, and until 2005, he was Director of Repsol YPF’s Service Stations in Europe.

*Pedro Fernández Frial:* He is an Industrial Engineer with a degree from the Escuela Técnica Superior de Ingenieros Industriales of Madrid. He occupied the position of Corporate Director of Planning and Control of Repsol YPF before becoming Executive Managing Director of Downstream in 2005.

*Nemesio Fernández-Cuesta Luca de Tena:* Graduate in Economics and Business Studies from the Madrid Universidad Autónoma. Spanish State Economist since 1981. 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 now the Executive Managing Director of Upstream.

*Javier Macián Pérez:* He was previously Director of Human Resources for Argentina, Brazil and Bolivia. His professional experience includes management positions in the human resources area of Repsol YPF in Argentina and Spain, including Director of Human Resources in Refining and Marketing (1999-2001), Director of Human Resources Europe (2001-2002), and Director of Human Resources Services (2002-2005). With his appointment as Group Managing Director of Human Resources, he is now part of the Executive Committee of Repsol YPF.

*Jaume Giró Ribas:* He received his degree in Communication Sciences from the University of Navarra and a diploma in Business Administration and Management from the ESADE. Since November 2004, he has been Group Executive Director of Communication and Head of the Chairman’s Office of Repsol YPF.

*Antonio Gomís Sáez:* He was until 30 June 2007 Repsol YPF’s Director of the Chemical Division. Antonio Gomís’ professional experience in the Repsol YPF Group started in 1974, and in 1986 he was appointed Director of International and Institutional Relations of Repsol S.A., a position which he held until 1997, when he was designated General Director of Energy for Spain. In 2000, he re-joined the

Repsol YPF Group as the Corporate Director for External Relations. With his appointment as Executive Managing Director of operations of YPF, he joins the Repsol YPF Executive Committee. Nowadays he is Executive Managing Director of operations of YPF.

*Enrique Locutura Rupérez:* Mining Engineer (E.T.S.I.M., Madrid). In 2000 he was appointed Corporate Director of Shared Services at Repsol YPF, a position he held until 23 June 2003 when he became Chief Executive Officer of Gas Natural. On 13 January 2005 he became Executive Director for Argentina, Brazil and Bolivia for Repsol YPF, a position he held until he was appointed Executive Managing Director of LNG on 1 June 2007.

*Fernando Ramírez Mazarredo:* He received his degree in Economic and Business Sciences from the University of Madrid and is a Certified Public Accountant. He was Chairman of the Spanish Financial Futures market (*Mercado Español de Futuros Financieros*) from April 2004 to June 2005 and became Chief Financial Officer of Repsol YPF on 17 January 2005.

*Luis Suárez de Lezo Mantilla:* He received his degree in Law from the Universidad Complutense of Madrid and is State Attorney (on leave) specialising in Commercial and Administrative Law. He is General Counsel and Secretary of the Board of Directors of the Repsol YPF Group.

*Cristina Sanz Mendiola:* She received a Senior Industrial Engineer degree from the Escuela Técnica Superior de Ingenieros Industriales of Madrid. 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. Following this, she became General Subdirector of Energy Planning of the Spanish Government, whose responsibilities included the areas of Environment and Research and Development. In 1994, she joined Repsol YPF and since 13 January 2005, she has been Group Managing Director of Resources, being 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)*

Repsol YPF's Disclosure Committee was created in November 2002 and performs, among others, 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 to the Chief Executive and the Chief Financial Officer, as appropriate to allow timely decisions regarding such requisite disclosure, making the improvement proposals it deems appropriate to the Chief Executive and Chief Financial Officer.
- Revision and evaluation of the accuracy, reliability, sufficiency and clarity of all information contained in documents 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 Corporate Director of Administration and Management Control, who is the Chairman of the Committee, the Legal Services Corporate Director, who acts as the Secretary of the Committee, the External Relations and Communications Corporate Director, the Strategy and Corporate Development Corporate Director, the Audit and Control Director, the Consolidation and Reporting Director, the Investor Relations Director, the Corporate Risk Management Director, the Corporate Governance Affairs Director, a representative of the Group Managing Division of Human Resources, a representative of the Executive Managing Division of Upstream, a representative of the Executive Managing Division of Downstream, a representative of the Executive Managing Division of LNG and a representative of the Executive Managing Division of YPF.

### Share Ownership of Directors and Officers

The total number of shares owned individually by the members of the Board of Directors according to the latest information available to Repsol YPF was 377,232, which represents 0.030% of the capital stock of Repsol YPF as of the date of this Base Prospectus.

	<u>Number of shares owned</u>	<u>Number of shares indirectly held</u>	<u>Total shares</u>	<u>% total shares outstanding</u>	<u>Nominating shareholder</u>	<u>Number of shares owned by nominating shareholder</u>	
						<u>Number</u> <sup>(1)</sup>	<u>%</u>
Antonio Brufau Niubó.....	205,621	-	205,621	0.017	-	-	-
Luis Fernando Del Rivero Asensio <sup>(2)</sup> .....	1,000	-	1,000	0.000	Sacyr Vallehermoso	244,294,779	20.01
Isidro Fainé Casas <sup>(3)</sup> .....	242	-	242	0.000	Criteria CaixaCorp	113,329,831	9.28
Juan Abelló Gallo <sup>(2)</sup> .....	1,000	81,926	82,926	0.007	Sacyr Vallehermoso	244,294,779	20.01
Paulina Beato Blanco .....	100	-	100	0.000	-	-	-
Artur Carulla Font .....	10,559	-	10,559	0.001	-	-	-
Luis Carlos Croissier Batista .....	-	-	-	0.000	-	-	-
Carmelo de las Morenas López .....	7,376	-	7,376	0.001	-	-	-
Ángel Durández Adeva .....	5,950	-	5,950	0.000	-	-	-
Javier Echenique Landiribar .....	-	17,200	17,200	0.001	-	-	-
Antonio Hernández-Gil Álvarez Cienfuegos .....	-	-	-	0.000	-	-	-
José Manuel Loureda Mantiñán <sup>(2)</sup> .....	2,300	42,000	44,300	0.003	Sacyr Vallehermoso	244,294,779	20.01
Juan María Nin Génova <sup>(3)</sup> .....	242	-	242	0.000	Criteria CaixaCorp	113,329,831	9.28
PEMEX Internacional España, S.A. <sup>(4)</sup> .....	1	-	1	0.000	PEMEX	58,679,801	4.81
Henri Philippe Reichstul .....	50	-	50	0.000	-	-	-
Luis Suárez de Lezo Mantilla .....	1,665	-	1,665	0.000	-	-	-

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

(2) Nominated for membership by Sacyr Vallehermoso.

- (3) *Nominated for membership by Criteria CaixaCorp (“la Caixa” group). In addition, la Caixa has a 67.6% interest in Repinves, which holds a 5.02% interest in Repsol YPF.*
- (4) *The beneficial owner of these shares is Petróleos Mexicanos, the sole shareholder of PEMEX Internacional España, S.A.*

The current members of the Executive Committee of Repsol YPF together own, as at the date of this Base Prospectus, less than 1% of the outstanding shares of Repsol YPF. As of 30 September 2008 (being the latest practicable date prior to the date of this Base Prospectus), the total amount of voting securities owned, directly or indirectly, by the directors and officers of Repsol YPF as a group was 409,395 ordinary shares, or 0.033% of the total number of ordinary shares of Repsol YPF issued and outstanding.

## 2. Major Shareholders and Related Party Transactions

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

#### Major Shareholders

According to the latest information available to Repsol YPF, Repsol YPF’s major shareholders beneficially owned the following percentages of ordinary shares of Repsol YPF:

Shareholders	Percentage ownership (direct)	Percentage ownership (indirect)	Total number of shares	Total percentage ownership
Sacyr Vallehermoso, S.A.(1) .....	—	20.010	244,294,779	20.010
Criteria Caixa Corp.(2).....	9.28	5.022	174,645,246	14.30
Chase Nominees, Ltd. ....	9.826	—	119,967,789	9.826
Petróleos Mexicanos (3).....	0.102	4.704	58,679,801	4.806
Axa, S.A.(4).....	—	4.21	51,438,024	4.21

- (1) *Indirect ownership held through Sacyr Vallehermoso Participaciones Mobiliarias, S.A, a wholly-owned subsidiary, as a result of the acquisitions of Repsol YPF’s shares made between October and December 2006.*
- (2) *Criteria Caixa Corp. (previously named Caixa Holding) is a member of “la Caixa” group. Indirect ownership held through Repinvés S.A. in which Criteria Caixa Corp. has a 67.60% stake.*
- (3) *Indirect ownership held through Repcon Lux, S.A and Pemex Internacional España, S.A.*
- (4) *Indirect ownership held through Alliance Bernstein and other Axa Group affiliated companies.*

In addition, Barclays Global Investors, NA, Barclays Global Investors, Ltd. Barclays Global Fund Advisors and Barclays Global Investors (Deutschland) AG notified the CNMV on 18 January 2008 that they had entered into an agreement for the joint exercise of voting rights representing a 3.22% stake in Repsol YPF. According to the information filed with the CNMV, the Barclays entities are fund management companies to which the parent company (Barclays Global Investors UK Holdings, Ltd.) does not give direct or indirect instructions in respect of the exercise of the voting rights held by the fund management companies.

On 14 June 2006, Banco Bilbao Vizcaya Argentaria (BBVA), notified the SEC that it had sold its 5.04% stake in Repsol YPF to finance strategic investments. On 15 November 2006, State Street Bank’s notified the CNMV it had sold 0.12% of its stake in Repsol YPF. Therefore, and after that disposal, State Street Bank’s total participation in Repsol YPF as of that date was 4.94%. On 12 February 2007, Capital Group International notified the SEC that it had a 2.5% stake in Repsol YPF.

#### Restrictions in the Event of Certain Transactions

Royal Decree-Law 5/2005 defines a ‘main operator’ as any of the five largest companies, in terms of market share, in certain industrial sectors defined by law. Spanish legislation imposes limitations on

any single person or entity exercising voting rights in, or appointing members to the administrative bodies of, more than one ‘main operator’ in any of the following markets: (i) fuel production and distribution, (ii) liquid petroleum gas production and supply, and (iii) natural gas production and supply markets. The Spanish National Energy Commission, as the regulatory body responsible for the energy market, may authorise the exercise of voting rights and/or the appointment of members to an administrative body in circumstances that would otherwise have been restricted by Royal Decree-Law 5/2005, provided, in each case, that such authorisation does not promote the exchange of strategic information between two or more ‘main operators’ in the same market.

Pursuant to Law 55/1999 (as amended by Law 62/2003), the acquisition by foreign state-owned entities (or by entities of any kind controlled by foreign state-owned entities or in which such entities hold a majority stake) of ownership stakes of at least 3% of the capital stock of Spanish energy companies must be notified to the Spanish government. Following any such notification, the Spanish Council of Ministers has a two-month period during which it may authorise, block or impose conditions to the exercise of political rights (the so-called “energy golden share”). The European Court of Justice ruled on 14 February 2008 that Spain had not fulfilled its obligations under Article 56 (free movement of capital) of the Treaty establishing the European Community (the *EC Treaty*), because it had retained measures, such as the “energy golden share”, that limit the voting rights of shares held by foreign state-owned entities in Spanish companies operating in the energy sector.

Similarly, Royal Decree-Law 4/2006, which expanded the functions of the Spanish National Energy Commission, stipulated that the acquisition of certain shareholdings in Spanish undertakings which carry on specified regulated activities in the energy sector, and the acquisition of the assets necessary to carry on such activities, must receive prior administrative authorisation. On 28 July 2008, the European Court of Justice determined that Spain had, through the imposition of this requirement, failed to fulfil its obligations under Articles 43 (freedom of establishment) and 56 (free movement of capital) of the EC Treaty.

### **Related Party Transactions**

Information related to transactions between Repsol YPF and certain related parties can be found on page 132 *et seq.* of Repsol YPF’s Form 20-F (information given as at 31 December 2007) and at Note 9 to the condensed consolidated interim financial statements of Repsol YPF for the six-month period ended 30 June 2008, both of which are incorporated by reference in, and form part of, this Base Prospectus.

### **Interest of Management in Certain Transactions**

At 31 December 2007, loans by Repsol YPF to its senior management totalled approximately €0.17 million and bore interest at an average rate of 3.5%. All such loans were granted before 2003.

### **3. 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’s solvency. Repsol YPF does, however, note the following recent developments:

#### ***Gas Natural’s takeover offer for Unión Fenosa, S.A.***

On 30 July 2008, Repsol YPF announced its support for the acquisition by Gas Natural of the 45.306% stake held by ACS, Actividades de Construcción y Servicios, S.A. (*ACS*) in Unión Fenosa, S.A. (*Unión Fenosa*), a Spanish energy company. As a result of this acquisition, Gas Natural will be required under Spanish takeover regulations to formulate a mandatory takeover offer for all of the outstanding shares of Unión Fenosa.

In connection with this transaction, Repsol YPF has agreed to make contributions to the shareholders' equity of Gas Natural (in which Repsol YPF presently holds a 30.85% stake) in the necessary amount and manner up to a maximum amount of €1,600 million, so that, immediately following settlement of the takeover offer, Gas Natural maintains a consolidated rating of at least BBB (stable) and Baa2 (stable) from Standard & Poor's and Moody's, respectively. These contributions, if required, will be completed within a three-month period following settlement of the takeover offer.

#### ***Memorandum of Agreement between YPF and the Province of Neuquén***

On 17 October 2008, Provincial Act No. 2615 of the Province of Neuquén in Argentina approved a memorandum of agreement (together with the addendum thereto, the *Memorandum of Agreement*) entered into by YPF in September 2008 pursuant to the notice provided by the Province of Neuquén through provincial decree No. 822/08 to firms holding exploitation concessions in that province. This Provincial Act was enacted by Provincial Executive Decree No. 1830/08 and was published in Official Gazette No. 3109 of the Province of Neuquén.

The concessions covered by the Memorandum of Agreement are Cerro Bandera, Señal Cerro Bayo, Chihuido de la Sierra Negra, El Portón, Filo Morado, Octógono, Señal Picada - Punta Barda and Puesto Hernández, which, as of 31 December 2007, jointly represented about 11.6% of YPF's total proved reserves. Pursuant to the Memorandum of Agreement, the terms of the exploitation concessions, which were originally set to expire on 14 November 2017, have been extended for a further 10-year term and will now expire on 14 November 2027.

Under Provincial Decree No. 822/08, YPF entered into the following commitments upon execution of the Memorandum of Agreement: (i) to make, on the date specified in the Memorandum of Agreement, an initial payment for the amount committed thereunder, to be applied in different accounts; (ii) to pay to the Province of Neuquén an 'extraordinary production royalty' and to make certain additional adjustments in the event of extraordinary income resulting from lower export duties or if YPF actually receives a higher price for the sale of crude oil and/or natural gas according to a mechanism and certain reference values established in the Memorandum of Agreement; (iii) to carry out exploration activities in the remaining exploration areas and to make certain investments and expenditures, as stipulated in the Memorandum of Agreement, on the exploitation concessions subject to the Memorandum of Agreement; and (iv) to make 'corporate social responsibility' contributions to the Province of Neuquén, which will be made effective in 2008, 2009 and 2010, the purpose of which will be to contribute to the development of the province in terms of education, health, culture, community development and science and research.

#### ***Possible nationalisation of Argentina's private pension funds***

On 21 October 2008, Argentina's President, Cristina Fernández, signed a bill that will nationalise the country's private pension funds if approval is received from the Argentine Congress, in which the ruling party has a majority. The potential consequences for the Argentine economy of the approval of any such nationalisation plan (on the announced terms or otherwise), and the reaction of the global markets to any such approval, cannot be reliably predicted.

#### **4. 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.repsol.com](http://www.repsol.com). Neither the contents of such website nor of other websites accessible through such website 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, taken as a whole.

Members of the Repsol YPF group are, however, party to certain legal and arbitration proceedings, the most significant of which are summarised below. A provision totalling €586 million as of 31 December 2007 was recorded in the consolidated balance sheet of Repsol YPF as of such date in respect of litigation matters. Despite the fact that this estimate was made based on the best information available to Repsol YPF on the date the facts were analysed, it is possible that future events or circumstances might require its revision (upward or downward) at the end of 2008 or in any subsequent financial year or interim period.

### European Union

*Rubber Market.* The European Commission launched an extensive investigation into several markets related to tire manufacturing services. Towards the end of 2002, General Química S.A., Repsol YPF's subsidiary which produces rubber chemicals and rubber additives, together with other companies in Europe and the United States, were investigated in the context of an antitrust investigation. This investigation resulted in a decision pursuant to which a €3.38 million fine was imposed on General Química, S.A., holding Repsol Química, S.A. and Repsol YPF jointly and severally liable. This decision has been appealed before the EU Court of First Instance and a ruling on the appeal is pending as of the date of this Base Prospectus.

*Asphalt Market.* Around the same time, Repsol YPF Lubricantes y Especialidades S.A. (RYLESA), Repsol YPF's subsidiary that produces bitumen (among other products), was, together with other companies, investigated by the European Union as part of an antitrust investigation. The European Commission imposed a €80.5 million fine on RYLESA, also holding Repsol Petróleo, S.A. and Repsol YPF, S.A. jointly liable. This decision has been appealed before the EU Court of First Instance and a ruling on the appeal is pending as of the date of this Base Prospectus.

*Paraffin.* Similarly, the European Commission initiated administrative proceedings to penalise certain companies within the Repsol YPF group for certain alleged collusive practices in the paraffin market. On 1 October 2008, the European Commission imposed a fine of €19.8 million on such group companies. The consolidated balance sheet of Repsol YPF as at 30 June 2008 fully provisioned for any eventual adverse judgment.

### Argentina

The Privatisation Law (Law 24,145) provides that the Argentine State shall be responsible for, and shall hold YPF harmless against, any liabilities, obligations or other commitments existing as of 31 December 1990 that were not acknowledged as such in the financial statements of the Argentine company, Yacimientos Petrolíferos Fiscales Sociedad del Estado, as of that date arising out of any transactions or events that had occurred as of that date, provided that any such liability, obligation or other commitment is established or verified by a final decision of a competent judicial authority. In certain lawsuits related to events or acts that took place before 31 December 1990, YPF has been required to advance the payment of amounts established in certain judicial decisions, and has subsequently been reimbursed by, or is currently in the process of requesting reimbursement from, the Argentine government of all material amounts in such cases.

*National Competition Commission (Comisión Nacional de Defensa de la Competencia, CNDC) anti-competitive activity disputes.* Resolution No. 189/99 of the former Department of Industry, Commerce and Mining of Argentina imposed on YPF a fine based on its allegation that YPF had purportedly abused a dominant position in the bulk LPG market due to the existence of a difference between the prices of exports of LPG and sales made in the domestic market from 1993 through 1997. In July 2002, the Argentine Supreme Court confirmed the fine and the claimed payment was made by YPF. Resolution No. 189/99 also provided for the commencement of an investigation to establish whether YPF had continued to abuse a dominant position in the bulk LPG market between October 1997 and March 1999. In December 2003, the CNDC completed its investigation and passed a resolution charging YPF with such abuse and, in August 2004, YPF appealed the resolution. The CNDC accepted the appeal and referred the proceedings to Chamber II of the National Court of Appeals in Federal Civil and Commercial Matters.

*Natural gas market.* The Argentine authorities have passed several resolutions to prioritise the supply of natural gas to the domestic market in Argentina over exportation of natural gas to other countries. This situation has forced YPF to alter the exports authorised under the corresponding contracts and permissions. While YPF has taken steps to appeal these resolutions, in the absence of a favourable resolution, YPF considered it prudent to comply with all such resolutions to avoid the risk of further losses for the company and its export customers. Accordingly, YPF informed its customers that the aforesaid resolutions and the measures set forth therein constitute an event of force majeure which releases YPF from any contractual or extra-contractual liability deriving from the failure to deliver the volumes of gas stipulated under the relevant agreements.

A significant number of YPF's customers, including Innergy Soluciones Energéticas S.A., Electroandina S.A. and Empresa Eléctrica del Norte Grande S.A., have rejected YPF's assertion of a force majeure event. In 2007, Innergy Soluciones Energéticas S.A. claimed from YPF an amount totalling US\$88 million (plus interest thereon) and reserved the right to increase such amount to take account of any additional penalties invoiced by Innergy thereafter in respect of missed deliveries. YPF has counterclaimed for termination of contract and, as of the date of this Base Prospectus, the matter is continuing. Electroandina S.A. and Empresa Eléctrica del Norte Grande S.A. have together claimed "deliver or pay" penalties amounting to US\$41 million for the period up to November 2006 and to US\$52 million for the period from December 2006 through September 2007. YPF has rejected both claims. AES Uruguaiana de Empprendimientos S.A., is also claiming similar "deliver or pay" penalties.

*Argentine local market.* Central Puerto S.A. has made two claims against YPF relating to agreements to supply natural gas, one of which has been resolved. The second dispute is the subject of an ongoing arbitration process and YPF estimates the amount payable to Central Puerto S.A. to be approximately US\$11 million plus interest (although such amount is subject to expert evaluation).

*Alleged defaults under natural gas contracts—Mega.* Mega has claimed compensation from YPF for failure to deliver natural gas under the contract between YPF and Mega. YPF invoked that natural gas deliveries to Mega pursuant to the contract were affected by the intervention of the Argentine government.

*La Plata refinery environmental disputes.* Since 1999, several claims, which Repsol YPF considers partially overlap, have been brought against YPF requesting the remediation of alleged environmental damage in the water channels surrounding the La Plata Refinery, Rio Santiago and Rio de la Plata, compensation for alleged health and property damages and quality of life deterioration, as well as demanding the specific performance by YPF of different works and the installation of equipment, technology and execution of work necessary to stop any environmental damage. YPF has notified the executive branch of the Argentine government that there is a chance that the tribunal may find YPF responsible for the damages. In such event, due to the indemnity provided by Law 24,145, YPF should be able to request reimbursement of the expenses for liabilities existing on or prior to 1 January 1991.



*Sale of Electricidad Argentina S.A. and Empresa Distribuidora y Comercializadora Norte S.A. to EDF.* In July 2002, EDF Internacional S.A. (**EDF**) initiated international arbitration proceedings against YPF, among others. EDF claimed that under a Stock Purchase Agreement dated 30 March 2001, EDF was entitled to an adjustment in the purchase price it paid due to changes in the exchange rate of the Argentine peso that EDF asserts to have occurred prior to 31 December 2001. The arbitral award dated 22 October 2007 accepted EDF's claim, awarding damages against YPF, and also accepted a counterclaim for a lesser amount by YPF. Were both awards to become final, the net amount payable by YPF would be US\$28.9 million. YPF has challenged the award in favour of EDF by filing an extraordinary appeal before the Federal Supreme Court and an appeal before the Federal Appellate Court on Commercial Matters.

*Repatriation of Foreign Currency proceedings.* A dispute has arisen in relation to the free availability of currencies in connection with the proceeds of exports realised by YPF during 2002, as a result of the currency exchange regime established by Decree 1,606/2001. According to certain interpretations, this Decree impliedly repealed the special regime for the free availability of currencies deriving from the exportation of hydrocarbons (and derivatives thereof) set forth in Article 5 of Decree 1,589/89. This Article established that the percentage of the currencies deriving from the exportation of crude oil, natural gas and/or liquefied natural gas to be freely available would be established in the relevant tender processes and/or contractual terms (or renegotiations thereof), subject to a maximum of 70% for each transaction.

On 31 December 2002, Decree 2,703/2002 came into force which confirmed the position, stipulating that producers of crude oil, natural gas and liquefied gases must deposit a minimum of 30% of the currencies deriving from the exportation of crude oil (or its derivatives), with the remaining 70% being freely available. The question of which regime applied in relation to currencies deriving from exports realised by YPF in 2002 during the period between the coming into force of Decree 1,606/2001 and Decree 2,703/2002 was left open, however.

In October 2007, summary administrative proceedings commenced in respect of an alleged delay in the repatriation of currencies by YPF and an alleged failure by YPF to repatriate 70% of the currencies derived from certain exports of hydrocarbons realised during the period between the coming into force of Decree 1,606/2001 and Decree 2,703/2002. As at the date of this Base Prospectus, these proceedings are continuing.

*CNDC investigation.* On 17 November 2003, within the framework of an official investigation pursuant to Article 29 of the Antitrust Act, the CNDC issued a request for explanations from a group of approximately 30 natural gas production companies, including YPF, with respect to the following items: (i) the inclusion of clauses purportedly restraining trade in natural gas purchase/sale contracts; and (ii) gas imports from Bolivia, in particular (a) expired contracts signed by YPF, when it was state-owned, and YPFB (the Bolivian state-owned oil company), under which YPF allegedly sold Bolivian gas in Argentina at prices below the purchase price and (b) the unsuccessful attempts in 2001 by Duke and Distribuidora de Gas del Centro to import gas into Argentina from Bolivia. In January 2006, YPF received a notification from the CNDC ordering that preliminary proceedings be undertaken pursuant to the provisions of Section 30 of Act 25,156. In June 2007, without acknowledging any misconduct on its part, YPF filed a commitment with the CNDC pursuant to Article 36 of the Antitrust Act in which YPF undertook not to include the challenged clauses in future sales contracts in respect of natural gas and requested that the CNDC approve the commitment, suspend the investigation and dismiss the proceedings.

*Bulk LPG contract clauses.* The CNDC has also commenced proceedings to investigate YPF for the alleged use of a clause in bulk LPG supply contracts that prevents buyers from reselling the product to third parties, thereby restricting competition. YPF has asserted that the contracts do not contain a prohibition against resale to third parties and has offered evidence in support of its position. In April 2007, YPF filed with the CNDC, without acknowledging any conduct in violation of the Antitrust Act, a

commitment pursuant to Article 36 of the Antitrust Act not to include such clauses in future bulk LPG supply contracts and requesting that the CNDC terminate the proceedings.

*Noroeste basin reserves review.* The effectiveness of natural gas export authorisations (related to production in the Noroeste basin) after certain specific dates granted to YPF pursuant to Resolution SE Nos. 165/99, 576/99, 629/99 and 168/00, issued by the Secretariat of Energy, is subject to an analysis by the Secretariat of Energy to determine whether sufficient additional natural gas reserves have been discovered or developed by YPF in the Noroeste basin. The result of this ongoing review is uncertain and may have an adverse impact upon the execution of the export gas sales agreements related to such export authorisations, which could, in turn, result in significant costs and liabilities for YPF. YPF has submitted to the Secretariat of Energy documentation to allow for the continuation of the authorised exports in accordance with Resolutions SE No. 629/1999, 565/1999 and 576/1599 (the *Export Permits*) from the Noroeste basin. These Export Permits relate to the long-term natural gas export contracts with Gas Atacama Generación, Edelnor and Electroandina, involving volumes of 900,000 m<sup>3</sup>/day, 600,000 m<sup>3</sup>/day and 1,750,000 m<sup>3</sup>/day, respectively.

On 11 August 2006, YPF received Note SE No. 1009 (the *Note*) from the Secretariat of Energy, which reviewed the progress of reserves in the Ramos Area in the Noroeste basin, in relation to the export authorisation granted by Resolution SE No. 167/97 (the *Export Authorisation*). The Export Authorisation concerns the long-term natural gas export contract between YPF and Gas Atacama Generación for a maximum daily volume of 530,000 m<sup>3</sup>/day. The Note stated that as a result of the decrease in natural gas reserves supporting the Export Authorisation, the domestic market supply was at risk. The Note provided that the maximum natural gas daily volumes authorised to be exported under the Export Authorisation would be reduced by 20%, affecting the export contract. YPF filed a response to the Note on 15 September 2006, stating YPF's allegations and defences.

*Patagonian Association of Landowners claims.* The Patagonian Association of Landowners (*Asociación de Superficiares de la Patagonia* or ASSUPA) filed suit against the concession holders of the operation and permit holders of the exploration of the Neuquén River Basin, including YPF, requesting that they be ordered to remedy the collective environmental damage allegedly caused and to take the necessary measures to avoid environmental damage in the future. The amount claimed is US\$548 million. YPF and the other defendants filed a motion to dismiss based on the plaintiff's failure to state a claim upon which relief may be granted. The court granted the motion and the plaintiff was required to file a supplementary complaint. YPF has requested that this supplementary claim be rejected and has also impleaded the Argentine government, based on its obligation to indemnify and hold YPF harmless against any liability resulting from events and claims prior to 1 January 1991, in accordance with Law 22,145 and Decree 546/1993.

*Dock Sud claims.* Residents of the Dock Sud area filed environmental claims against multiple respondents (up to 44) including YPF, the Argentine government, the Province of Buenos Aires, the City of Buenos Aires and 14 municipalities before the Supreme Court of Justice of Argentina, seeking the remediation and the indemnification of the collective environmental damage produced in the basin of the Matanza and Riachuelo rivers. Additionally, another group of neighbours of the Dock Sud area have filed two other environmental lawsuits, one of which YPF has not been notified of, requesting that several companies located in that area, including YPF, the Province of Buenos Aires and several municipalities, remediate and indemnify the collective environmental damage of the Dock Sud Area and any individual damage that has been suffered. YPF has a right to indemnification by the Argentine government for events and claims prior to 1 January 1991, pursuant to Law No. 22,145 and Decree No. 546/1993.

In addition, citizens claiming to be residents living near Quilmes, in the province of Buenos Aires, have filed a lawsuit in which they have requested the remediation of environmental damages and the payment of Ps. 46 million as compensation for alleged personal damages. The plaintiffs base their claim mainly on a fuel leak that occurred in 1988 in a polduct running from La Plata to Dock Sud that was operated by YPF. The leaked fuel became perceptible in November 2002, resulting in remediation that is

now being performed by YPF in the affected area supervised by the environmental authority of the province of Buenos Aires. YPF has notified the Argentine government that it will implead the government when YPF responds to the complaint in order to request that the government indemnify YPF against any liability and hold YPF harmless in connection with this lawsuit, as provided by Law No. 24,145. Others have brought non-judicial claims amounting to Ps.4 million against YPF based on similar allegations.

*Neuquén concession investment dispute.* On 21 November 2007, YPF received a request for information on possible cases of underinvestment in relation to certain concessions in the Province of Neuquén issued through Note 172/07 of the Secretariat of Energy and Mining of the Province of Neuquén. YPF believes that it has made the investments required by the investment and operation programme for the areas in which it participates or operates and that accelerated execution in the second segment corresponding to the investments required through 31 December 2001 have been demonstrated. YPF has challenged Note No. 172/07 through administrative and judicial proceedings and believes that the claim made by the Province of Neuquén is without merit. However, if the Province of Neuquén were to prevail, the dispute would have a material adverse effect on YPF.

*“SSMH” Note N° 245/08.* On 15 May 2008, YPF was notified by the Subsecretary of Mining and Hydrocarbons of the Province of Rio Negro via Note 245/08 of “MP” Resolution 433/08 with respect to the compliance audit of the YPF concessionaire operating in several hydrocarbon-rich areas in the Province of Rio Negro. It is alleged that the operating concessions have not been properly managed and are underinvested, with falls in production (or with no production at all) and with a lack of regard for environmental matters. YPF has been asked to respond to the charge that it has failed to comply with certain of its obligations under Article 80 of Law 17,319, and there is a risk that some or all of these operating concessions may be cancelled.

## **United States of America**

### *YPF Holdings, Inc.*

The following is a brief description of certain environmental and other liabilities related to YPF Holdings, Inc. (*YPF Holdings*).

*Diamond Shamrock Chemical Company (Chemicals)*, owned by Occidental Petroleum Corporation (*Occidental*), has certain environmental remediation obligations. Occidental acquired the chemical business in 1986 from Diamond Shamrock Corporation (later named Maxus Energy Corporation (*Maxus*)), which acquisition included certain indemnification clauses relating to Maxus. Maxus was subsequently acquired by YPF in 1995 before it was acquired by Repsol YPF. Tierra Solutions Inc. (*Tierra*), an affiliate of the American company YPF Holdings, has assumed Maxus’ environmental actions.

*Newark, New Jersey.* A consent decree, previously agreed upon by the U.S. Environmental Protection Agency (the *EPA*), the New Jersey Department of Environmental Protection and Energy (the *DEP*) and Occidental, as successor to Chemicals, was entered in 1990 by the United States District Court of New Jersey for Chemicals’ former Newark, New Jersey agricultural chemicals plant. The approved remedy has been completed and paid for by Tierra pursuant to the above described indemnification agreement with Occidental. Operations and maintenance relating to the approved remedy are ongoing. At 31 December 2007, YPF Holdings had reserved approximately US\$15.6 million in connection with such activities.

*Passaic River/Newark Bay, New Jersey.* Maxus, acting on behalf of Occidental, negotiated an agreement with the EPA under which Tierra has conducted further testing and studies to characterise contaminated sediment and biota in a six-mile portion of the Passaic River near the plant site. In December 2005, the DEP issued a directive to Tierra, Maxus and Occidental directing said parties to pay

the State of New Jersey's costs of developing a Source Control Dredge Plan focused on allegedly dioxin-contaminated sediment in the lower six-mile portion of the Passaic River. The development of this Plan is estimated by the DEP to cost approximately \$2.3 million. In addition, the EPA and other agencies participated in a study focusing on the lower 17-mile portion of the Passaic River (including the six-mile portion already studied) in a joint federal, state, local and private sector cooperative effort designated as the Lower Passaic River Restoration Project (**PRRP**). In December 2007, Tierra and certain other entities participated in a remedial investigation and feasibility study in connection with the PRRP. The entities agreed to fund the study and allocated costs on the basis of various considerations. In addition, the entities are discussing the possibility of conducting further work with the EPA. In December 2005, the DEP sued Chemicals, Tierra, Maxus and several affiliated entities, in addition to Occidental, in connection with dioxin contamination allegedly emanating from Chemicals' former Newark plant and contaminating the lower 17-mile portion of the Passaic River, Newark Bay, other nearby waterways and surrounding areas. A pleading was submitted requesting dismissal of the action.

In June 2007, the EPA released a draft Focused Feasibility Study (**FFS**) that outlines several alternatives for remedial action in the lower eight miles of the Passaic River. The alternative remedial actions range from no action (which would result in comparatively little cost) to extensive dredging and capping (which, according to the draft FFS, would cost between US\$0.9 billion and US\$2.3 billion. According to the EPA, the alternatives all involve proven technologies that could be used in the near term without extensive research. Tierra and the other PRRP entities, among others, have submitted comments to the draft FFS. In September 2007, the EPA announced that it would spend additional time reviewing the comments and that it would issue a revised plan for public comment in mid-2008 and select a clean-up plan in the fourth quarter of 2008. Tierra intends to comment on any future EPA proposal, as appropriate.

On 23 June 2008, the EPA, Occidental and Tierra reached a settlement regarding the Passaic River. The objective of the settlement is to perform work to drain and remove dioxide sediment from the riverbed and Occidental and Tierra have undertaken, among other things, to comply with the order and to finance and perform the remedial works. To guarantee performance of the obligations derived from this settlement, the establishment of guarantees in the amount of US\$80 million was agreed, which will initially take the form of a trust fund.

*Hudson County, New Jersey.* Until 1972, Chemicals operated a chromite ore processing plant at Kearny, New Jersey (the **Kearny Plant**). In May 2005, the DEP brought a lawsuit against Occidental and two other entities in a state court in Hudson County, seeking, among other things, clean-up of various sites with chromite ore residue, recovery of past costs incurred by the state at such sites and 'treble damages' in respect of certain costs at another 18 sites. A settlement has been reached in respect of all of these matters for an amount of US\$7.1 million.

In November 2005, several environmental groups sent a notice of intent to sue the owner of the property adjacent to the former Kearny Plant and five other parties, including Tierra, under the Resource Conservation and Recovery Act. The parties have entered into an agreement that addresses the concerns of the environmental groups and they have therefore agreed not to file suit.

*Painesville, Ohio.* The OEPA has approved certain works in relation to manufacturing facilities in Painesville, Ohio formerly operated by Chemicals. These works include the remediation of specific sites and work associated with development plans. This remediation work has begun and, as of 31 December 2007, YPF Holdings had reserved an amount totalling US\$7.3 million for its estimated share of the cost of such remediation work (and related activities).

*Third Party Sites.* Maxus has been designated as a 'potential responsible party' (**PRP**) at the Milwaukee Solvay Coke and Gas Site in Milwaukee, Wisconsin. Maxus is also responsible for certain liabilities attributable to Occidental, as successor to Chemicals, in respect of the Malone Services Company Superfund Site in Galveston County, Texas and a number of third party sites where hazardous

substances from Chemicals' plant operations were allegedly disposed or have come to be located. Numerous PRPs have been named at substantially all of these sites and, at several sites, Chemicals has no known exposure.

*Dallas Litigation; Occidental vs. Maxus.* In 2002, Occidental sued Maxus and Tierra in the Dallas state court (Texas) seeking a declaration that Maxus and Tierra have an obligation under the agreement under which Maxus sold Chemicals to Occidental to defend and indemnify Occidental from and against certain historical obligations of Chemicals, including claims related to "Agent Orange" and vinyl chloride monomer (VCM), notwithstanding the fact that said agreement contains a 12-year cut-off for defence and indemnity obligations with respect to most litigation. Tierra was dismissed as a party and the matter was tried in May 2006. Following the trial, judgment was entered against Maxus. Maxus appealed to the Court of Appeals and the Texas Supreme Court, but both appeals were rejected. This judgment requires Maxus to accept responsibility for various matters for which it previously refused indemnification and, accordingly, it may result in material costs in excess of Maxus' current provisions in respect of this matter. The judgment also requires Maxus to reimburse Occidental for any related costs previously incurred. In the opinion of YPF Holdings, it is not practicable to estimate the possible financial effect of others claims as to which indemnification may be sought due to uncertainty regarding the timing and extent of claims brought or that could be brought against Occidental for which indemnification may be sought against Maxus.

In relation to the above, approximately 33 claims have been brought against Occidental by individuals who have allegedly suffered ill-effects from Agent Orange. In February 2008, the U.S. Second Circuit Court of Appeals dismissed these claims and, although it is likely that these plaintiffs will appeal to the Supreme Court, Repsol YPF does not expect any such appeals to be successful.

Claims have also been brought by individuals against Occidental claiming damages for exposure to VCM, asbestos and other chemicals, as well as alleged environmental damage. Occidental has informed Maxus that, in aggregate, it anticipates that these claims will not exceed €7 million.

YPF Holdings and certain of its subsidiaries are party to various other lawsuits, none of which are expected to have significant effects on the financial position or profitability of the Issuer and/or the Guarantor and/or the consolidated subsidiaries of the Guarantor, taken as a whole. YPF Holdings has established reserves for legal contingencies in situations where a loss is probable and can be reasonably estimated.

## **Ecuador**

*Petroecuador.* The state hydrocarbons company of Ecuador, Empresa Estatal Petróleos de Ecuador (**Petroecuador**), has refused to abide by a binding decision against it, issued by a technical consultant, pursuant to the dispute resolution mechanism established in the Participation Agreement in respect of the Block 16 oil reserve (**Block 16**), with respect to the inapplicability of an adjustment to the participation calculation due to the reduction in the SOTE carrier fee, and has demanded amounts not due from the Block 16's contractor. As a result of this dispute, the Ecuadorian authorities, specifically the Comptroller General of the State (*Controlaría General del Estado*), intervened by undertaking a special examination of Petroecuador, which affected those same items and which has resulted in an administrative settlement or marginal note by which Petroecuador claims 2.5 million barrels against Repsol YPF for such items. Repsol YPF believes that the authorities are acting outside the procedures stipulated in the participation agreement for this type of dispute, attempting to avoid compliance with the final technical judgment issued, and has therefore appealed to the courts. In September 2007, the Ecuadorian Supreme Court of Justice ruled against the Repsol YPF complaint. In February 2008, Petroecuador sent Repsol YPF an invoice for US\$191 million related to the aforementioned marginal note.

In August 2008, Repsol YPF, Ecuador, S.A. entered into an accounts compensation agreement (*acta de compensación de cuentas*) with Petroecuador, pursuant to which barrels of oil from Block 16 and the Unified Field Bogi-Capirón (*Campo Unificado Bogi-Capirón*) have been used to compensate for the effects of the Note No. 7279 of the Comptroller General of the State issued against Repsol YPF, Ecuador, S.A. Accordingly, Repsol YPF is of the view that this contingency has now been fully addressed.

## **Algeria**

In 2004, Repsol YPF (60%) and Gas Natural (40%) signed the integrated LNG project Gassi Touil awarded by the Algerian authorities. The project included exploration, production, liquefaction and LNG marketing in the Gassi Touil Rhourde Nous-Hamra area, located in the eastern part of Algeria. The natural gas liquefaction plant was to be constructed in Arzew.

In March 2006, Repsol YPF (48%), Gas Natural (32%) and the Algerian state oil and gas company Sonatrach (20%), as part of the integrated LNG project Gassi Touil, signed an agreement for the establishment of a joint venture, “El Andalus”, which was going to construct and operate the natural gas liquefaction plant in Arzew.

On 13 August 2007 Sonatrach rescinded the Gassi Touil project and decided to take exclusive control of the project. Repsol YPF and Gas Natural announced that they would challenge the validity of Sonatrach’s rescission and seek damages for wrongful termination of contract before an international arbitral body, pursuant to the provisions of the Gassi Touil contract.

Sonatrach has initiated international arbitration proceedings, seeking validation of its decision to rescind the Gassi Touil Project agreement and claiming damages. Repsol YPF and Gas Natural counterclaimed, challenging the legality of Sonatrach’s unilateral actions and seeking damages. The arbitration tribunal has allowed Sonatrach to provisionally assign the Gassi Touil activities, while a final decision is pending. At 31 December 2007, the assets of the Gassi Touil project were valued at €87 million.

## TAXATION

### The Netherlands

*The following 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, 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 (unpublished case law excluded) as it stands at the date of this Base Prospectus. The laws upon which this summary is based are subject to change, perhaps with retroactive effect. Any such change 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 of or in The Netherlands, except where Notes are issued under such terms and conditions that such Notes are capable of being classified as equity of the Issuer for Dutch tax purposes or actually function as equity of the Issuer within the meaning of article 10, paragraph 1, letter d, of the Dutch Corporation Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*) and where Notes are issued that are redeemable in exchange for, convertible into or linked to shares or other equity instruments issued or to be issued by the Issuer or by any entity related to the Issuer.

#### ***Taxes on income and capital gains***

The 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 who, in the case of an individual, has not elected to be treated as a resident of The Netherlands for Dutch income tax purposes (a ***Non-Resident holder of Notes***).

#### ***Individuals***

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

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

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

If a holder of Notes is an individual who does not come under exception 1 above, and if he derives or is deemed to derive benefits from Notes, including any payment 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 5% 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 5% or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of the Issuer, or profit participating certificates (*winstbewijzen*) relating to 5% or more of the annual profit of the Issuer, or to 5% 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 (*Wet inkomstenbelasting 2001*) in the circumstances described in such Act .

#### *Attribution rule*

Benefits derived or deemed to be derived from certain miscellaneous activities by a child or a foster child who is under eighteen years of age, even if the child is resident in The Netherlands, are attributed to the parent who exercises, or the parents who exercise, authority over the child, regardless of whether the child is resident in The Netherlands or abroad.

#### *Entities*

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

- (a) such Non-Resident holder of Notes derives profits from an enterprise, 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 under such documents 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 in The Netherlands in respect of or in connection with (i), as applicable, 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, (ii) the performance by the Issuer or the Guarantor of its obligations under the Documents or under the Notes, or (iii) the transfer of Notes, except that Dutch real property transfer tax (*overdrachtsbelasting*) may be due upon redemption of Notes in exchange for, or conversion of Notes into, assets that qualify as real property situated in the Netherlands for the purposes of Dutch real property transfer tax.

### **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.

In this respect regard should be had to a draft law, presently under discussion in the Spanish parliament, pursuant to which certain amendments to the taxation regime described in this summary could potentially be made. Although the draft law does not currently contemplate any amendments that would directly affect the tax analysis discussed below, a change to the tax consequences for individuals and companies described in this summary as a result of the coming into force of the draft law cannot be entirely ruled out.

### ***Non-Resident Holder***

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

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

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

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

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

### ***Residents***

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

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

It is to be noted that if Notes are traded in Spain, general rules governing advanced taxation at source (*retenciones*) will be applicable in connection with Spanish tax-resident holders of the Notes. The present rate of taxation at source is set at 18%. However when the income recipient is a corporation, certain exemptions have been established, so corporate holders are suggested to obtain independent tax advice. The advanced tax is credited against final Individual or Corporate Income Tax with no limit; hence, any excess entitles the taxpayer to a refund.

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

- (i) 18%, as capital income, for individual taxpayers; and
- (ii) 30%, for corporate taxpayers, though, under certain circumstances (small companies, non-profit entities, among others), a lower rate may apply.

## Luxembourg

*The following 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, ownership and disposition of Notes to be issued by the Issuer. It does not discuss every aspect of taxation that may be relevant to a particular holder of Notes under special circumstances or who is subject to special treatment under applicable law. Where in this 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.

This summary is based on the tax laws of Luxembourg (unpublished case law excluded) as it stands at the date of this Base Prospectus. The laws upon which this summary is based are subject to change, perhaps with retroactive effect. Any such change 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***

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 certain of the territories dependent or associated with an EU Member State, and being either (i) individuals or (ii) certain residual entities (generally entities other than legal entities, Undertakings for Collective Investments in Transferable Securities (**UCITS**) and entities taxed as enterprises) (the **Residual Entities**), such paying agent must withhold a withholding tax at a rate of 20%. This rate will be increased 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 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 the purposes of Luxembourg income tax, corporation tax, or net wealth tax, as the case may be (a ***Non-Resident holder of Notes***).

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

### ***Luxembourg gift and inheritance taxes***

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

## SUBSCRIPTION AND SALE

### Summary of Dealer Agreement

Subject to the terms and on the conditions contained in the Amended and Restated Dealer Agreement dated 28 October 2008 (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 and the Guarantee 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 accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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

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

that tranche and notify the other relevant Dealers of the end of the distribution compliance period. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it prior to the expiration of the 40-day distribution compliance period a confirmation or notice to substantially the following effect:

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

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

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

- (a) except to the extent permitted under U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the **D Rules**):
  - (i) it has not offered or sold, and during the restricted period shall not offer or sell, Notes to a person who is within the United States or its possessions or to a United States person and
  - (ii) it has not delivered and shall not deliver within the United States or its possessions definitive Notes that are sold during the restricted period
- (b) it has and throughout the restricted period shall have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules
- (c) if it is a United States person, it is acquiring the Notes for purposes of resale in connection with their original issuance and if it retains Notes for its own account, it shall only do so in accordance with the requirements of U.S. Treas. Reg. §1.163-5(c)(2)(i)(D)(6)
- (d) with respect to each affiliate that acquires from it Notes for the purpose of offering or selling such Notes during the restricted period, it either (a) repeats and confirms the representations set forth in sub-paragraphs (a), (b) and (c) above on behalf of such affiliate or (b) agrees that it shall obtain from such affiliate for the benefit of the Issuer the representations set forth in sub-paragraphs (a), (b) and (c) above and

(e) it has not and will not enter into any written contract (other than a confirmation or other notice of the transaction) pursuant to which any other party to the contract (other than with one of its affiliates or another Dealer) has offered or sold, or during the restricted period will offer or sell, any Notes except where pursuant to the contract it has obtained or will obtain from that party, for the benefit of the Issuer and the several Dealers, the representations contained in, and the distributor's agreement to comply with, the provisions set forth in sub-paragraphs (a), (b), (c), (d) and (e).

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

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

Each issuance of Dual Currency Notes and Indexed Notes shall be subject to such additional U.S. selling restrictions as the relevant Dealer(s) shall agree with the Issuer as a term of the issuance and purchase or, as the case may be, subscription of such Notes (as indicated in the applicable Final Terms). Each relevant Dealer has represented and agreed, and each further relevant Dealer appointed under the Programme will be required to represent and agree, that it shall offer, sell and 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**), following 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, in the period beginning and ending on the dates 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 €43,000,000 and (3) an annual net turnover of more than €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 Financial Services and Markets Act 2000, as amended (the *FSMA*) by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

#### ***The Netherlands***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that Zero Coupon Notes in definitive bearer form and other Notes in definitive bearer form on which interest does not become due and payable during their term but only at



maturity (savings certificates or *spaarbewijzen*, as defined in the Dutch Savings Certificates Act or *Wet inzake spaarbewijzen* (the *SCA*)) may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the Issuer or a member firm of Euronext Amsterdam N.V. with due observance of the provisions of the SCA and its implementing regulations (which include registration requirements). No such mediation is required, however, in respect of (i) the initial issue of those Notes to the first holders thereof, (ii) the transfer and acceptance by individuals who do not act in the conduct of a business or profession, and (iii) the issue and trading of those Notes, if they are physically issued outside The Netherlands and are not distributed in The Netherlands in the course of primary trading or immediately thereafter.

### ***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 of 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 Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) (the ***Financial Instruments 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 28 October 2008 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 28 October 2008 has been entered into in relation to the Notes between the Issuer, the Guarantor, the Trustee, Citibank, N.A., London Branch as initial issuing and paying agent and the other agents named in it. The issuing and paying agent, the paying agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the **Issuing and Paying Agent**, the **Paying Agents** (which expression shall include the Issuing and Paying Agent), and the **Calculation Agent(s)**. Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at Agency & Trust, 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB) and at the specified offices of the Paying Agents.

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

### 1. Form, Specified Denomination and Title

The Notes are issued in bearer form (**Notes**) in each case in the Specified Denomination(s) shown 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 €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 €50,000 (or its equivalent in another currency), the authorised denomination of €50,000 (or its equivalent in another currency) and integral multiples of €50,000 (or its equivalent in another currency) thereafter, or (b) if the Specified Denomination stated in the relevant Final Terms is €50,000 (or its equivalent in another currency) and integral multiples of €1,000 (or its equivalent in another currency) in excess thereof, the minimum authorised denomination of €50,000 (or its equivalent in another currency) and higher integral multiples of €1,000 (or its equivalent in another currency), notwithstanding that no definitive notes will be issued with a denomination above €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/Actual**, **Actual/Actual (ISDA)**, **Act/Act** or **Act/Act (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/Actual (ICMA)** or **Act/Act (ICMA)** is specified hereon, a fraction equal to “number of days accrued/number of days in year”, as such terms are used in Rule 251 of the statutes, by-laws, rules and recommendations of the International Capital Markets Association (the **ICMA Rule Book**), calculated in accordance with Rule 251 of the ICMA Rule Book as applied to non-US dollar denominated straight and convertible bonds issued after 31 December 1998, as though the interest coupon on a bond were being calculated for a coupon period corresponding to the Calculation Period;
- (iii) if **Actual/365 (Fixed)**, **Act/365 (Fixed)**, **A/365 (Fixed)** or **A/365F** is specified hereon, the actual number of days in the Calculation Period divided by 365;
- (iv) 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;
- (v) if **Actual/360**, **Act/360** or **A/360** is specified hereon, the actual number of days in the Calculation Period divided by 360;
- (vi) if **30/360**, **360/360** or **Bond Basis** is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

$D_2$  is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and  $D_1$  is greater than 29, in which case  $D_2$  will be 30;

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

**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 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the issue date of the first Tranche (as defined in the Trust Deed) of the relevant Series of Notes, unless otherwise specified 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 (known as TARGET 2) System, which was launched on 19 November 2007, or any successor thereto.

- (l) **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 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

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

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

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

- (i) Upon the due date for redemption of Notes which comprise Fixed Rate Notes (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 unexpired Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unexpired Coupons, and where any Note is presented for redemption without any unexpired 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 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive or law and/or

- (f) presented for payment by or on behalf of a holder who would have been able to 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](http://www.bourse.lu)) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, if in the opinion of the Trustee such publication shall not be practicable, in an English language newspaper of general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made.

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

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

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

### 17. Governing Law

- (a) **Governing Law:** The Trust Deed, the Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
- (b) **Jurisdiction:** The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes, Receipts, Coupons or Talons or the Guarantee and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed, the Notes, Receipts, Coupons or Talons or the Guarantee (*Proceedings*) may be brought in such courts. Each of the Issuer and the Guarantor has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

- (c) **Agent for Service of Process:** Each of the Issuer and the Guarantor has irrevocably appointed an agent in England to receive service of process in any Proceedings in England based on any of the Trust Deed, the Notes, Receipts, Coupons or Talons or the Guarantee.

## 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 for such exchange.

### **Partial Exchange of Permanent Global Notes**

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes (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 for payment is made, as required by Condition 6, within a period of 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date as defined in Condition 7.

## **Meetings**

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

## **Cancellation**

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

## **Purchase**

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

## **Issuer's Option**

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

## **Noteholders' Options**

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

## **NGN Nominal Amount**

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

## **Trustee's Powers**

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

## **Notices**

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

## **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 €50,000 (or its equivalent in another currency), in the authorised denomination of €50,000 (or its equivalent in another currency) and integral multiples of €50,000 (or its equivalent in another currency) thereafter, or (b) if the Specified Denomination stated in the relevant Final Terms is €50,000 (or its equivalent in another currency) and integral multiples of €1,000 (or its equivalent in another currency) in excess thereof, in the minimum authorised denomination of €50,000 (or its equivalent in another currency) and higher integral multiples of €1,000 (or its equivalent in another currency), notwithstanding that no definitive notes will be issued with a denomination above €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 28 October 2008 [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 [as so supplemented]. The Base Prospectus [and Supplement to the Base Prospectus] [is] [are] available for viewing at [www.repsolinternationalfinancebv.com](http://www.repsolinternationalfinancebv.com) and copies may be obtained during normal business hours from:

Repsol International Finance, B.V.  
Koningskade 30  
2596 AA The Hague  
The Netherlands

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Base Prospectus dated [original date] [and the Supplement to the Base Prospectus dated [●]]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (*Directive 2003/71/EC*) (the **Prospectus Directive**) and must be read in conjunction with the Base Prospectus dated 28 October 2008 [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 28 October 2008 [and the Supplements to the Base Prospectuses dated [●] and [●]]. The Base Prospectuses [and Supplements to the Base Prospectuses] are available for viewing at [www.repsolinternationalfinancebv.com](http://www.repsolinternationalfinancebv.com) and copies may be obtained during normal business hours from:

Repsol International Finance, B.V.  
Koningskade 30  
2596 AA The Hague  
The Netherlands

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. 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] (, if applicable)]
6. (i) Specified Denomination: [If the Specified Denomination is expressed to be euro 50,000 or its equivalent and multiples of a lower principal amount (for example euro 1,000) insert the following:  
  
“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]”.]  
  
Notes (including Notes denominated in Sterling) 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 FSMA and which have a maturity of less than one year must have a minimum redemption value of GBP 100,000 (or its equivalent in other currencies).

- (ii) Calculation Amount *[The applicable Calculation Amount (which is used for the calculation of interest and redemption amounts) will be (i) if there is only one Specified Denomination, the Specified Denomination of the relevant Notes or (ii) if there are several Specified Denominations or the circumstances referred to in 6.(i) above apply (e.g. Specified Denominations of €50,000 and multiples of €1,000), the highest common factor of those Specified Denominations (note: there must be a common factor in the case of two or more Specified Denominations). Note that a Calculation Amount of less than 1,000 units of the relevant currency may result in impractical difficulties for paying agents and/or ICSDs who should be consulted if such an amount is proposed.]*
7. (i) Issue Date: [   ]
- (ii) Interest Commencement Date [Specify/Issue Date/Not Applicable][An Interest Commencement Date will not be relevant for certain types of Notes (e.g. Zero Coupon Notes)]
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]  
 [Index Linked Interest]  
 [Other (specify)]  
 (further particulars specified below)
10. Redemption/Payment Basis: 
 [Redemption at par]  
 [Index-Linked Redemption]  
 [Dual Currency]  
 [Partly Paid]  
 [Instalment]  
 [Other (specify)]
 

*[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
- (ii) Status of the Guarantee: Senior

(iii) [Date [Board] approval for [ ] [and [ ], respectively]]  
issuance of Notes [and  
Guarantee] obtained: *(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 / other (specify)] 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 Calculation Amount

(iv) Broken Amount(s): [\_\_\_\_] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [\_\_\_\_]

(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 (ICMA))*

(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) First Interest Payment Date [ ]

(iv) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (give details)]

(v) Business Centre(s): [ ]



- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other *(give details)*]
- (vii) Party, if any, responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent): [ ]
- (viii) Screen Rate Determination:
- Reference Rate: [ ]
  - Interest Determination Date(s): [ ]
  - Relevant Screen Page: [ ]
- (ix) ISDA Determination:
- Floating Rate Option: [ ]
  - Designated Maturity: [ ]
  - Reset Date: [ ]
- (x) Margin(s): [+/-][ ] % per annum
- (xi) Minimum Rate of Interest: [ ] % per annum
- (xii) 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) Party, if any, responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent): [ ]
- (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) Party, if any, responsible for calculating the principal and/or interest due (if not the Calculation Agent): [ ]

(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 Calculation Amount

(iii) If redeemable in part:

(a) Minimum Redemption Amount: [ ] per Calculation Amount

(b) Maximum Redemption Amount: [ ] per Calculation Amount

(iv) Notice period [ ]

*[If setting notice period which are different to those provided in the terms and conditions, consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the issuer and its fiscal agent or any trustee.]*

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 Calculation Amount

(iii) Notice period [ ]

*[If setting notice period which are different to those provided in the terms and conditions, consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the issuer and its fiscal agent or any trustee.]*

22. **Final Redemption Amount of each Note** [ ] per Calculation Amount

*[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 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) Party, if any, responsible for calculating the principal and/or interest due (if not the Calculation Agent): [ ]

(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: [ ]
- (vi) Maximum Final Redemption Amount: [ ]
23. **Early Redemption Amount** [ ]

Early Redemption Amount(s) per Calculation Amount 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**

[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 New Global Note [Yes] [No]

26. Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details]

*Note that this item relates to the date and place of payment, and not interest period end dates, to which each of items 15(ii), 16(v) and 18(ix) relates]*

27. 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*]
28. 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*]
29. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/*give details*]
30. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions [in Condition ●] apply]
31. Consolidation provisions: [Not Applicable/The provisions [in Condition ●] apply]
32. 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]*

## **DISTRIBUTION**

33. (i) If syndicated, names of Managers: [Not Applicable/*give name(s)*]
- (ii) Stabilising Manager(s) (if any), [Not Applicable/*give name(s)*]
34. If non-syndicated, name of relevant Dealer: [Not Applicable/*give name*]
35. US Selling Restrictions: [Reg. S Compliance Category 2/ TEFRA C / TEFRA D / TEFRA not applicable]
36. Additional selling restrictions: [Not Applicable/*give details*]

## **PURPOSE OF FINAL TERMS**

These Final Terms comprise the final terms required for issue and admission to trading on the [*specify regulated market (e.g. Bourse de Luxembourg)*] of the Notes described herein pursuant to the €10,000,000,000 Euro Medium Term Note Programme of Repsol International Finance B.V.

**RESPONSIBILITY**

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

Signed on behalf of Repsol International Finance B.V. :

By: .....

Duly authorised

Signed on behalf of Repsol YPF, S.A.:

By: .....

Duly authorised

## PART B – OTHER INFORMATION

### 1. ADMISSION TO TRADING

- (i) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on *[specify relevant regulated market]* with effect from [ ]]
- [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on *[specify relevant regulated market]* with effect from [ ]]
- [Not Applicable.]
- [Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.]*
- (ii) 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. [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 offer.]

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

### 4. 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: [ ]

*(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)\**

#### 5. [Fixed Rate Notes only – YIELD

Indication of yield: [ ]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

#### 6. [Index-Linked or other variable-linked Notes only - PERFORMANCE OF INDEX/ FORMULA/ OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING

*Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained. 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. Include other information concerning the underlying required by Paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]\**

*[(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information]\*.

#### 7. Dual Currency Notes only - PERFORMANCE OF RATE[S] OF EXCHANGE

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

*[(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

#### 8. OPERATIONAL INFORMATION

ISIN Code: [ ]

Common Code: [ ]

Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

- |  |  |
|--|--|
| Delivery:  | Delivery [against/free of] payment   |
| Names and addresses of initial Paying Agent(s):                                | [    ]   |
| Names and addresses of additional Paying Agent(s) (if any):                    | [    ]   |
| (vi) Intended to be held in a manner which would allow Eurosystem eligibility: | <p>[Yes/No]</p> <p>[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) 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.]</p> <p><i>[Include this text if “Yes” is selected in which case the Notes must be issued in NGN form.]</i></p> |

**Note**

*\* Required for derivative securities to which Annex XII of the Prospectus Directive Regulation applies.*

## GENERAL INFORMATION

- (1) In connection with the application to list the Notes issued under the Programme on the official list of 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 6 October 2008. The giving of the guarantee relating to the Programme by the Guarantor was authorised by a resolution of the Board of Directors of the Guarantor passed on 19 July 2001 and the update of the Programme was authorised by a resolution of the Board of Directors of the Guarantor passed on 25 September 2008.
- (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 2007 (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 2007.

There has been no material adverse change in the prospects of the Guarantor since 31 December 2007 (being the date of the last published audited financial statements) nor has there been any significant change in the financial or trading position of the Group since 30 June 2008.

- (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 à Luxembourg, S.A.:

- (i) the Trust Deed (which includes the guarantee relating to the Programme, the form of the Global Notes, the definitive Notes, the Coupons, the Receipts and the Talons);
  - (ii) the 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 2007 and 2006 (each prepared in accordance with Dutch GAAP);
  - (vi) Form 20-F of Repsol YPF filed with the SEC on 30 May 2008, incorporating the Annual Report 2007 of Repsol YPF, including the audited consolidated annual financial statements for the financial year ended 31 December 2007, which were prepared in accordance with IFRS, together with the notes to such financial statements and the audit report thereon;
  - (vii) the Annual Report 2006 of Repsol YPF, including the audited consolidated annual financial statements of Repsol YPF for the financial year ended 31 December 2006, which were prepared in accordance with IFRS, together with the notes to such financial statements and the audit report thereon;
  - (viii) the condensed consolidated interim financial statements and interim consolidated management’s report of Repsol YPF for the six-month period ended 30 June 2008;
  - (ix) the significant events (*hechos relevantes*) communicated by Repsol YPF to the CNMV since 30 May 2008 (being the date on which the Form 20-F was filed with the SEC);
  - (x) each Final Terms for Notes that are listed on the official list of the Luxembourg Stock Exchange or any other stock exchange;
  - (xi) copy of this Base Prospectus, together with any Supplement to the Base Prospectus or further Base Prospectus;
  - (xii) copy of the subscription agreement for Notes issued on a syndicated basis that are listed on the official list of the Luxembourg Stock Exchange; and
  - (xiii) 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 2007 and 2006 have been audited by Deloitte, S.L., (members of the *Registro Oficial de Auditores de Cuentas*), Independent Auditors of Repsol YPF. 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 2007 and 2006 by Deloitte Accountants B.V. (members of *Koninklijk Nederlands Instituut van Registeraccountants*), Independent Auditors of the Issuer. The address of Deloitte Accountants B.V. is Admiraliteitskade 50, 3063 ED Rotterdam, The Netherlands.

- (9) Freshfields Bruckhaus Deringer LLP has acted as legal adviser to the Issuer and the Guarantor as to English law and Spanish law (other than Spanish tax law); Linklaters LLP has acted as legal adviser to the Dealers as to English law and Spanish law; Van Doorne N.V. has acted as legal adviser to the Issuer as to Dutch law (other than Dutch tax law); Loyens & Loeff N.V. has acted as legal adviser to the Issuer as to Dutch tax law; Análisis Asesoramiento e Información, S.L. has acted as legal adviser to the Guarantor as to Spanish tax law; and Loyens & Loeff has acted as legal adviser to the Issuer as to Luxembourg tax law, in each case in relation to the update of the Programme.

**REGISTERED OFFICE OF THE  
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**REGISTERED OFFICE OF THE  
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**ARRANGER**

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**REPSOL**  
**YPF**

