



REPSOL INTERNATIONAL FINANCE B.V.

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

EURO 10,000,000,000

Guaranteed Euro Medium Term Note Programme

Guaranteed by

REPSOL, S.A.

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

This supplement (the *Supplement*) to the base prospectus dated 22 September 2015 as supplemented on 30 November 2015 (the *Base Prospectus*), constitutes a supplement, for the purposes of Article 16 of the Prospectus Directive as implemented by Article 13 of Chapter 1 of Part II of the *loi relative aux prospectus pour valeurs mobilières du 10 juillet 2005* (the Luxembourg law on prospectuses for securities of 10 July 2005), as amended by the Luxembourg law of 3 July 2012 (the *Luxembourg Act*), to the Base Prospectus and is prepared in connection with the Euro 10,000,000,000 Guaranteed Euro Medium Term Note Programme (the *Programme*) established by Repsol International Finance B.V. (the *Issuer*) and guaranteed by Repsol, S.A. (the *Guarantor*). Terms defined in the Base Prospectus have the same meaning when used in this Supplement.

This Supplement is supplemental to, and should be read in conjunction with the Base Prospectus issued by the Issuer and the Guarantor.

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Supplement and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Supplement is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. The information incorporated by reference to the Base Prospectus by virtue of this Supplement has been translated from the original Spanish.

The Dealers, the Trustee and the Arranger have not separately verified the information contained in the Base Prospectus, as supplemented by this Supplement. None of the Dealers or the Arranger or the Trustee makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in the Base Prospectus, as supplemented by this Supplement.

Annual Reports 2015 and regulatory announcements

On 25 February 2016, the Guarantor filed its audited Annual Consolidated Financial Statements of Repsol, S.A. and Investees composing the Repsol Group for the twelve-month period ended 31 December 2015 with the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*). An English-language translation of the audited Consolidated Financial Statements for the year ended 31 December 2015, including the notes to such financial statements and the auditor's report, the Consolidated Management Report 2015 and the Annual Report on Corporate Governance of Repsol, S.A. have been filed with the Luxembourg *Commission de Surveillance du Secteur Financier* (CSSF) and, by virtue of this Supplement, are incorporated by reference in, and form part of, the Base Prospectus.

This Supplement also incorporates by reference certain regulatory announcements released by the Guarantor since the date of the Base Prospectus.

Documents incorporated by reference

Both the Issuer and the Guarantor consider advisable to incorporate by reference into the Base Prospectus via this Supplement the (i) audited Annual Consolidated Financial Statements of Repsol, S.A. and Investees composing the Repsol Group for the twelve-month period ended 31 December 2015 and (ii) certain regulatory announcements of the Guarantor; and therefore, pursuant to Article 16 of the Prospectus Directive as implemented by Article 13 of Chapter I of Part II of the Luxembourg Act, to amend the **Section “DOCUMENTS INCORPORATED BY REFERENCE”** (pages 20 to 24 of the Base Prospectus) by the inclusion of the following documents to the list “**Information incorporated by reference**” (page 20 of the Base Prospectus) as new paragraphs (L) and (M). The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of Commission Regulation (EC) 809/2004.

Information Incorporated by Reference	Page References
(L) The audited consolidated financial statements, including the notes to such financial statements, the auditor’s report thereon, the Consolidated Management Report and the Annual Report on Corporate Governance of Repsol, S.A. and Investees composing the Repsol Group for the year ended 31 December 2015:	
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(M)	Regulatory announcements of the Guarantor:	
-	Announcement dated 25 February 2016 related to information on oil and gas exploration and production activities	1-21
-	Announcement dated 25 February 2016 related to Income Statements 4Q and Full year 2015.....	1-36 (not including the cover page)
-	Announcement dated 25 February 2016 related to the sale of the Repsol Group offshore wind power business in the U.K. to SDIC Power of China for 238 million euros	1
-	Announcement dated 25 January 2016 related to sale of part of Repsol Group Piped Gas Business to EDP Group and Gas Extremadura for 136 million euros.....	1-2
-	Announcement dated 08 January 2016 related to the announcement of the closing of a paid up capital increase of 41,422,248 euros and a payment in cash to its shareholders of 228 million euros (Repsol Flexible Dividend Program)	1

Risk Factors

Both the Issuer and the Guarantor consider advisable, pursuant to Article 16 of the Prospectus Directive as implemented by Article 13 of Chapter I of Part II of the Luxembourg Act, and in connection with Section “**RISK FACTORS**” to replace the information contained under subsection “**Risk factors relating to the Issuer and/or the Guarantor**” (pages 6 to 13, both inclusive, of the Base Prospectus) with the following information in order to provide with the information obtained from the latest published financial statements of the Guarantor:

“Uncertainty in the current economic context

Global economic growth is still being moderate, more than expected months ago. The latest forecasts from the International Monetary Fund (FMI WEO update January 2016) estimate some improvement in advanced economies. However, growth is deteriorating in emerging economies affected by the decline in commodity prices, the economic slowdown in China and the normalization of monetary policy in the US. Therefore, global growth is expected to be 3.1% in 2015, worse than the 3.4% in 2014, with some recovery in 2016 to 3.4%.

In recent months, the risk of a hard landing in China and other emerging market economies has increased, triggering instability across the global financial markets. Another source of uncertainty is the potential normalization of monetary policy in the US, the Federal Reserve having decided to start to raise benchmark rates in December.

In addition, thin liquidity is impeding the financial market adjustment, generating additional volatility. Unconventional quantitative easing has helped reducing risk premium in several markets, including sovereign bonds and corporate debt.

Recently, oil prices have been under pressure from high inventory and global production levels, but also global economic uncertainty (especially in China) and financial market instability. Between June and August 2015, oil prices corrected by more than 30% to lows for the year. Although prices retraced part of this correction in less than one week, prices then went on to correct once again, trading below \$40 per barrel at one point, i.e., 35% below the high for the year. In addition to surplus oil supply, oil and, in general, commodity price weakness was exacerbated by soft global demand, in turn reshaping inflation expectations. Despite all these sources of uncertainty, low oil prices should trigger more dynamic supply and demand adjustments. Low prices should stimulate consumption while curtailing investment and the combination of these forces should help rebalance the market. Nevertheless, certain nations, such as Iran and, to a lesser extent, Libya, plan on increasing production. When the sanctions are lifted in Iran, its 80 million barrels of inventories could flood the market. Iran's oil production could increase from 0.5 to 1.3 million barrels per day in 2016.

Finally, the economic-financial situation could have a negative impact on third parties with whom Repsol does or could do business. Any of the factors described above, whether in isolation or in combination with each other, could have an adverse effect on the financial position, businesses, or results of operations of Repsol.

Repsol is subject to extensive environmental and safety legislations and risks

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

Specifically, considering the importance of Climate Change, we must stress that the one of the risks the Company faces is the exposure to possible changes in the greenhouse gas emissions regulatory framework as a result of our industrial activities and associated to the use of our products. In this regard, we closely follow legislation changes in climate-related matters as they arise in every area in which we operate. For instance, in Europe the 2030 energy and climate package associated to a number of directives was adopted, such as the Energy Efficiency Directive, and the reform of the Emission Trading Scheme; in the US, regulations related to the national methane emissions plan, and in Canada, the implementation of climate legislation in Alberta.

Elsewhere, in the wake of the Talisman Energy Inc. acquisition, the Company has increased its activity in non-conventional oil and gas resources. From an environmental standpoint, concern over the environmental impact of exploring for and producing this type of resources could prompt governments and authorities to approve new regulations or impose new requirements on their development. If so, it could have an adverse impact on the Company.

Operating risks related to Repsol activities

Exploration and exploitation (Upstream) of oil and gas, and reliance on the cost-effective acquisition or discovery of, and, thereafter, development of, new oil and gas reserves.

Oil and gas exploration and production activities are subject to particular risks, some of which are beyond the control of Repsol. These activities are exposed to production, equipment and transportation risks, errors or inefficiencies in operations management and purchasing processes, natural hazards and other uncertainties relating to the physical characteristics of oil and natural gas fields and their dismantling. Furthermore, oil and gas exploration and development projects are complex in terms of their scale and by their very nature are susceptible to delays in execution and cost overruns with respect to initially-approved budgets. In addition to this, some of the Group's development projects are located in deep waters, mature areas and other difficult environments, such as the Gulf of Mexico, Alaska, the North Sea, Brazil and the Amazon rainforest, or in complex oilfields, which could aggravate these risks further. It should also be considered that transportation of oil products, by any means, always has inherent risks: during road, rail or sea transport, or by pipeline, oil and other hazardous substances could leak. This is a significant risk due to the potential impact a spill could have on the environment and on people, especially considering the high volume of products that can be carried at one time. Should these risks materialise, Repsol may suffer major losses, interruptions to its operations and harm to its reputation.

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

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

Industrial businesses and marketing of oil products (Downstream)

The Refining, Chemical, Trading, and Production, and Distribution activities related to oil derivatives and LPG are exposed to the risk inherent to their activities, and are related to the products' specific characteristics (flammability and toxicity), their use (including that of clients), emissions resulting from the production process (such as greenhouse gas effects), as well as the materials and waste used (dangerous waste, as well as water and energy management), which might impact health, safety, and the environment. Repsol's industrial assets (refineries, regassing plants, warehouses, ports, ducts, sea vessels, cistern trucks, service stations, etc.) are exposed to accidents such as fire, explosions, leaks of toxic products, as well as large-scale contaminating environmental incidents. Accidents may cause death and injury to employees, contractors, residents in surrounding areas, as well as damage to the assets and property owned by Repsol as well as third parties.

Downstream activities take place in a highly competitive environment. Refining and commercialization margins may be affected by a number of factors, such as low demand arising from the impaired economy in the countries in which it operates, the high price of crude oil and other raw materials, the trends of production-related energy costs and other commodities, excess refining capacity in Europe, and the growing competition from refineries in areas such as Russia, the Middle East, East Asia, and the US, whose production costs are lower. Commercial businesses compete with international hydrocarbons industry operators as well as with other non-oil entities (supermarket chains as well as other commercial operators) to acquire or open Service Stations. Repsol Service Stations mainly compete based on price, service, and the availability of non-oil products.

If any of these risks materialize, the activity of Repsol, its operational result and financial position could be significantly and adversely affected.

Oil and gas reserves estimation

To estimate proved and unproved oil and gas reserves, Repsol uses the criteria established by the "SPE/WPC/AAPG/SPEE Petroleum Resources Management System", commonly referred to by its acronym, SPE-PRMS (SPE standing for the Society of Petroleum Engineers).

“INFORMATION ON THE GUARANTOR AND THE GROUP” under the heading **“Business segments and organisational structure”**, to update the information on pages 36 and 37:

<u>Name</u>	<u>Country</u>	<u>Activity</u>	<u>% Control owned⁽¹⁾</u>
Repsol, S.A.....	Spain	Portfolio company	N/A
Repsol Exploración, S.A.	Spain	Exploration and production of oil and gas	100.00%
Repsol Petróleo, S.A.....	Spain	Refining	99.97%
Repsol Comercial de Productos Petrolíferos, S.A.....	Spain	Marketing of oil products	99.78%
Repsol Butano, S.A.	Spain	Marketing of LPG	100.00%
Repsol Química, S.A.	Spain	Production and sale of petrochemicals	100.00%
Talisman Energy Inc ⁽²⁾⁽⁴⁾	Canada	Exploration and production of oil and gas	100.00%
Gas Natural SDG, S.A.	Spain	Distribution of gas and electricity	30.37%
Repsol International Finance B.V.....	Netherlands	Financing and portfolio company	100.00%
Petróleos del Norte, S.A. (Petronor)	Spain	Refining	85.98%
Repsol E&P Bolivia, S.A.....	Bolivia	Exploration and production of oil and gas	100.00%
Repsol Trading, S.A.	Spain	Trading of oil products	100.00%
Repsol Sinopec Brasil, S.A.....	Brazil	Exploration and production of oil and gas	60.01%
Refinería de la Pampilla S.A.A ⁽²⁾	Perú	Refining and marketing of oil products	82.38%
Repsol Nuevas Energías, S.A.	Spain	Gas & Power ⁽³⁾	100.00%

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

⁽²⁾ Indirect ownership interest.

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

⁽⁴⁾ On January 1, 2016 the registered name of Talisman Energy Inc. was changed to Repsol Oil&Gas Canada Inc. The names of the following Group companies were also changed:

Old name	New name
Talisman Alberta Shale Partnership	Repsol Alberta Shale Partnership
Talisman Wild River Partnership	Repsol Wild River Partnership
Talisman Groundbirch Partnership	Repsol Groundbirch Partnership
Talisman Central Alberta Partnership	Repsol Central Alberta Partnership
Talisman Energy Canada	Repsol Canada Energy Partnership

Business overview – Upstream

Both the Issuer and the Guarantor consider advisable, pursuant to Article 16 of the Prospectus Directive as implemented by Article 13 of Chapter I of Part II of the Luxembourg Act, and in relation to **Section “INFORMATION ON THE GUARANTOR AND THE GROUP”** under the heading **“Upstream”**, to replace the information in relation with the Brent crude oil prices on page 39, immediately before the heading entitled **“Downstream”**:

“During 2015, oil prices were significantly lower than in recent times. In 2014, Brent crude oil prices averaged U.S.\$98.9 per barrel, compared to an average of U.S.\$81.8 per barrel reported over the 2004-2014 period. In 2015, the price range stood between approximately U.S.\$35.6 to 66.7 per barrel, with an average price of U.S.\$52.5 per barrel.

In the first two months of 2016, Brent crude oil prices averaged U.S.\$31.6 per barrel, compared to an average of U.S.\$52.9 per barrel for the same period of 2015.

Low crude oil prices negatively affect Upstream earnings (see risk factors titled “Fluctuations in international prices of crude oil and reference products and in demand, due to factors beyond Repsol’s control” and “Uncertainty in the current economic context”). If the current trend continues, income and revenue of Repsol’s Upstream segment could continue to be eroded until crude oil prices rise back.”

Business overview – Recent Developments

Both the Issuer and the Guarantor consider advisable, pursuant to Article 16 of the Prospectus Directive as implemented by Article 13 of Chapter I of Part II of the Luxembourg Act, and in relation to **Section “INFORMATION ON THE GUARANTOR AND THE GROUP”** under the heading “**Business overview**”, to insert the following information on page 41, immediately before the section entitled “Board of Directors, Senior Management and Employees”, replacing the same section included in the Supplement dated 30 November 2015:

“Recent developments

On 25 February 2016 Repsol announced the agreement reached to sell its offshore wind power business in the United Kingdom to SDIC of China for 238 million euros.

The sale includes the Inch Cape project (100%) and Repsol’s share in the Beatrice project (25%), both of which are located on the east coast of Scotland. The transaction is part of the company’s goal to sell non-strategic assets. The company expects to complete the sale of the UK assets during the first half of this year, once the usual conditions in this type of transaction are fulfilled and the necessary regulatory approvals obtained.”

Business Overview – Legal and Arbitration Proceedings

Both the Issuer and the Guarantor consider advisable, pursuant to Article 16 of the Prospectus Directive as implemented by Article 13 of Chapter I of Part II of the Luxembourg Act, and in connection with **Section “INFORMATION ON THE GUARANTOR AND THE GROUP”** to replace the information contained under subsection “**Legal and Arbitration Proceedings**” (pages 35 to 51 of the Base Prospectus) with the following information in order to provide with the information obtained from the latest published financial statements of the Guarantor:

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

“Argentina

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

The plaintiff claims the reimbursement of all the amounts the consumers of bottled LPG were allegedly charged in excess from 1993 to 2001, corresponding to a surcharge for such product. With respect to the period from 1993 to 1997, the claim is based on the fine imposed on YPF S.A. by the Secretariat of Industry and Commerce through its resolution of March 19, 1999. It should be noted that Repsol has never participated in the LPG market in Argentina and that the fine for abusing a dominant position was imposed on YPF S.A. In addition, YPF S.A. has alleged that charges are barred by the applicable statute of limitations. Hearings have commenced and are in process. The claim amounts to ARP 91 million (€17 million) for the period from 1993 to 1997, amount which updated at August 18, 2012 by an expert appraiser, this amount would total ARP 387 million (€43 million) plus interest and expenses.

Repsol received notification of the final ruling - sentencing YPF to pay ARP 98,208,681 (€7 million), plus interest - on February 4, 2016. Although the judgment does not expressly clarify that the lawsuit is dismissed in respect of Repsol, a specific section thereof does absolve it from damages since Repsol was not a shareholder of YPF during the period to which the sentence applies (1993 to 1997). On February 5, 2016, Repsol has lodged an appeal seeking clarification with a view to obtaining a ruling that expressly dismisses the lawsuit pursued against Repsol. This request has been turned down by the court which considers it of no utility on the grounds that the Sentence’s “pronouncements with respect to Repsol S.A.’s liability are sufficiently clear”. The claimant appealed the Sentence on February 11, 2016. However, as the grounds for the appeal have yet to be lodged, it is not known whether the appeal questions the absolution of Repsol.

United States of America

The Passaic River / Newark Bay lawsuit

The events underlying this lawsuit relate to the sale by Maxus Energy Corporation (“Maxus”) of its former chemicals subsidiary Diamond Shamrock Chemical Company (“Chemicals”) to Occidental Chemical Corporation (“OCC”). Maxus agreed to indemnify Occidental for certain contingencies relating to the business and activities of Chemicals prior to September 4, 1986. After that (1995), Maxus was acquired by YPF S.A. (“YPF”) and acquired Maxus and in 1999, Repsol S.A. acquired YPF.

In December 2005, the New Jersey Department of Environmental Protection (“DEP”) and the New Jersey Spill Compensation Fund (together, the “State of New Jersey”) sued Repsol YPF S.A. (today called Repsol, S.A., hereinafter, “Repsol”), YPF, YPF Holdings Inc. (“YPFH”), CLH Holdings (“CLHH”), Tierra Solutions, Inc. (“Tierra”), Maxus and OCC for the alleged contamination caused by the former Chemicals old plant which allegedly contaminated the Passaic River, Newark Bay and other bodies of water and properties in the vicinity (the Passaic River and Newark Bay lawsuit). In August 2010, the lawsuit was extended to YPF International S.A. (“YPFI”), and Maxus International Energy Company (“MIEC”).

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

Between June 2013 and August 2014, the Defendants signed different agreements with the State of New Jersey, in which they do not acknowledge liability and through certain payments in exchange for the withdrawal by the State of New Jersey of its proceedings against them.

On January 29, 2015 the judge pronounced regarding certain Motions to Dismiss submitted by the Defendants against Cross Claim, dismissing, in full or in part, without scope for re-admission, 10 of the 12 claims presented by OCC. On July 1, 2015 the judge fixed a new procedural calendar and indicated the hearing for June, 2016.

On November 27, 2015 the parties formulated various Motions for Summary Judgment, and on January 14, 2016 the Special Master issued its recommendations on these Motions admitting the ones submitted by Repsol in relation to its classification as alter ego to Maxus and rejecting OCC’s against its claim vis-a-vis OCC in respect of the \$65 million paid pursuant to the agreement with New Jersey State. The parties have one month to appeal the recommendations before the presiding Judge of the Court of New Jersey, who will rule on their admissibility.

United Kingdom

“Galley” pipeline lawsuit

In August 2012, the Galley pipeline, in which Talisman Sinopec Energy UK, LTD (“TSEUK”) has a 67.41% interest, suffered an upheaval buckle.

In September 2012, TSEUK, in which Talisman Energy Inc. (“TEI”) holds 51% interest, submitted a notification of a claim to Oleum Insurance Company (“Oleum”), a wholly-owned TEI subsidiary. TSEUK delivered a proof of loss seeking recovery under the insuring agreement of \$315 million.

The documentation delivered in November 2014 by TSEUK purporting to substantiate its claim did not support a determination of coverage and Oleum sought additional information from TSEUK to facilitate final coverage determination. TSEUK has sent additional information to Oleum that is being reviewed by external counsel.

Addax arbitration (in relation with the purchase of Talisman Energy (UK) Limited)

On July 13, 2015, Addax Petroleum UK Limited and Sinopec International Petroleum Exploration and Production Corporation, filed a “Notice of Arbitration” against Talisman Energy Inc. (“TEI”) and Talisman Colombia Holdco Limited (“TCHL”) in connection with the purchase of 49% shares of Talisman Energy (UK) Limited (now known as TSEUK). On October 1, 2015, TEI and TCHL answer to the “Notice of Arbitration”. In the Company’s opinion the claims included in the Notice of Arbitration are without merits.

Spain

Claims against the quarterly resolutions issued by the Directorate-General of Energy and Mining Policy regarding bottled LPG maximum retail prices during parts of 2009 to 2012.

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

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

Even though the State Attorney's Office has appealed in cassation each and every one of the above sentences, the reality is that the Government did not challenge the legal grounds for finding the state liable but rather questioned the determination and quantification of the damages using arguments that have been dismissed individually in the substantiated rulings upholding Repsol's claims.

In November 2015, Repsol Butano received notification of the first ruling in respect of the Supreme Court cassation appeals lodged by the State Attorney's Office, which finds no grounds for the appeal lodged and upholds Repsol Butano's entitlement to receive damages in relation to the quarterly resolution in question.

The reasoning underpinning the lower court rulings, coupled with the arguments made by Repsol Butano, S.A. in defending its claim, and, conclusively, the ruling handed down by the Supreme Court itself in relation to the above-mentioned appeal make it highly probable that the other sentences will be similarly upheld by the Supreme Court.

Administrative and legal proceedings with tax implications

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

The years for which the Group companies have their tax returns open to inspection in respect of the main applicable taxes are as follows:

Country	Years open to inspection
Algeria	2011 – 2015
Australia	2011 – 2015
Bolivia	2010 - 2015
Canada	2006 - 2015
Colombia	2008 – 2014
Ecuador	2012 - 2015
Spain	2010 - 2015
United States	2010 - 2015
Indonesia	2010 - 2015
Lybia	2008 - 2015
Malaysia	2011 – 2015
The Netherlands	2010 - 2015
Papua New Guinea	2012 – 2015
Peru	2011 – 2015
Portugal	2012 – 2015
Singapore	2011 – 2015
Timor - Leste	2010 - 2015
Trinidad and Tobago	2011 – 2015
Venezuela	2011 – 2015

Whenever discrepancies arise between Repsol and the tax authorities with respect to the tax treatment applicable to certain operations, the Group acts with the authorities in a transparent and cooperative manner in order to resolve the resulting controversy, using the legal avenues at its disposition with a view to reaching non-litigious solutions.

However, in this fiscal year, as in prior years, there are administrative and legal proceedings with tax implications that might be adverse to the Group's interest and that have given rise to litigious situations that could result in contingent tax liabilities. Repsol believes that it has acted lawfully in handling the foregoing

matters and that its defense arguments are underpinned by reasonable interpretations of prevailing legislation, to which end it has lodged appeals as necessary to defend the interests of the Group and its shareholders.

It is difficult to predict when these tax proceedings will be resolved due to the extensive appeals process. Based on the advice received from in-house and external tax experts, the company believes that the tax liabilities that may ultimately derive from these proceedings will not have a significant impact on the accompanying financial statements. In the Group's experience, the result of lawsuits claiming sizeable amounts have either tended to result in immaterial settlements or the courts have found in favour of the Group.

The Group's general criterion is to recognize provisions for tax-related proceedings that it deems it is likely to lose and does not recognize provisions when the risk of losing the case is considered possible or remote. Notwithstanding the above, in respect of the Talisman business combination (Note 4.1), in accordance with IFRS 3 "Business combinations", the Group has provisioned contingencies whose probability of materialization is considered possible. The amounts to be provisioned are calculated on the basis of the best estimate of the amount needed to settle the lawsuit in question, underpinned, among others, by a case-by-case analysis of the facts, the legal opinions of its in-house and external advisors and prior experience in these matters.

As for the main tax proceedings affecting the Group at December 31, 2015, noted below:

Bolivia

Repsol E&P Bolivia, S.A. and YPFB Andina, S.A. (in which Repsol has an 48.33% interest), are pursuing several lawsuits against administrative resolutions denying the possibility of deducting royalties and hydrocarbon interests for corporate income tax calculation purposes, prior to the nationalization of the oil sector.

A first lawsuit concerning Repsol E&P Bolivia S.A. was resolved unfavorably by the Supreme Court. After the corresponding appeal, the Constitutional Court (first instance) overruled the sentence and ordered the proceeding to be returned to the Supreme Court. However, the Constitutional Court has overturned the decision of the court of first instance, thereby upholding the initial Supreme Court sentence.

Moreover, in one of the several disputes YPFB Andina, SA maintains on this matter, the Constitutional Court dismissed the action brought by the company against the unfavorable Supreme Court resolution.

The company keeps the defense in the remaining lawsuits, considering that its position is expressly endorsed by Law 4115 of September 26, 2009.

Brazil

Petrobras, as operator of block BM-S-9, in which Repsol has a 25% ownership interest, has been notified by the Sao Paulo tax authorities of an infraction notice in relation to purported breach of formal requirements (the issuance of supporting tax documentation) related to the onshore-offshore movement of materials and equipment to the offshore drilling platform (including the movement of the platform itself to the drilling site). The criterion adopted by Petrobras is in line with widespread industry practice. This case is being heard at an administrative state court of second instance.

Elsewhere, Petrobras, as operator of the Albacora Leste, BM-S-7 and BMS-9 consortia (and other consortia in which Repsol Sinopec Brasil has no interests), has received infraction notices with respect to withholding on income tax (Imposto de Renda Retido na Fonte or IRRF) and CIDE (Contribuição de Intervenção no Domínio Econômico withholdings) made in 2008 and 2009 and in respect of these same taxes as well as the Social Integration and Contribution to Social Security Financing Program (PIS/COFINS for its acronym in Portuguese) in 2010 in relation to payments to foreign companies for the chartering of exploration platforms and related services used at the above-listed blocks. The Company is evaluating its liability in the matter from both a tax and contractual perspective.

In addition, Repsol Sinopec Brasil received notices of infraction with respect to IRRF and CIDE withholdings made in 2009 in relation to payments to foreign companies for the chartering of exploration vessels and related services used at blocks BM S-48 and BM-C33, which Repsol Sinopec Brasil operates. The Company, in keeping with the reports provided by its internal and external tax consultants, believes that its approach is both legal and in line with widespread sector practice. This case is being heard at an administrative federal court of second instance.

Canada

The Canadian tax authorities (“Canada Revenue Agency” CRA) have rejected the application of certain tax incentives related to the Canaport assets. Repsol Energy Canada Ltd. and Repsol Canada, Ltd. have appealed the corresponding tax assessments (2005-2008), firstly via administrative and subsequently via judicial redress proceedings. Canada's Tax Court ruled in favor of Repsol on January 27, 2015. However, this sentence was appealed by the Crown before the “Federal Court of Appeal” on March 9, 2015.

Furthermore, the Canadian tax authorities regularly inspect the tax matters of the Talisman Group companies resident in Canada. In 2015, verification and investigation activities related to the year 2006-2010 have been made. As part of these proceedings, the CRA has questioned the tax treatment of certain restructuring transactions, among other matters; however, this line of questioning has not resulted in court proceedings to date.

Ecuador

The Ecuador internal revenue service (SRI) has questioned the deduction from income tax of payments for the transportation of crude oil to Ecuador company Oleoducto de Crudos Pesados, S.A. (OCP) under a “Ship or pay” arrangement by several consortia in which Repsol Ecuador, S.A. has ownership interests. The matter has been appealed before Ecuador's National Court of Justice.

The SRI has also queried the criteria used to set the benchmark price applicable to sales of its crude to the Bloque 16 consortium in which Repsol Ecuador, S.A. holds a 35% interest. This matter is pending sentencing by the Tax Court.

OCP, a 29.66% investee of Repsol Ecuador, S.A., is disputing with the government of Ecuador the tax treatment of subordinated debt issued to finance its operations. The National Court handed down a favorable ruling for this company, which the authorities appealed before the Constitutional Court. The Constitutional Court has rendered the National Court ruling null and ordered a new ruling. The government also dismissed the National Court members who ruled in favor of the company. The National Court has issued three rulings that go against the first ruling (i.e., in favor of the interests of SRI) in respect of 2003 to 2006 fiscal years. OCP is taking the opportune steps before the Constitutional Court and is analyzing the possibility of filing an arbitration claim against the government of Ecuador for various reasons.

Spain

In 2013 the main litigations deriving from the inspections of income tax returns from 1998 to 2001 and from 2002 to 2005 concluded. The corresponding sentences and rulings had the effect of cancelling 90% of the tax liability initially assessed by the tax authorities and that had been appealed by the Company. With regard to the penalties linked to those inspections, the justice Courts have cancelled all the penalties that at this date, have already pronounced.

Elsewhere, the settlements and fines deriving from the inspections corresponding to the 2006-2009 corporate income tax, value added tax and hydrocarbon tax returns and other duties and withholdings are still open to final administrative decision. The matters under discussion, which are mainly related to corporate income tax (transfer pricing, foreign portfolio loss recognition, investment incentives), and imply a change in the tax authority's criteria with respect to earlier inspections. Repsol, in keeping with the reports provided by its internal and external tax advisors, believes that it has acted lawfully in these matters and, accordingly, does not expect them to result in liabilities that could have a significant impact on the Group's results. The Group will appeal the assessments handed down by the tax authorities as necessary in order to uphold and defend the Group's legitimate interests.

In relation to the sentence issued by the European Union Court of Justice on February 27, 2014, declaring the Tax on the Retail Sale of Certain Hydrocarbons (IVMDH for its acronym in Spanish), levied from 2002 to 2012, contrary to EU law, Repsol has initiated several proceedings against the Spanish tax authorities in order to uphold the interests of its customers and their right to seek the refund of the amounts incorrectly collected in this respect. Although the procedures relating to Repsol have not been resolved, the Supreme Court has held the first appeals filed by other stakeholders.

Finally, in 2015, the Spanish tax authorities initiated an inspection of the Group's income tax, value added tax and other taxes and withholdings corresponding to fiscal years 2010 to 2013.

Indonesia

Indonesian Corporate Tax Authorities have been questioning various aspects of the taxation of permanent establishments that Talisman Group has in the country. These proceedings are pending a court hearing.

Malaysia

Talisman Malaysia Ltd. and Talisman Malaysia (PM3) Ltd., the Talisman Group's operating subsidiaries in Malaysia, have received notifications from the "Inland Revenue Board" (IRB) in respect of the years 2007, 2008 and 2011 questioning, primarily, the deductibility of certain costs. These proceedings are being heard at an administrative instance before court hearing.

Timor-Leste

The authorities of Timor-Leste have questioned the deduction by TLM Resources (JPDA 06-105) Pty Limited, the Talisman Group's subsidiary in Timor-Leste, of certain expenses for income tax purposes. This line of questioning is at a very preliminary stage of debate with the authorities.

Trinidad & Tobago

In 2015, BP Trinidad & Tobago LLC, a company in which the Repsol Group has a 30% interest along with BP, signed an agreement with the local authorities ("Board of Inland Revenue"), resolving most of the matters under dispute in relation to several taxes and for the years 2003-2009: "Petroleum Profit Tax" (income tax), "Supplemental Petroleum Tax" (production tax), and non-resident personal income tax withholdings and the issues recurring in the years not subject to inspection (2010-2014).

Subsequently, the Administration has issued a new tax assessment requiring additional payments in relation to the 2007-2009 exercises (which were included in the above agreement and therefore were considered reviewed and already closed). The company has filed a timely administrative appeal."

General information

Both the Issuer and the Guarantor consider advisable, pursuant to Article 16 of the Prospectus Directive as implemented by Article 13 of Chapter I of Part II of the Luxembourg Act, to delete paragraph (2) in the **Section "GENERAL INFORMATION"** on page 102 of the Base Prospectus replace it with the following text to take into account the publication and incorporation by reference into the Base Prospectus of the Annual Consolidated Financial Statements of Repsol, S.A. and investees composing the Repsol Group for the year ended 31 December 2015:

"To the best of the knowledge of the Issuer, there has been no material adverse change in its prospects since 31 December 2014 (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 2014.

To the best of the knowledge of the Guarantor, there has been no material adverse change in its prospects since 31 December 2015 (being the date of the last published audited financial statements), and save as disclosed on page 39 in the final paragraph of the section "Business overview-Upstream" nor has there been any significant change in the financial or trading position of the Group since 31 December 2015.

Furthermore, both the Issuer and the Guarantor consider advisable, pursuant to Article 16 of the Prospectus Directive as implemented by Article 13 of Chapter I of Part II of the Luxembourg Act, to insert the following as paragraph (5)(xi) in the **Section "GENERAL INFORMATION"** on page 103 of the Base Prospectus to take into account the publication and incorporation by reference into the Base Prospectus of the Annual Condensed Consolidated Financial Statements of Repsol, S.A. and investees composing the Repsol Group for the year ended 31 December 2015:

"the Annual Report 2015 of Repsol, including the audited consolidated annual financial statements for the financial year ended 31 December 2015, which were prepared in accordance with EU-IFRS, together with the notes to such financial statements and the audit report thereon."

Finally, both the Issuer and the Guarantor consider advisable, pursuant to Article 16 of the Prospectus Directive as implemented by Article 13 of Chapter I of Part II of the Luxembourg Act, to delete paragraph (6)(i) in the **Section "GENERAL INFORMATION"** on page 103 of the Base Prospectus and replace it with the following text to take into account the publication and incorporation by reference into the Base Prospectus of the Annual Condensed Consolidated Financial Statements of Repsol, S.A. and investees composing the Repsol Group for the year ended 31 December 2015:

“(i) the consolidated financial statements of the Guarantor and its subsidiaries for the years ended 31 December 2015, 2014 and 2013 have been audited by Deloitte, S.L. (members of the Registro Oficial de Auditores de Cuentas), Independent Auditors of the Group. The address of Deloitte, S.L. is Plaza Pablo Ruiz de Picasso, 1, Torre Picasso, 28020 Madrid, Spain.”

Save as disclosed in this Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus which is capable of affecting the assessment of the Notes issued under the Programme has been noted or, to the best of the knowledge of the Issuer and the Guarantor, has arisen, as the case may be, since the publication of the Base Prospectus.

To the extent there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by virtue of this Supplement and (b) any other statement, pre-dating this Supplement, in, or incorporated by reference into, the Base Prospectus, the statements in (a) above shall prevail.

As long as any of the Notes are outstanding, this Supplement and each document incorporated by reference into the Base Prospectus via this Supplement will be available for inspection, free of charge, at the offices of the Issuer at Koninginnegracht 19, 2514 AB The Hague, The Netherlands during normal business hours and on the website of the Luxembourg Stock Exchange at www.bourse.lu. In addition, copies of the documents incorporated by reference referred to above can be obtained from the website of the Issuer at http://www.repsol.com/es_en/corporacion/accionistas-inversores/informacion-financiera/financiacion/repsol-international-finance/programa-emision-continua.aspx.