

SUPPLEMENT DATED 20 MAY 2016 TO THE BASE PROSPECTUS DATED 22 SEPTEMBER 2015 (AS PREVIOUSLY SUPPLEMENTED ON 30 NOVEMBER 2015 AND 14 MARCH 2016).



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 and on 14 March 2016 (together, 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 (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 unless defined herein or where the context requires otherwise.

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

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.

Issuer's Annual Reports 2015 and regulatory announcements

On 20 April 2016, the Issuer filed its audited annual consolidated and Company-only financial statements including the notes to such financial statements and the audit reports thereon for the year ended 31 December 2015 with the Luxembourg *Commission de Surveillance du Secteur Financier (CSSF)* which, 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 Issuer since the date of the Base Prospectus.

Guarantor's 2016 first quarter reports and regulatory announcements

On 5 May 2016, the Guarantor filed its unaudited interim condensed consolidated financial statements of Repsol, S.A. and investees comprising the Repsol Group for the three-month period ended 31 March 2016 with the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores – CNMV*). An English-language translation of these financial statements has been filed with the CSSF and, by virtue of this Supplement, is incorporated by reference in, and forms 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 and Company-only financial statements of the Issuer for the twelve-month period ended 31 December 2015; (ii) the unaudited interim condensed consolidated financial statements of Repsol, S.A. and investees comprising the Repsol Group for the three-month period ended 31 March 2016; (iii) certain regulatory announcements of the Guarantor; and (iv) certain regulatory announcements of the Issuer; 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 (N) to (Q). 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.

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| - Guarantor announces the sale of its LPG business in Peru and Ecuador to the Company Abastible for approximately U.S.\$335 million (announcement dated 20 April 2016). | 1-2 |
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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 following information contained under “**Uncertainty in the current economic context**” on page 6 of the Base Prospectus, in order to provide with the information obtained from the latest published financial statements of the Guarantor:

*“The latest International Monetary Fund (the **IMF**) forecasts (WEO April 2016) estimate that the global economy in 2015 grew by 3.1%, which is lower than the 3.4% growth in 2014. However, the IMF estimates that the growth in the economy will be slightly higher in 2016, increasing up to 3.2%. Even as advanced economies are experiencing stable growth, this growth is still moderate. Meanwhile, developing and emerging economies are still experiencing the consequences of declining commodity prices, China’s economic deceleration and the monetary policy normalisation in the US. These factors may lead to low inflation for a prolonged time period.*

*From a financial perspective, the principal risks to the global economy are China and the divergence in economic policy between the main central bank. Since June 2015, there has been a growing risk for a more acute economic slow-down in China and a possible higher depreciation of its currency. This has increased the instability in the global financial markets. On the other hand, whilst the US Federal Reserve (the **FED**) has begun a normalisation of its monetary policy, both the European Central Bank (the **ECB**) and the Bank of Japan (the **BoJ**) continue with an expansive monetary policy. This divergence has allowed the US dollar to appreciate, putting the solvency of many governments and businesses with dollar debt at risk. Furthermore, the euro and the yen having a short term interest rate curve affect the margin obtained by banks, which already finds itself in a delicate position because of the an increase in risky credits, which are in some cases related to the exposure to the energy sector and commodities.*

With regard to the geopolitical risks, risk of terrorist attacks, including those in Paris and Belgium, as well as the refugee crisis have had an impact on the markets due to political instability in Europe. The lack of agreement in forming the Spanish government since last year’s elections and the referendum on the United Kingdom leaving the EU that will take place in June 2016 are two relevant political factors that are a risk for the economy.

In 2016 so far, the oversupply of petroleum that has caused the decrease in crude oil prices since the second half of 2014 remains. However, the International Energy Agency forecasts a supply/demand balance close to equilibrium during the second half of 2016. This low price environment has had an effect on demand which, in turn, has slowed the growth of supply of non-OPEC (Organization of Petroleum Exporting Countries) countries during 2015. Nevertheless, the petroleum market imbalance persists due to the supply of some non-OPEC countries being more resilient to lower prices than expected and because since the beginning of 2015 the cartel has been producing more than the market requires.

Analysts are not expecting OPEC to cut crude oil production this year. Therefore, any adjustment will have to come from both sustained demand growth and significant Non-OPEC supply decline. The principal negative risk factors for market adjustment are: (i) slower than expected demand growth, especially in the developing and emerging economies; (ii) Non-OPEC supply that is more elastic to low prices than expected; and (iii) a higher recovery than expected in Iran and Libya production, or a new upturn in Iraqi supply.

Finally, the economic and financial situation could have negative impacts on third parties with which Repsol has or may, in the future, have business relations. Any of the factors described above, whether in isolation or in combination with each other, could have an adverse effect on the financial position, business, or results of operations of Repsol.”

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 make the following amendments to the information contained under subsection “**Risk factors relating to the Notes**” (pages 14 to 19, both inclusive, of the Base Prospectus), in order to provide with the information obtained from the latest published financial statements of the Guarantor:

- a. To delete reference to “*EU Savings Directive*” on section entitled “*Tax consequences of holding the Notes*” on page 15.
- b. To delete the whole section “*EU Savings Directive*” on page 17.
- c. To include at the end of first paragraph on section entitled “*The proposed European financial transactions tax*” on page 18 the following sentence:

“However, Estonia has since stated that it will not participate.”

- d. To replace last paragraph on section entitled “*The proposed European financial transactions tax*” on page 18 with the following wording:

“Joint statements issued by participating Member States indicated an intention to implement the FTT by 1 January 2016. However, such deadline was finally not met. FTT proposal remains subject to negotiation between the Participating Member States and the scope of any such tax is uncertain. The latest ECOFIN Council meeting in December 2015 further worked on a clearer scope and a timetable, by which the FTT should be finally shaped by 30 June 2016. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.”

Information on the Issuer – 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, to replace the information of **Section “INFORMATION ON THE ISSUER”** under the heading “**Recent Developments**” (page 34), with the following information:

“On 27 January 2016, the Issuer issued a bond in the amount of €100 million, carrying a fixed annual coupon of 5.375% and maturing on 27 January 2031.

On 28 January 2016, the Issuer declared a dividend in the amount of U.S.\$834 million, due and payable on the same date.

On 16 March 2016, the Issuer and the Guarantor entered into a deed of undertaking in order to waive the Issuer’s right to require the early redemption in certain circumstances of the €1,000,000,000 6 year non-call perpetual securities with international securities identification number (ISIN) XS1207054666 and €1,000,000,000 10 year non-call securities due 2075 with international securities identification number (ISIN) XS1207058733, that were issued on 25 March 2015. The Issuer and the Guarantor have irrevocably

undertaken that the Issuer will not redeem such bonds upon the occurrence of a “Capital Event” (as defined in the terms and conditions of each issuance) in circumstances where such bonds will no longer be eligible for the same or a higher amount of equity credit that was attributed to the bonds at their issue date as a result of the application of a different hybrid capital methodology or set of criteria by a relevant rating agency (due to changes in the rating previously assigned to the Issuer and/or the Guarantor).”

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 U.S.\$66.7 per barrel, with an average price of U.S.\$52.5 per barrel.

Low crude oil prices negatively affected Upstream operating income (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”), and a significant impairment of Repsol’s assets was recognised amounting to €4,010, as described in Note 22 “Asset impairment” to Consolidated financial statements of Repsol, S.A. and Investees composing the Repsol Group for the year ended 31 December 2015. As a result of the foregoing, the Group presented a net loss in 2015.

During the first three months of 2016, the average price of crude oil price stood at U.S.\$33.9 per barrel, compared to an average of U.S.\$53.9 per barrel during the same period of 2015. If the current trend continues, income and revenue of Repsol’s Upstream segment could continue to erode further.”

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 14 March 2016:

“Recent developments

On 20 April 2016, Repsol announced the agreement entered into with the Chilean company Abastible for the sale of its LPG (Liquefied Petroleum Gas) businesses in Peru, for 980 million Peruvian soles, and in Ecuador, for U.S.\$33 million, subject to customary adjustments for these types of transactions. Both transactions are expected to close in the upcoming months once the necessary administrative authorisations are granted. The capital gain generated for the Group will be determined when the transactions are completed and the applicable U.S.\$/sol exchange rate is fixed.”

Business segments and organisational structure – Guarantor

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 “**Board of Directors, Senior Management and Employees**”, to replace the information on page 42 related to the “*Corporate Executive Committee (Comité Ejecutivo Corporativo)*” with the following information:

“Corporate Executive Committee (Comité Ejecutivo Corporativo)

The Guarantor has a Corporate Executive Committee (Comité Ejecutivo Corporativo), which is responsible for defining the Group’s strategy and for company-wide decisions and policies and whose members, as of the date of this Base Prospectus, are as follows:

| <u>Name</u> | <u>Position</u> |
|-----------------------------------|---|
| <i>Josu Jon Imaz San Miguel</i> | <i>Chief Executive Officer (CEO)</i> |
| <i>Miguel Martínez San Martín</i> | <i>Chief Financial Officer (CFO)</i> |
| <i>Begoña Elices García</i> | <i>Executive Managing Director of Communication and Chairman´s Office</i> |
| <i>Luis Cabra Dueñas</i> | <i>Executive Managing Director of Exploration and Production</i> |
| <i>María Victoria Zingoni</i> | <i>Executive Managing Director of Downstream</i> |
| <i>Miguel Klingenberg Calvo</i> | <i>Corporate Director of Legal Affairs</i> |
| <i>Antonio Lorenzo Sierra</i> | <i>Corporate Director of Strategy, Planning and Global Solutions</i> |
| <i>Arturo Gonzalo Aizpiri</i> | <i>Corporate Director of People and Organisation</i> |

The business address of each of the members of the Corporate Executive Committee of the Guarantor is Calle Méndez Álvaro, 44, 28045 Madrid, Spain.

There are no conflicts of interest between any duties owed by the members of the Corporate Executive Committee of the Guarantor to the Guarantor and their respective private interests and/or other duties. The members of the Corporate Executive Committee of the Guarantor have no principal activities performed by them outside the Guarantor where these are significant with respect to the Guarantor.

According to the consolidated financial statements, for the period ended 31 December 2015 the Group's average employee headcount was 27,566 persons."

Share capital and major shareholders – Guarantor

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 “**Share capital and major shareholders**”, to replace the information on page 42 with the following information:

| <u>Shareholder</u> | <u>Percentage ownership (direct)</u> | <u>Percentage ownership (indirect)</u> | <u>Total number of shares</u> | <u>Total percentage ownership</u> |
|--|--------------------------------------|--|-------------------------------|-----------------------------------|
| | <u>%</u> | <u>%</u> | | <u>%</u> |
| Fundación Bancaria Caixa d' Estalvis i Pensions de Barcelona. ⁽¹⁾ | 0.00 | 12.36 | 178,265,865 | 12.36 |
| Sacyr, S.A. ⁽²⁾ | 0.00 | 8.48 | 122,208,433 | 8.48 |
| Temasek ⁽³⁾ | 0.00 | 4.95 | 71,418,414 | 4.95 |
| Blackrock, Inc. ⁽⁴⁾ | 0.00 | 3.04 | 43,797,508 | 3.04 |

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

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

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

(4) *Blackrock holds its share through several subsidiaries, all of them with the same voting policies. This information is based on the statement filed by Blackrock with the CNMV on 24 June 2015 on the Guarantor's share capital at that date.*

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 44 to 50 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 reporting date are summarised below.

Argentina

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

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

Repsol received notification of the final ruling - sentencing YPF to pay ARP 98,208,681 (€7 million), plus interest - on 4 February 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 5 February 2016, Repsol 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 11 February 2016. However, the grounds for the appeal do not consider the absolution of Repsol.

United States of America

The Passaic River and Newark Bay lawsuit.

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

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. (parent company of the Repsol Group, today called Repsol S.A.), YPF, YPF Holdings Inc. ("YPFH"), CLH Holdings ("CLHH"), Tierra Solutions, Inc. ("Tierra"), Maxus and OCC for the alleged contamination caused by the former Chemicals plant located on Lister Avenue in Newark, which allegedly contaminated the Passaic River, Newark Bay and other bodies of water and properties in the vicinity (the "Passaic River and Newark Bay lawsuit"). In August 2010, the lawsuit was extended to YPF International S.A. ("YPFI"), and Maxus International Energy Company ("MIEC") (all of which together, "Original Defendants"). In February 2009, Maxus and Tierra included another 300 companies in the suit (including certain municipalities) as third parties since they are potentially liable.

On 26 September 2012, OCC lodged a Second Amended Cross Claim (the "Cross Claim") against Repsol S.A., YPF, Maxus, Tierra and CLHH.

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

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

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

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

In February 2015, Repsol S.A., YPF and Maxus responded to the Cross Claim. In addition, the counterclaims filed by Repsol S.A. and Maxus against the Cross Claim were answered on 2 March 2015 by OCC. On 1 July 2015, the judge issued a new procedural calendar which, among other things, fixed the date of the hearing for June 2016.

On 27 November 2015 the parties formulated various Motions for Summary Judgment, and on 14 January 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.

These recommendations were appealed by OCC, Maxus and YPF on 16 February 2016 in front of the appropriate judge, who at an oral hearing on 5 April 2016 decided to uphold in their entirety the recommendations of the Special Master, therefore dismissing in its entirety the submission by OCC against Repsol. This decision is subject to appeal in the Court of Appeal of the State of New Jersey. OCC, YPF and Maxus announced that they would appeal the decision.

United Kingdom

Galley pipeline lawsuit

In August 2012, a portion of 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 holds a 51% interest, claimed for the suffered losses as a consequence of the incident to Oleum Insurance Company ("Oleum"), a wholly-owned Talisman subsidiary. TSEUK delivered a proof of loss seeking recovery under the insurance agreement of \$315 million.

The information delivered by TSEUK in November 2014 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

On 13 July 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 TSEUK. TEI and TCHL filed their responses to the Notice of Arbitration on 1 October 2015. On 18 February 2016 in a preliminary hearing the Arbitration Tribunal, decided, among other procedural points, that the oral hearing will take place between 29 January 2018 and 16 February 2018. In the Company's opinion, the claims included in the Notice of Arbitration are without merit.

Spain

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

During 2014, Repsol Butano, S.A. was notified of four sentences issued by the Contentious Administrative Court of the National High Court (Audiencia Nacional) and one issued by the Madrid High Court (Tribunal Superior de Justicia de Madrid) awarding Repsol Butano, S.A. the right of being compensated for the damages caused by the quarterly resolutions issued by the Directorate-General of Energy and Mining Policy

determining the maximum retail prices for regulated LPG containers for the second, third and fourth quarters of 2011 and the first, second and third quarter of 2012 totalling €93.5 million of principal plus the corresponding late payment interest legally due.

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

Even though the State Attorney's Office has appealed against each 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, S.A. 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.A.'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

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

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

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

| Country | Years open to inspection |
|-------------------|---------------------------------|
| Algeria | 2011-2015 |
| Australia | 2011-2015 |
| Bolivia | 2010-2015 |
| Canada | 2006-2015 |
| Colombia | 2008-2014 |
| Ecuador | 2010-2015 |
| Spain | 2010-2015 |
| United States | 2010-2015 |
| Indonesia | 2010-2015 |
| Libya | 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 & 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 channels at its disposal with a view to reaching non-litigious solutions.

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

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

It is difficult to predict when these tax proceedings will be resolved due to the extensive appeals process. Based on the advice received from in-house and external tax experts, Repsol believes that the tax liabilities that may ultimately derive from these proceedings will not have a significant impact on the financial statements. 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 recognise provisions for tax-related proceedings that it deems it is likely to lose and does not recognise provisions when the risk of losing the case is considered possible or remote. The amounts to be provisioned are calculated on the basis of the best estimate of the amount needed to settle the proceeding in question, underpinned, among others things, by a case-by-case analysis of the facts, the legal opinions of its in-house and external advisers or prior experience in these matters.

The main tax-related lawsuits affecting the Group at 31 December 2015 are as follows:

Bolivia

Repsol E&P Bolivia, S.A. and YPFB Andina, S.A. (in which Repsol has an 48.33% interest), are upholding several lawsuits against administrative resolutions that denied the deductibility of hydrocarbon royalties (and other hydrocarbon payments) 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 level) overruled the Supreme Court sentence and ordered that the proceeding be returned to the Supreme Court. However, the High Constitutional Court has overturned such first Constitutional Court ruling void, thus confirming the initial Supreme Court's judgment.

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

Repsol keeps the defense in the remaining lawsuits, considering that its position is expressly endorsed by of Law 4115, 26 September 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 assessment according to which it would have breached certain formal requirements (the issuance of supporting tax documentation) related to the onshore-offshore movement of materials and equipment to the offshore drilling platform (including the movement of the platform itself to the drilling site). The criterion adopted by Petrobras is in line with widespread industry practice. This case is being heard at an administrative state court of second instance.

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

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

Canada

The Canadian tax authorities, (“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 CRA 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 challenged 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 challenged 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, in which Repsol Ecuador, S.A. holds a 29.66% interest, holds a dispute with the government of Ecuador on the tax treatment of subordinated debt issued to finance its operations. The National Court handed down a favourable ruling for this company, which the authorities appealed before the Constitutional Court. The Constitutional Court has rendered the National Court ruling null and void and has ordered a new ruling. The government also dismissed the National Court members who ruled in favour of the company. The National Court has issued three rulings that overrule the first ruling (i.e., in favour of the interests of SRI) in respect of 2003 to 2006 fiscal years. OCP has taken the opportune steps before the Constitutional Court and is analysing the possibility of filing an arbitration claim against the government of Ecuador for various reasons.

Spain

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

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

In relation to the sentence issued by the European Union Court of Justice on 27 February 2014, declaring the Tax on the Retail Sale of Certain Hydrocarbons (IVMDH for its acronym in Spanish), levied from 2002 to 2012, contrary to EU law, Repsol has initiated several proceedings against the Spanish tax authorities in order to uphold the interests of its customers and their right to seek the refund of the amounts incorrectly collected in this respect. 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 corporate income tax, value added tax and other duties 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 of the Talisman Group in the country. These proceedings are pending a court hearing.

Malaysia

Talisman Malaysia Ltd. and Talisman Malaysia (PM3) Ltd., Talisman Group's operating subsidiaries in Malaysia, have received a notification from the Inland Revenue Board (IRB) in respect of 2007, 2008 and 2011. In the notification, the IRB enquires about the deductibility of certain costs (among other minor issues). These proceedings are being heard at an administrative instance prior to any court proceeding.

Timor-Leste

The authorities of Timor-Leste have questioned the deduction by TLM Resources (JPDA 06-105) Pty Limited, Talisman Group's subsidiary in Timor Leste of certain expenses for income tax purposes. This line of questioning has not yet led to the issuance of a formal assessment by the authorities.

Trinidad and 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). BP Trinidad & Tobago LLC submitted the appropriate administrative appeal and the Administrative Court admitted such appeal, accepting the BP Trinidad & Tobago LLC's submission that such periods were already closed. Therefore, BP Trinidad & Tobago LLC expects that the Administration will annul the actions.

Taxation- The Netherlands

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 "TAXATION", to replace the information contained in the subsection heading "Taxes on income and capital gains. Entities. (b)" (on page 53 of the Base Prospectus) under subsection heading "**The Netherlands**", with the following information, as a consequence of the implementation of the General Anti-Abuse Rule of the EU Parent-Subsidiary Directive in the Netherlands effective 1 January 2016:

"(b) such Non-Resident Holder of Notes has a direct or indirect substantial interest (as described above under Individuals) or a direct or indirect deemed substantial interest in the Issuer, with the predominant objective or one of the primary objectives to avoid the levy of income taxation or dividend withholding tax of another person under an artificial arrangement or set of arrangements, taking into account that i) an arrangement may consist of several steps or components and ii) an arrangement or set of arrangements will be considered artificial to the extent it has not been based on valid business reasons reflecting economic reality."

Taxation- Spain

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 "TAXATION"**, to replace the information contained in the subsection heading "b) Taxes on income and capital gains. General principles – Residents" (on pages 55 and 56, both inclusive, of the Base Prospectus) under subsection heading "**The Kingdom of Spain**", with the following information, in order to adapt the applicable tax rates:

"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 rate of taxation at source is set at 19%. 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) for individual taxpayers 19% up to €6,000; 21% from €6,000.01 to €50,000 and 23% on the excess over €50,000, as capital income, for individual taxpayers; and

(ii) for corporate taxpayers 28% for tax periods that started in 2015 and 25% for those that started in 2016, though, under certain circumstances (small companies, non-profit entities, among others), a lower rate may apply.”

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 and Company-only Financial Statements of the Issuer for the year ended 31 December 2015, and of the unaudited interim condensed consolidated financial statements of Repsol, S.A. and investees comprising the Repsol Group for the three-month period ended 31 March 2016:

“To the best of the knowledge of the Issuer, 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 for the declaration and payment by the Issuer on 28 January 2016 of a dividend to its sole shareholder in the amount of U.S.\$834 million (see section “Information on the Issuer – Recent Developments” on page 34 of this Base Prospectus) nor has there been any significant change in the financial or trading position of the Issuer and its consolidated subsidiaries since 31 December 2015.

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 March 2016.”

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 paragraphs (5)(xiii) and (5)(xiv) 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 Consolidated and Company-only Financial Statements of the Issuer for the year ended 31 December 2015:

“(xiii) the audited annual consolidated and Company-only financial statements of the Issuer for the twelve-month period ended 31 December 2015

(xiv) the interim condensed consolidated financial statements of Repsol and investees comprising the Group for the three-month period ended 31 March 2016”

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)(ii) 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 Consolidated and Company-only Financial Statements of the Issuer for the year ended 31 December 2015:

“(ii) The financial statements of the Issuer have been audited for the financial years ended 31 December 2015 and 2014 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 Wilhelminakade 1, 3072 AP, Rotterdam, The Netherlands or P.O. Box 2031 3000CA, Rotterdam, The Netherlands.”

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.