



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 26 September 2016 (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 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.

2016 third quarter financial statements and regulatory announcements

On 3 November 2016, the Guarantor filed its unaudited interim condensed consolidated financial statements of Repsol, S.A. and investees comprising the Repsol Group for the nine-month period ended 30 September 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 unaudited interim condensed consolidated financial statements of Repsol, S.A. and investees comprising the Repsol Group for the nine-month period ended 30 September 2016; 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 paragraph (K). 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

(K) The Interim Condensed Consolidated Financial Statements of Repsol, S.A. and investees comprising the Repsol Group for the third quarter and the nine-month period ended 30 September 2016:

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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:

“Uncertainty in the current economic context

The latest International Monetary Fund (the “IMF”) forecasts (WEO October 2016) estimate that the global economy in 2016 will grow by 3.1%, lower than the 3.2% seen in 2015. However the IMF projects that the growth of the global economy will be higher in 2017, increasing by 3.4%. Thereby, the pace of progress of the emerging countries is rebounding after years of slowdown. This is helped by the stabilization of the Chinese growth, some recovery of commodity prices and the return of capital flows to this area.

Recently, the result of the US elections and the UK’s referendum vote in favour of leaving the EU have revealed a greater polarization of society. The impact of these events adds uncertainty, but it is not necessarily negative for the world growth. For the markets, the prospect of greater fiscal stimulus is offsetting, for now, the fears of increase protectionism. Further details about the Trump’s policies and terms upon which the UK

will leave the EU are needed to better assess their impact on the real economy. In any case, there are important political events on Europe, as the next referendum in Italy in December and the presidential election in some of the main countries. Those results would increase the political risk threatening the stability of European markets and the solvency of the euro.

From a financial perspective, another risk to the global economy is the divergence in economic policy between the main central banks. While the European Central Bank (the “ECB”) and the Bank of Japan (the “BoJ”) will continue with an expansive monetary policy, the U.S. Federal Reserve (the “FED”) seems to have intention to raise again official interest rates this December. If Trump's policies caused a rebound in inflation, the Fed may have to raise interest rates more abruptly than expected, which would lead to further strengthening of the dollar. A stronger dollar would tighten financial conditions in emerging countries and put the solvency of many governments and businesses with dollar debt at risk.

So far in 2016, the oversupply of petroleum, which has caused the decrease in crude oil prices since the second half of 2014, is being reduced as a consequence of both the effect of low prices on investment and the recent increase of unplanned outages (Nigeria, Canada, etc.), that have accelerated the rebalancing of the market. The International Energy Agency (IEA) forecasts a supply/demand balance close to the equilibrium at the end of 2017. Low oil prices have had a positive effect on demand in 2015 that persists in 2016, and a negative effect on supply, especially in non-OPEC (“OPEC” is the Organization of Petroleum Exporting Countries) countries where production has been reduced dramatically, even without taking into account the effect of the outages. This has prompted an important reduction in the builds of inventories, from 1.1 million bbl/d in the first quarter of 2016 to 0.2 million bbl/d in the third quarter.

The big uncertainty is OPEC production and quota decisions. In the absence of an OPEC crude oil production cut this year, the adjustment would come from both sustained demand growth and significant non-OPEC supply decline. The principal negative risk factors for market price adjustment are: (i) a slower than expected demand growth, especially in the developing and emerging economies; (ii) a non-OPEC supply 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. On the supply side, the resumption of the outages is not a major risk given the bigger effect of the production declines as a consequence of divestment in non-OPEC and the geopolitical uncertainties in the OPEC region.

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.”

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 “**Recent developments**”, to replace the information contained in that paragraph (page 35 of the Base Prospectus) with the following:

“On 12 September 2016, Repsol and Criteria Caixa, S.A.U. (Criteria) signed an agreement with GIP III Canary 1 S.À R.L. (GIP), a corporation controlled by Global Infrastructure Management LLC, to sell a combined 20% stake in Gas Natural SDG, S.A. (Gas Natural SDG) for total aggregate consideration of €3,802,619,492, subject to the satisfaction of conditions precedent standard for transactions of this nature, including various arrangements regarding the corporate governance of Gas Natural SDG. The transfer was completed on 21 September 2016 and each of Repsol and Criteria sold 100,068,934 shares, representing 10% of Gas Natural SDG’s share capital, for consideration of €1,901,309,746, based on a price of €19 per share. The capital gain that this sale has generated for Repsol is approximately €246 million.

On October 6, 2016, Petroquiriquire, S.A. (a mixed-ownership company and subsidiary of Petróleos de Venezuela S.A.) and Repsol entered into an agreement designed to reinforce the financial structure of the former which consists of a long-term credit line for up to \$1.200 million.”

Board of Directors, Senior Management and Employees

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 41 related to “*Board of Directors*” with the following information:

“Board of Directors

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

	<u>Position</u>
Antonio Brufau Niubó	Chairman and Director
Gonzalo Gortázar Rotaache ⁽¹⁾	First Vice-Chairman and Director
Manuel Manrique Cecilia ⁽²⁾	Second Vice-Chairman and Director
Josu Jon Imaz San Miguel	CEO and Director
Artur Carulla Font	Director
Luis Carlos Croissier Batista	Director
Rene Dahan ⁽³⁾	Director
Ángel Durández Adeva	Director
Javier Echenique Landiribar	Director
Mario Fernández Pelaz	Director
María Isabel Gabarró Miquel	Director
José Manuel Loureda Mantiñán ⁽²⁾	Director
Antonio Massanell Lavilla ⁽¹⁾	Director
Henri Philippe Reichstul	Director
J. Robinson West	Director
Luis Suárez de Lezo Mantilla	Director and Secretary of the Board of Directors

(1) Nominated for membership by CaixaBank, S.A., entity controlled by Fundación Bancaria Caixa d'Estalvis y Pensions de Barcelona.

(2) Nominated for membership by Sacyr, S.A.

(3) Nominated for membership by Temasek”

Shareholder remuneration

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 “**Shareholder Remuneration**”, on page 43, to insert an additional paragraph at the end of this section with the following information:

“On 2 November 2016, the Guarantor announced the expected timetable of the paid-up capital increase that was approved in the framework of the “Repsol Flexible Dividend” program by the 2016 Annual Shareholders’ Meeting held on May 20, 2016, under item six of the Agenda, to be implemented in December 2016 and January 2017, coinciding with the dates on which the traditional interim dividend of the year was typically paid to shareholders.”

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 regarding **Brasil** and **Ecuador** in caption “*Administrative and legal proceedings with tax implications*” contained under heading “**Legal and Arbitration Proceedings**” (pages 47 to 48 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:

“Brazil

Petrobras, as operator of block BMS-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. A court of first instance has ruled in favor of the taxpayer.

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 IFFF) 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. A court of first instance dismissed the appeal filed by Petrobras on October 3, 2016. The entity is evaluating its liability in this 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 a federal court of second instance.

Ecuador

The Ecuador internal revenue service (SRI) has questioned the deduction from income tax of payments for the transportation of crude oil to the Ecuadorian 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. In an initial ruling, the Court has dismissed the appeal related to the first fiscal year under dispute on account of procedural matters, without elucidating on the substance of the matter.

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.

Elsewhere, 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 the tax authorities) in respect of 2003 to 2006. OCP is taking the opportune steps before the Constitutional Court and is analyzing the possibility of bringing an arbitration case against the government of Ecuador for various reasons.”

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, and in connection with Section “GENERAL INFORMATION” to replace the information contained in paragraph 2 (page 102 of the Base Prospectus) with the following:

“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 (the Guarantor) in the amount of U.S.\$834 million (see section “Information on the Issuer—Recent Developments” on page 33 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), nor has there been any significant change in the financial or trading position of the Group since 30 September 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 paragraph (5)(xii) 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 interim condensed consolidated financial statements of Repsol and investees comprising the Repsol Group for the nine-month period ended 30 September 2016:

“(xii) the interim condensed consolidated financial statements of Repsol and investees comprising the Repsol Group for the nine-month period ended 30 September 2016”

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.