2006 CORPORATE RESPONSIBILITY REPORT

CEPSA

B+

The GRI (Global Reporting Initiative) has checked that CEPSA's 2006 Corporate Responsibility Report meets the content and quality requirements of GRI's G3 Sustainability Reporting Guidelines for Application Level B+ status.

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You can also find additional information on this topic through CEPSA's website (www.cepsa.com), under the section called "Corporate Responsibility". CEPSA also welcomes your comments and suggestions regarding its CR Report and would appreciate your feedback by filling out the survey available in this section, which we will use to improve on our next Report.

DESIGN AND REALIZATION
IMAGIA

PHOTOGRAPHY
CEPSA photo archive

To help minimize its impact on the environment, this report was printed entirely on elemental chlorine-free paper.

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LETTER FROM THE CHAIRMAN

It is a pleasure to be writing to you once again introducing this, CEPSA's fourth Corporate Responsibility Report. Since the first publication, CEPSA has covered considerable ground in shaping and informing its stakeholders of its conduct related with obligations and commitments deriving from our social, economic, labour and environmental activity.

We are aware of the need to look to the future; the "here and now" approach is unsuited to companies wishing to last. In this company, with around 80 years experience, we know that good practices of governance, a responsible attitude, willingness to improve, transparency and the credibility of directors are constant values; even more so when such values and conduct are appreciated and given meaning not by other companies, or governments, but often by third parties in society.

The worldwide energy sector has undergone notable changes, above all in recent decades, and agents in the sector such as ourselves have had to rethink our strategies to take on the numerous and diverse challenges facing us. We are aware of the need to combine forces to combat climate change – emissions trading, the Kyoto protocol – and to increase the use of clean energy technologies, while ensuring a reasonably priced energy supply. These challenges come at a time when energy requirements are growing, as a result of rapid progress in Asian economies and, closer to home, the economic well-being enjoyed by our own country, with increasing demand for more and better quality energy.

It is, therefore, essential for us to be able to integrate mechanisms in our strategy satisfying not only present but future needs. We believe that this approach increases CEPSA's value in social, environmental and economic terms.

Consequently, we have defined certain issues understood to be of growing importance, and to which we are paying close attention:

- Attracting and retaining talent: at CEPSA we are aware that procuring the best professionals is a challenge for all companies operating in a sector like energy. Our aim is to promote diversity and equality and guarantee the professional development of our employees.

- Dialogue and cooperation with the community: the nature of our activities is such that dialogue-driven relationships, transparent information and the prosperity of the communities in which we operate are essential.

- Health and safety in the workplace: we have a proactive approach in the Company to identify and respond to health and safety risks faced by employees, suppliers, customers and the environment as a whole.

- Greenhouse gases (GHG): the close relation between the generation and efficient use of energy with GHG emissions and their consequences for climate change have put the energy sector in the spotlight in the international community. We have developed policies and procedures to reduce GHG emissions, keeping this commitment long-term.

Each and every aspect is integrated in the Company's strategy and lies within the responsibilities deriving from the framework in which we carry out our activity. In this report you will find details of how we understand and confront these challenges.

As a further means of demonstrating our perseverance on issues that matter most to society, we have formally expressed our commitment through ten fundamental rules, included in our "Letter of Principles of Environmental Protection, Risks Prevention and Excellence in Management" which you will find on page 4 of this document.

I cannot emphasise enough our efforts regarding GHG emissions, which have been reduced by over 3% compared to 2005 as a result of CEPSA's considerable work towards energy savings and efficiency.

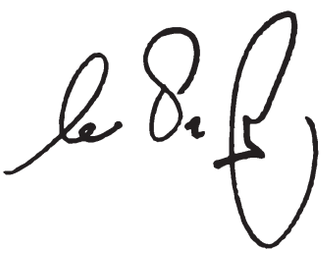
Due to its impact on the contents of the Report, I would like to highlight the consultation process carried out with our internal and external stakeholders to introduce their suggestions for improvements.

Our commitment to corporate responsibility has led to our membership of the Excellence in Sustainability Club. CEPSA also supports various international initiatives such as the United Nations Global Compact, the Conselho Empresarial para o Desenvolvimiento Sustentable (BCSD Portugal), regional affiliate of the World Business Council for Sustainable Development (WBSCD), the Universal Declaration of Human Rights, the Declaration on Fundamental Principles and Rights at Work established by the International Labour Organisation (ILO), the United Nations Voluntary Principles on Security and Human Rights and the chemical industry's Responsible Care programme.

Finally, this Report has been prepared on the basis of the 2006 Global Reporting Initiative guidelines and has been awarded an "B+" rating in accordance with the new scale of application from the aforementioned guidelines.

We hope this document reflects our firm commitment to society as a whole and the results we have already obtained.

Best regards,



Carlos Pérez de Bricio
Chairman and Chief Executive Officer of CEPSA

LETTER OF PRINCIPLES OF ENVIRONMENTAL PROTECTION, RISK PREVENTION AND EXCELLENCE IN MANAGEMENT

1. CEPSA's main goals are: safety in its activities, protecting the health of people working in the company and living in its surrounding environment, protection of the environment, effective prevention of accidents until these are eliminated, meeting the needs and expectations of customers and innovation in processes, products and services, for continued progress towards excellence in management.

2. CEPSA is proactive in complying with applicable prevailing legislation governing the prevention of occupational, industrial, environmental and quality risks, voluntarily exceeding legal requirements to achieve objectives for improvement.

3. CEPSA identifies, evaluates and controls the health and safety and environmental risks and customer requirements associated with its activities and makes any relevant information available to its employees, governments, neighbours, customers, shareholders, suppliers and other stakeholders.

4. CEPSA has established procedures for action in cases of emergency and the necessary means of intervention in any environmental or safety incidents. The effectiveness of emergency plans is checked regularly by means of exercises and drills.

5. CEPSA maintains a constructive attitude of transparency and dialogue with the communities living in areas where the Company operates and services companies, suppliers, customers and other organisations regarding occupational, environmental and quality health and safety, actively cooperating with the relevant authorities.

6. CEPSA has occupational, environmental and quality health and safety management systems in place at its companies and centres, which are regularly audited and voluntarily certified by accredited entities to guarantee continuous improvement in these three areas.

7. CEPSA's employees are aware of their responsibility for carrying out the activities with which they are entrusted in an efficient and effective manner, adopting preventive actions to avoid risks to people, installations and the environment. CEPSA considers information on known risks and training all personnel as priorities.

8. The work carried out by CEPSA employees on occupational health and safety, protection of the environment and customer satisfaction, together the results obtained, are an indicator of how well we achieve professional development, particularly that of management.

9. CEPSA selects suppliers based on their capacity to comply with its policies on occupational health and safety and environmental protection and to achieve full satisfaction for customers.

10. CEPSA considers the practice of sustainable development policies as a fundamental corporate value, promoting appropriate consumption of natural resources, controlling greenhouse gas emissions and increasing energy efficiency in its processes.

THE CHAIRMAN
Carlos Pérez de Bricio

PREPARATION OF THE 2006 CORPORATE RESPONSIBILITY REPORT

This is the fourth report issued by CEPSA to disclose the main actions taken in economic, social and environmental fields. It is part of a continuous process whereby the report's preparation and contents should be improved every year.

CEPSA has followed the new G3 guidelines of the Global Reporting Initiative (GRI), which have led to a change in the document's approach. Not only have relevant issues for parties interested in the Company's activity been taken into account but also important aspects of associated companies[1] in which CEPSA has significant influence have also been included.

CEPSA has applied the following principles, taken from the new version of the G3 guidelines, to define the report's contents and ensure quality of information:

[1] Companies in which CEPSA has an interest of up to and including 50%.

PRINCIPLE OF MATERIALITY

CEPSA carried out a "study of material or relevant aspects" to identify the issues affecting its stakeholders or representing a potential risk to the Company's image, addressing issues which included the following:

- The importance of different aspects of corporate responsibility to institutional investors; the relative weighting attributed by the Dow Jones Sustainability Index to each of the 25 issues considered relevant to the energy sector was analysed.
- Maturity of the issues, determined as the respective attention paid by companies in the sector in which CEPSA operates. The Corporate Responsibility Reports of companies from the sector were compared in terms of size and presence in sustainability indices.
- The attention paid to different aspects of corporate responsibility by sector-based associations considered significant.
- The relevance of corporate responsibility issues from the oil and gas sector, based on media coverage and attention from NGOs, community organisations and international public entities.

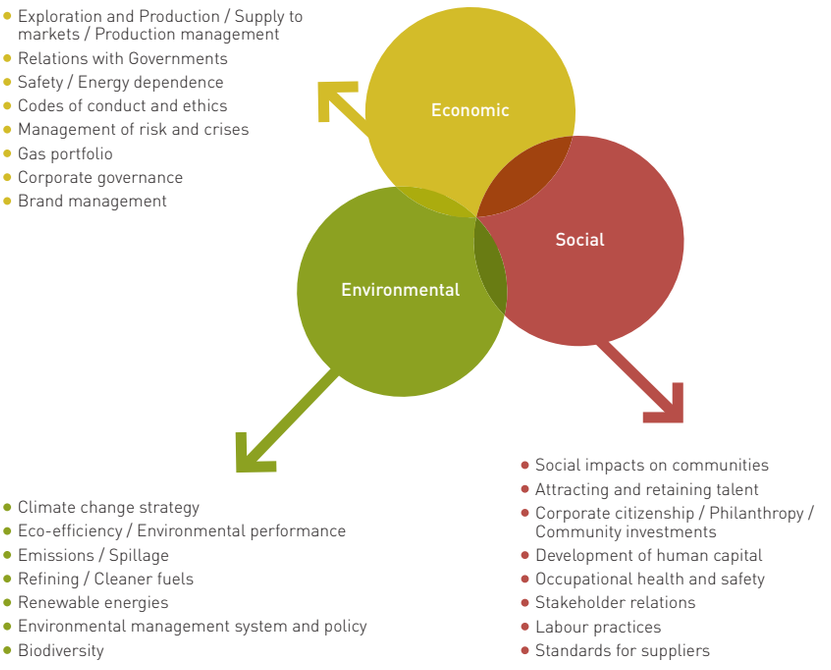
This analysis has brought to light those aspects of corporate responsibility important to the sector and, given its particular characteristics, to CEPSA.

The results identified during the analysis were measured based on two variables: risk and maturity.

- **Risk**, considered as the accumulated attention paid to each issue by groups consulted (institutional investors, companies, sector associations, the media, NGOs, community organisations and international public entities). This attention can be understood to carry corporate image risk.
- **Madurity**, perceived as the level of attention paid to a particular issue by companies from the sector.

These two variables enabled the company to decide on the approach and contents of this corporate responsibility report.

RESULTS OF THE 2006 MATERIALITY STUDY
RELEVANT ISSUES, CLASSIFIED BY AREA



STAKEHOLDER INVOLVEMENT

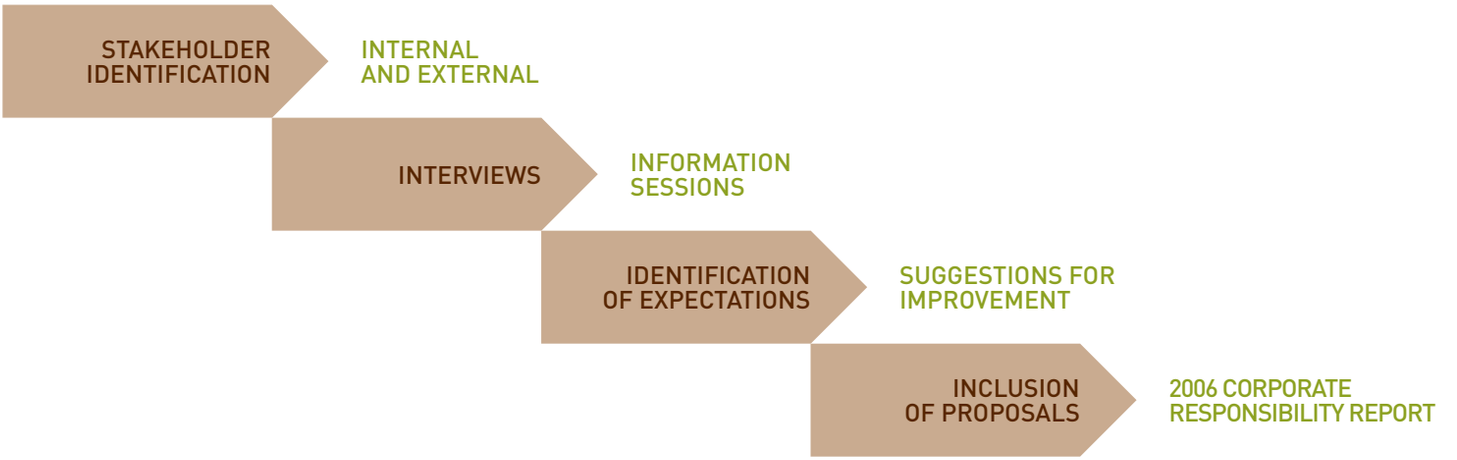
Transparency in stakeholder relations is another of CEPSA's principles. Analysing stakeholder expectations and including these in the business strategy is a challenge faced by the company.

The main difference in this Report compared with previous editions is that it follows a process of consultation launched by CEPSA with certain of its stakeholders to introduce improvements in the 2006 Corporate Responsibility Report. This analysis of stakeholders' views on the 2005 Sustainability Report focused on its structure and format, material contents, its use, the public impact for CEPSA and trends in corporate responsibility. We intend to carry out this exercise every year.[2]

The consultation process was based on personal interviews with internal (employees) and external stakeholders (NGOs, representatives from academia and the media). Information sessions were also held with employees at the main work centres (Madrid, Huelva, Tenerife and Campo de Gibraltar) and with union representatives. The Report preparation process was explained and workers' comments and suggestions for improvements on the previous year's report were gathered, notably the following:

- Improvements in the format and structure of the Report: more comprehensive index, more straightforward style, avoidance of jargon.

- Improvements to contents: balanced information from different areas, inclusion of more negative aspects, more quantifiable aims.



[2] Should you wish to make any comments, the "2006 Corporate Responsibility Report Evaluation Questionnaire" is available at www.cepsa.com/corporate responsibility

CONTEXT OF SUSTAINABILITY

The information in this document is centred on corporate responsibility, an aspect incorporated by the Company into its strategy.

The worldwide energy sector is facing a considerable dilemma, as it is required to guarantee the supply of energy while minimising environmental risks resulting from energy production.

In a scenario of increased energy demand from emerging economies, fuel and gas price rises and growth in greenhouse gas emissions, companies from the sector play a fundamental role in ensuring an energy supply which is affordable, respectful toward the environment and socially acceptable.

CEPSA directs its efforts at identifying and controlling its impacts on society and the environment and takes on the following challenges:

- Maintaining the integrity of the environment through responsible operations.
- Investment in research and new technologies to try and achieve a diversified energy supply.
- Operation in optimum conditions in countries with human rights issues and fragile institutions.
- Increased measures to help create social well-being.
- Stable relations with stakeholders key to guaranteeing transparency in operations and achieving better use of resources.

CEPSA is aware of these and other challenges and seeks solutions through its corporate responsibility programmes and policies.

COMPLETENESS

The key issues, included indicators and coverage of the 2006 Corporate Responsibility Report offer an overall view of significant economic, social and environmental impacts. The Report combines relevant issues with regard to the generation of wealth, environmental conservation and social development with the indicators or management approach whereby these are monitored, offering sufficient information to enable readers to form an opinion on the Company's performance.

The significance of the issues covered in the Report has been assessed through the process of consultation with stakeholders outlined above, which enabled the organisation to determine whether sufficient information was included.

The Report's coverage, including relevant information from the subsidiaries controlled by CEPSA (owning over 50% of share capital) and others in which it has significant influence and can generate real impacts (owning 50% or less of share capital) has been determined at the same time as its contents. Any limitations to the Report's coverage have been indicated throughout.

Control is understood as CEPSA's capacity to direct the subsidiary's financial policies and significant influence is the possibility of being involved in the company's financial and operating decisions without the legal capacity for controlling those decisions.

This Report includes performance-related information (quantitative data) for companies over which CEPSA has control and information on the management approach (management systems and policies) for those in which it has significant influence.

COMPARABILITY

The Report provides all the information necessary for stakeholders to interpret the changes undergone by the organisation. Trends from years prior to preparation of the Report have been reported for most of the indicators.

BALANCE

The balance of this Report is ensured by the inclusion of positive and negative aspects, allowing a reasonable evaluation of the Company's performance. At the same time, the Report attempts to show an unbiased view of CEPSA. Throughout the document, clear distinction is made between the facts presented and CEPSA's interpretation of these facts.

ACCURACY AND CLARITY

The aim has been for the information contained in this Report to be sufficiently accurate and clear for its readers to assess CEPSA's development and activity during 2006. The Company has avoided technical or any other kind of jargon which could be unfamiliar to its stakeholders.

Graphs, diagrams, tables and quantitative and qualitative indicators have also been included for the purpose of accuracy and clarity, aimed at helping a better understanding of the impacts of its activities in the economic, social and environmental fields.

FREQUENCY OF INFORMATION

CEPSA has undertaken to report annually on its performance in the field of corporate responsibility. The last report published related to 2005.

This Report, therefore, describes the activities carried out during 2006, although for certain indicators reference is made to information from other years to show how the indicator has developed.

RELIABILITY AND CREDIBILITY

The reliability of the information included in this 2006 Corporate Responsibility Report has been verified by Deloitte, S.L.

The three principles required by the AA1000 AccountAbility standard, related with the "materiality" or relevance of the issues reported, whether information is accurate and complete and meets the requirements and concerns of stakeholders, have been taken into account in the preparation of this Report.

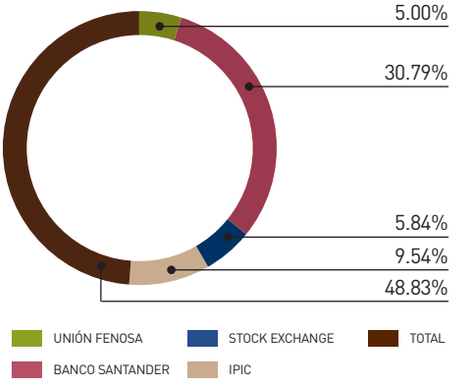
CEPSA

PROFILE

Compañia Española de Petróleos, S.A. leads an industrial group with the core business of oil refining and marketing oil derivatives. CEPSA has a petrochemical area, highly integrated with that of refining, in which it manufactures and markets raw materials for the preparation of products of added value, used for a large variety of industries. The Company carries out other supplementary activities related with its field, such as exploration and production of hydrocarbons, natural gas and electricity.

CEPSA has notable presence in Spain and, through gradual internationalisation of its activities, also operates in Algeria, Brazil, Canada, Colombia, Egypt, Panama and Portugal, marketing its products worldwide.

DISTRIBUTION OF CEPSA'S CAPITAL[3] AT 31 DECEMBER 2006



Information on CEPSA company activities and their main financial indicators can be found at **http://www.cepsa.com**

2006 MILESTONES

OIL AND GAS EXPLORATION AND PRODUCTION

- Euros 91 million investment in various permits for exploration and production of hydrocarbons, mainly in Egypt, Colombia and Algeria
- Concession of an exploration permit in the South Alamein block (Egypt) for a period of three years.

Investment of euros 91 million in Exploration and Production

SUPPLY AND REFINING

- Reduction in CO_2 emissions by over 3% compared to 2005.
- Initiation of the light naphta refurbishment project at the "La Rábida" refinery, which will increase benzene production by around 300,000 t/year. Benzene is used in the chemical industry to manufacture resins, nylon, synthetic fibres, plastics, dyes, detergents, lubricants and medicines.
- Administration for the construction licences issued for two biodiesel plants ("La Rábida" and "Gibraltar-San Roque").
- Launch of projects to increase average distilling production capacity for distilled and other petrochemical products, for Euros 1,650 million.

Reduction in CO_2 emissions by over 3% compared to 2005

[3] The Netherlands Arbitration Court, based in The Hague, made a partial award on 24 March 2006 as a ruling on the claim filed by TOTAL (or its subsidiaries, ELF AQUITAINE and ODIVAL) against BANCO SANTANDER CENTRAL HISPANO (or its subsidiary, RIYAL), declaring the agreements between both Companies and CEPSA ineffectual. On 2 August 2006 both parties agreed to terminate all agreements in force at that date in relation with CEPSA, as well as to render without effect, from that day, the injunctive relief contained in the aforementioned partial award; once ELF AQUITAINE acquired 4.35% of CEPSA's capital from SCH –an operation foreseen by the partial award and carried out in October 2006– both parties put an end to the arbitration proceedings.

PETROCHEMICAL

- Implementation of various energy efficiency projects in PETRESA, which has led to a saving of over Euros 1 million a year.
- Year-on-year reduction of 9% in GHG emissions by PETRESA Canada as a result of various energy saving projects.
- Progress in the development of the project for increasing the manufacturing capacity for cumene (300,000 t/year), phenol (250,000 t/year) and acetone (155,000 t/year) in ERTISA, Huelva.

Year-on-year reduction of 9% in greenhouse gas emissions by PETRESA Canada.

DISTRIBUTION AND MARKETING

- Marketing of almost 27 million tons of oil products, with year-on-year growth of 200,000 tons.
- Implementation, in practically all service stations, of "Optimum" fuels which reduce consumption by up to 5% and pollutant emissions.
- Marketing of "Ad blue", which enables industrial vehicles with SCR (Selective Catalytic Reduction) technology to reduce emissions of NOx and particles, thereby complying with new European regulations "Euro 4" and "Euro 5".

27 million tons of oil products marketed.

NATURAL GAS AND ELECTRICITY

- Natural gas sale and purchase agreement with SONATRACH for a 20-year period from 2009.
- Procurement of an environmental impact declaration, maritime domain authorisation and government authorisation for the construction stage of the MEDGAZ gas pipeline connecting Algeria with Europe via Spain.

Construction of the MEDGAZ gas pipeline started.

AWARDS AND PRIZES

- The "La Rábida" refinery, finalist in the 2006 edition of the European Quality Prize, awarded by the European Foundation for Quality Management (EFQM), as the first Spanish non-SME to become one of the small group of finalists in the category of operating centres.
- In the category of commercial communications, CEPSA received the silver EFI Prize (Effectiveness Prize) awarded by the Spanish Advertisers' Association for the most effective advertising campaigns.
- Maximum scoring by DETEN for the Safety, Health and Environmental Prize, certifying it as the leading company at the Camaçari Industrial Complex in the application of preventive measures. Amongst 50 international companies, DETEN is the only one to have achieved this rating throughout its history.
- The "Gibraltar-San Roque" refinery, winner at the VI Andalucian Volunteers Awards, issued by the regional government, for its sponsorship of community, cultural, sporting and environmental projects in the Campo de Gibraltar area since 1969.
- The Safety, Quality and the Environmental Director of INTERQUISA Canada was awarded the Therese Giroux prize by the Société Ressources-Loisirs and Centre des Femmes de Pointe-aux-Trembles for their contribution to the civil security of the population of Montreal with regard to the prevention and communication of and action against technological risks.
- In February 2006, CEPSA Portuguesa adhered to the Conselho Empresarial para o Desenvolvimiento Sustentable (BCSD Portugal), regional affiliate to the World Business Council for Sustainable Development (WBSCD), through which the Company undertakes to disclose its principles, articulate the cooperation between the business community, governments and society and promote education and training activities to promote sustainable development.
- In 2006 PETRESA Canada received the Excellence in Safety prize from Canada's Chemical Producers Association (CCPA) in recognition of its safety record, with no accidents in seven years.

Improvement for the "La Rábida" refinery by 150 points compared to the 2004 rating in the EFQM Model

CORPORATE RESPONSIBILITY IN CEPSA

CEPSA understands Corporate Responsibility as a commitment to act responsibly in the development of its business. This behaviour is based on the Company's Mission Statement, Corporate Outlook and Founding Principles.

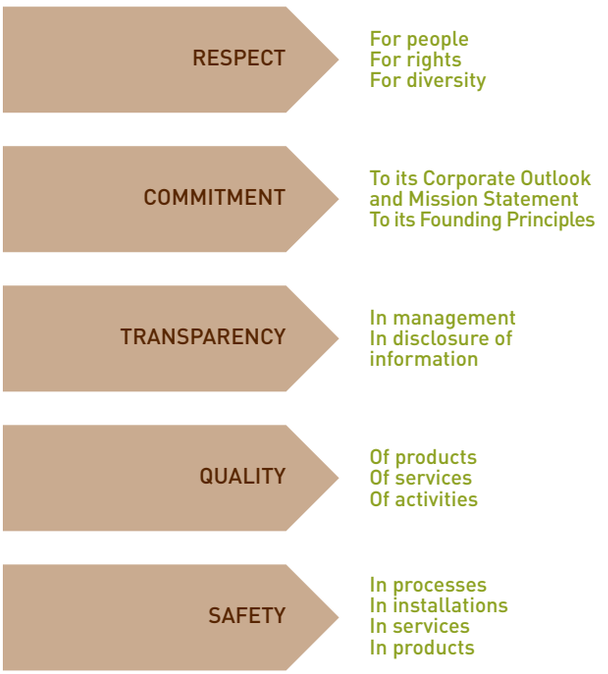
MISSION STATEMENT, CORPORATE OUTLOOK AND FOUNDING PRINCIPLES

The Company is convinced that its capacity to generate wealth is inextricably bound to its ability to understand society's expectations. This is reflected in its Mission Statement: **"We are a competitive energy and petrochemicals company committed to society, the environment and customer satisfaction."**

In its commitment to advance along this path, the Company has established its corporate outlook: **"To be responsible in managing resources and in all initiatives geared towards our stakeholders."**

The Founding Principles form part of the Company's culture. They aim to secure the trust of stakeholders, make it possible to comply with our Mission Statement and act as a support to fulfill our Corporate Outlook.

CEPSA FOUNDING PRINCIPLES



DIALOGUE

Dialogue with stakeholders, based on transparency of management and information, is a critical part of CEPSA's Corporate Responsibility Strategy, as it promotes a permanent flow of communication. When defining these policies, the Company strives to identify the expectations of its stakeholders and how it can transform them into commitments it can respond to.

To this end, CEPSA applies AccountAbility AA1000 standards, which consist of identifying relevant aspects for stakeholders in the field of Corporate Responsibility.

CORPORATE GOVERNANCE

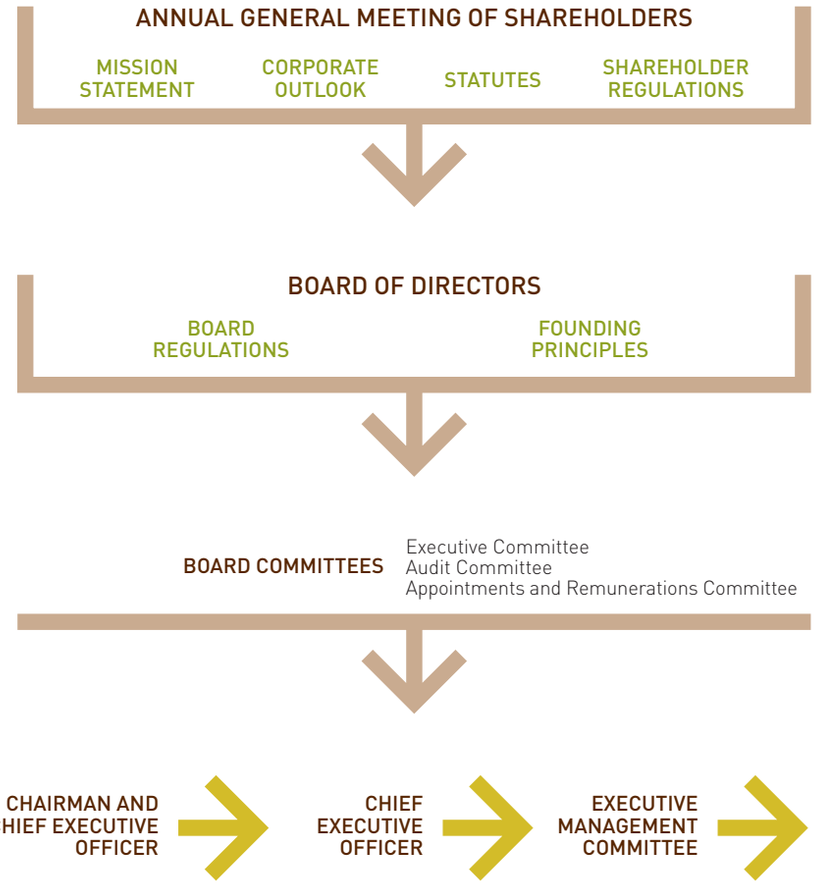
CEPSA's Corporate Governance policies and procedures ensure that the organisation as a whole strives to accomplish the overall goals of the Company and protect the interests of its shareholders. They are therefore focused on achieving the following objectives:

- The creation of value.
- Customer satisfaction.
- Commitment to Corporate Responsibility.

CEPSA'S CORPORATE GOVERNANCE MODEL[4]

The General Meeting of Shareholders is the ultimate representation of CEPSA's capital. Agreements at the meeting come into force upon approval and are compulsory for all concerned. The Ordinary General Meeting of Shareholders is held once a year, in the first half of the year, to discuss and adopt agreements on matters of strategic interest to the Company, the appointment and dismissal of independent auditors, the examination and approval of the Company's annual accounts and the renewal of the Board of Directors.

CEPSA's Board of Directors has the responsibility to determine the strategic orientation and economic objectives of the Company and to ensure that it responds to the concerns and needs of the society in which it carries out its activities.



[4] For more information on the composition of the CEPSA Board of Directors or any other governing body of the Company: www.cepsa.com

CEPSA DIRECTORS	2006	2005	2004
Age groups			
Under 30	—	—	—
30 – 50	15.78%	15.78%	21.05%
Over 50	84.22%	84.21%	78.95%
Minority groups			
Women (%)	5.30%	5.30%	5.30%

To achieve these goals, the Board of Directors has established committees with supervisory and advisory capacities. These currently comprise the Executive Committee, the Audit Committee and the Appointments and Remunerations Committee.

With a view to compliance in the near future, in 2006 the Company worked to adapt its governance practices to the recommendations of the Unified Code of Good Corporate Governance[5], some of which are directly related to Corporate Responsibility.

[5] The Government created a Special Working Group to advise the Spanish National Securities Market Commission (CNMV) on the harmonisation and updating of the recommendations set forth in the Olivencia and Aldama reports on good governance in listed companies. On 18 January 2006 the Group commenced presentation of the draft project in the Spanish stock exchanges and the public consultation process. Following the public consultation period, the Group carried out a study of the remarks and criticisms received. The definitive text of the Unified Code was presented on 19 May 2006.

The Group has agreed to recommend that, until the presentation in 2008 of the Annual Reports on Corporate Governance relating to 2007, the CNMV should not require listed companies to use the new Unified Code as a reference when determining whether they follow corporate governance recommendations or not.

The application of the Code is voluntary and subject to the principle of "fulfill or explain", in accordance with Article 116 of the Securities Market Act.

RISK MANAGEMENT

CEPSA is aware that the achievement of its goals largely depends on its capacity to maintain the confidence of its stakeholders and to appropriately manage and control the risks to which it is exposed.

Changes in recent years oblige companies in the energy sector to avail of effective risk management systems to tackle challenges such as the volatility of raw material prices, new market scenarios, the high levels of growth in developing countries, strong demand in Asian economies and an intense globalisation process that is accompanied by the geographic dispersion of corporate activities.

In addition to operating, technological, financial, safety, prevention, equity, etc. risks, companies committed to establishing social goals and objectives will have to add others relating to the environment and their commitment to society, risks that are measured by other social figures that give them legitimacy.

With regard to risks that could damage its reputation, CEPSA has set up a Crisis Communication System, which describes the different steps to be taken depending on the seriousness of the situation and the potential repercussions thereof, and establishes those responsible for actions to be taken in each area. 82 people attended training sessions in 2006, in which they carried out simulations with a view to being prepared to provide necessary information in the most agile, accurate and transparent manner possible.

This system is reviewed regularly to include changes in the Company's activities and improve communication management in times of crisis.

To meet these challenges, CEPSA has risk control systems in place that make it possible to fulfill corporate goals and create value.

CEPSA's[6] Board of Directors supervises and manages the Company's risk control systems and policies, which consist of the planning of work, analysis and follow-up of corrective measures deriving from incidents and internal audit. The Executive Committee[7] and General Managers of the respective areas regularly oversee and control these risks.

CEPSA has a management system based on the existence and application of a regulatory framework consisting of basic regulations and procedures. Among its objectives is the establishment of strategic criteria and guidelines and to enhance internal control, thus preventing unethical actions. The regulatory framework is available through unrestricted public consultation, with the supervision of the managers. Audit plans include, among others, the review of compliance by managers with these regulations. CEPSA takes all the necessary steps in the event of any related incidents.

[6] In the new Unified Code of Good Corporate Governance, point 49, subchapter "Audit Committee", reference is made to corporate risk management and control policies, with recommendations thereto. CEPSA expects to adapt its Code of Governance to these recommendations in 2007.

[7] Detailed information at www.cepsa.com

A SOURCE OF WEALTH FOR SOCIETY

1.

CEPSA is aware that it operates in a sector that is strategic to economic activity in Spain and that its business affects the productivity and competitiveness of the country and its companies. It plays a relevant role in the economy, contributing to the wellbeing of society in general.

Its corporate strategy is based on a management model whose cornerstones are the quality and safety of its products, innovation, technology and the security of energy supply. This model has contributed to socio-economic growth in CEPSA's area of influence through job creation, diversification of supply and enhanced production activity and supply chains.

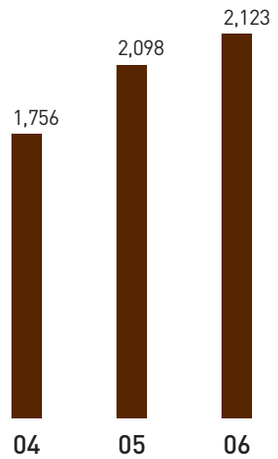
1.1

CEPSA'S BUSINESS STRATEGY: MAXIMISING LONG-TERM VALUE

Securing sustained economic benefit, which is key to the continued success of the Company, forms part of a wider and more long-term objective: generating value.

Added value[8] is an indicator that measures the overall economic contribution obtained by the Company. Using methodology established by the UK Department of Trade and Industry, CEPSA created value of Euros 2,123 million in 2006[9]. This represents added value per employee of Euros 191,000 and an increase of 1.2% on the prior year, placing CEPSA among the top Spanish companies in terms of creation of wealth.

VALUE ADDED BY CEPSA[8]
(Millions of euros)



CEPSA plays a key role in the economy and its activities contribute to the general wellbeing of society.

Generated Economic Value[10] in 2006 exceeded Euros 21,000 million, which is 12% up on the prior year.

[8] Added value is determined as the difference between revenue and costs of related purchases and services. More information on this methodology is available on the DTI (Department of Trade and Industry) Web site: http://www.innovation.gov.uk/value_added.

[9] For greater comparability of information on added value for different periods, CEPSA, like other companies in the sector, considers that these data should continue to be used without taking into account the possible revaluation or depreciation of operating stocks. To this end, the LIFO (Last in, First out) method is used instead of Average Unit Cost, which is used for the preparation of the financial statements under International Financial Reporting Standards (IFRS) and gives rise to greater volatility in the income statement when there are large price variations.

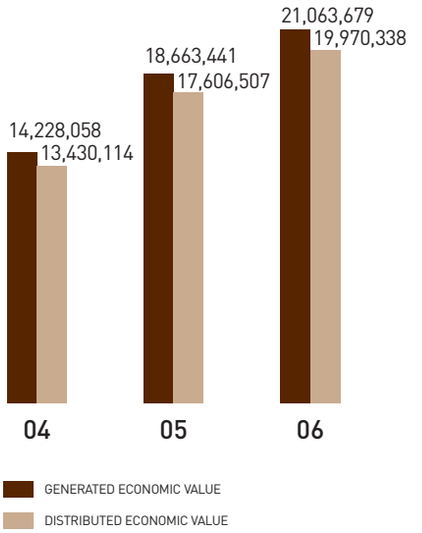
[10] Generated Economic Value is obtained by adding revenue, income from discontinued operations, share in profit of associate companies and other non-operating income and expenditure.

Economic Value Distributed[11] by CEPSA to its shareholders, suppliers, employees, etc. came to Euros 20,000 million, which is 13% more than in 2005. Retained economic value, measured as the difference between Generated Economic Value and Distributed Economic Value, amounted to Euros 1,093 million. Detailed information is available at www.cepsa.com/corporate responsibility/supplementary information.

Furthermore, given the interest of certain projects, incentives are received in the form of deductions, grants and loans, which aid the Company's ongoing contribution to the creation of wealth for the society in which it operates.

In accordance with prevailing fiscal legislation, CEPSA applies credits and deductions relating to its activity and operations with a view to determining its income tax expense for each year. The relative importance of this is small in relation to the total income tax expense accrued.

CREATION OF VALUE
(Thousands of euros)



DEDUCTIONS AND GRANTS RECEIVED FROM PUBLIC ENTITIES

(Thousands of euros)

	2006	2005	2004
Income tax credits and deductions	13,755	28,684	27,301
Capital grants	2,091	226	2,433
Operating grants	2,089	2,290	2,248

GRANTS RECEIVED FROM PUBLIC ENTITIES

(Thousands of euros)

	2006	2005	2004
From the European Union	246	123	171
From Regional Governments	1,845	96	-
From Central Government and others	-	7	2,262
Total	**2,091**	**226**	**2,433**

[11] Distributed Economic Value is obtained by adding dividends, operating costs, personnel costs, taxes, resources allocated to social welfare and financial expenses.

1.1 CEPSA'S BUSINESS STRATEGY: MAXIMISING LONG-TERM VALUE

The parent company and other CEPSA companies receive long-term loans, at totally or partially subsidised interest rates, from official organisations and bodies. These loans are associated with investment or research and development projects. Taking into account the average annual long-term interest rates, the estimated impact of these loans is approximately Euros 2 million for 2005 and Euros 3 million for 2006.

LOANS RECEIVED FROM PUBLIC ENTITIES	2006	2005	2004
(Thousands of euros)			
Loans received with subsidised interest rates (average annual volume)	78,994	62,892	41,468

As an economic driving force in the society in which it operates, the Company manages its resources to generate:

1. **Economic value for its shareholders.**
2. **Wealth and employment for society.**
3. **Value for suppliers.**
4. **Products and services that offer quality of life and wellbeing.**

1. GENERATING ECONOMIC VALUE FOR SHAREHOLDERS

This is measured through the increase in market value of the Company and dividends paid out, which show an upward trend.

CEPSA SHARES	2006	2005	2004
Number of bearer shares: 267,574,941 at Euro 1 par value each			
Quotations (Euros per share)			
Maximum	62.35	46.75	30.90
Average	54.47	37.43	28.37
Dividends paid to shareholders (Millions of euros)			
Parent company shareholders	334.50	302.30	254.20
Minority subsidiary shareholders	11.50	6.50	5.70
Total dividends	**346.00**	**308.80**	**259.90**
Dividend per share (euros)	1.25	1.25	1.00
Payout (%)[12]	43.00	40.00	42.00

[12] Not including the effect on results of the difference in valuing stocks at Average Unit Cost compared to LIFO.

2. GENERATING WEALTH AND EMPLOYMENT FOR SOCIETY

Through job creation[13], both direct and indirect, training programmes[14] and adapting employees' skills, as well as through state and local taxes.

EMPLOYEE SALARIES AND OTHER COMPENSATION	2006	2005	2004
(Thousands of euros)			
Wages and salaries	362,229	336,187	317,547
Pension contributions and payments	21,979	14,029	11,355
Other welfare benefits	92,670	91,203	84,188
Total	**476,878**	**441,419**	**413,090**

TOTAL TAXES PAID BY CEPSA	2006	2005	2004
(Thousands of euros)			
Special tax on hydrocarbons	2,238,279	2,183,829	2,171,400
Local taxes	36,603	43,441	34,695
Income tax	384,777	496,192	364,176
Tax on retail sales of certain hydrocarbons[15]	203,057	179,697	169,527

[13] Consult number of employees on page 40 of this report.

[14] Consult number of hours of training on pages 46 and 50 of this report.

[15] Tax on retail sales of certain hydrocarbons is an indirect tax on the retail sale of certain hydrocarbons. The tax is paid by the owner of the hydrocarbons.



3. GENERATING VALUE FOR SUPPLIERS

Suppliers and subcontractors are a key link in CEPSA's value chain, as they provide the necessary goods and services to enable the Company to perform its production activities. The main suppliers are those of crude oil and petroleum products. CEPSA works with prestigious and solvent supply companies, well established in this highly specialist market, and always follows the stipulations and regulations issued by international organisations with regard to embargoes, sanctions or any other type of applicable trade restriction.

CEPSA's suppliers of goods and services, excluding those of bank services, crude oil and petroleum products, are officially approved through the application of an evaluation procedure which appraises the quality control, environmental protection, health and safety (OHSAS 18000 standards) and risk prevention systems implemented by the suppliers. This ensures that the process of selecting, comparing and awarding of bids is carried out according to principles of neutrality, fairness and equal opportunity. It also establishes requirements relating to the environment, tax and labour issues, Social Security obligations and labour and industrial risks.

In 2006 the Company complied with its estimate in relation to streamlining the number of suppliers it works with, a process still under way. As a result of the approval process, the 5,000 suppliers active in 2005 were reduced to approximately 3,300 in 2006, some 3,000 of which are officially approved and continue to supply the Company at year end. Of these, approximately 970 have communicated that they avail of quality control, environmental or risk prevention systems based on ISO 9000, ISO 14000 or OHSAS 18000 regulations, among others.

ECONOMIC RELATIONS WITH SUPPLIERS	2006	2005	2004
(Millions of euros)			
Purchases	14,790	12,452	8,649
Transport and fleets	476	448	446
Projects, supplies and external services	1,163	1,147	1,042
Other general management costs	56	39	31
Environmental costs	14	17	13
Financial costs of remunerated debt[16]	29	27	20
Total	**16,528**	**14,130**	**10,201**

[16] Net cost accrued in the period relating exclusively to interest rates contracted with banking and non-banking financial suppliers.

45% of CEPSA's supplies, excluding bank services, crude oil and petroleum products, come from local providers, thus creating value in the areas in which the Company operates.

LOCAL SUPPLIERS BY REGION	2006[17]			2005			2004		
	Total	Local	%	Total	Local	%	Total	Local	%
(Thousands of euros)									
Cadiz	191,651	78,092	40.75%						
Canary Islands	46,956	13,878	29.56%						
Huelva	103,899	51,653	49.71%						
Madrid	251,392	138,488	55.09%						
Algeria	51,989	10,365	19.94%	48,371	8,598	17.77%	32,400	6,186	19.09%
Total	**645,887**	**292,476**	**45.28%**						

Based on its commitment to the Global Compact Initiative and the conventions of the International Labour Organisation (ILO), CEPSA implements a policy of respect and promotion of human rights in its relations with suppliers. Of particular importance is the follow-up and control of compliance with the legal aspects of transactions, as well as participation in forums and associations that promote and favour access to these rights in the regions and countries in which the Company operates.

4. DEVELOPING PRODUCTS AND SERVICES THAT OFFER QUALITY OF LIFE AND WELLBEING

CEPSA's products and services generate added value for its customers by satisfying their expectations of wellbeing. Our commitment to quality, safety and efficiency of supply lead to the increased value of the Company.

NET SALES	2006		2005		2004	
	Products	Services rendered	Products	Services rendered	Products	Services rendered
(Thousands of euros)						
Domestic market	15,800,996	159,255	14,147,495	132,805	11,291,304	114,959
Rest of EU	2,318,807	3,824	2,221,064	7,961	2,072,410	5,735
Rest of the World	2,256,795	167,489	1,711,750	148,733	1,051,844	151,301
Total	**20,376,598**	**330,568**	**18,080,309**	**289,499**	**14,415,558**	**271,995**

[17] Prior to 2006 the IT applications used to gather this information had not yet been implemented and, therefore, no previous information is available.

1.2 COMMITMENT TO ENERGY SUPPLY

The growing importance of the security of energy supply is due to the strength of the global demand for energy, which gives rise to constant price pressure, and the oligopoly of oil and natural gas producers, located in unstable regions from a social and economic standpoint. These conditions particularly affect Europe because of its shortage of own energy resources.

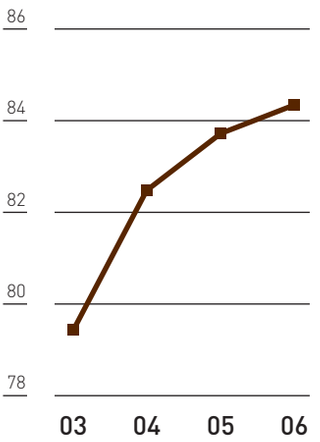
Increased demand mainly came from China and India in 2006. The International Energy Agency (IEA) estimates that world energy needs will be 50% higher by 2030, with yearly growth of 1.6%.

As a company operating in the energy sector, one of CEPSA's key functions is its capacity to supply energy, and the security of that supply is one of its principal responsibilities.

Three conditions must prevail to enable CEPSA to fulfil society's energy needs:

- Availability of the quantity of crude oil necessary to carry out its activities.
- Availability of the necessary resources to undertake the production processes to transform raw materials into useful products for consumers.
- Existence of an efficient distribution network capable of delivering products to customers wherever and whenever they are required.

GLOBAL OIL DEMAND
(Millions of barrels/day)



Source: CNE/AIE

In its contribution to the supply of energy, CEPSA carried out the following activities in 2006:

EXPLORATION AND PRODUCTION OF CRUDE OIL

- Crude commercialised: 8.7 million barrels.
- Performance of several seismic studies and perforation in a number of blocks.

SUPPLY

- Acquisition of 22 million tons of crude (159.6 million barrels).
- Acquisition of 7.3 million tons of oil and petrochemical products, mainly kerosene, gas oil and fuel oil.

ORIGIN OF CRUDE OIL (%)	2006	2005	2004
West Africa	35.9	39.6	35.3
Middle East	33.9	32.6	36.1
Mexico/Venezuela	13.6	12.7	10.0
Russia/Kazakhstan	12.8	9.9	9.6
North Africa	3.5	5.0	8.7
Europe	0.3	0.2	0.3

With a view to assuring the long-term supply of products, the Company plans to invest a total of Euros 1,650 million in refining over the next five years. Almost 70% of this amount will be allocated to a project to increase the medium-distillation capacity of the "La Rábida" refinery, thus mitigating the external dependency of this type of product in the Spanish market, which currently imports 13 million tons per year.

Efficiency in its activities will allow CEPSA to raise production of medium-distilled products by 39% with an increase of just 17% in total refining capacity.

The Company is obliged and committed to comply with the strategic reserves established by the International Energy Agency (IEA) and the European Union for the whole of the country. As a company authorised to sell products on the Spanish market, it is obliged to hold reserves equivalent to 57 days' sales of the previous twelve months (at 1 January 2007). These stocks are stored on owned and leased premises and are verified by the relevant bodies.

Given that Spain requires 90 days' worth of stock to be held for oil products for sale or consumption, storage of the remaining 33-day reserve corresponds to CORES (Corporación de Reservas Estratégicas de Productos Petrolíferos – Strategic Oil Reserves Corporation). This organisation does not avail of its own storage facilities and therefore resorts to market operators and storage agents. For this reason, CEPSA stores part of this 33-day reserve in its industrial centres.

CEPSA supports the creation of new supply networks. As part of its commitment to diversify into other sources of energy, at the end of 2005 the Company signed an agreement with SONATRACH for the purchase of 1.6 billion cubic metres of natural gas per year, which will be transported via the MEDGAZ[18] pipeline. This underwater gas pipeline will link Algeria with Europe, via Spain, and is expected to enter into operation at the end of 2009.

[18] Further information on MEDGAZ is available at www.medgaz.com.

1.3 TECHNOLOGY AS A SOURCE OF VALUE

The common challenge for CEPSA and all other companies in the sector is to ensure its economic viability in an environment marked by price volatility and political and social unrest in many of the countries that supply essential raw materials. In this regard, technology and innovation play a key role in CEPSA's growth strategy, favouring increased production and, therefore, greater economic value.

CEPSA invested Euros 429 million in innovation in 2006, Euros 16 million of which was spent on research and development. A further Euros 32 million was spent on safety and reducing the environmental impact of activities. The remaining Euros 381 million was allocated to production innovation activities, process improvement design aimed at increasing thermal and chemical efficiency, and expanding the Company's overall activity.

The Technology division, which comprises all of CEPSA's R&D&i activities, has continued to work along established lines to contribute to the improvement of technology applied in the production process and to provide a first-class technical support service to production units in the Refining and Petrochemicals business

ACTIVITIES AND INVESTMENTS IN R&D&I

(Millions of euros)

	2006	2005
Research and development	16	12
Innovation activities geared towards safety and reducing environmental impact	32	43
Innovation in product manufacturing, the design of improvements in processes and expansion of activities	381	251
Total	**429**	**306**

areas, while also consolidating the new Exploration and Production line and developing and carrying out new projects.

R&D activities, overseen by the Research Centre, have given rise to improvements in production processes, which make it possible to maximise production with a minimum impact on the environment, and in the development of new fuels based on agricultural products, which have a lower impact in terms of contribution to greenhouse gas emissions.

In this regard, the Research Centre has endeavoured to identify gas oil components that are free of contaminating agents and practically neutral in terms of CO_2 emissions. This consists of hydrotreating vegetable oils in a conventional hydrotreatment unit with typical catalysts used in this process and under regular working conditions. This system produces high-performance diesel fuel with excellent combustion properties. The project is financed by the Ministry of Industry, Tourism and Trade and the Madrid Institute of Industrial Technological Development.

Other lines of research are open which will continue in the coming years, as they comprise the support and technical assistance required by the business units. They will be focused mainly on processes and products based on agricultural and renewable components.

The CEPSA Research Centre also participates in a number of programmes relating to, among other subjects, the production and use of biofuels, and collaborates with the Complutense University of Madrid, the University of Alcalá de Henares and the University of Zaragoza, as well as with the Instituto de Technología Química (Chemical Technology Institute) (ITQ) and the Centro Nacional de Investigaciones Metalúrgicas (National Centre for Metallurgy Research) (CENIM).

Contact has been made with the Universities of Huelva and Cadiz, where CEPSA already holds a chair, with a view to commencing research projects in the field of biofuels. Furthermore, lines of collaboration have been defined that could receive financial support from the Corporación Tecnológica Aldaluza (Technological Corporation of Andalusia), of which CEPSA is a sponsor.

Of the actions aimed at reducing the environmental impact of the Company's activities, special mention should be made of the introduction of "Superclaus" units in the sulphur recovery plants of the "La Rábida" refinery. These have made it possible to recover over 99% of sulphur from gas emissions, while prevailing legislation calls for the recovery of between 97.5% and 98.5%.

A new aromatics and hydrogen production complex entered into operation in "La Rábida" (refining of light naphthas). The production of 75 thousand tons per day of additional hydrogen has made it possible to cover the sulphur elimination needs in all fuels in accordance with forthcoming EU legislation (10 ppm max. as of 1 January 2009 for petrol and diesel fuels).

1.4

CEPSA'S POSITION ON PUBLIC ENERGY POLICIES

In 2006 CEPSA continued to participate in and collaborate with forums, congresses and sector-related associations[19], taking part in meetings and round tables to discuss and agree on common sector positions on related matters.

The resulting positions serve as a support for discussions with state organisations and the European Commission. Through this exchange of information, CEPSA upholds and develops, in line with its strategy, its points of view on diverse subjects related to its activity.

ENERGY POLICY IN EUROPE

Since its participation in the EUROPIA Energy Policy Action Group (EnPAG), CEPSA has contributed its responses as one of the groups involved in and affected by the European Commission's Green Paper on Energy. In general, it supports the initiatives included in this document and its positioning is in line with the conclusions that EUROPIA wishes to transmit.[20]

BIOFUELS

CEPSA supports the production and use of biodiesel, providing the same quality specifications are upheld as with mineral fuels. Given that Spain has a shortage of medium-distilled products, principally diesel and kerosene, greater environmental efficiency and increased demand favour the use of this type of biofuels.

With regard to bioethanol, its characteristics and properties, which require complex and costly logistics for distribution, mean that it is not advisable for direct-mix use as an alternative fuel. The European Commission is currently studying the compatibility of petrol specifications with the increased use of bioethanol as an integrated component, as well as compliance with air quality standards and the related effects on vehicle engines. The decisions to be taken with regard to the direct use of bioethanol will largely depend on the results of these studies.

[19] ENERCLUB, World Energy Council, AOP, FEIQUE, ACOGEN, ASELUBE, EUROPIA, CONCAWE, CEFIC and OME, among others.

[20] Detailed information on different items of interest relating to energy policies in Europe, greenhouse gas management and regulations governing waste and used oil can be found at www.cepsa.com/corporate responsibility/supplementary information.

GREENHOUSE GAS MANAGEMENT

Greenhouse gases, principally CO_2, represent a problem for the world as a whole, directly affecting ecosystems, the population, the economy and the future of the coming generations. In this regard, CEPSA carries out continuous and systematic analyses in order to define strategies, methods and instruments that are compatible with reducing the emission of greenhouse gases.

REGULATIONS GOVERNING WASTE AND USED OIL

Through its membership of ASELUBE, CEPSA has endeavoured to make proposals to define its positioning with respect to Royal Decree 679/2006 governing the management of used industrial oil.

MONITORING ENERGY PRODUCT SPECIFICATIONS

CEPSA, through different national and European associations, contributes to and participates in the stages prior to the definition or modification of energy product specifications which, once agreed upon and published as Communitary Directives or National Decrees, must be complied with. In 2006, the main actions carried out in this area were aimed at monitoring the specifications of marine fuels, petrol, diesel and mixtures of these with biofuels, such as FAME (Fatty Acid Methyl Ester) in diesel and ethanol in petrol.

REACH

The Company is demanding in its development and application of the European REACH regulation (Registration, Evaluation, Authorisation and Restriction of Chemicals). All of its activities are focused on analysing the implications of this regulation in its business, striving to correct potentially damaging situations.

1.5 CEPSA PRODUCT SAFETY

CEPSA is firmly committed to guaranteeing the safety of its products and services, strictly complying with prevailing legislation and responsibilities assumed through its internal regulations and voluntary agreements.

The Company allocates significant resources to ensure that its products and services are innovative in terms of safety and to minimise their impact on the environment. It has wide-ranging internal product safety regulations, including the following:

- Basic workplace and industrial risk prevention regulations.
- Product design and development procedures.
- Procedures for providing safety information on hazardous products.
- Viability procedures for new energy products and definition of specifications.
- Risk prevention manual. Workplace safety and health management system.

CEPSA has a procedure in place to establish the criteria that guarantee the safety of its products. More detailed information on this area is available at www.cepsa.com/corporate responsibility/supplementary information.

Safety data records are kept for all products sold by CEPSA. These records are distributed to the Spanish Ministry of Health and Consumer Affairs and to professional users prior to delivery of the product in question.

1.6

CEPSA AND REACH IN 2006

REACH, the new regulation proposed by the European Parliament and the Council of the European Union, replaces 40 existing legal acts. It was approved in December 2006 and came into force on 1 June 2007.

This new legal framework aims to improve the protection of human health and the environment by requiring manufacturers and importers of chemical products to evaluate the risks derived from their use and adopt the necessary measures to manage any identified risk.

According to this new directive, all substances produced or imported in volumes over one ton per year must be registered with the European Chemical Agency. This agency has been created by the European Union to manage the technical, scientific and administrative aspects of the REACH system and to ensure coherent decision-making on a community-wide level.

The transition period provided for in the new law may be applied to all CEPSA products subject to REACH regulations. Pre-registration of products should be made between 1 June and 1 December 2008.

Throughout 2006 CEPSA took the necessary steps to prepare for the new REACH legislation and to comply with the established deadlines, carrying out a number of actions that will continue in 2007. More detailed information is available at www.cepsa.com/corporate responsibility/supplementary information.

1.7

COMMITMENT TO QUALITY AND CUSTOMER SATISFACTION

CEPSA is committed to offering a quality service based on specific objectives that are in line with the Strategic Plan. The Company makes a wide range of products and services available to the market on a daily basis in order to adapt to the demands and expectations of its customers. CEPSA endeavours to promote the rational and safe use of its products and services, and in the case of fuels, energy efficiency and reduction of the impact on the environment.

This approach, which is based on the procedures recommended by the ISO 9001:2000[21] certification, allows CEPSA to identify which of its business processes contribute the most value to the customer and generate greater satisfaction. Based on the measure of customer satisfaction, CEPSA evaluates the efficiency of the process and undertakes corrective or preventative measures that incorporate continuous improvement into the cycle.

The principles of business excellence and innovation form part of CEPSA's values, and are reflected in the commitments the Company has made not only to its customers but also to its employees, suppliers, shareholders, and the communities in which the CEPSA operates.

Within its Quality Policy and more recently in the Company's Charter of Principles Environmental Protection, Risk Prevention and Management Excellency[22], CEPSA has outlined its commitment to improving the efficiency of the manufacture and sale of products, service provision and post-sale service, a key factor of customer satisfaction.

A total of 35 Business Units and production centres – refineries – have a certified Quality Management System in place in accordance with ISO 9001:2000 21. In 2006, the Quality Management Systems of ATLAS S.A., CEPSA MARINE FUELS, Aviation Unit and the ASESA refinery were certified and the scope of CEPSA GAS LICUADO's certification was extended to include the Zuera, Paterna and Dos Hermanas fuel distribution plants, in which annual customer satisfaction surveys are carried out to obtain feedback information to review the system. In the case of production centres, customer satisfaction surveys are directed at internal customer (CEPSA commercial areas), which in turn are responsible for measuring the satisfaction of end users.

The objective of the surveys is to identify the priorities of end users with regards to purchase decision attributes (price, quality, delivery time, etc.), their level of satisfaction, and the degree of customer loyalty. The surveys are used as input within the continual improvement processes. The information obtained from these studies between 2004 and 2006 show an increase in both the number of complaints received and the customer retention index, which indicates that customers are more demanding and complain more frequently.

[21] Complete list of Quality Management Systems certifications (ISO 9001) and laboratory accreditations (ISO 17025) may be consulted and printed at www.cepsa.com

[22] See page 4 of this report.

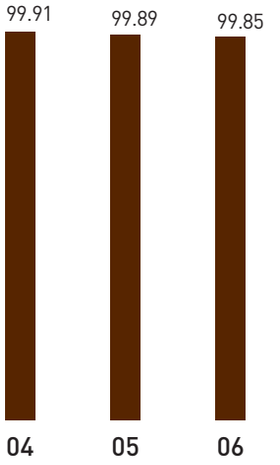
More specifically, the survey carried out by CEPSA GAS LICUADO, S.A., based on telephone interviews held with over two million customers, analyses the bottled gas markets (propane and butane) and bulk propane. With regards to bottle gas, the survey showed that 1% of people surveyed had made a complaint in 2006 and the average service valuation was 4.06 out of 5. In the case of bulk propane, 5% of people surveyed made a complaint during the last year and the average was 3.99 out of 5. In summary, 83% of customers rated the service provided as "very good" or "good."

The customer satisfaction study carried out in the Marine business area (sale of marine fuel or bunker) showed a 3-point improvement on the loyalty index compared to 2005.

In 2006, CEPSA carried out other projects and activities to assess and improve customer satisfaction. For further details consult the information supplementing this Report at www.cepsa.com/corporateresponsibility.

CEPSA is also a member of the Spanish Association of Normalisation and Certification (AENOR) and the Spanish Excellency Club for Management, and actively participates as a member of the management bodies as well as operationally in forums and sector committees where good practices are exchanged. In 2006, CEPSA promoted the commemorative act of the XII European Quality Week, organised by the Spanish Quality Association in November in Madrid.

CEPSA CUSTOMER SATISFACTION*



* Satisfaction rating measured for CEPSA activities with quality certifications. Established as the ratio of complaints received to orders served.

1.8

COMMERCIAL COMMUNICATION AND DATA PROTECTION

CEPSA is a member of various organisations and associations which promote responsible, ethical commitment to commercial and advertising communications. The Company belongs to the Spanish and Portuguese Advertisers' Associations. It also correctly applies IT systems to the automatic treatment of customer data, under the premises of strict confidentiality, and adopts IT security measures, meeting the requirements of the Data Protection Act.

For further information on CEPSA's activity in promoting responsible behaviour in commercial and advertising communication, please consult the supplementary information to this Report at www.cepsa.com/corporate responsibility.

CASE STUDY
GPS CONTROL OF THE DIESEL DISTRIBUTION FLEET

The deregulation of the diesel market in 1992 led to the creation of subsidiary companies for the distribution of diesel to end customers for agricultural, industrial and domestic use.

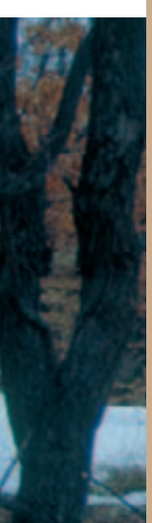
In order to be truly competitive in pricing and quality terms, it was essential to have more precise information on the transport costs associated with each delivery, and to subsequently minimise them. This was done through the optimisation of routes, due to the importance of having a good, economical distribution service carried out with an in-house delivery fleet.

The first stage consisted of installing Mobile Sales Terminals (MSU's), which sent information to central computers. The parameters which influenced distribution costs were measured, and in this way opportunities for improvement were detected.

In 2006, the additional installation of GPS devices provided the "traffic manager" or logistics manager with constant information on the transport fleet's status, thus optimising compliance with customer delivery requirements through vehicle availability.

As a current additional benefit, GPS allows the Company to inform customers of the exact arrival time of their order, as well as dealing with urgent orders that require slight deviations from the route programmed for the tanker.

Award-winning programme at the 9th edition of the CEPSA Planned Improvement Activities Awards in 2006.



2. A PROJECT SHARED BY OVER ELEVEN THOUSAND PEOPLE

The CEPSA project has become a reality through the work, commitment and solidarity of its personnel. The organisation has established a number of policies relating to a satisfactory working environment, an attractive professional career and a healthy and safe workplace, to reinforce its capacity for attracting and retaining talent.

People management is one of the most important challenges facing a company. CEPSA considers that this task should be a comprehensive process, starting with the planning of necessary resources, followed by selection and recruitment, through training and professional development; and that this process should be maintained throughout the working life of an employee, through the implementation of strategies whereby a company's people perceive that they are receiving added value.

The commitments undertaken by CEPSA with regard to respect for human rights and basic principles such as human dignity, the elimination of forced or compulsory labour and child labour, non-discrimination of gender, race, credo, religion and origin, as stated in CEPSA's human resources policies, become most apparent in relation to its people.

Respect for the human rights of employees and communities is a priority for CEPSA when carrying out operations in countries such as Egypt, Algeria and Colombia. Particular attention is paid to avoid discrimination and contracting minors, to ensure that work is carried out voluntarily and that the particular characteristics of the different countries are respected.

Furthermore, the protection of employee and community health and the prevention of all manner of incidents involving personal injury or harm to the environment are inherent in the Company's operations, as illustrated by CEPSA's health, industrial safety and environmental protection policy for the Exploration and Production area.

2.1

CREATION OF HUMAN CAPITAL AND DIVERSITY

In 2006, there was a net increase of 313 employees, 3% more than in 2005, mainly in response to the opening of new service stations in Spain and Portugal and to growth in activity in the Exploration and Production and Marine and Aviation areas, as a result of new business activities commencing in the Iberian Peninsula and the Canary Islands.

86% of the new employees contracted in 2006 are female. This is true for all professional categories, particularly those in which the highest levels of responsibility are required.

CURRENT PERSONNEL[23]	2006	2005	2004
No. of employees	11,096	10,783	10,534
% international employees	9.04	9.05	9.40
Average age	41	41	40
Average length of service	12	11	12

DISTRIBUTION BY PROFESSIONAL CATEGORY AND GENDER	2006		2005	
	Female	Male	Female	Male
Management and department heads	65	621	57	625
Expert technicians	278	1,244	254	1,180
Technicians	394	1,181	340	1,288
Specialists	2,309	4,288	2,172	4,155
Assistants	409	307	363	349
Total	**3,455**	**7,641**	**3,186**	**7,597**
% of total personnel	**31.14**	**68.86**	**29.55**	**70.45**

[23] Personnel at 31 December 2006, except for CEDIPSA (100% CEPSA); this company is engaged in the operation and installation of service stations and its activity is seasonal, therefore the average headcount for 2006 is presented.

2.2

ATTRACTING AND RETAINING TALENT

CEPSA's Human Resources policies with regard to attracting and retaining talent are devised in line with the business strategy, aiming to adapt this process to needs and expectations, in an attractive and stable environment characterised by transparency and dialogue.

Student internships within companies have become a consolidated training activity. For CEPSA this activity is an opportunity to meet potential candidates for future positions, maintain relations with institutions and collaborate in a project of notable social interest.

In 2006, 86.5% of new employees were recruited from outside the Company. Meanwhile, 32.5% of departures from the Company were due to contracts expiring and 25% to voluntary departure.

Further information on the criteria used by CEPSA to attract and retain talent, and details of student internships in CEPSA in 2006, may be found at: www.cepsa.com / corporate responsibility / supplementary information.

INCORPORATIONS, DEPARTURES AND ROTATION	2006	2005	2004
Number of employees			
Incorporations[24]	1,156	848	1,091
Departures[24]	914	670	919
Rotation	458	359	373

	By gender		By age group		
ROTATION	Female	Male	<30	30-50	>50
In absolute terms	140	318	128	174	156
Rotation rate[25] (%)	4.05	4.16	6.00	2.83	5.53

[24] Excluding CEDIPSA (100% CEPSA): this company is engaged in the operation and installation of service stations and its activities are seasonal in nature.

[25] The following formula has been used to calculate the rotation rate:

Rotation rate = No. of employees leaving the organisation / total No. of employees x 100

The following reasons have been taken into consideration when calculating the number of employees leaving the organisation: disability, voluntary departure, death, retirement and dismissal.

The total number of employees refers to the total number of workers included in the different age and gender groups at the end of each period.

2.2 ATTRACTING AND RETAINING TALENT

DISTRIBUTION OF PERSONNEL BY TYPE OF WORKING DAY	2006		2005*		2004	
	Employees	%	Employees	%	Employees	%
Full time	10,808	97.40	10,388	96.34	10,206	96.89
Part time	288	2.60	395	3.66	328	3.11
Total	**11,096**	**100**	**10,783**	**100**	**10,534**	**100**
BY TYPE OF CONTRACT						
Permanent contract	9,563	86.18	9,151	84.87	8,931	84.78
Temporary contract	1,533	13.82	1,632	15.13	1,603	15.22
Total	**11,096**	**100**	**10,783**	**100**	**10,534**	**100**

* In the 2005 Sustainability Report, the data for that year strictly referred to domestic companies. The data for 2004, however, considered both domestic and foreign companies. In the 2006 Corporate Responsibility Report, uniform criteria of including data for domestic and foreign companies were applied, whereby the data for 2005 in this table have been modified.

86% of employees have permanent contracts, which is up almost two percentage points on the prior year, thus demonstrating that CEPSA promotes stable working conditions for its employees.

To ensure competitive remuneration, CEPSA bases its remuneration policy on the following concepts:

- The labour market in which CEPSA carries out its activities.
- The added value contributed to the Company by the work factor.
- Personal merit and achievement of individual and collective targets.

Company policy is to redistribute resources to establish a flexible benefits system in which employees can select the most suitable arrangement for their personal situation.

For details of additional benefits available to employees, see the supplementary information section of this report at www.cepsa.com / corporate responsibility.

2.3

CEPSA PROFESSIONAL PERFORMANCE EVALUATION SYSTEMS

CEPSA has professional performance evaluation systems in place to acknowledge employee merit. Details of these systems may be found in the supplementary information section of this report at www.cepsa.com / corporate responsibility.

The Company considers that the evaluation systems provide managers with enhanced information on individual employee merits and the level of achievement of area targets, guaranteeing an equitable process capable of offering optimum compensation for work carried out. Almost 60% of CEPSA employees have received a formal evaluation of their professional performance in 2006.

PROFESSIONAL PERFORMANCE EVALUATION	2006	2005	2004
Total number of employees (a)	11,096	10,783	10,534
Number of employees who have received a formal performance evaluation and a review during the period (b)	6,525	6,060	5,792
Percentage of employees who have received a formal performance and a review during the period (b/a x 100)	58.80	56.20	54.98

2.4
COLLECTIVE BARGAINING

CEPSA considers that maintaining an atmosphere of understanding is of vital importance in reconciling labour interests. This has allowed the Company to establish a labour relations model based on dialogue and trust.

CEPSA's collective bargaining policy is in line with the Fundamental Principles of the International Labour Organisation, as illustrated by trade union representation data in CEPSA, and the fact that no work hours were lost to labour disputes in 2005.

Freedom of association is scrupulously respected within the Company and 98.5% of personnel are represented by a plural and democratically elected body, in accordance with the local legislation of each company's country. In accordance with the respective collective labour agreements, there is no difference in the remuneration received by male and female employees of the same professional category.

The right to participate, campaign and to hold secret ballots is respected in union representative elections. The Company also provides sufficient resources and work-time for voting and special protection for both the representatives elected and those leaving their posts.

41% of the workforce comes under collective labour agreements, which are negotiated directly by employee-elected representatives. The remaining employees are covered by agreements outside the Company's jurisdiction, where representations are determined indirectly, albeit with union participation. CEPSA participates indirectly in negotiations of the service station and chemical industry sector collective labour agreements through business confederations (which cover almost 48% of its personnel). These collective agreements, which are overseen by the labour authorities, ensure compliance with minimum legal requirements and the fundamental rights and freedom of employees.

DISTRIBUTION OF CURRENT PERSONNEL BY COLLECTIVE LABOUR AGREEMENT

	Spanish companies			Foreign companies			Total	
	No.	Employees	%	No.	Employees	%	Employees	%
Company[26]	11	4,389	43.49	1	151	15.05	4,540	40.92
Service stations	10	4,305	42.65	1	339	33.80	4,644	41.85
Chemical industry	2	265	2.63	2	395	39.38	660	5.95
Trade (wholesale and various)	23	667	6.61	1	7	0.70	674	6.07
Offices	4	267	2.64	0	0	0	267	2.41
Other	4	145	1.44	0	0	0	145	1.31
No collective reference[27]	2	55	0.54	6	111	11.07	166	1.49
Total	**56**	**10,093**	**100**	**11**	**1,003**	**100**	**11,096**	**100**

[26] Companies including: CEPSA, La Rábida refinery, C.M.D., ATLAS, CEPSA Aviación, CEPSA Petronuba, CEPSA Petrosur, PETROCAN, ERTISA, INTERQUISA, INTERQUISA Canadá, PETRESA, ATLÁNTICO.

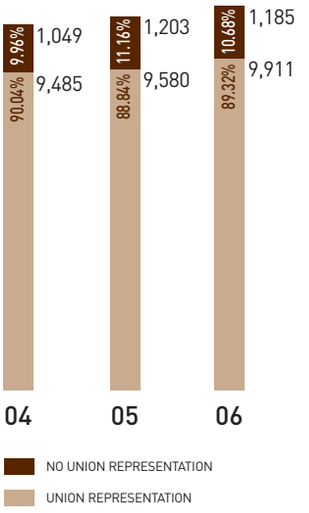
[27] The two companies not subject to a collective agreement are CEPSA Comercial Galicia (under negotiation) and CEPSA Operaciones Marina y Aviación (COMA).

The collective labour agreements applicable to CEPSA, both on a company and sector level, establish specific disciplinary procedures regarding the investigation of events which allegedly constitute a work-related infringement. In the event of investigation of alleged infringements and disciplinary measures being taken, the Company ensures that an employee representative is present to guarantee the defence of the employee's rights. These procedures are subject to the presumption of innocence, respect for the employee's personal dignity and the absence of discrimination on any level.

CEPSA is in permanent contact with the most representative trade union organisations in the country through its Corporate Labour Relations Department. Thus, besides the legal systems established to report such practices to the labour authorities or the labour courts, this ongoing contact enables the direct intervention of the organisation to protect the rights of its employees.

In addition to the legal systems and means of publicising and distributing information of social, trade union and labour interest, an employee representation area is being established on the Company's intranet, enabling employees to exercise their rights and communicate with all personnel.

DISTRIBUTION OF CURRENT PERSONNEL BY UNION REPRESENTATION



CEPSA is committed to informing its employees individually of organisational changes with at least 30 days' notice. Should organisational changes be of a collective nature, the minimum notice provided is 45 days.

Additional information on this chapter may be found at www.cepsa.com/corporate responsibility.

2.5 TRAINING

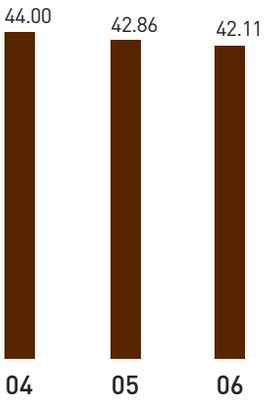
Gaining knowledge and developing skills are one of the most important aspects of human resources management and a priority for the Company.

At CEPSA, training is understood to be a continuous process of adapting to the requirements of the Company's operating environment. CEPSA's different training programmes and plans are aimed at equipping its professionals to deal with the long-term demands of their fields of activity:

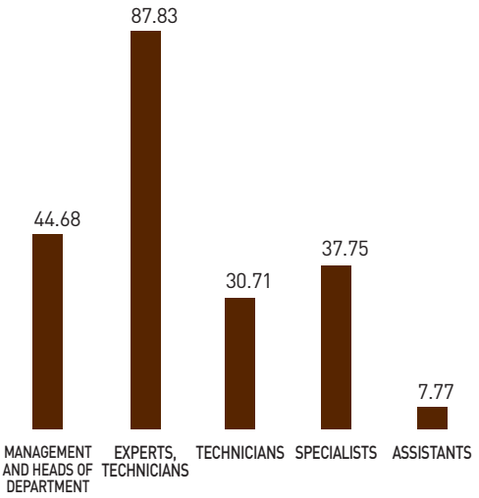
- Technical refresher courses.
- Management skills.
- Professional skills.
- Quality requirements.
- Safety for people and facilities.
- Use of new technologies.
- Innovation processes.
- Customer service and sales functions.
- Welcoming and integrating new collaborators.

The private security sector increasingly demands better quality services. CEPSA is committed to training its own personnel, with an emphasis on training in human rights, in accordance with Law 23/1992 and Private Security Regulations, establishing a prevention culture adapted to the organisation which generates better quality services and in which security plays a very important role. One of the three people working in the Company's own security area has been trained in this field.

AVERAGE YEARLY TRAINING HOURS PER EMPLOYEE[28]



AVERAGE TRAINING HOURS BY PROFESSIONAL CATEGORY (2006)[28]



[28] Only the subsidiaries included in the HR ACCESS database used by CEPSA to manage employee data have been considered.

2.6

OCCUPATIONAL HEALTH AND SAFETY

CEPSA has a firm commitment to the health and safety of its workers[29], which is an essential aspect in the field of labour relations and included in "CEPSA's Health and Safety Policy", the basis for setting respective annual objectives and covering the Prevention of Occupational Risks Act.

Management of occupational health and safety involves planning measures, avoiding risks, evaluating employees' professional capacities and essentially organising production based on preventive policies. CEPSA's aim is for any new technology, process or product incorporated in extensions or changes to the production process to reduce potential risks.

Prevention management responsibilities are distributed at different levels of the Company. Prevention management is one of the Company's objectives and therefore the design and development of the programme are a priority. Cooperation from all personnel is essential and employees require sufficient knowledge of the purposes and means necessary to achieve set aims.

Based on this approach, which seeks to integrate safety in all activities, a set of obligations are established for employees which essentially involve a positive attitude on their part in terms of appropriate use of facilities, protective equipment, training and reporting any incidents affecting the environment and occupational health and safety.

Workers are formally involved in the company's risk prevention actions through delegated health and safety officers.

Whether each company has a health and safety committee depends on the number of employees and the activity of the company. These committees are a joint collective consultation body which meets on a regular basis to oversee the Company's prevention actions.

[29] Reports on the Safety area do not include data from international sales offices or the companies CEPSA Panama, ECANSA or AMARCO, as there is no system for recording data for these.

2.6 OCCUPATIONAL HEALTH AND SAFETY

EMPLOYEES REPRESENTED IN HEALTH AND SAFETY COMMITTEES	2006	2005	2004
Total number of employees (a)	11,096	10,783	10,534
Number of employees represented in joint health and safety committees (b)	8,620	8,492	8,352
Total percentage of employees represented on joint health and safety committees (b/a x 100)	77.68%	78.75%	79.28%

Details of the activities of health and safety committees and actions taken by the Company to promote the safety culture are included in the supplementary information to this Report (www.cepsa.com/corporate responsibility).

In addition to excellent medical services, CEPSA has a social orientation service, the objectives of which include assistance and advice with different health, social or family problems. Notable social assistance programmes include those directed at the integration and re-education of disabled children and support in cases of drug addictions, poor academic results and anorexia.

CEPSA also has a Labour Foundation which supplements business and public aid by extending outright loans and grants for the acquisition of prosthetic devices or to cover situations of serious illness which are insufficiently covered or not covered at all by the Spanish health system.

As a result of all these activities, and in line with previous years, the number of accidents leading to employee absence fell by 5.4% compared to 2005. In 2006, the target was to reduce the rate of accidents leading to employee absence to 7.30, whereas the actual rate achieved was 5.66, 1.66 points better.

The objective for 2007 is to consolidate this improvement, keeping the accident rate below 6.20 and making an impact on other proactive indicators of safety management in relation to safety in industrial processes.

EMPLOYEES[30] ACCIDENT RATES/ABSENTEEISM[31]	2006	2005	2004
Number of work accidents	119	167	179
Frequency of accidents[32]	6.46	8.58	9.58
Serious accidents[33]	0.15	0.80	0.59
Common illness absenteeism[34] (%)	3.78	3.58	3.60
Work absenteeism (%)	5.08	4.66	5.09

[30] Includes those companies in which CEPSA has an interest of over 50%, except for ASESA and NGS. Exploration and production data is also excluded.

[31] Absenteeism data of companies with head offices in Spain.

[32] Number of accidents leading to employee absence per million hours worked.

[33] Number of working days lost due to accidents leading to absence per thousand hours worked.

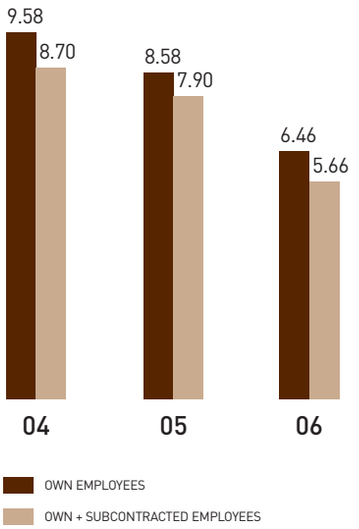
[34] Number of working hours lost per theoretical annual working day.

Work absenteeism has risen in the last year, mainly because of the effect of increasingly greater protection by legislation on maternity leave (the pregnancy and nursing periods) and situations of dependency (care for the elderly).

As in previous years, coordination of contracted services has continued to be improved, particularly in preventing situations in which various companies are involved with activities that could present a risk for employees.

Prevention initiatives in fuel marketing departments have also been increased. Due to the wide geographical dispersal and small size of these departments, it is a challenge for the Company to impart training, apply standards improving working conditions, oversee activities and essentially facilitate ongoing improvement in safety.

ACCIDENT FREQUENCY RATE



SERIOUSNESS AND FREQUENCY OF ACCIDENTS EMPLOYEES[35]

	Serious accidents			Frequency		
	2006	2005	2004	2006	2005	2004
Refining	0.19	0.40	2.20	2.50	2.85	2.26
Petrochemicals	0.07	0.06	0.17	4.16	1.97	4.98
COASHIQ[36]	0.27	0.26	0.34	8.31	9.17	10.56

[35] Includes companies in which CEPSA has an interest of over 50%, except for ASESA and NGS. Exploration and production data is also excluded.
[36] Autonomous Safety and Hygiene Commission for Chemical Industries and Similar.

2.7

OCCUPATION HEALTH AND SAFETY TRAINING

Given the nature of the activities at its production centres, CEPSA prioritises training as a tool for improving employee health and safety and carries out the following:

- Evaluation of workplace risks.
- Refresher courses.
- Information on chemical products.
- Appropriate labelling of work areas.
- Analysis and planning of critical tasks.
- Emergency drills.

OWN EMPLOYEE SAFETY TRAINING	2006	2005	2004
Safety training (hours)	80,113	52,027	159,067
Number of participants	7,658	7,246	6,424
Fire-fighting training (hours)	18,824	17,802	24,478
Number of participants	4,510	4,120	4,243

CASE STUDY
DIAGNOSIS OF QUALITY IN HUMAN RESOURCES MANAGEMENT IN CEPSA: INVESTOR IN PEOPLE (IIP)

An analysis and diagnosis of quality in the management of human resources was carried out, employing a specifically adapted, objective method to obtain an indicator which will facilitate continuous improvement and encourage excellence in people management.

The Report, prepared on the basis of a standard international model of good practices in human resources management (Investor in People), also aimed to promote personal development and improve the organisation's results and competitiveness. Further objectives were to:

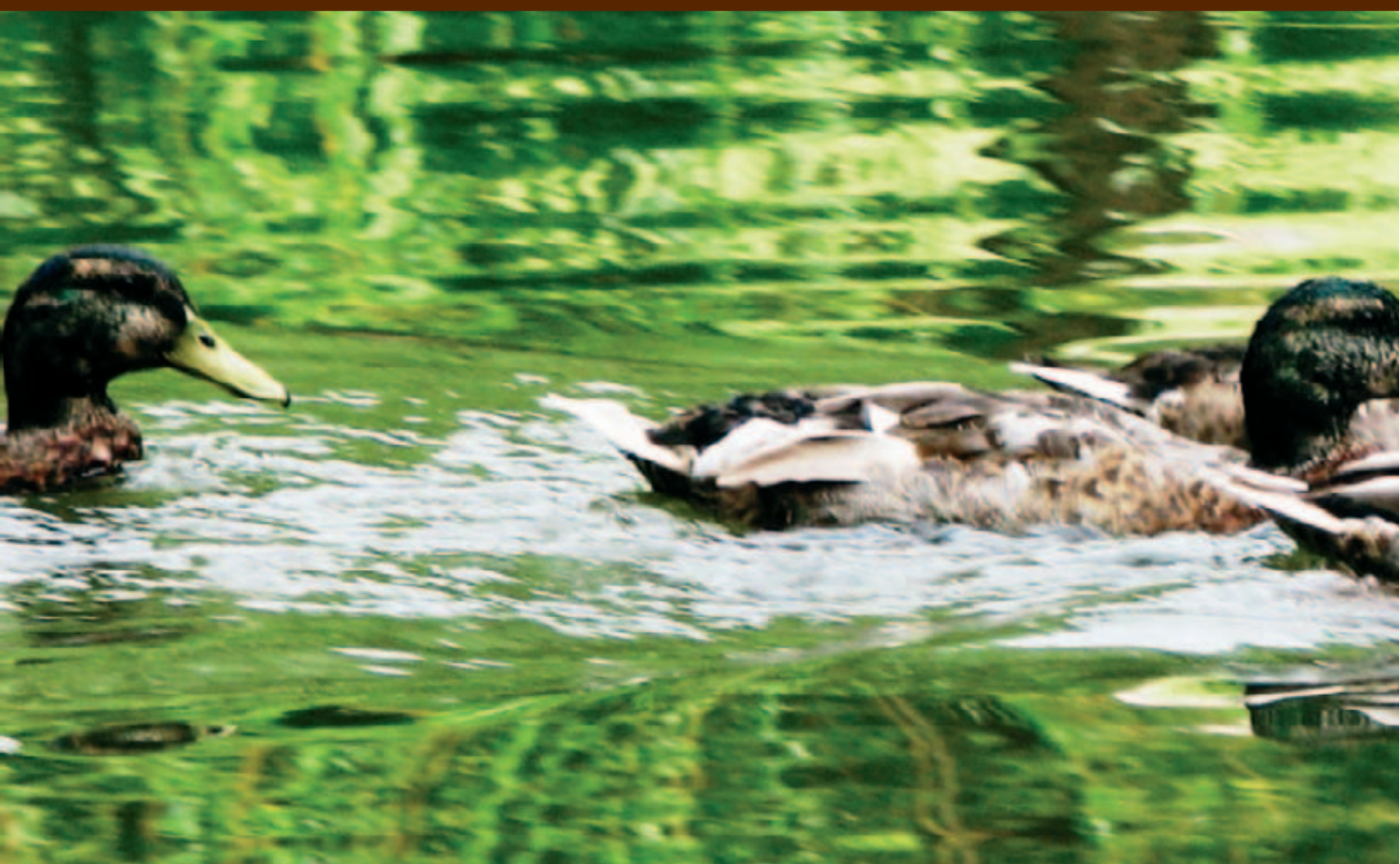
- Procure a realistic view of the results of processes and current human resources practices in the organisation.
- Consider the centre's results.
- Identify areas for improvement for compliance with standard criteria.

The diagnosis enabled the Company to undertake the actions necessary to improve management in those areas where improvement was required.

In the final stage of the project, all personnel were informed of the results in a letter from the manager of the centre. The report was also published on CEPSA's intranet.

A RESPONSIBLE COMPANY

3.



3.1

MANAGING IMPACT IN THE COMMUNITIES WHERE WE OPERATE

As part of the social system in which it operates, CEPSA is aware of the importance of gradually constructing an action framework to favour dialogue and to promote quality relationships with the community.

After careful study of the impact of its activities on the environments in which it operates, the Company not only implements programmes which mitigate impact on the natural environment, but also strives to get to know the views, preoccupations and needs of the communities where it is located, carrying out activities specifically adapted to each centre in order to be aware of the concerns of the surrounding area.

Since 1996, PETRESA Canada has formed part of a community consultation committee. This body comprises a representative from each of the main businesses that make up the business area and six councillors who represent the public and are members of the city of Bécancour's environmental consultation committee. This aim of this body is to establish and maintain a communication forum on the activities undertaken by the companies, and their involvement in the community.

To gain awareness of the views expressed by the inhabitants of the areas surrounding the "La Rábida" refinery, and to understand their needs, a survey is carried out every two years, which consults the general public, the media, local government and opinion leaders. The goal is to measure satisfaction levels among those surveyed in terms of subjects such as social and environmental behaviour, communication efficiency and the relationship between the Refinery and its surrounding area. As a result of its business responsibility policy and in the spirit of meeting the needs of its community, the Refinery has also financed, together with Huelva and Palos de la Frontera Councils, the construction of the CEPSA School in Vela de Mazagón. Total CEPSA financing for the school was Euros 393,656, and it will take in approximately 400 adolescents, aiming to encourage water sports among young people.

Along these same lines, as a response to the needs that the population of San Roque (Cádiz) have expressed over the years, and in line with the commitment undertaken with the local council, the "Gibraltar-San Roque" Refinery has financed the construction of a crèche for the

CASE STUDY
INTERQUISA CANADÁ

Since 2003 CEPSA has operated a purified terephthalic acid factory in the State of Montreal (Canada).

When the environmental impact study was carried out, it was shown that the surrounding area was hesitant to accept a new industry, and that the main concerns of the population focused on air quality, health impacts, noise and odour, given the proximity of the facilities to local housing.

INTERQUISA Canada decided to set up a committee with representation from the local population, the company, and the environmental bodies in the area.

The criteria used to form this committee were:

1. The three most active environmental bodies in the area were selected: *"STOP"*, *"Collectif en environnement Mercier-Est"*, and *"Représentant Centre de Loisis Roussin"*.

2. Five members of the local community were selected, based on their proximity to the facilities, their experience in other committees, their knowledge of the company and their profession, which allowed them to work in a team and understand the interrelations between INTERQUISA operations and the community.

   Once the committee was formed, its first activity was to implement operational norms, based on a code of ethics that were developed by the company.

   While the plant was being constructed, the committee met once a month, monitoring the impact and control and reduction measures for the work involved in the start-up of the factory.

   The committee continues with its work today, adapting to current requirements. It meets five or six times a year, and the representatives from the local community and environmental bodies express their concerns. These are then agreed upon by all committee members, before being brought together in minutes which are published in the town's library, and on the INTERQUISA Canada intranet for the information of the Company's employees.

inhabitants of the San Roque neighbourhood. It has also invested Euros 700,000 in a day centre, located in Puente Mayorga. The first stone was laid in October 2006, and it is scheduled for opening in 2008.

CEPSA's plant in Brazil, DETEN, is part of a private association, CODIC, made up of businesses located in the Polo Industrial de Camaçari. The mission of this organisation includes the development of a transparent communication policy. For the past 10 years the association has operated a committee, which meets every 2 months and comprises 23 representatives from various sectors of the community and the businesses located in the area. In 2006, COFIC carried out a survey among the local population, suppliers, public administrations, associations and figures from the academic world, evaluating DETEN's activities. The results showed that 97% of those surveyed agreed that the company's environmental behaviour is positive, with 95% claiming that its policy takes into account anti-contamination measures and adverse impacts on society and the environment.

In the area of Exploration and Production, CEPSA follows guidelines established through internal procedures. These include environmental impact studies, which involve getting to know the communities in the area surrounding Company operations and their ways of life. Before any processes are undertaken, interviews and meetings are organised to find out public opinion of the operation to be implemented. This information also helps to detect the communities' needs and, based on these, social projects are set up. Collaboration during 2006 focused on, among other areas, the improvement of hydraulic works in the intake, channelling and distribution of an aqueduct system; the construction of sanitation units to minimise contamination from satisfying physiological needs in the open; assistance in the project to connect, pipe and distribute gas; and support for the construction of community fish-farming ponds. In total, Euros 13,535 has been invested in projects which have benefited 1,500 people.

3.2

CONTRIBUTION TO SOCIAL INTEREST PROJECTS

A fundamental area of activity for CEPSA within the framework of Corporate Responsibility is the relationship it maintains with the communities in which it operates. In this spirit, year after year the company undertakes and collaborates with different social, cultural, environmental and sporting[37] projects which create value for society, and to which CEPSA earmarked over Euros 3 million during 2006.

Throughout 2006 a total of Euros 3,178,439 was invested in the community. Of this amount, 76% was for social and cultural activities. The considerable rise in investment in social action in 2006 compared to 2005 reflects the financing of the construction of a crèche and day centre by the "Gibraltar-San Roque" refinery.

INVESTMENT IN BUSINESS RESPONSIBILITY ACTIONS	2006	%	2005	%	2004	%
(Euros)						
Social	1,163,010	**36.6**	432,654	**18.8**	403,729	**21.5**
Cultural	1,268,774	**40.0**	1,268,494	**55.2**	1,082,824	**57.6**
Environmental	205,136	**6.4**	184,783	**8.0**	179,264	**9.5**
Sporting	541,519	**17.0**	411,871	**18.0**	213,682	**11.4**
Total	**3,178,439**		**2,297,802**		**1,879,499**	

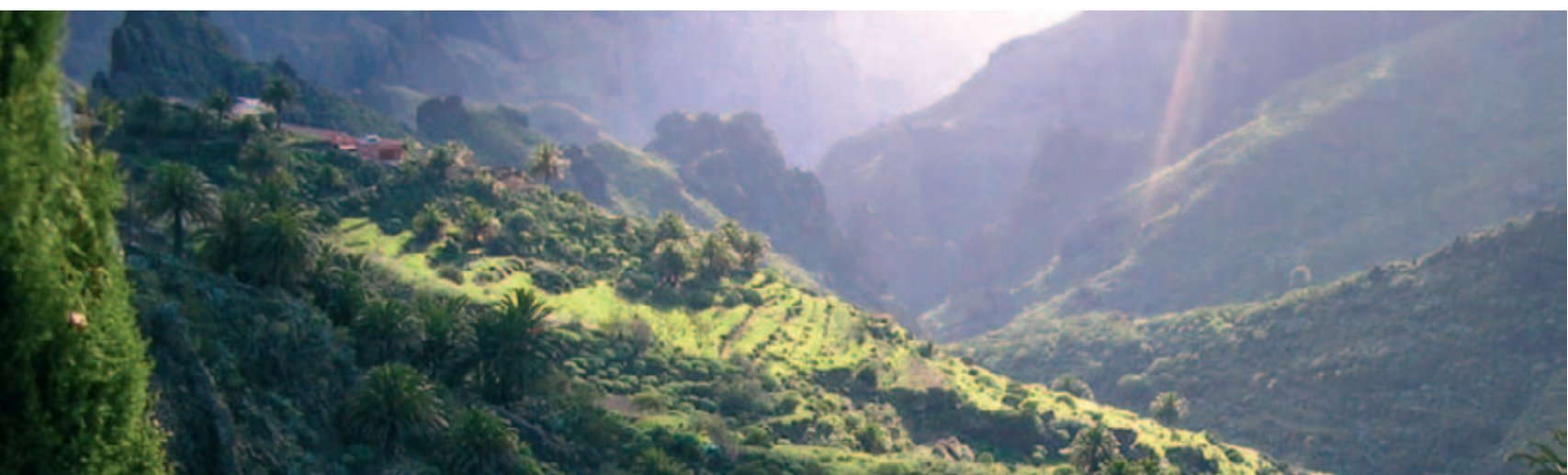
[37] Details of the social, cultural, environmental and sporting activities carried out in 2006 at www.cepsa.com/corporate responsibility/supplementary information.

PROJECTS TO ENCOURAGE COMMUNITY DEVELOPMENT AND IMPROVE QUALITY OF LIFE

Among the projects focused on community progress, of particular importance are those which aim to support business development. In Colombia, the Company has supported initiatives such as the "Q'mas" cooperative, made up of young entrepreneurs, which promotes technical advance in the production of dairy products and their derivatives.

Various projects have been undertaken to improve infrastructures with the aim of improving the quality of life in the communities in which CEPSA operates. In Colombia, for example, these include the different initiatives to pave streets, improve gas piping, electricity, water and sewage networks, and the construction of sanitation units. In Portugal, CEPSA supports the "Novo Futuro" association, with which it cooperates to provide homes for 58 children and adolescents who have been deprived of a family environment, encouraging their development and personal growth until they become fully integrated into society.

Within the scope of social action, the Company pays particular attention to improving the social integration of the most underprivileged members of society, by supporting various associations and organisations: the Association of the Parents and Friends of People with Mental Illness and La Maison Dalauze, a refuge centre for victims of domestic violence in Québec, Canada; the Tenerife Association of Parents with Autistic Children; the CADin child development centre in Portugal, which aims to promote the integration of children and adolescents with developmental problems; the "Proyecto Hombre" in Huelva, with a therapy and prevention of drug addiction programme; and the Campo de Gibraltar Association of Families of Alzheimer Sufferers in Cádiz, are just some of the examples.

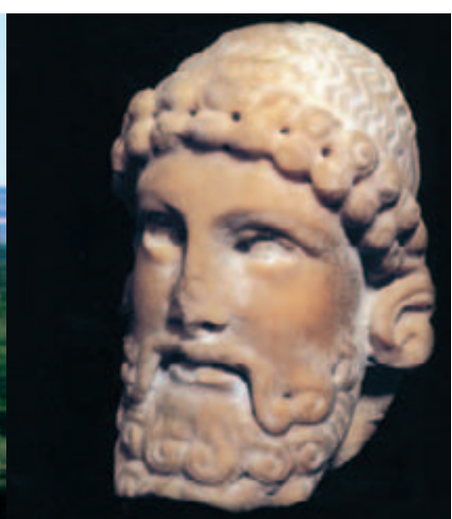


PROMOTING CULTURE AND EDUCATION

As a member of the community, CEPSA is committed to promoting and preserving popular customs, culture and historical heritage. To do so, it plays an active role in sponsored festivals and fun activities such as exhibitions, book publishing, concerts, awards and art competitions, among others.

CEPSA is fully aware that education is a fundamental part of social development, and supports and promotes projects run by various universities. This is the case of the CEPSA Chair in Oil Technology and the Environment, in collaboration with the University of Cádiz, which aims to encourage training, research and the transfer of technology relating to energy, oil and the environment. Another example of this is the CEPSA Business Chair in Energy and the Environment at the University of Huelva, which undertakes projects such as the "Alumno DiezC", awarding the University's students who are outstanding for their overall training; the Competencies Course, where skills not related to the student's speciality are developed; the sponsorship of various grants for study abroad; and the Sapere Aude awards for legal essays which aim to encourage research among Law students.

Within the area of non-academic training, CEPSA continues to consolidate a road safety education programme, which is given in schools, educational centres and local councils in various provinces throughout Spain. This project involves road accident prevention for motorcyclists aged between 14 and 18. In 2006, approximately 14,000 students took part in this programme, with more than 770 hours of training given.



RESPECT FOR THE ENVIRONMENT

CEPSA organises various educational projects which encourage respect for the environment.

The Petrolito environmental education programme has been implemented in Colombia, which aims to involve schoolchildren in the principles and values of co-existing alongside the environment and their community. In Huelva, Spain, the "International Wetlands Day" has been organised, which is an educational and informative day at the Laguna Primera de Palos lagoon to teach children to respect nature.
On the Canary Islands, CEPSA is involved in the "Tortuga marina" tortoise rehabilitation programme. 76 tortoises were released back into the wild in 2006, witnessed by over 1,800 children. With every release the children are given information on these reptiles and the main threats they face (entanglement in rubbish, plastic and abandoned nets; ingestion of rubbish and hooks, knocks by boats, etc.). They are also told very simply what they can do in their day-to-day lives in order to avoid causing them harm.

In terms of support programmes for the natural environment, CEPSA has collaborated with the Galician Regional Government to reforest those areas affected by forest fires in the summer of 2006 in this Autonomous Community, which devastated entire forests.

The Company continues to collaborate on the project focusing on the ecological belt of the North Coast of Bahía together with the Camaçari Industrial Development Committee (COFIC), the association which brings together the companies in the Polo Químico de Camaçari. This project promotes Environmental Conservation and Development, Protection of Water Resources and organises land use in areas such as Camaçari, Guarajuba, Praia do Forte and Sauipe (Brazil).

GRASSROOTS SPORTS

In the spirit of encouraging healthy lifestyle habits, especially among the younger members of society, CEPSA has collaborated with various associations and bodies in activities which promote grassroots sports, such as football, basketball, cycling and sailing. The Company also supports the organisation of competitions and championships aimed at the general public.

These include, among others, the collaboration between the Company and the San Roque Sports Club in Cádiz, for the organisation of activities such as football and basketball for children, the support it lends to the Tenerife Island Sailing Federation to encourage training in the sailing field, and the youth baseball team in Canada.

Likewise, since 2006 CEPSA has sponsored the ADOP plan (the Paralympic Sport Support Plan). This is an initiative aimed at supporting Spanish participation in the next Paralympics in Peking in 2008, providing competitors with the necessary equipment to allow them to train under the best conditions. This collaboration is seen through various actions, such as the awarding of grants to sportsmen, women and coaches, as well as providing sports equipment and supporting attendance at international competitions.

PREMIOS CEPSA AL VALOR SOCIAL

CASE STUDY
SUPPORTING SOCIAL ENTREPRENEURS: THE CEPSA AWARDS FOR COMMUNITY VALUE

The "La Rábida" refinery in Palos de la Frontera, Huelva, has held the second "Awards for Community Value". This initiative aims to support the most underprivileged people, groups and sectors of the province by recognising and awarding the best social projects of any kind.

The Awards also have a unique feature: the figure of the "supportive godfather". This individual endorses and presents the project, and must be employed by CEPSA or one of the services companies which is carrying out work in the "La Rábida" refinery. In this way, employee participation and social commitment are promoted.

The judging panel, made up of authorities and institutional representatives who work in the area of social action, is co-presided over by a CEPSA representative and a renowned figure in the social and solidarity field.

84 projects were put forward by 341 "supportive godfathers" over the two editions already held, with the awards going to six associations, who shared a total of Euros 31,000.

This event is one of the activities that CEPSA has implemented within the corporate social action and continuous commitment it maintains with the area in which it carries out its activity.

4. AN ORGANISATION THAT CONTRIBUTES TO THE REDUCTION OF GREENHOUSE GASES

CEPSA is fully aware of the growing public and institutional concern over the increase in atmospheric concentrations of Greenhouse Gases (GHG). This circumstance has generated a number of challenges for the sector, which the Company is tackling from several different perspectives.

Actions taken by the company include the creation of specific organisational units responsible for supervision and monitoring, energy savings and efficiency measures affecting processes, and product improvement. Combined with the implementation of other mechanisms prescribed in the Kyoto Protocol, these initiatives have produced a net reduction in GHG emissions.

4.1
THE ORGANISATION

CEPSA has two organisational units with responsibilities pertaining to GHG:

CO_2 COMMITTEE

This committee is formed by representatives from each Company unit who meet regularly with two objectives:

- To monitor compliance with prevailing legislation regarding GHG.
- To plan actions associated with flexible mechanisms for CO_2 markets, such as participation in the Spanish Carbon Fund and in projects that facilitate clean development (Clean Development Mechanisms and Joint Implementations).

GHG MANAGEMENT DEPARTMENT

This department oversees compliance to Kyoto Protocol directives and to European and national legislation, establishing systems for the monitoring of CO_2 emissions. Furthermore, it defines and manages the strategies necessary to achieve the objectives set by the Company to reduce GHG emissions, including participation in the CO_2 market.

4.2

INVENTORY OF GHG EMISSIONS

CEPSA's GHG Management Department is responsible for making an annual inventory that includes direct emissions of the three main GHG that the company emits in the development of its activities: carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O).

The criteria applied to define the scope of the inventory are as follows:

- For installations in which CEPSA holds an interest of over 50%, emissions corresponding to that percentage are recorded.
- For installations in which CEPSA holds an interest equal to or lower than 50%, emissions in proportion to that percentage are recorded only when this amount represents more than 5% of CEPSA's total emissions.
- In the area of Exploration and Production, the Company records GHG emissions corresponding to the percentage of CEPSA's interest in all installations.

Criteria applied for the calculation of GHG emissions:

- Installations included in the National Allocation Plan for Emission Rights 2005-2007: CO_2 emissions have been calculated in accordance with the guidelines for the monitoring and reporting of greenhouse gas emissions established in their respective GHG emission authorisations, which are based on the Directives established in Commission Decision 2004/156/EC. These emissions have been certified by accredited verifiers, in accordance with Law 1/2005, by which the emissions rights trading regime is regulated.
- Remaining installations: A calculation is made based on data relating to fuel consumption and the emission factors for each GHG, in accordance with the procedures recommended by CONCAWE[38]
- For the following installations, specific criteria for the calculation of emissions has been applied:
  - CH_4 and N_2O emissions from the NGS combined cycle electricity/gas plant, in which CEPSA holds a 50% interest, were calculated by applying emission factors recommended by CORIN AIR (N_2O) and the U.S. environmental protection agency (CH_4). These criteria are provided by the Board of Andalusia, and are the same as those applied by CEPSA's partner at the plant.
  - GHG emissions from DETEN (Brazil) are estimated on the basis of an annual measurement.
  - Emissions from PETRESA Canada are determined by means of continuous measuring systems.
  - Emissions from INTERQUISA Canada are calculated using the plant's fuel consumption data and the specific emission factors for each GHG.

[38] CONCAWE. Report 9/05R 2006.

4.2 INVENTORY OF GHG EMISSIONS

EMISSIONS IN KILOTONS	2006		2005		2004	
	CO_2	CO_2 eq	CO_2	CO_2 eq	CO_2	CO_2 eq
Refining	3,319	3,341	3,392	3,447	3,996	4,058
Petrochemicals	779	782	970	1.059	962	1,048
Exploration/Production	271	317	243	285	252	293
Co-generation	863	870	1,197	1,206	1,168	1,176
Combined cycle electricity/gas	744	751	769	776	301	305
Total	**5,976**	**6,061**	**6,571**	**6,773**	**6,679**	**6,880**

In addition to CO_2 emitted, CO_2 equivalent also includes tons of CO_2 with the same greenhouse effect as CH_4 and N_20.

All the emissions data for 2004 and 2005 in this report has been recalculated following the aforementioned principles, thereby permitting its historical comparison. Emissions in Exploration and Production installations have been recalculated according to the interest held.

The reduction in emissions at cogeneration plants in 2006 compared to 2005 is principally due to CEPSA having reduced its interest in some of these installations. To facilitate the monitoring of the evolution of these emissions, they have been recorded separately in all reports.

The variation in emissions from the Combined Cycle electricity/gas plant is due to its having started up at the end of 2004 and by the steam/electricity ratio produced.

4.3 IMPROVEMENT IN PROCESSES

With the objective of energy savings and efficiency, the main lines of action pursued by the Company are the following:

- A forecast 39% increase in the production of middle distillates, which will be achieved with an increase of only 17% of the total distillation capacity.

- Promotion of cogeneration and the greatest possible exploitation of steam in refining activity. CEPSA has five high yield cogeneration installations and is planning the construction of a new plant, in addition to a combined cycle electricity/gas plant that produces electricity and provides steam to the "Gibraltar-San Roque" refinery.

- The progressive substitution, in installations where this is feasible, of diesel with other fuels with a lower carbon content such as natural gas.

- The manufacture of ETBE (ethyl tert-butyl ether) from organic vegetable matter to substitute MTBE methyl tert-butyl ether produced from petroleum. These compounds are used to increase the octane rating of current unleaded petrol.

- The planning of two installations for the production of Biodiesel from vegetable oils with a total annual production of 450, 000 tons, which will be mixed in proportions of up to 5% into CEPSA automotive diesel. The Company thereby contributes to the fulfilment of the targets set by the Government in its Renewable Energy Plan.

- The installation of recovery machinery to promote heat exchange processes in preheating and combustion systems (thereby reducing steam-related energy losses), changing turbines, improvements in thermal insulation and monitoring of equipment.

As an outcome of these savings and optimisation measures in 2006, CEPSA reduced CO_2 by 165,000 tons compared to 2005 in the installations run by the Company and included in the National Allocation Plan for Emission Rights. This reduction has been calculated on the basis of emissions certified by accredited verifiers of CO_2 emissions and without taking into account the interest CEPSA holds in the installations. This represents a reduction of over 3%, despite the 1% increase in the quantity of crude oil processed.

EMISSIONS BY AREA OF BUSINESS	2006	2005	2004
Refining	0.150	0.155	0.188
Petrochemicals	0.209	0.272	0.270
Exploration and Production	0.065	0.061	0.062
Co-generation	0.241	0.241	0.263
Combined Cycle electricity/gas	0.406	0.385	0.316

Notes
Refining: (t of **CO_2** equivalent/t crude oil treated).
Petrochemicals: (t of **CO_2** equivalent/t crude oil produced or treated).
Exploration and Production: (t of **CO_2** equivalent/t net petrol)
Cogeneration: (t of **CO_2** equivalent/Mwh total exploited).
Combined Cycle electricity/gas: (t of **CO_2** equivalent/Mwh net electricity produced). These emissions have increased due to the co-generated steam/net electricity ratio, which has risen.

4.4

OTHER INITIATIVES FOR THE MANAGEMENT OF GHG

In addition to the measures implemented within its installations, CEPSA is active in other areas of GHG management, principally as relates to the flexible mechanisms of the Kyoto Protocol:

- Collaboration in the selection of Spanish Carbon Fund projects.

- Participation, through different carbon funds, in Joint Implementation and Clean Development Mechanism projects.

- Monitoring of technological advances relating to geological carbon sequestration (injections in geological formations or mines) or carbon sinks (reforestation): Collaborative study with public bodies for CO_2 sequestration through the cultivation of algae for possible use in the manufacture of diesel.

- Study into the implementation of renewable energy.

- Emission rights trading on the CO_2 market.

4.5 PRODUCT IMPROVEMENT

CEPSA does not only contribute to the reduction of GHG by diminishing its emissions, but also by manufacturing more efficient products. The most important measures developed by the Company in this respect are the following:

- The addition to its petrol of 125,000 m3 of ETBE, obtained from ethanol of agricultural origin.
- Mixture of up to 10% in volume of biodiesel, produced from vegetable oils, with petroleum diesel.
- Thanks to the use of ETBE and Biodiesel, global net emissions of CO_2 are decreasing, as the carbon emitted in its combustion is that captured during vegetable growth.
- Range of fuels Óptima, DIÉSEL ÓPTIMA and ÓPTIMA 98. These fuels, which are the result of the research in CEPSA laboratories and of the application of high technology in productive processes, are the most efficient, advanced and cleanest manufactured by the Company. Through their use, emissions are reduced and consumption is decreased by up to 5%.
- In anticipation of more restrictive specifications on the sulphur content of fuels coming into force in 2009, in 2006, 7.8% of petrol and 5.36% of diesel produced in the "La Rábida" refinery and 5.4% of the petrol produced in the "Gibraltar-San Roque" refinery complied with the 0.001% limit for sulphur content, which will become obligatory in 3 years time.

4.6

RISKS AND OPPORTUNITIES RELATING TO GHG LEGISLATION

RISKS

CEPSA attempts to compensate for its GHG emission through energy savings and monitoring measures. Efficiency in the application of these measures will result in a reduced risk of incurring fines, which range from Euros 40 (for the period 2005-2007) to Euros 100 (for 2008-2016) per ton of CO_2 not declared in the annual verification.

Should the Company be granted an emissions allocation in line with national compliance but below that required by the installation, the Company would have to purchase rights on the market, with the subsequent risk of increasing operating costs.

CEPSA recognises the necessity to reduce GHG, and considers that it is better to optimise processes, monitoring the cost of production, than to acquire rights. This, moreover, will facilitate the substitution of fuel oil with cleaner but more expensive fuels, such as natural gas.

Finally, given the high level of product quality required by the European Community, savings and monitoring should compensate for the greater degree of competition as compared with countries with lower or negligible emission reduction requirements.

OPPORTUNITIES

The Company, which has been saving energy and increasing efficiency since the 70s, understands that the implementation of this strategy will result not only in a reduction in operational costs but also of CO_2 emissions, and that, if this is optimum, it can lead to the Company having a surplus in emission allowances.

The adaptation of this strategy has been reflected in the investments made, amongst the most significant are:

- Treatment of vegetable oils for their use as biodiesel.
- Development of a catalyzer that allows the hydrodesulfurisation of gas oil at a lower temperature with the consequent savings of energy and GHG emission.
- In the area of Refinery, there are 29 projects currently underway related to energy savings and efficiency. In Petrochemicals, amongst the most relevant works are those carried out in PETRESA San Roque, which are detailed in the case study in this chapter.

GHG FINANCIAL DATA	2006
(Thousands of Euros)	
Investment in R+D	266
Investment in projects for energy savings and CO_2 emission reduction	
Refinery	4,184
Petrochemicals	1,710

CASE STUDY
REDUCION OF CO_2 EMISSIONS AT PETRESA (SAN ROQUE)

The principal activity of this petrochemical plant is the manufacture of Alquil Benceno Lineal (LAB), a biodegradable raw material for the manufacture of detergents.

In April 2006, the plant obtained the Integrated Environmental Permit, thanks to the work carried out since 2005 related to CEPSA's policy regarding the environment, energy savings and efficiency, reduction of pollution and compliance with the National Allocation Plan.

The energy saving measures can be grouped into two significant areas. Firstly, the substitution of Low Sulphur Fuel-Oil with natural gas in the ten furnaces at the plant in which it was still not being used, with a saving of 59,000 tCO_2 per year, and secondly, through the optimisation of processes. With regard to the second of these measures, the measures taken can be categorised into three specific groups of action:

- Optimisation of operational conditions. Leading to a reduction in emissions of 11,200 T CO_2/year, and energy savings.

- New heat recovery systems: Detection of points of the plant where it is possible to recover energy. With an investment of Euros 1.24 million, a reduction has been made of 11,864 tCO_2/year, in addition to considerable energy savings and more efficient use of heat.

- Heat recovery systems in furnaces: The use of natural gas allows a more efficient use of the heat produced by combustion smoke. The installation of these new recovery systems in furnaces produces a saving in energy. Two heat recovery systems are already in operation, representing a saving of 4,500 tCO_2/year. The installation of another, which would offer a saving of 2,286 tCO_2/year, is planned.

The investment made in 2006 amounted to Euros 1.7 million. PETRESA will continue in this line over the next few years, with a planned additional investment of Euros 3.54 million.

5. COMMITED TO ENVIRONMENTAL IMPROVEMENTS IN OPERATIONS

With the goal of reducing the environmental impact of its activities, CEPSA has opted for energy efficiency, understood as a reduction in the use of raw materials and atmospheric emissions, and optimisation of all the Company's processes.

This is done through homogeneous procedures laid out in the Basic Regulation on the Environment. This regulation establishes the main environmental behaviour principles for all operations, as well various policies which are complied with through the definition and implementation of management systems in CEPSA's main business areas and facilities.

The environmental management systems are instruments which allow us to meet the legal compliance, continuous improvement and pollution prevention commitments established in our environmental policies. The implementation of these systems represents a commitment which is renewed every year and is specified in the annual management programme, where the objectives and goals focused on complying with environmental policy are established and documented. The objectives for 2006 and to what extent they have been fulfilled can be found in information supplementing this Report at www.cepsa.com/corporate responsibility.

5.1 ENVIRONMENTAL INVESTMENT

Investment in the environment is a reflection of CEPSA's commitment taken on board through environmental objectives. Throughout 2006, the Company's investment in upgrading, expansion and new construction projects, as well as in environmental activity and facilities totalled Euros 27.73 million, up 11.7% on the previous year's figures.

BUSINESS UNITS	2006[39] Millions of Euros	2006[39] %	2005 Millions of Euros	2005 %	2004 Millions of Euros	2004 %
Refining	15.8	57.0	10.3	41.6	23.5	58.2
Petrochemical	3.9	14.1	4.7	18.9	4.0	10.1
Exploration & Production	2.7	9.7	3.7	15.0	0.3	0.8
Marketing and Logistics	5.3	19.2	6.0	24.2	12.4	30.7
Others[40]	0	0	0.07	0.3	0.07	0.2
Total	**27.7**	**100**	**24.8**	**100**	**40.3**	**100**

The Refining area has experienced a significant increase in environmental investment, which has led to a reduction in atmospheric pollution through, among other factors, particle capture and improvements in sulphur recovery from acidic gases. Petrochemical investment has focused on reducing GHG emissions.

INVESTMENT BY ENVIRONMENTAL ASPECT	2006 Millions of Euros	2006 %	2005 Millions of Euros	2005 %	2004 Millions of Euros	2004 %
Water	6.0	21.7	4.7	19.0	3.4	8.4
Atmosphere	10.6	38.3	8.9	35.9	21.3	52.7
Waste	2.5	9.0	2.8	11.3	0.2	0.5
VOC	0.4	1.3	0.7	2.8	0.8	1.9
Soils and Underground Water	4.9	17.7	3.6	14.5	10.1	25.1
Others /Noise	3.3	12.0	4.1	16.5	4.5	11.4
Total	**27.7**	**100**	**24.8**	**100**	**40.3**	**100**

[39] The investments registered in the environmental management system differ from those registered in the accounting system, mainly because the latter does not consider hydrodesulphurisation as an environmental investment.

[40] Includes the CEPSA Research Centre.

5.2

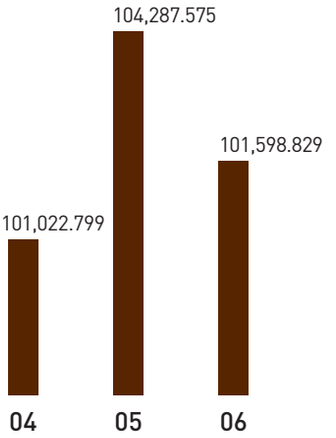
RESOURCE CONSUMPTION INDICATORS

One of CEPSA's goals is to improve internal data collection systems to give the most detailed vision possible of its activities through the data presented. In 2006 the Company widened the scope of its resource consumption indicators[41] in the Refining, Marketing and Logistics and Others areas[42].

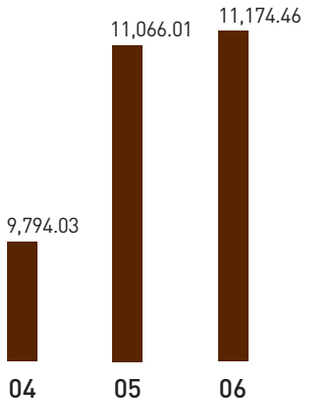
ENERGY CONSUMPTION: DIRECT AND INDIRECT

CEPSA uses crude oil and its derivatives as direct energy. Indirect energy consumption refers to that consumed through intermediary sources and, at CEPSA, this is energy consumed as steam and electricity. For the first time energy consumption has been broken down into the direct and indirect components. In the first case, 101.6 million gigajoules were consumed in 2006, a 2.58% reduction and a 2.69 million gigajoule saving with respect to 2005. This was largely due to the energy saving projects in the Refining and Petrochemical areas, as well as optimisation of operations control[43]. In the second case, electricity and steam, 11.17 million gigajoules were consumed, a 1% increase on the previous year. The direct and indirect energy consumed by CEPSA comes from non-renewable primary sources, mainly natural gas, fuel gas, fuel oil and gas oil.

DIRECT* ENERGY CONSUMPTION
(Thousands of Gigajoules/year)



INDIRECT* ENERGY CONSUMPTION
(Thousands of Gigajoules/year)



* Breakdown by primary source in the supplementary information section of the CEPSA website, www.cepsa.com/coporate responsibility

[41] A breakdown of these indicators by petrochemical company is available in the supplementary information to this Report at www.cepsa.com/corporate responsibility.

[42] The Refining area includes the ASESA Refinery (50% CEPSA), and Others includes Nueva Generadora del Sur (NGS, 50% CEPSA) and the Research Centre. Information in the Marketing and Logistics Area is extended to include the companies CEPSA Estaciones de Servicio, CEDIPSA, AMARCO, CECOMASA and ECANSA.

[43] More information on energy saving programmes on the CEPSA website, www.cepsa.com/corporate responsibility/supplementary information

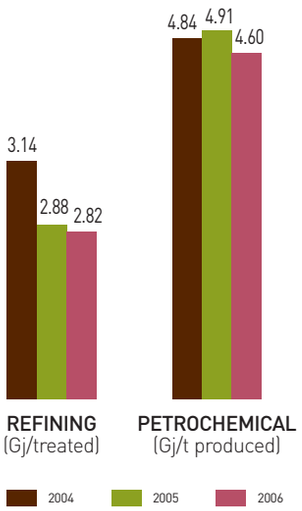
ENERGY EFFICIENCY

This indicator allows comparisons to be drawn between energy consumption figures and volume of activity of the areas. In Refining the amount of crude treated is used as a reference, whereas the Petrochemical area uses the tonnage produced.

An example of CEPSA's energy saving and efficiency policies is the Company's firm commitment to using cogeneration plants to produce electrical energy. When compared to conventional thermal plants, this measure represents a saving of approximately 50%.

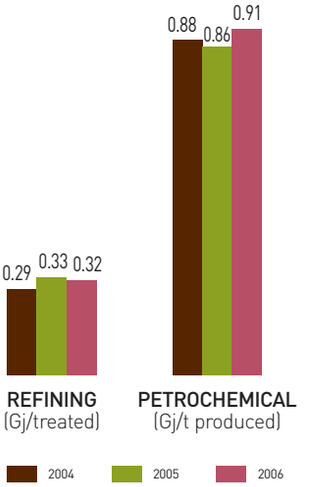
DIRECT ENERGY CONSUMPTION

(By production unit or crude treated)



INDIRECT ENERGY CONSUMPTION

(By production unit or crude treated)

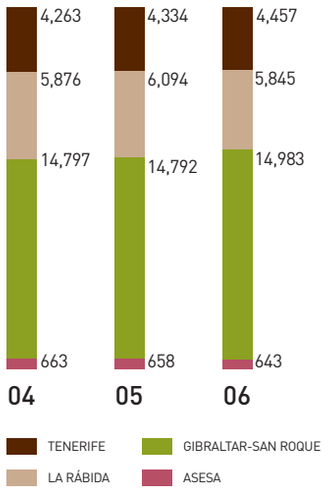


CONSUMPTION OF RAW MATERIALS

CEPSA mainly imports oil as the raw material for its three refineries, two of which are located in the Autonomous Community of Andalusia and the other on the Canary Islands. During 2006 they used a total of 29.35 million tons of raw materials. The Refineries integrate their activities with those of the petrochemical facilities[44].

RAW MATERIAL CONSUMPTION IN REFINING*. BREAKDOWN BY CENTRE

(Thousands of tons)



(*) Data on consumption at "La Rábida" and "Gibraltar-San Roque" for 2005 has been corrected as an error was detected in the figure included in the 2005 Sustainability Report.

[44] Further details on the Refining-Petrochemical integration at www.cepsa.com/Products and Services/Petrochemicals.

5.3
ATMOSPHERIC EMISSIONS

Fuel consumption at CEPSA facilities generates atmospheric emissions[45]. As well as CO_2 emissions, the other most significant emissions in terms of their volume and environmental impact are nitrogen oxide (NO_x), sulphur dioxide (SO_2), Volatile Organic Compounds (VOC) and particles.

ATMOSPHERIC EMISSIONS BY COMPOUND TYPE[46] (Tons)	2006	2005	2004
NO_X[47]	6,988.25	7,108.29	7,750.60
SO_2	19,419.61	24,729.25	29,535.80
Volatile Organic Compounds[48] (VOC)	3,871.01	2,858.73	2,932.47
Particles	610.58	872.65	839.70

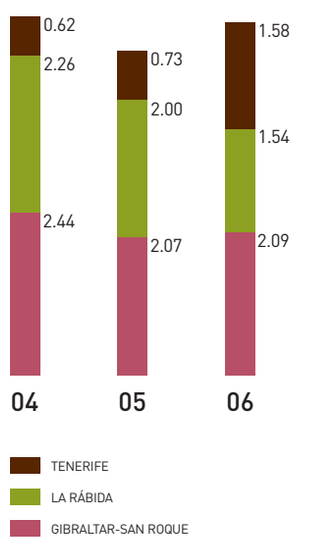
NITROGEN OXIDES

These components, which are generated from the combination of the oxygen and nitrogen in the air through combustion processes, contribute to the acidification and eutrophication of the environment, as well as the forming of tropospheric ozone.

Emission figures from the "Tenerife" Refinery show a substantial increase, due to modifications in 2006 to the methodology applied to determine the gas emission flow.

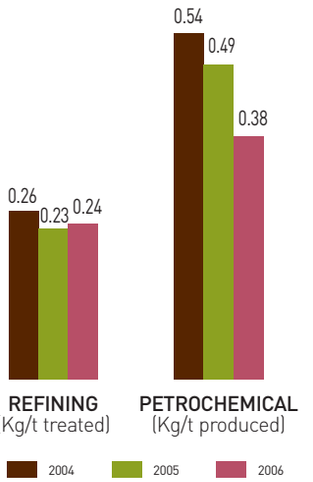
In the Petrochemical area, reductions and emissions have been brought about by modifications made to PETRESA furnaces to allow for natural gas consumption.

NO_X EMISSIONS IN REFINING. BREAKDOWN BY CENTRE.
(Thousands of tons)



Note: this chart does not include ASESA data due to its low contribution. 2006: 0.075; 2005: 0.07; 2004: 0.06.

NO_X EMISSIONS
(By production unit or crude treated)



[45] A breakdown of emissions by petrochemical companies can be found in the supplementary information to this Report at www.cepsa.com/corporate responsibility

[46] This data includes information on ASESA, NGS and the Research Centre.

[47] It does not include data for exploration and production.

[48] Only includes information on the Petrochemical area, as the remaining areas use estimation methods which produce results which, due to consistency issues, cannot be added to those from the Petrochemical area, the main COV producer.

5.3 ATMOSPHERIC EMISSIONS

NO_X EMISSIONS BY BUSINESS AREA (Thousands of tons)	2006	2005	2004
Petrochemical	1.540	2.120	2.300
Refining	5.290	4.870	5.370
Marketing and Logistics[49]	0.005	0.006	–
Others[50]	0.150	0.110	0.074
Total[51]	**6.990**	**7.110**	**7.750**

SULPHUR OXIDES

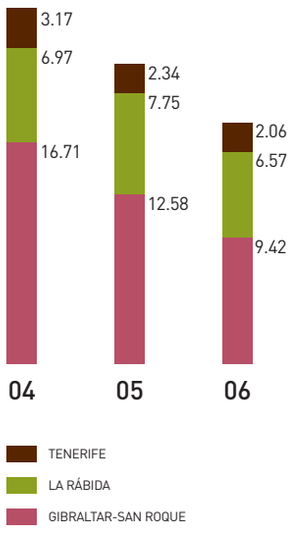
These components, which cause acidification both in the atmosphere and in soils and water, are a product of the sulphur contained in fuels.

In the "La Rábida" Refinery, the reduction of sulphur dioxide (SO_2) emissions in comparison with 2005 figures is largely due to a general decrease in fuel consumption, as well as a fall in the average sulphur content of fuel and improved efficiency in the gas purification systems installed. The drop in emissions at the "La Rábida" Refinery is a result of the modifications made to the production system.

The lowering of SO_2 emissions in the Petrochemical area is a consequence of the progressive adaptation of the furnaces in PETRESA San Roque to use natural gas.

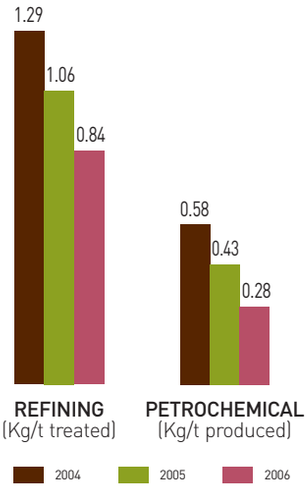
Further information on SO_2 emissions by business area at www.cepsa.com/ corporate responsibility/supplementary information.

SO_2 EMISSIONS IN REFINING. BREAKDOWN BY CENTRE.
(Thousands of tons)



Note: this chart does not include ASESA data due to its low contribution. 2006: 0.198; 2005: 0.21; 2004: 0.20.

SO_2 EMISSIONS
(By production unit or crude treated)



[49] For PROAS and CEPSA Portuguesa regular measurements were not available, so data is not representative.

[50] Includes the Research Centre.

[51] Exploration and production data is not included as the estimation methodology has been changed, making it inconsistent with that used in the remaining areas. In 2007 a suitable method will be applied for data publication, and this will include recalculations for 2006 and 2005.

VOLATILE ORGANIC COMPOUNDS[52]

These types of compound, with different chemical structures, are emitted during the product manufacturing, loading and storage processes, and may also be involved in processes that generate tropospheric ozone. Consequently, CEPSA has encouraged their reduction in its various areas and facilities.[53]

The Refinery area facilities are implementing the LDAR fugitive emissions programme, meaning that representative data will be available as of 2007.

PETRESA has implemented a "fugitive emissions control programme (LDAR)[54]", considered to be the best possible technique within the field of atmospheric emissions, in accordance with Law 16/2002 on Integrated Contamination Prevention and Control.

In the Marketing and Logistics area VOC emissions are not measured, due to the dispersion of the facilities and the fact that they produce emissions in extremely small quantities. However, CEPSA has signed an agreement, along with other operators, with the Department of the Environment and Land Planning for service stations in the Community of Madrid. Through this agreement, over four years 300 service stations will install systems for the recovery of gases displaced while vehicle fuel tanks are being filled, thus avoiding VOC emission into the atmosphere.

PARTICLES

Particle emission is primarily a result of incomplete oxidisation of fuels in combustion facilities.

The main reductions in the Refining area were recorded in the "La Rábida" refinery, and were due to a general lowering of fuel consumption. In the Petrochemical area, on the other hand, the majority of the reductions were achieved by PETRESA San Roque, by adapting their furnaces to natural gas.

PARTICLE EMISSION BY BUSINESS AREA[55]	2006	2005	2004
(Tons)			
Refining	550.59	768.00	698.00
Petrochemical	47.49	82.65	141.70
Others[56]	12.50	22.00	—
Total	**610.58**	**872.65**	**839.70**

[52] The breakdown by petrochemical company can be found in the supplementary information to this Report at www.cepsa.com/corporate responsibility.

[53] Details on the goals, actions and levels of compliance for VOC reduction at www.cepsa.com/corporate responsibility/ supplementary information.

[54] See details on this programme in the "Case Study" of this chapter.

[55] This information is not available for the Exploration and Production area. In the Marketing and Logistics area, regular measurements were not available for CEPSA Portuguesa for 2005 and 2006, and data is therefore not included as it is not representative.

[56] No data is available on the Research Centre, so only NGS data is included.

5.4

WATER CONSUMPTION AND REUSE

During 2006 water consumption[57] figures grew at CEPSA. This was mainly because the scope of the published data was broadened, including ASESA in the Refining area, NGS and the Research Centre in the Others area, and AMARCO, CECOMASA and ECANSA in the Marketing and Logistics area.

Another important fact is that the Exploration and Production area has changed its criteria from previous years, and has included as consumed water that which is extracted from the aquifer at the crude oil deposit, and which is injected into the deposit during the crude extraction process.

WATER CONSUMPTION IN REFINING. BREAKDOWN BY CENTRE

(Thousands of m^3)

Note: this chart does not include ASESA data due to its low contribution. 2006: 155.23; 2005: 143.12; 2004: 144.34.

TOTAL WATER CONSUMPTION CHART

(Thousands of m^3)

	2006	2005	2004
Exploration and Production[58]	20,433.26	19,128.29	17,104.23
Refining	12,624.69	13,559.90	14,626.20
Marketing and Logistics[59]	952.53	99.79	110.99
Petrochemical[60]	10,339.91	11,140.24	10,704.87
Others[61]	1,302.74	1,104.38	4.35
Total	**45,653.13**	**45,032.60**	**42,550.64**

[57] The breakdown of this indicator by petrochemical company can be found in the supplementary information to this Report, at www.cepsa.com/responsabilidadcorporativa.

[58] Data from 2004 and 2005 has been recalculated due to the change in criteria used to measure water consumption.

[59] In 2006 there was a significant rise due to a broadening of the scope of the service station network, from which data for all the facilities were obtained, except for the franchise stations which only use the CEPSA brand and are run and owned by a third party.

[60] In the Petrochemical area all historical data for various plants has been updated due to miscalculated data for refrigeration water over those years.

[61] 2004 data does not include NGS, as the plant was not yet operational.

In Refining, the decrease in water consumption was mainly due to increased levels of reused water, which reached 20.7% of total water consumption in the "La Rábida" refinery.

The reuse of water has also increased with the dual goal of reducing the consumption and quantity of liquid effluent, which must be treated before being disposed of.

WATER COLLECTION SOURCES	2006	2005	2004
(%)			
Surface	7.68	8.47	6.64
Underground	45.17	42.51	40.24
Collected rainwater	0	0	0
Municipal water or other public service	47.15	49.02	53.12
Wastewater from another organisation	0	0	0
Total	**100**	**100**	**100**

VOLUME OF RECYCLED AND REUSED WATER (V.REC)[62] BY BUSINESS AREA	2006			2005			2004		
	V. Total	V.rec	%	V. Total	V.rec	%	V. Total	V.rec	%
(Thousands of m^3)									
Exploration/Production	20,433.26	0	0	19,128.29	0	0	17,104.23	0	0
Refining	12,624.69	725.83	5.75	13,559.90	360.14	2.66	14,626.20	394.18	2.70
Marketing & Logistics	952.53	23.25	2.44	99.79	25.11	25.20	110.99	32.67	29.44
Petrochemical	10,339.91	321.77	3.11	11,140.24	348.56	3.13	10,704.87	334.77	3.13
Others	1,302.74	0	0	1,104.38	0	0	4.35	0	0
Total	**45,653.13**	**1,070.85**	**2.35**	**45,032.61**	**733.81**	**1.63**	**42,550.64**	**761.63**	**1.79**

[62] To calculate the volume of recycled/reused water, the number of productive cycles in which a single load of water has been used is taken into account. For example, if 20 m^3 of water is required for a cycle, and then this is reused for three further cycles, the total volume of recycled/reused water for this process is 60 m^3.

The scope has been widened to include ASESA in Refining, NGS and the Research Centre in Others, and AMARCO, CECOMASA and ECANSA in Marketing and Logistics.

5.5 CONTROLLED DISCHARGE MANAGEMENT

All CEPSA's production centres have effluent treatment plants to ensure that discharges are within the limits established by prevailing legislation.

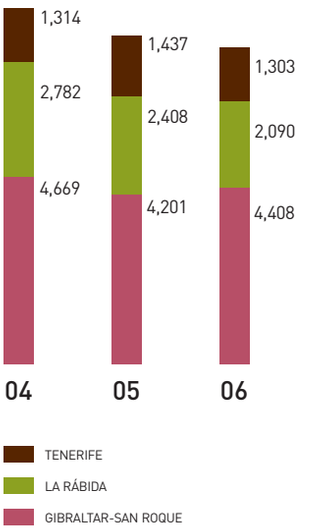
VOLUME OF CONTROLLED DISCHARGES[63]

All business activities have reduced their volume of controlled discharges except Marketing and Logistics, where the increase is due to an improvement in obtaining data.

The reduction in discharges in Refining is due to reusing water in the "La Rábida" refinery and an 8% reduction in the quantity of brine produced in the water treatment process in the cogeneration plant.

DISCHARGES IN REFINING, BY PLANT

(Thousands of m^3)



Note: ASESA information is not included in the chart as it is not significant.
2006: 185.81; 2005: 170.42; 2004: 183.9

VOLUME OF CONTROLLED DISCHARGES BY BUSINESS ACTIVITY[64]

(Thousands of m^3)

	2006	2005	2004
Refining	7,986.64	8,216.42	8,948.90
Petrochemicals	4,575.06	5,052.88	5,181.68
Exploration and Production	26.29	28.74	33.57
Marketing and Logistics	1,032.71	41.91	45.77
Other[65]	178,446.00	182,300.00	30,240.00
Total	**192,066.70**	**195,639.95**	**44,449.92**

[63] The breakdown of this indicator by petrochemicals company is available in the supplementary information to this Report at www.cepsa.com/corporate responsibility.

[64] Increase in scope. Includes: ASESA under Refining, NGS and Research Centre under Others.

[65] Only information on the Research Centre in 2006, which cannot be compared to the total NGS waste.

EFFLUENT QUALITY

In CEPSA production plants appropriate treatments are carried out to ensure a controlled discharge within established limits. In 2006 there was a significant improvement in the quality of Refining and Petrochemicals effluents. The evolution of each type of pollutant and the main actions taken are detailed below.

POLLUTANTS	2006	2005	2004
(Tons)			
REFINERY			
Total Organic Carbon (TOC)	426.51	502.68	423.39
Suspended solids	470.15	985.66	568.00
Oil and grease	93.55	155.24	95.00
Total	**990.21**	**1,643.58**	**1,086.39**
PETROCHEMICALS			
Total Organic Carbon (TOC)[66]	172.10	185.13	161.00
Suspended solids	152.60	230.00	162.80
Oil and grease	11.18	11.50	15.90
Total	**335.88**	**426.63**	**339.70**

Improvements achieved in Refining are based on appropriately separating residual streams of the process, avoiding worsening the general quality of the effluent discharge. Furthermore, the "La Rábida" refinery treatment plant has been adapted to meet the conditions in the new Integrated Environmental Authorisation, which require stricter levels of quality.

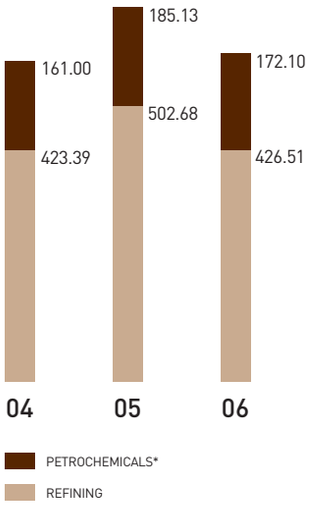
Reductions in the area of Petrochemicals are associated to improvements in the efficiency of the purification processes and an improvement in daily operations.

Discharges from the three refineries, their associated petrochemicals plants and the combined cycle power station (NGS) are released into the sea, through available discharge outlets. Discharges from the remaining plants are released into the sewerage network.

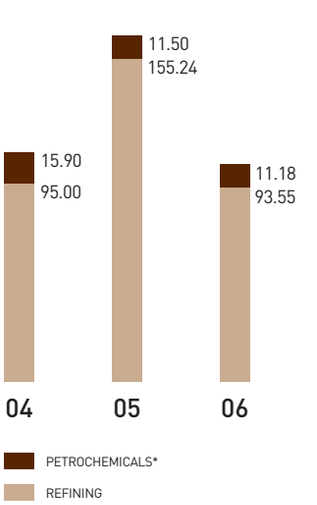
[66] Historical information has been recalculated due to the implementation of the Integrated Environmental Authorisation in ERTISA, and the substitution of the control parameter DQO with COT.

5.5 CONTROLLED DISCHARGE MANAGEMENT

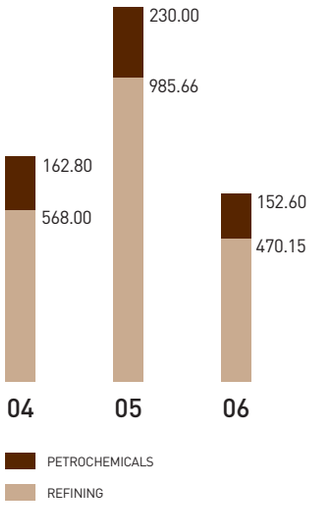
TOTAL ORGANIC CARBON
(Tons)



OIL AND GREASE EMISSIONS
(Tons)



TOTAL SUSPENDED SOLIDS
(Tons)



* INTERQUISA Canada and PETRESA Canada have not been included given that discharges from the former go to a collector and the latter has no discharges.

WASTE MANAGEMENT[67]

Depending on its composition and characteristics, the different types of waste are segregated from the moment they are produced to send them to be treated, recycled or deposited. Waste is removed through authorised external managers.

QUANTITY OF WASTE GENERATED[68] (Tons)	2006	2005	2004
Hazardous waste	44,418.40	45,812.77	40,964.05
Non-hazardous waste[69]	20,485.63	30,337.59	27,331.10

CEPSA has reduced hazardous waste by 3% and non-hazardous waste by 33% compared to 2005. The reduction in non-hazardous waste is partly due to improvements in segregation and temporary storage in the "Gibraltar-San Roque" refinery.

Waste generated in Exploration and Production is mainly solids derived from drilling wells and is not considered as hazardous. The variation, in the majority of cases, is due to the greater or lower number of wells drilled in the oil fields.

[67] The scope has been increased for the information provided, including ASESA in the area of Refining and NGS and the Research Centre in Others. The companies AMARCO, CECOMASA and ECANSA have been included in the area of Marketing and Logistics. The breakdown by petrochemicals company is available in the supplementary information to this Report at www.cepsa.com/responsabilidad corporativa.

[68] Exploration and Production is not included, the data for which is provided in a separate table in cubic metres.

[69] Information on non-hazardous waste for the Marketing and Logistics area does not include information on the following as it is not available: Energy subsidiaries, PETROCAN, CEPSA Service Stations, CEDIPSA, CMD, CEPSA Aviation, AMARCO, CECOMASA and ECANSA.

EXPLORATION AND PRODUCTION WASTE	2006	2005	2004
(m^3)			
Perforation waste (non-hazardous)	13,164	4,402	15,000

The reduction in the quantity of hazardous waste in the "La Rábida" refinery is circumstantial given that it is due to a drop in purification sludge (having not been removed from its storage pool in 2006).

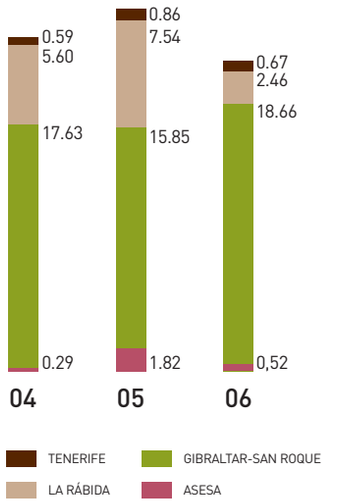
The increase in hazardous waste in Petrochemicals is due to temporary reasons, such as cleaning of equipment and changing waste classified as non-hazardous to hazardous[70], which is not associated to production levels.

Since 2005 CEPSA has a Framework Contract for the integrated management of waste with the company BEFESA, also sharing the three refineries and the Spanish petrochemicals subsidiaries, with their respective cogeneration plants. It is forecast that Gas Licaudo and the Research Centre will join CEPSA in 2007.

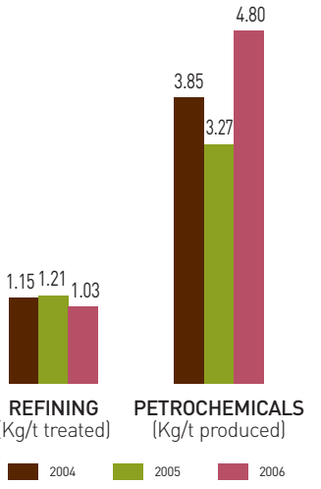
CEPSA has five plants for receiving and treating MARPOL[71] waste, which receive waste from ships (ballast water, bilge water, etc.). These plants are located in the three refineries and in the companies ASESA and ATLAS. In 2006, 51,379 tons of MARPOL waste was treated.

In the area of Exploration and Production in Algeria, perforation waste is stored in the installations.

HAZARDOUS WASTE IN REFINING, BY PLANT
(Thousands of tons)



HAZARDOUS WASTE GENERATED
(By production or treated crude oil unit)



CEPSA recovers certain waste it generates, although it strives to minimise the production of such waste from its source. This waste is used to produce energy or as an auxiliary material for other processes, and is a constant area of research and initiatives in CEPSA. Examples can be found on CEPSA's web site, in the supplementary information to this Report.

[70] Due to the increase in cobalt contents compared to prior years.
[71] Abbreviation for Marine Pollution, international convention for the prevention of pollution from ships

MANAGEMENT METHODS OF HAZARDOUS AND NON-HAZARDOUS WASTE[72]	2006	
	Hazardous	Non-hazardous
(%)		
Reuse	0.58	0
Recycle	0.95	7.22
Incinerate	20.51	57.99
Recover	16.44	2.73
Deposit in landfills authorised for the indicated waste	57.19	26.58
Inertisation	3.72	-
Store in the installation[73]	0	-
Other[74]	0.60	5.48

MATERIALS AND PRODUCTS RECLAIMABLE AT THE END OF THEIR USEFUL LIFE

CEPSA produces a wide variety of products which are either transformed into energy or are used as a raw material in other production processes and in the majority are distributed in bulk. One exception is lubricants which are partly distributed in containers which can be recovered, as can the lubricant at the end of its useful life. CEPSA Lubricantes S.A. uses the Integrated Management System for containers and waste, which guarantees selective collection and recovery of all lubricants sold, for which instalment payments are made. This task is currently undertaken by the non-profit making organisation ECOEMBES, S.A.

In the Canary Islands, AMARCA, a CEPSA group company, collects used lubricants, which are subsequently recovered at the "Tenerife" refinery.

The process of compiling information on quantities of reclaimed lubricant containers and packaging is external, and for used oils there is an internal process.

% OF PRODUCTS AND CONTAINERS AND PACKAGING RECLAIMED	2006	2005	2004
Products reclaimed in the Canary Islands	73.98	67.00	63.90
Reclaimed containers in Spain	100.00	100.00	100.00

[72] The managed quantities segregated by the different management methods cannot be provided for 2004 and 2005 given that in many cases the information is not available and in other cases, the data is not representative.

[73] Waste generated in Exploration and Production is stored in the installation. This waste is not included in the percentage given that production data is only available in cubic metres, whereas other waste is expressed in units of mass.

[74] Waste for which the management method used is unknown.

5.6

IMPACT OF PRODUCT TRANSPORTATION

The principal impacts of product transportation in CEPSA are energy consumption and the emission of pollutants into the atmosphere. To a lesser extent, accidental spillages of product and noise pollution affect the environment.

CEPSA works to diminish these impacts by using cleaner and more efficient fuels, implementing measures for the prevention of leakages, training workers, and making regular inspections of vehicles to ensure that they are in line with legal limits for noise emission.

EMISSION OF POLLUTANTS

Emissions caused by transportation amounted to 114,302 tons in 2006, representing an increase of 30.4% as compared to 2005, which is due to the inclusion of rail transport emissions in the figures for 2006. Furthermore, a larger number of companies published transport information in 2006, with road transport emissions including the data for DETEN, PETRESA Canada, ERTISA Spain, ERTISA Europe, LUBRISUR and CEPSA Lubricantes. CEDIPSA, whose emissions were included in 2005, does not figure in the 2006 emissions listing as data was unavailable.

ACCIDENTS

ACCIDENT RATE FOR ROAD TRANSPORTATION[75]	2006[76]	2005[77]
Total accidents per No. of deliveries	3.25×10^{-5}	4.38×10^{-5}
Environmentally significant accidents per No. of deliveries	1.16×10^{-6}	2.66×10^{-6}

Only one road accident occurred in 2006, out of a total of 860,383 deliveries made. In 2005, there were 33 accidents (753,065 deliveries were made that year).

The reduction in the number of road accidents is due to the measures adopted in terms of training and accident prevention. There have been no rail freight transport accidents during 2005 or 2006.

In the case of marine transport, there was one accident categorised as causing an environmental impact.

CEPSA has the means necessary to ensure the prevention and minimisation of the consequences of accidents should they occur.

[75] The rates refer to the number of accidents/number of deliveries made.

[76] Data for INTERQUISA Canada, INTERQUISA San Roque and CEDIPSA is not included, whereas data for CEPSA Lubricants is included for the first time.

[77] Data for INTERQUISA Canada and PETRESA is not included.

SPILLAGES

Throughout 2006 data collection processes pertaining to spillages that occurred during plant operations were substantially improved thanks to an IT tool that permits access to accident reports.

SPILLAGES[78] IN NORMAL PLANT OPERATION

	Number of spillages		
Substance	**2006**	**2005**	**2004**
Crude oil, fuel	41	32	12
Others	49	43	18
Total	**90**	**75**	**30**

There has been a reduction in spillage during product transportation, compared to 2005, due, basically, to the training given on the subject of the environment.

	2006		2005	
SPILLAGES IN ROAD TRANSPORT OF PRODUCTS	**Number of spillages**	**Volume (tons)**	**Number of spillages**	**Volume (tons)**
Others	2	2.05	9	30.53

Initiatives to prevent and reduce spillages include the training given in various production centres, with a total of 72 courses of different levels (from basic to advanced, as well as courses directed at Management).

In CEPSA there are numerous general and specific procedures for preventive inspections of the installations, which make it possible to detect anomalies that could cause accidents (and therefore spillages in some cases) before they occur.

In order to anticipate possible pollution in the case of spillages during loading or unloading of products transported by ship, the Company is working on the implementation of prediction systems for the detection and management of spillages. These include detection and alarm systems for the leakage of hydrocarbons from floating hoses and hoses submerged by monobuoys, and systems to predict movement in oil slicks.

[78] The total volume of spillages is not included, given that this figure is only registered when the volume spilled in the incident is greater than one barrel of petrol (159 litres). All the spillages that occurred in 2006 were below this volume.

SIGNIFICANT FINES AND NON-MONETARY SANCTIONS FOR NON-COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS

Companies must ensure that all production activities are in compliance with prevailing legislation in all instances.

CEPSA's Legal Advisors work to ensure that the Company makes decisions in line with the Law, as well as defending its interests in any lawsuits, whether these derive from company actions or external actions affecting the company.

To achieve these objectives, advisory work is carried out from a dual perspective: preventive work referred to as Consultancy, and corrective work in the event of dispute.

Furthermore, contact is maintained both with companies and associations in the sector, as well as with the Public Administrations. The Company participates with its comments on draft bills and law bills that affect its activity.

5.7

CEPSA'S POSITION REGARDING RECENTLY ENACTED LEGISLATION

In addition to the information on environmental performance, this section includes descriptive information on CEPSA's position regarding four current topics of environmental legislation:

- Integrated Environmental Authorisation (the deadline for obtaining this is October 2007) and forecasts for adjustment to the Best Available Techniques.
- Adjustment to the National Plan for Emissions Reduction of large combustion plants, the first compliance period for which begins 1 January 2008.
- Preparation of preliminary reports on soil pollution, which should be presented before March 2007, in accordance with Royal Decree 9/2005.
- Projections for future compliance with the Environmental Responsibility Law.

INTEGRATED ENVIRONMENTAL AUTHORISATION AND PROJECTIONS FOR ADAPTING TO THE BEST AVAILABLE TECHNIQUES

Three CEPSA installations have obtained the Integrated Environmental Authorisation (IEA) in addition to NGS and ASESA (companies in which CEPSA has a 50% shareholding). The other large installations are currently processing the authorisation with the IEA within the established timeframe.

One of them, the Gibraltar-San Roque Refinery, has signed the Voluntary Agreement with the Andalusian regional government as a prior step to obtaining the Integrated Environmental Authorisation.

Stricter emission limits than those imposed by general legislation have been applied by CEPSA in its installations with IEA. Some of the most significant measures adopted are as follows:

- PETRESA: Waterproof storage tanks with leak detection systems, burner installation with low NOx in all furnaces, implementation of a new programme to control fugitive emissions and projects to reduce emissions and save energy.
- "La Rábida" refinery: sulphur capture systems improved, implementation of low NOx burners, extension of liquid effluents treatment plant and initiatives to reduce volatile organic compounds emissions (double sealed crude oil tank, floating roof on bezine tanks, vapour recovery in fuel tanker, rail and maritime loading bays).
- ERTISA: Extension of liquid effluents treatment plant, diverse initiatives to reduce volatile organic compound emissions.

LA RÁBIDA REFINERY: FIRST INSTALLATION IN THE SECTOR TO OBTAIN THE INTEGRATED ENVIRONMENTAL AUTHORISATION IN ANDALUCIA

The "La Rábida" refinery was granted the Integrated Environmental Authorisation (IEA) on 29 August 2006. The IEA is based on the application of achievable emission levels employing the best available technology in the sector based on the environmental conditions of the surroundings.

The IEA establishes a significant reduction in monthly waste emission limits (COD reduced by 64%, phenoles by 73% and amoniacal nitrogen by 79%).

However, it is necessary to undertake projects that further increase the segregation of waste (a salt-water network should be installed for water which would only be modified in terms of its dissolved salts content, and the segregation of rain water should be improved to obtain maximum treatment capacity for the most contaminated waters). Continuous control will also be increased through the installation of a complete organic carbon analyser and an exhaustive maintenance plan for this type of equipment.

The IEA also increases the number of continuous atmospheric emission analysers in chimneys. Consequently, the main focal points monitored increases from two to seven, which allows the Company to continuously monitor the majority of the refinery's emissions. The emission levels from the main chimneys have been significantly reduced; for example, the SO2 emission levels of the main chimney of the Lubricants and Petrochemical Plants have been reduced by 50%, and particles emission levels by 66%. The particle emissions from FCC's main emission source have been reduced by 33%.

All measurements taken from the analysers are transmitted in real time to the Environmental Quality Data Centre of the Regional Ministry for the Environment of Andalusia.

The IEA also includes an exhaustive Environmental Monitoring Programme, in which issues relating to the certification of continuous analysers, immediate notifications of incidents to Administration, emissions measurements, monitoring of soil quality and groundwater, etc., have top priority.

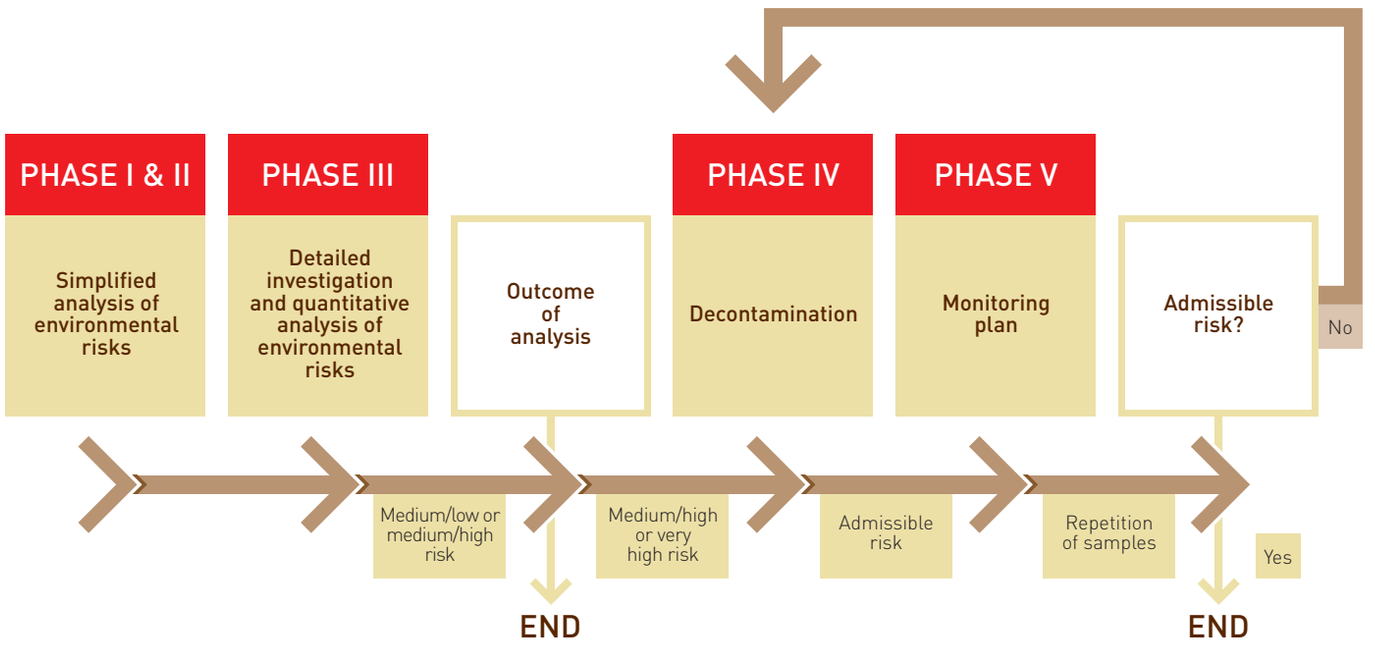
ADJUSTMENT TO THE NATIONAL PLAN FOR EMISSIONS REDUCTION OF LARGE COMBUSTION PLANTS (LCP)

Directive 2001/80/EC of the European Parliament and of the Council on emission limits of certain polluting agents (SO_2, NO_x and particles) produced by large combustion plants, has been transposed into the Spanish Law by Royal Decree 430/2004. The directive materialised as the Spanish National Plan for Emissions Reduction (PNRE), which establishes Emission Limit Values (ELV) that must be complied with, as well as bubble emissions corresponding to the ELVs and the necessary measures to comply with the directive. The three CEPSA refineries are affected by the plan. Detailed information on the measures adopted by CEPSA to comply with the directive by installation is available on the Company web site.

POTENTIALLY POLLUTED SOIL: PROJECTIONS FOR ADJUSTMENT TO ROYAL DECREE 9/2005

February 2007 was the deadline to present preliminary reports on soil pollution for the installations included in the scope of the application of Royal Decree 9/2005. All CEPSA plants and installations affected have been working throughout 2006 to comply with the established deadline.

Furthermore, in anticipation of the legislation, CEPSA has undertaken activities for the prevention and remediation of polluted soil, which is reflected in the efforts made by Service Stations since 1995 through the implementation of a voluntary programme to detect and remediate the possible contamination of the soil and/or groundwater. The phases of this programme are shown below:



The programme ensures an admissible risk level of soil and/or groundwater for the possible recipients. Around 70% of installations subject to this programme have completed phases I & II, and the rest are in the last two stages.

COMPLIANCE WITH THE FUTURE ENVIRONMENTAL REPONSIBILITY LAW

The Environmental Responsibility Law is expected to be passed in 2007. This law will require the adoption of risk prevention measures, the remediation of the environmental damages produced since May 2007 and financial guarantees to deal with the potential damages.

The implementation of environmental management systems permits effective control of the environmental aspects of the organisation and thus facilitates the reduction of environmental risks. The centres and companies possessing the ISO 14001 certification, the EMAS certification, or both, are listed on CEPSA's[79] web site.

Other CEPSA areas are in the process of implementing measures, such as oil fields in Algeria and gas centres. The areas are also continuing with the programme to implement Integrated Systems in service stations of the central region.

With the aim of detecting the main environmental risks and to address the problem at source, some plants have undertaken environmental risk analysis in accordance with the ISO 150008EX experimental regulation[80].

CEPSA adopts and attempts to apply the Best Available Technologies (BAT) to ensure optimal results regarding control and measurement of environmental parameters.

The Company also has other pollution control measures in place, including containment systems in refineries and companies whose activity poses a potential threat to marine life. These systems integrate absorbers, spill containment barriers, anti-pollution vessels etc., in addition to procedures for the implementation, notification and coordination of national and regional plans to act in the event of an emergency.

[79] www.cepsa.com/corporate responsibility/environment.

[80] The UNE 150008EX is an experimental Spanish regulation and not the transposition of any international law. Its objective is to establish a methodology to analyse and assess the risk of organisations' activities.

5.8

MANAGEMENT OF BIODIVERSITY-RELATED ASPECTS

The operations carried out in CEPSA's installations may have a negative impact on the natural habitats of the areas in which the Company is present. Consequently, CEPSA undertakes a wide-ranging programme of initiatives each year with a view to reducing the impact of its activities on the environment, especially the biodiversity, in the areas in which it operates.

The possible impacts of CEPSA's activities on biodiversity are as follows:

- **Air quality:** the emission of certain pollutants may have adverse effects on the biodiversity of the surrounding environment (deterioration of flora due to particle and SO2 emissions). The continuous efforts to reduce atmospheric emissions have led to an improvement in the air quality in the surrounding environment of the production centres.

- **Water quality:** spillages may produce an adverse effect on water quality, however, under CEPSA's normal operating conditions, the treatment of process and waste water is not considered to have any repercussions on water quality (CEPSA's dumping criteria are compatible with those of the environment). In the event of accidental situations, the spillage of hydrocarbons or chemical products may directly affect the flora and fauna of the surrounding environment. CEPSA works to prevent these possible accidental situations by introducing predictive systems and analysing activities to determine those that pose a greater environmental threat in order to subsequently act to reduce their impact.

- **Noise pollution:** noise emissions affect the fauna of the surrounding environment, especially during the breeding season. To control the noise levels, periodical measurements of noise levels are carried out which have shown that, except in a few exceptional cases, the noise levels measured are within the limits established by legislation.

- **Contamination of soil and groundwater:** the contamination of soil and/or groundwater may have an adverse effect on biodiversity (reduction in nutrients due to variations in the natural cycle, variations in the structure and composition of micro-flora and micro-fauna, etc.). Nevertheless, as is the case for surface water, the contamination of groundwater and/or soil only occurs in the event of an accident, as normal operating conditions incorporate adequate containment measures to prevent contamination.

- **Consumption of natural resources:** the consumption of natural resources, such as water, may affect aquatic ecosystems if, for example, the ecological wealth of rivers is not maintained or the aquifers are overexploited. In the case of CEPSA, the large majority of the production centres use mains water instead of water from natural riverbeds, thus their impact on this resource is minimal.

Nevertheless, the aforementioned impacts on the biodiversity of the environment represent potential impacts and there is no well-founded evidence to suggest that CEPSA's production centres have a significant impact on the biodiversity.

PROTECTED AREAS

The identification and evaluation of the impacts produced by CEPSA's activities in areas that are protected or of high ecological value enable the Company to improve its environmental strategy and assess the risks associated to its activities.

The number of service stations owned by CEPSA increased in 2006, however, the number of service stations located in or near protected areas or wetlands has fallen significantly (51.9% reduction in the case of service stations located near protected areas and 51.36% for those located near wetlands).

In spite of the fact that, in the large majority of cases, the areas with greatest wealth of biodiversity are areas that are in some way protected (Nature Parks, National Parks, Natural Reserves, etc.), this is not always the case.

In the spirit of giving due importance to all species and not only those that inhabit protected areas, CEPSA has assessed the situation of its installations located in areas with ample wealth of biodiversity.

Information regarding the application of the EIA (Environmental Impact Assessment) in CEPSA installations and projects and the criteria established and measures implemented by the company in this respect is available at www.cepsa.com/corporate responsibility/ supplementary information. The Company web site also includes a breakdown by business area of land and installations located near wetlands and areas that are protected or have a great wealth of biodiversity at 31 December 2006. The number of endangered species inhabiting the areas in which CEPSA is present, which may be affected by the activity of the refineries and petrochemical plants, is also available on the web site.

PROTECTION AND RESTORATION OF HABITATS

CEPSA is aware of the importance of the environment surrounding its production centres, consequently the Company undertakes restoration and maintenance activities in areas of great ecological wealth. The Company actively participates in the restoration of habitats of indigenous species in the regions in which the Company operates, in addition to programmes to recover rundown ecosystems, some of which, and thanks to the collaboration of CEPSA, are now classed as protected areas.

In the knowledge that the work undertaken requires the assistance and commitment of the entire population, CEPSA also contributes to raising public awareness of environmental issues through scientific communications programmes and by organising activities for schools in the surrounding area.

In 2006, the Company continued its work on the chameleon recovery project in Chipiona (Cadiz) and has obtained the relevant licences.

5.8 MANAGEMENT OF BIODIVERSITY-RELATED ASPECTS

With regards to the restoration and maintenance of ecosystems, the "La Rábida" refinery is working together with the Regional Ministry for the Environment of Andalusia and with the town councils of Palos de la Frontera and Morguer and the Irrigation Community of Palos de la Frontera to prepare Project Life, which is designed to improve the environmental surroundings of the Lagunar Palos-Las Madres complex and the Domingo Rubio swap. CEPSA will also continue to invest in the maintenance of Laguna Primera de Palos and plans to promote the study of the aquatic ecosystem through an agreement with the University of Seville.

In Marismas del Odiel, a natural beauty spot located nearby the "La Rábida" refinery and to ERTISA, CEPSA has adapted a plot to facilitate the breeding of the "Charrancito ", an endangered species belonging to the tern family of birds, which have the largest colony in the Iberian Peninsula located in the province of Huelva.

In line with its work to identify the possible repercussions of the refineries' activities on marine ecosystems, the Company has once again carried out periodical analyses in the "La Rábida" refinery to determine the effect of the metal contamination levels on marine fauna of the Padre Santo Canal. CEPSA has also undertaken studies of water quality of the surrounding environment of the "Tenerife" refinery landfills and the annual campaign to analyse the pollutants in marine organisms took place in the "Gibraltar-San Roque" refinery.

In order to show the commitment of the Company and of each of its production centres to the environment, ERTISA has been working towards obtaining the Doñana 21 certification, which is granted by its Foundation and pays testament to the responsible environmental management of the Company in the surroundings in which it undertakes its activities. The cost of obtaining the certification is earmarked for research and restoration projects in the surroundings of the National Park.

CASE STUDY
DETECTION AND REPAIR OF FUGITIVE EMISSIONS IN THE REFINERY AND PETROCHEMICAL AREAS *(LEAK DETECTION AND REPAIR – LDAR)*

Some of the gas emissions from these areas are produced by unforeseen leaks in process systems, which often go unnoticed and may lead to contamination. The gases emitted are Volatile Organic Compounds (VOCs), consequently one of CEPSA's main priorities within the scope of its environmental protection policy is the rigorous control of these types of emissions.

The Company is developing leak detection and repair programmes (LDAR), which mainly employ two types of methodology: the EPA 21 of the American Environmental Association, which calculates the sources of leaks using average emission factors; the use of modified video cameras that analyse the infrared area of the spectrum and are capable of quantifying the emissions absorbed. The programmes are carried out in phases and the work plans include the identification, measurement, repair and monitoring of the sources of leaks (valves, pumps, compressors, etc.).

The outcome of the programmes has been positive. In PETRESA, on completion of the analysis and detection phases, followed by the complete repair of the affected elements, it has been possible to reduce VOC emissions by 95%.

Works are being carried out on the Aromatics plant in the "Gibraltar-San Roque" refinery. VOC emissions have been reduced by approximately 65% following completion of the first phase.

In the "La Rábida" refinery, in which works began in 2004, there has been an 80% reduction in the Petrochemical plant, 98% in the FCC plant, and 51% in the Fuel plant, which has only one cycle.

Consequently, the LDAR programme has proved to be a very useful tool to detect and control fugitive VOC emissions and has had a positive effect on both the health of the population and the environment.

CORPORATE RESPONSIBILITY IN CEPSA IN 2007 AND 2008

Throughout this report we have highlighted several initiatives undertaken by CEPSA to reinforce its commitments to stakeholders and society as a whole. We hope that this report has given an idea of our approach to corporate responsibility, and that the aforementioned actions and programmes have provided further insight into CEPSA, both present and future.

As acknowledged by the Chairman in his welcome message, in spite of our efforts, we are aware that society will present us with new challenges, which will require even further commitment. At CEPSA we understand that corporate responsibility is a process of continuous improvement. In spite of our achievements in recent years, we consider that there are still areas we need to improve:

Consequently, we have set the following objectives for 2007 and 2008.

1. Further integrate corporate responsibility into CEPSA management and the establishment of commitments and priorities.

- Prepare a Corporate Responsibility Master Plan, which establishes objectives and specific initiatives to be undertaken over a three-year period.
- Adapt, insofar as possible, the recommendations on Corporate Responsibility reflected in the Unified Code of Good Governance.

2. Develop initiatives that strengthen the cultural cohesion of the organisation surrounding the ideas of good governance, commitment, transparency, integrity and corporate responsibility, especially commitments relating to the conduct of the organisation's personnel.

- Implementation of the Action Plan for the investigation of reports of sexual or moral harassment.
- Continue the process initiated in 2006 of raising awareness and establishing means whereby employees can contribute to corporate responsibility.

3. Determine the procedures of the Company in its relations with the community, especially those in the surrounding environment of CEPSA's production centres.

- Determine the Company's commitments relating to Corporate Responsibility, which are complementary to existing commitments.
- Establish a methodology to improve our relations with our neighbours.
- Carry out consultation processes with stakeholders
- Establish initiative programmes with communities, taking into consideration the Millennium Objectives.
- Give fresh impetus to the implementation and dissemination of the ten principles of the United Nations Global Compact.

4. Reinforce internal systems for the collection and consolidation of information to increase the scope and detail of the information provided by CEPSA in the coming years.

5. Finally, maintain the commitment assumed by CEPSA regarding the verification of its Corporate Responsibility Reports, taking the reviewer's recommendations into consideration for future editions.

In the next edition, we hope to provide details of progress made in different areas throughout the year, as well as details of other actions that CEPSA could undertake relating to Corporate Responsibility.

EXTERNAL VERIFICATION OF 2006 CORPORATE RESPONSIBILITY REPORT

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REPORT ON INDEPENDENT REVIEW OF
2006 CEPSA CORPORATE RESPONSIBILITY REPORT

(Translation of a report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To Management of CEPSA:

Scope of the engagement

We have performed the review of the adherence of the 2006 CEPSA Corporate Responsibility Report content to the GRI Guidelines version 3.0 (G3) for the preparation of Sustainability Reports and the review of the indicators proposed in the aforementioned guidelines for the activities of the organisation performed in Spain in 2006. Also, we have checked the process in which information concerning CEPSA's other subsidiaries located abroad was compiled.

The preparation and content of the Corporate Responsibility Report are the responsibility of the Institutional Relations Management of CEPSA, which is also responsible for defining, adapting and maintaining the internal control and management systems from which the information is obtained. Our responsibility is to issue an independent report based on the procedures applied in the limited review.

We conducted our work in accordance with *International Standard on Assurance Engagements 3000* (ISAE 3000) of the International Auditing and Assurance Standards Board (IAASB), for the performance of reasonable or limited assurance engagements on non-financial information.

Our review work consisted of making inquiries to management and to the various CEPSA business areas that participated in the preparation of the Corporate Responsibility Report and of carrying out the following analytical procedures and sample-based review tests:

- Meetings with CEPSA personnel to ascertain the management approaches applied and to obtain the information required for the review of the data for 2006.
- Analysis of the processes used to gather and validate the data presented in the 2006 Corporate Responsibility Report.
- Review of the steps taken in relation to the identification and treatment of the stakeholders during the year, and of the materiality and completeness of the information included in the Corporate Responsibility Report on the basis of CEPSA's understanding of the stakeholders' expectations.
- Checking that the content of the Corporate Responsibility Report does not contradict any significant information included by CEPSA in its 2006 Annual Report or in its 2006 Corporate Governance Report.
- Analysis of the adherence of the content of the Corporate Responsibility Report to the GRI G3 Guidelines.
- Review of the information relating to the management approaches applied to each group of indicators.
- Testing, on a sample basis, of the quantitative and qualitative information relating to Spain in connection with the GRI indicators included in the Report and of the adequate compilation thereof, from the data furnished by the CEPSA's information sources.

Since the scope of a limited review is substantially less in scope than a reasonable assurance engagement, we do not express an audit opinion on the 2006 Corporate Responsibility Report.

Independence

We conducted our work in accordance with the independence standards required by the Code of Ethics of the International Federation of Accountants (IFAC).

Conclusions

The Contents and GRI Indicators Index included in the Corporate Responsibility Report provides a detail of the indicators reviewed, identifying those which do not cover all the aspects indicated by GRI. Our limited review did not disclose any other matter that would lead us to believe that the matters described contain material errors or that the 2006 CEPSA Corporate Responsibility Report was not prepared in accordance with the GRI Guidelines 3.0 (G3) for the preparation of Sustainability Reports.

Recommendations

Additionally, we presented to CEPSA's Institutional Relations Management our recommendations relating to the areas in which improvements can be made in order to consolidate the processes, programmes and systems associated with management of Corporate Responsibility. The most significant recommendations relate to the following:

- The need to systemise and consolidate the processes for identifying and analysing the material issues for the stakeholders.
- Improve the data gathering systems through the inclusion of unavailable information and the alignment with CEPSA's Corporate Responsibility commitments.

This report has been prepared solely in the interests of CEPSA in accordance with the terms and conditions of our engagement letter.

Madrid, 4 June 2007

DELOITTE, S.L.

Helena Redondo

GLOSSARY

Barrel
Standard measurement for crude oil, equivalent to 159 litres.

Biofuels
Any type of fuel derived from recently living organisms or their metabolic waste.

Biodiesel
Fuel derived from vegetable oils.

Clean development mechanism (CDM)
Projects designed to reduce emissions in under-developed countries mentioned in the Kyoto agreement.

CO_2
Carbon dioxide.

COASHIQ
Organisation that prepares statistics with the data from its associates in Spain, forming the largest representation of the industry related to chemical products. CEPSA's refineries and three petrochemical plants located in Spain are associated with this organisation.

Cogeneration
Energy generation system that produces heat and electricity in a single process with less environmental impact.

Combined cycle
Energy generation systems that combine gas and steam turbine cycles to obtain better performance with less environmental impact.

Commitment to progress
Voluntary initiative aiming at continuous improvements in safety and protection of heath and the environment. Known internationally as "Responsible care" and applied in 47 countries.

Effluent
Waste in liquid resulting from the different processes of a production plant.

Emission rights
Permits or credits granted to organisations that allow them to comply with the objectives of the Kyoto protocol, which may then be traded within a regulated market.

ETBE
Ethyl tertiary butyl ether.

GJ
Gigajoule. 109 joules. The joule is the work unit of the International System, equal to the work done by a force of one Newton, whose point of application moves one metre in the direction of the force.

ILO (International Labour Organisation)
United Nations organisation that promotes social justice and internationally recognises human and labour rights.

IPPC
European directive that aims to prevent and reduce pollution from different activities.

ISO
International Organization for Standardization.

ISO 14001
Certifiable International environmental management standard.

ISO 9001
Certifiable International quality management standard.

Kyoto Protocol
International agreement reached in 1997 through which the most developed countries undertook to reduce greenhouse gas emissions to stabilise the concentration of these gases in the atmosphere at a level which would not interfere dangerously with the climatic system.

MWh
Megawatt hour. Unit for measuring energy.

National Plan for the Allocation of Emission Rights
Distribution of emission rights at installation level (approved by the Spanish government and adapted under European directive 87/2003) in conjunction with the reduced emissions commitment assumed by Spain on ratification of the Kyoto protocol.

NO_X
Nitrogen oxides.

OHSAS 18000
Series of voluntary international standards to improve occupational health and safety management.

PTA
Purified terephthalic acid.

REACH
Registration, Evaluation and Authorisation of Chemicals.

SO_2
Sulphur dioxide.

T
Metric ton.

T.p.a
Ton per year.

UNE 150008 EX
Spanish standard for evaluation of environmental risks from installations of business activity, particularly in the industrial sector.

UNE 150008 EX
Spanish standard for evaluation of environmental risks under the EC environmental responsibility regime.

UNE-EN ISO standard
International standard in the Spanish field.

United Nations Global Compact

Initiative created in 1999 by the Secretary General of the United Nations to encourage the private sector to undertake environmental, labour, human rights protection a d anti-corruption commitments.

VOC
Volatile Organic Compound.

Waste / residual upgrading
All processes which allow resources contained in waste to be reused.

GRI G3 INDICATORS AND CONTENT INDEX

GRI G3 INDICATORS AND CONTENT INDEX

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Commitment to energy supply.	26-27
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Type	GRI G3 Indicator		GC*	Verification**	Page/Observation
Economic Performance Indicators					
C	EC1	Direct economic value generated and distributed.		√	20-25,
C	EC2	Financial implications due to climate change.		√	70
C	EC3	Coverage of the organisation's defined benefit plan obligations.		√	, AR (107-108)
C	EC4	Financial assistance received from government.		√	21-22, AR (106-107, 124)
A	EC5	Ratios of standard wage compared to local minimum wage.		√	
C	EC6	Policy, practice, and proportion of spending on locally-based suppliers.		(1)	25
C	EC7	Procedures for local hiring and proportion of senior management hired from the local community.		(2)	
C	EC8	Development and impact of infrastructure investments and services provided for public benefit.		√	54, 56-58
A	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.		N.A.	This indicator is not available at the date of preparation of this report, owing to the absence of a formal procedure to enable reporting of the required information. CEPSA aims to be able to respond to this indicator in future reports.
Environmental Management Approach					
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Impacts of transporting products.					87-88
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Environmental Performance Indicators					
C	EN1	Materials used by weight or volume.	GC8	(3)	76,
C	EN2	Percentage of materials used that are recycled input materials.	GC8	(3), (4)	85-86,
C	EN3	Direct energy consumption by primary energy source.	GC8	(3)	75-76,
C	EN4	Indirect energy consumption by primary source.	GC8	(3)	75-76,
A	EN5	Energy saved due to conservation and efficiency improvements.	GC9	√	67, 76,
A	EN6	Initiatives to provide energy-efficient products and services and their reductions	GC9	√	67-69
A	EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	GC8	√	In 2006 CEPSA did not develop any initiatives to reduce indirect energy consumption as it focused its efforts on reducing direct consumption.
C	EN8	Total water withdrawal by source.	GC8	(3)	80-81
A	EN9	Water sources significantly affected by withdrawal of water.		√	In CEPSA, water is mainly withdrawn from public supplies, which is why it does not directly affect basins or bodies of water. In E&P water is extracted from aquifers which do not affect bodies of water.
A	EN10	Percentage and total volume of water recycled and reused.	GC8	(3)	81
C	EN11	Description of land adjacent to or located within protected areas or unprotected areas of high biodiversity value.	GC8	√	95,
C	EN12	Description of impacts on biodiversity and on protected areas or on unprotected areas of high biodiversity.	GC8	√	94-95,
A	EN13	Habitats protected or restored.		√	95-96
A	EN14	Strategies for managing impacts on biodiversity.		√	94-95,
A	EN15	Number of species by level of extinction risk.		√	
C	EN16	Total direct and indirect greenhouse gas emissions by weight.	GC8	√	65-66
C	EN17	Other relevant indirect greenhouse gas emissions by weight.	GC8	N.A.	This indicator is not available at the date of preparation of this report, owing to the absence of a formal procedure to enable reporting of the required information. CEPSA aims to be able to respond to this indicator in future editions.
A	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	GC8	√	67-69, 71
C	EN19	Emissions of ozone-depleting substances by weight.	GC8	√	For CEPSA , the emission or use of these gases is not significant.
C	EN20	NOx SOx and other significant emissions.	GC8	(3)	77-79
C	EN21	Total water discharge.	GC8	(3)	82-84
C	EN22	Total weight of waste.	GC8	(3)	84-86,

Type	GRI G3 Indicator		GC*	Verification**	Page/Observation
C	EN23	Total number and volume of spills.	GC8	(5)	88
A	EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	GC8	√	The CEPSA Group does not import, export or transport hazardous wastes within the company using its own means.
A	EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.		√	Water discharge mainly runs to the emissary and to a lesser extent, the local drainage system. This discharge is authorised and controlled which is why it is not believed that CEPSA is significantly affecting water resources at present.
C	EN26	Initiatives to mitigate environmental impacts of products products and services, and impact mitigation.	GC8	√	67-69
C	EN27	Percentage of products sold and packaging materials that are reclaimed reclaimed at the end of their useful life.	GC8	(3)	86,
C	EN28	Fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	GC8	N.A.	Not enough information was available at the date of preparation of this report to respond to this indicator.
A	EN29	Significant environmental impacts of transport.		(6)	87
A	EN30	Breakdown of environmental protection expenditures and investments.		(7)	74

Social Management Approach

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CEPSA and REACH during 2006.	33,
Commitment to customer quality and satisfaction.	34-35
Marketing communications and data protection.	36,

Social Performance Indicators

Work Practices

C	LA1	Total workforce by employment type, employment contract, and region.		√	40,
C	LA2	Total number and rate of employee turnover by age group, gender, and region.		√	40, 41,
A	LA3	Benefits.		(8)	42,
C	LA4	Percentage of employees with collective bargaining agreements.	GC3	√	44-45,
C	LA5	Minimum notice period (s) regarding significant organisational changes.	GC3	√	45
A	LA6	Percentage of total workforce represented in health and safety committees.		√	48
C	LA7	Injuries, diseases, lost days, and absenteeism, and total number of fatalities by region.		√	48-49
C	LA8	Training to assist workforce members, families, and community members regarding serious diseases.		√	50
A	LA9	Health and safety topics covered in formal agreements with trade unions.		√	48,
C	LA10	Average hours of training.			46
A	LA11	Programs for lifelong learning.			46
A	LA12	Evaluation of performance and career development.			43
C	LA13	Governance bodies and employees according to gender, age group and minority group membership.	GC6	(9)	16, 40, , CGR (6)
C	LA14	Basic salary of men to women.		√	44

Type	GRI G3 Indicator		GC*	Verification**	Page
Human Rights					
C	HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	GC1-GC2	√	There was no significant investment deal which included human rights clauses in 2006 .
C	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	GC1-GC2	N.A.	CEPSA is currently working in partnership with an external company to screen suppliers regarding human rights in Spain and aims to provide information on this in the report for 2007.
A	HR3	Hours of employee training on policies and procedures concerning human rights, including the percentage of employees trained.		√	The company does not have a training programme in place on the policies and procedures concerning human rights.
C	HR4	Total number of incidents of discrimination and actions taken.	GC1-GC6	√	CEPSA did not identify any incident of discrimination during 2006.
C	HR5	Operations identified in which the right to exercise freedom of association or collective bargaining may be at significant risk.	GC3	√	44
C	HR6	Operations identified as having risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	GC5	√	CEPSA did not detect any incidents of child labour in any of its activities.
C	HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor.	GC4	√	CEPSA did not detect any incidents of forced labour in any of its activities.
A	HR8	Percentage of security personnel trained in the policies concerning human rights.		√	46
A	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.		√	CEPSA's activities are carried out within an ethical framework that upholds the protection of fundamental, internationally recognised human rights. No incidents concerning indigenous people's rights were identified in 2006.
Society					
C	SO1	Nature of programmes that assess the impacts of operations on communities.		√	54, 56
C	SO2	Percentage and number of business units analyzed for risks related to corruption.	GC10	(10)	17
C	SO3	Percentage of employees trained in anti-corruption policies and procedures.	GC10	√	The company does not have a training programme in place on the policies and procedures concerning human rights. CEPSA hopes to be able to implement the mechanisms needed to be able to respond to this indicator in future reports.
C	SO4	Actions taken in response to incidents of corruption.	GC10	√	17
C	SO5	Public policy positions.		√	30-31, 33, 🖱
A	SO6	Value of financial contributions to political parties and related institutions.		√	No expense has been incurred due to this concept as indicated by Spanish regulations.
A	SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices.		N.A.	Not enough information was available at the date of preparation of this report to respond to this indicator.
C	SO8	Significant fines for non-compliance with laws and regulations.		N.A.	At the date of preparation of this report, no additional information was available beyond the breakdown provided in the Annual Report (pages 108 -109).
Product Responsibility					
C	PR1	Life cycle stages of products and services.		√	32, 🖱
A	PR2	Number of incidents of non-compliance with codes concerning the health and safety impacts of products and services during their life cycle.		N.A.	Not enough information was available at the date of preparation of this report to respond to this indicator.
C	PR3	Product and service information required by procedures in force and regulations.		(10)	32-33, 🖱
A	PR4	Number of incidents of non-compliance with regulations concerning product and service information and labelling.		N.A.	Not enough information was available at the date of preparation of this report to respond to this indicator.
A	PR5	Practices related to customer satisfaction.		√	34-35, 🖱
C	PR6	Adherence to laws related to marketing communications.		√	36, 🖱
A	PR7	Total number of incidents of non-compliance with regulations concerning marketing communications.		√	No such incident occurred during 2006.
A	PR8	Total number of complaints regarding breaches of customer privacy and losses of customer data.		N.A.	Not enough information was available at the date of preparation of this report to respond to this indicator.
C	PR9	Significant fines for non-compliance concerning the provision and use of products and services.		N.A.	Not enough information was available at the date of preparation of this report to respond to this indicator.

* The indicators in the GC column correspond to the Principles of the Global Compact.
**With the exception of the cases identified, the review verified the compilation of all the information and data from the group centres in Spain.

C: Core Indicators.
A: Additional Indicators.

🖱: www.cepsa.com/responsabilidad corporativa/información complementaria.
AR: Annual Report.
CGR: Corporate Governance Report.
N.A.: Not Available.

√ Completely verified.
(1) Only information on the proportion of expenditure on local suppliers for activities in Cadiz, the Canary Isles, Huelva, Madrid and Algeria has been provided.
(2) Only information on the proportion of personnel hired from the local community has been provided.
(3) The correct compilation of data reported has been checked.
(4) Initiatives to value materials has been included but no information has been provided concerning the percentage.
(5) Only information on the total number of most significant spillages has been provided except for spillages whilst transporting products.
(6) Only information on the impacts of transporting products by road or rail has been provided.
(7) Environmental expenditures are not broken down.
(8) Benefits apply to employees covered by collective bargaining.
(9) Information on the distribution has only been provided by sex and age group.
(10) Information is provided on a qualitative basis.

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