



# ANNUAL AND CORPORATE RESPONSIBILITY REPORT 2015

**CEPSA**

# Key performance indicators

Results (Millions of euros)	2015	2014	2013
Revenue (excluding excise taxes)	17,452	23,903	25,244
Adjusted operating income	771	649	691
Adjusted net attributable profit	596	459	371
Net attributable profit (IFRS*)	-1,040	-350	534

\*International Financial Reporting Standards.

Financial data (Millions of euros)	2015	2014	2013
Share capital	268	268	268
Equity attributable to the parent company	4,306	5,637	6,357
Net borrowings	2,923	3,066	826
Investments during the year	1,052	3,206	926
Investment in corporate responsibility initiatives	5.2	5.8	3.9
Dividends approved by Cepsa	327	302	361

Operational data	2015	2014	2013
Crude oil output (working interest) (barrels/day)	108,122	106,901	87,878
Crude oil sales (barrels/day)	48,362	41,425	25,518
Crude oil distilled (barrels/day)	433,699	429,589	454,246
Product sales (Millions of tonnes)	27.4	27.7	28.3
Electrical power production (GWh)	2,040.3	2,100	2,299
Natural gas sales (GWh)	30,083	27,753	29,833

Markets and business data (€/ \$ exchange rate)	2015	2014	2013
Brent crude oil price (\$/barrel)	52.5	99	108.7
Cracking refining margin (\$/barrel)	7.7	4.5	3.94
Hydroskimming refining margin (\$/barrel)	0.9	-3.4	-3.90
Electricity pool price (€/MWh)	50.3	41.3	43.7
Natural gas price (Henry Hub Spot €/MWh)	8.02	11.2	16.9
\$/€ exchange rate	1.110	1.329	1.328
3-month Euribor (%)	-0.02	0.21	0.22
CPI (%)	0.0	-1.0	0.3

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## LETTER FROM THE CHAIRMAN

**S.E. SUHAIL AL MAZROUEI**

CHAIRMAN OF CEPSCA

It is a pleasure to address you and have the opportunity to present Cepco's Annual and Corporate Responsibility Report, which summarises the main actions carried out by the Company during 2015.

I would like to start by saying that we continue to focus on our overriding goal of making Cepco, which is 100%-owned by the IPIC Group, a truly global energy company, characterised by its technical excellence.

Allow me to highlight the most important milestones achieved during 2015, namely moving forward in our strategy of growth and process improvement across our business activities and innovating in products and processes, thanks to the support and commitment of Cepco's professionals.

No doubt, 2015 was a challenging year for the oil industry, which had to face and overcome a number of adverse market conditions. Chief among them was the persistent slump in oil prices, which on average and taking Brent crude as a reference, were 47% lower than in 2014.

Despite this circumstance, Cepco continued to make strides in its Exploration & Production activities, such as the start-up of the new BMS oil field in Algeria, in addition to ongoing production from other major fields in that geographical area.

The Company achieved outstanding operational performance at its refine-

ries, with all-time high utilization rates, enhanced efficiencies and record output levels.

In its Petrochemicals segment, with the start-up of the new phenol plant in Asia, specifically in Shanghai, Cepco has become the world's second largest producer of phenol and acetone and the leading producer of cumene, all of which are used as raw materials for manufacturing a wide variety of products and components for the automotive, aeronautical and construction industries.

In this same business area, the Company completed a number of major transactions, such as the sale of its polyester business, the acquisition of a sulphonation plant in Germany and the purchase of 49% of the LAB (raw material for biodegradable detergents) production plant in Bécancour, Canada, making us 100% owners of this facility.

These actions and decisions reflect our strategy of focusing our efforts on those products where we have strong leadership positions.

As one of the year's highlights, Cepco rolled out a new, more modern, efficient and sustainable model for its service stations, deploying innovative technologies and solutions developed at the Company's Research Centre.

Cepco has undertaken all of these actions and initiatives with the utmost care and respect for the environment, convinced that its growth and

expansion must be based on sustainability, firmly upholding its values and commitments to its stakeholders. In this regard, the Company has moved forward in a number of plans and projects to improve community relations and environmental management, demonstrating its unwavering commitment to the Principles of the United Nations Global Compact, which it first joined back in 2005, by renewing its adherence.

Cepco has a team of highly-qualified and talented professionals with experience and excellence in management that bring value to the Company. During the year, Cepco continued focusing on professional development programs and schemes aimed at building employee pride, commitment and engagement, increasing motivation and fostering teamwork as a key cornerstone of our success.

I would like to end by underscoring the dedicated efforts of Cepco's workforce to achieve the Company's Vision: to become a global energy company of choice, through a strategy based on driving profitable growth through its international businesses, while capitalizing on any opportunities that arise to improve efficiency at its production centres, broadening its range of quality product and service offerings and making the best and most efficient use of its diverse asset base across all its businesses and operations.





## LETTER FROM THE VICE CHAIRMAN AND CEO

**PEDRO MIRÓ**

VICE-CHAIRMAN AND CEO OF CEPESA

In this overview of Cepsa's results and milestones over the last year, I would like to start by acknowledging the dedicated efforts of our team of professionals, who succeeded in overcoming the difficulties and challenges of the operating environment in which they undertook their activity.

Against a backdrop of persistently low oil prices that negatively impacted our upstream businesses and investments, Cepsa managed to achieve an Adjusted Net Income of €596 million in 2015, 30% higher than the figure for the previous year.

Our strong earnings performance reflects the strengths of our integrated business model, which enabled us to capture the benefits of robust refining margins and the rebound in domestic fuel demand, and withstand the volatility in global commodity markets.

In our Exploration & Production business, hit hardest by the oil price collapse, we were able to mitigate the market downturn by reducing costs and streamlining organizations.

Despite the difficult climate, we continued to make progress in our upstream activity, with a production volume of over 100,000 barrels of oil per day. As notable accomplishments in the year, we started up a new field in Algeria and successfully drilled an offshore well in Suriname.

The Refining & Marketing segment delivered solid performance, driven

by exceptional international refining margins, coupled with operational excellence at our facilities and a recovery in market share.

High utilization rates at our mainland refineries and optimisation plans to improve efficiencies and conversion yields at our facilities, enabled us to benefit from the positive margin environment.

Our Marketing activities also took full advantage of the turnaround in the domestic market, increasing our retail sales and market share and implementing a dynamic strategy with innovative products and services that enhance customer experience.

Results from our Petrochemicals business, however, were hindered by low margins in two of its key products: phenol and acetone. Nonetheless, we have continued to focus our efforts on markets where we have a significant presence, and on international growth and expansion projects.

The Gas segment also posted strong earnings, supported by our gas marketing activities and the excellent performance of the Medgaz pipeline, in which we have a 42% stake. Conversely, the Power segment was hurt by new legislation and low prices, although we continued to carry out actions geared towards positioning this business to take advantage of more favourable market prospects, such as the spin-off of our combined cycle plant, Nueva Generadora del Sur.

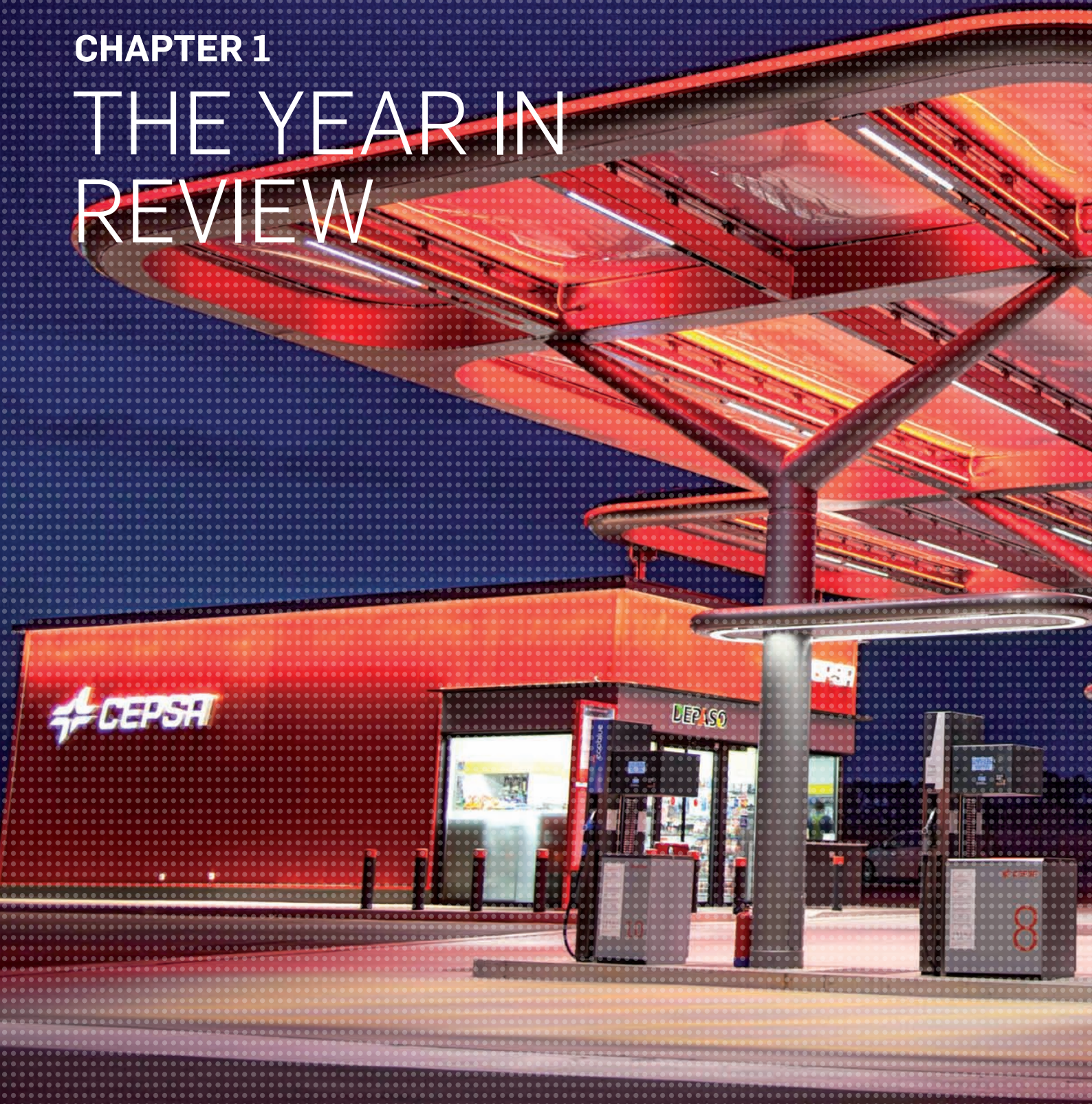
Capital expenditures topped €1 billion, earmarking most of this figure for optimising our industrial processes, from productivity and safety improvements to new product development, emissions reduction and energy efficiency projects at our chemicals and refining plants.

As a result of these initiatives and other measures implemented in the year, the Company has cut its energy and raw materials consumption per unit of processed product and its emissions in most business areas.

I would like to thank our shareholder IPIC and our Board of Directors, for their support and confidence in me to handle the responsibility of overseeing the Company's day-to-day operations with the help of our management team. I would not be able to meet this challenge successfully without our outstanding group of professionals, whose daily commitment and efforts make it possible to achieve our business goals.



# CHAPTER 1 THE YEAR IN REVIEW







## Milestones



### "Your world, more efficient"

The slogan used to publicise our new positioning as a technically excellent, adaptable, integrated energy company.

### New crude oilfield

In July we began the production at BMS, a new crude oilfield in Algeria.



### 50th anniversary at La Rábida

We celebrated the 50th anniversary of our La Rábida Refinery, a modern plant where we have carried out continuous technological improvement.

### New moulding plant at Gibraltar San Roque Refinery

Our paraffin moulding plant at Gibraltar San Roque Refinery, which has been completely renovated using the latest technology, achieved optimal operating performance.



### New service station model

We designed a new, more modern, efficient and sustainable service station model. Its design includes materials made with the most advanced technologies developed at our Research Center.

## CHAPTER 1

### The year in review

*Milestones · Cepsa around the world*

## Focus on areas where we are leaders

In accordance with our strategy in the petrochemical business, we have focused on the areas in which we are leaders. To this end, various major operations were closed: the sale of the polyester business to Indorama, the acquisition of 49% of the linear alkyl benzene (LAB) plant in Bécancour (Canada) and the purchase of a sulphonation plant in Germany.



## Inauguration of our first chemicals plant in Asia

We inaugurated our first chemical plant in Asia, in Shanghai, becoming the second largest phenol and acetone producer worldwide and the largest producer of cumene, raw materials for next generation plastics. The plant was selected by the World Refining Association as best petrochemicals plant of the year 2015.



## We launch Cepsa Pay

We launched Cepsa Pay, the first application in the sector which allows customers to fill up and shop at our service stations easier, faster and safer, without compromising the quality and security that Cepsa offers.



## New products

We have developed a new range of bitumens: ELASTER, which enhances interaction and grip between tyres and the road surface, increasing safety. We have also launched three new lubricants, designed for large marine engines.



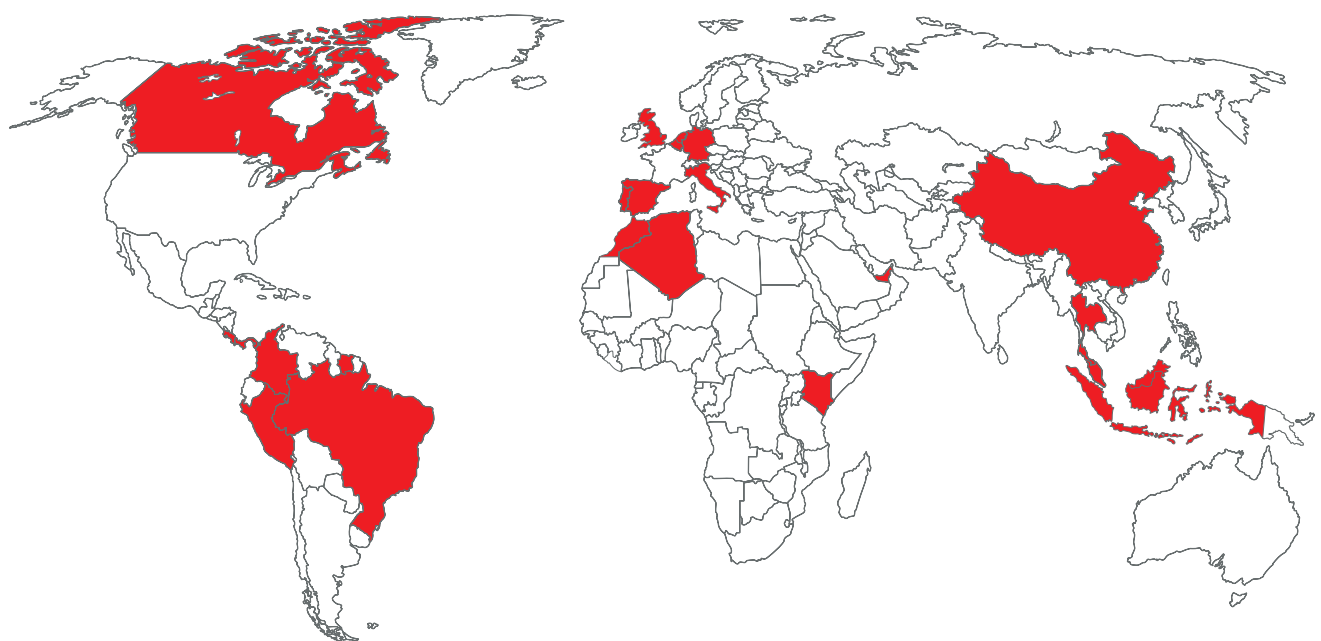
## Pioneering loading and unloading system

We have developed and implemented a pioneering petrochemical products loading and unloading system at the Port of Huelva, which has solved the traditional problems of delays and over-crowding at the docks associated with these operations.



# Cepsa around the world

We are a global energy company with over 85 years of history, present across the entire petroleum value chain.



## CANADA

Petrochemicals

## PANAMA

Trading and Bunker

## SURINAME

Exploration and Production

## COLOMBIA

Exploration and Production

## BRAZIL

Exploration and Production and Petrochemicals

## PORTUGAL

Petrochemicals and Distribution and Marketing

## UNITED KINGDOM

Petrochemicals

## BELGIUM, HOLLAND AND GERMANY

Petrochemicals

## ITALY

Petrochemicals

## SPAIN

Exploration and Production, Refining, Distribution and Marketing, Petrochemicals, Gas and Power, corporate headquarters, and Trading and Bunker

## MOROCCO

Trading and Bunker

## ANDORRA AND GIBRALTAR

Distribution and Marketing

## ALGERIA

Exploration and Production, Gas and Power

## KENYA

Exploration and Production

## UNITED ARAB EMIRATES

Exploration and Production and office

## CHINA

Petrochemicals

## MALAYSIA AND THAILAND

Exploration and Production

## INDONESIA

Petrochemicals



A low-angle, perspective view of a cable-stayed bridge. The road is paved with bright red material and has white dashed lines. The bridge's central pylon is tall and slender, with numerous stay cables fanning out to support the deck. The sky is blue with some clouds. The text "CHAPTER 2" is overlaid on the left side of the image.

CHAPTER 2

# WHO WE ARE





## •• OUR ACTIVITIES



### EXPLORATION AND PRODUCTION

We are an integrated company operating across the entire oil gas and oil production chain, from exploration and

production to distribution and sale of final products.



### REFINING

We are involved in oil and natural gas exploration, development and production, both onshore and offshore. Our exploration business is located in Spain,

South America, Middle East, Africa and South-east Asia, with a petroleum production capacity of over 100,000 barrels per day.

Our refining activity is centred on Spain, with three refineries. Our total refining capacity is 27 million tonnes

per year, 34% of total installed capacity in Spain.



### PETROCHEMICALS

We manufacture and sell basic and derivative chemical products. We carry out basic petrochemical activities at the refineries, obtaining raw materials, intermediate products and final products.

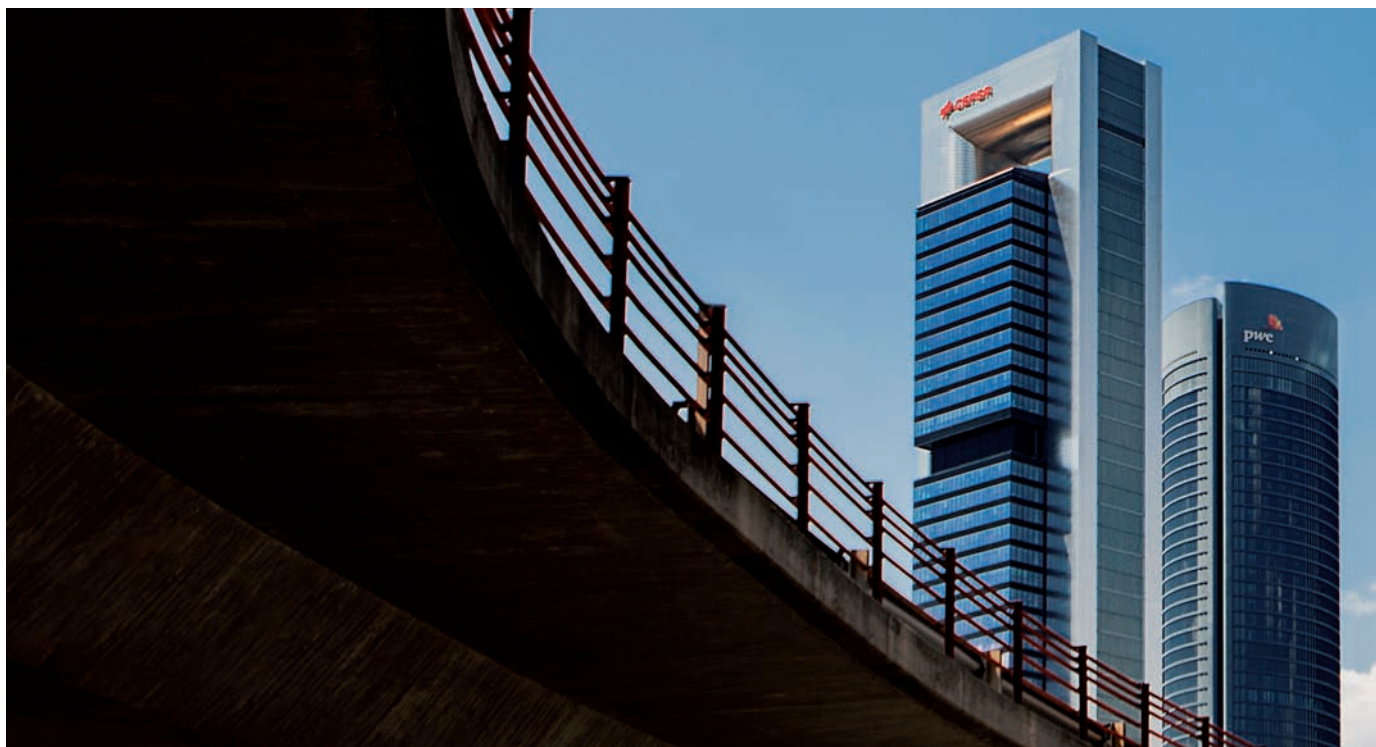
The derivative petrochemical activity is carried out through six plants in Spain, Germany, Canada, Brazil and China, in addition to a new plant being

constructed in Indonesia. Manufactured products have numerous applications, such as raw materials for production of detergents, for the polyester industry, and for the manufacture of resins, electronic components, insecticides, synthetic fibres and pharmaceuticals, among others.

## CHAPTER 2

### Who we are

*Our activities · Exploration and production*



#### DISTRIBUTION AND MARKETING

Our products reach end-consumers through these units. We have three sales channels: a large service station network (1,700 points of sale), our own direct sales channels and an extensive local and international network

of agents and distributors. Through these three channels, we sell motor fuels, marine fuels and aviation fuels, asphalts, lubricants and liquefied petroleum gas, as well as a broad range of petrochemical products.



#### GAS AND POWER

As a complement to our operations, we generate electricity for our production plants, marketing surplus energy between industrial consumers and the tertiary sector. We also carry out in-

ternational gas transportation through the Medgaz pipeline and the import and sale of natural gas in Spain on the wholesale market.



#### TRADING

The trading unit is responsible for the sales of crude oil from our facilities and surplus production from our refineries. It also provides the refining and the distribution areas with raw materials and intermediate products, and, lastly, carries out the sea transport of crude

oils and derivative products. Through Cepsa Trading we manage price risks on the futures and derivatives markets, and seek to maximise opportunities in highly volatile globalised markets, developing our own trading portfolio.

# Exploration and production

## COLOMBIA

### Onshore production (crude oil)

- Caracara (70%), located in the Los Llanos basin, and operated by Cepsa.
- La Cañada Norte (16.7%), located in the higher Magdalena valley. Not operated by Cepsa.

### In Exploration and Production onshore (crude)

- CPO 12 (42%) and CPO 14 (37%), located in the Los Llanos basin. Not operated by Cepsa.
- Merecure (70%), Tiple (70%), Garibay (50%), Puntero (70%), Llanos 22 (55%), located in the Los Llanos basin. Operated by Cepsa.

Oleoducto Central S.A. (Ocesa) - 5% of crude transport rights

## PERU

- Block 131: Located in the Ucayali basin (70%), operated by Cepsa, with both exploration and production activities. Onshore.
- Block 130: Located in the Marañón basin. Exploration field, 100% operated by Cepsa. Onshore.

## BRAZIL

Offshore exploration blocks 717 and 665 located in the Ceará basin. Not operated by Cepsa (50%).

## SURINAME

Offshore exploration block 53. Located in the Guyana-Suriname basin. Cepsa (25%), not operated.

## KENYA

Onshore exploration Block 11A. Located in Turkana region. Cepsa (55%), operated.

## UNITED ARAB EMIRATES

Three offshore production wells (Uhm Al Anbar, Neewat Al Galan, Mubarratz), and one field in development (Hail). Located off coast of Abu Dhabi. Cepsa (12.8%), not operated.

## SPAIN

Four offshore production concessions off coast of Tarragona: Casablanca (7.45%), Rodaballo (15%), Boquerón (4.5%), and Montanazo (7.25%). Not operated by Cepsa.

## ALGERIA

- Rhourde el Krouf (RKF) oilfield. Located in Berkine basin. 100% Cepsa, operated and in production. Onshore.
- Ourhoud oilfield. Located in Berkine basin. Cepsa (39.7%), operated and in production. Onshore.
- BMS oilfield. Located in Berkine basin. Cepsa (45%), operated and in production. Onshore.
- Rhourde er Rouni II. Located in Berkine basin. Exploration license 100% Cepsa. Onshore.
- Timimoun gas field. Located in Timimoun basin. Cepsa (11.25%), operated and waiting for start-up. Onshore.

## THAILAND

- G5/43 offshore block located in Gulf of Thailand. In production, 100% operated by Cepsa.
- 39% ownership of company APICO with exploratory interests onshore in Thailand and in onshore gas field (Sinphuhorn) operated by PTTEP.

## MALAYSIA

- SRC offshore KBM crude contract. Located off coast of Malaysia. Operated by Coastal KBM, Cepsa 70%, and in production.
- Offshore PM-316 Block. Located off coast of Malaysia. Operated by Cepsa (100%). In exploration stage.

## CHAPTER 2

### Who we are

Exploration and production



	2015	2014	2013
Revenue (Millions of euros)	706	1,066	503
Adjusted operating profit (Millions of euros)	(96)	283	436
Capital expenditure in the year (Millions of euros)	543	2.643	386
Working interest production (Thousands of barrels per day)	108.1	106.9	87.9
Net entitlement production (Thousands of barrels per day)	70.5	60.5	42.6

## Key highlights in 2015

- 1 Realization of development and exploration campaign in G5/43 block in Thailand.
- 2 Reduction by 5% in structural costs and by 20% compared to budget.
- 3 Drilling of 10 wells in Caracara that have increased production by 2.8%.
- 4 Start-up of BMS oilfield: 12,000 barrels a day (plateau).
- 5 First deep offshore well in Suriname.
- 6 Acquisition of 1,437 square km seismic 3D in Blocks 665 and 717 in Brazil.
- 7 Extension of water treatment facilities at Caracara Sur and Jaguar (+50,000 barrels of water a day).

## •• MILESTONES 2015



### Beginning of works on G5/43 block in Thailand

This year we have carried out the redevelopment of the block in order to offset the natural decline in production in various fields. We have also initiated an exploratory plan in order to verify the extent of reserves.



### Full integration of Coastal Energy in Cepsa

During 2015 we have finished the changes began in 2014 encompassing IT systems, work practices, project management, and human resources.



### Start-up of the commercial extraction on 131 block (Peru)

We have obtained a trading permit which allows production to continue for another two years as from 2016 and recognises Cepsa's right to the reserves.

## •• CHALLENGES 2016



### Start-up of Increased Water Handling (IWH) project in Ourhoud (Algeria)

Its start-up means an increase in the field's production capacity thanks to higher levels of water treatment and its re-injection in the well.



### Drilling in Kenya

Drilling the first exploratory well in Kenya in Block 11A and the evaluation of results to increase our reserves.



### Increase our presence in Abu Dhabi

To consolidate our relationship with ADNOC and increase Cepsa's presence in the country through the concession of new contracts.

## CHAPTER 2

### Who we are

Refining

# Refining

## ASESA (50%)

Asphalts refinery

Production capacity of 690 thousand tonnes a year.

## LA RÁBIDA

Refinery

Production capacity 9.5 million tonnes a year.

## GIBRALTAR SAN ROQUE

Refinery

Production capacity 12 million tonnes a year.

## TENERIFE

Refinery

Production capacity 4.5 million tonnes a year.

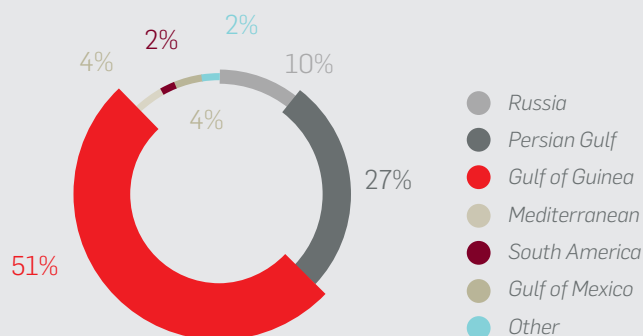
	2015	2014	2013
Consolidated sales of petroleum products (Millions of metric tonnes)	23.4	25.03	25.8
Revenue excluding excise taxes (Millions of euros)	13,765	18,940	20,325
Adjusted operating profit (Millions of euros)	836	275	88
Capital expenditure in the year (Millions of euros)	281	238	187

### Joint refinery production

(Millions of tonnes)

LPG	0,9
Kerosenes	1,7
Gasoline	2,6
Fuel Oil	3,3
Others	4,0
Diesels	9,6

### Origin of crude received



## Key highlights 2015

- 1 Historic distillation record at our two Andalusian refineries: distillation of 20.9 million tonnes of crude oil.
- 2 Consolidation of the Refining Optimisation Plan (ROP) with increases expected in the refining margin of 1.82 \$/barrel in 2017 (21% higher than forecast).
- 3 50 years of operation La Rábida Refinery.



## •• MILESTONES 2015



### Good results on 2014 Solomon index

Thanks to the investments in operational excellence and energy improvements, the Solomon study places our refineries among Europe's leading groups in the Energy Intensity index and the Operational Availability index.



### Presentation of specific security plans for our refineries

After being listed as critical infrastructure, the three refineries have presented their specific protection plans for 2015.



### Implementation of the Value Chain Margin Optimisation (VCMO) project

Global optimisation project. Refining has taken part through crude procurement improvements, product positioning, stock management and operational optimisation. The project is practically operational in all its dimensions.

## •• CHALLENGES 2016



### CROP Program

Start the Continuous Refining Optimization Program (CROP), defining and prioritizing its ideas and initiatives.



### Energy Management System

Renew certification of our energy management system.



### BIOS supply and sustainability management before regulatory body CNMC.

Change supply model of BIOS and adapt information support to manage sustainability before challenges of the CNMC.

# Distribution and Marketing

The major tools of our distribution and marketing unit are:

- Customer
- Safety
- Service quality
- Continuous improvement

## 33 FUEL POSTS FOR FISHING BOATS IN SPAIN

## PRESENCE AT ALL SPANISH AIRPORTS

12 Cepsa facilities: Madrid, Valencia, Andalusia, Canary Island regions and city of Melilla.

## 1,786 SERVICE STATIONS

1,512 service stations in Spain. 254 service stations in Portugal. 20 service stations in Andorra and Gibraltar.

## LPG

101 distributors. 38 agencies. 9 packaging plants.

## 2 LUBRICANT PLANTS IN SPAIN

## 5 ASPHALT TERMINALS

Alcalá de Henares, Alcudia, Gijón, Tarragona, Valencia.

## Key highlights 2015

- 1,194 convenience stores: 158 Carrefour stores 480 DEPASO stores.
- Beginning of the supply of lubricants to 73 Maritime Rescue boats.
- Application of our Elaster asphalt to complex infrastructures such as the Adolfo Suárez airport (Madrid).
- 15% savings in fuel for our customers thanks to the "Porque TU Vuelves" (Because YOU come back) programme and alliances.
- Over 1,500,000 contacts with customers through on-line and face-to-face customer service channels.
- Start of sale of natural gas at home for employees and external customers.

## Sales of petroleum products (Thousands of tonnes)

	2015	2014	2013
Motor and other fuels	11,740	11,170	11,274
Aviation fuel	2,097	2,423	2,193
Liquefied Petroleum Gas (LPG)	471	508	504
Asphalts	1,098	950	954
Lubricants, base oils and paraffins	240	231	224
Exports	3,301	4,151	4,104

## •• MILESTONES 2015



### Market launch of CEPSA PAY

Cepsa offers customers the first application that allows them to pay using a mobile phone from their car, quickly and safely.



### Completion of the new automated lubricants warehouse in San Roque

The new fully automated facility provides substantially improved efficiency and a significant cost reduction.



### Development of new service station model

We have implemented a new, more efficient, sustainable and modern service station model, incorporating the latest technology materials developed by Cepsa.

## •• CHALLENGES 2016



### Improving conditions in asphalt factories

Through an investment of more than 5 million euros, with the aim of meeting higher demand.



### Strengthen direct commercial position with customers

The Direct Sales area will center its efforts in direct supplies to end-customers.



### Consolidation of commercial position in Canary Islands

Cepsa will increase its commercial presence in the Canary Islands in a joint effort involving several business areas.

## CHAPTER 2

### Who we are

Petrochemicals

# Petrochemicals

## CANADA

Bécancour

LAB: 120,000 tonnes/year.

## BRAZIL

Deten

LAB: 220,000 tonnes/year.

## SPAIN

Puente Mayorga (San Roque, Cádiz)

LAB: 220,000 tonnes/year.

LABSA: 80,000 tonnes/year.

N-Paraffins: 400,000 tonnes/year.

Palos de la Frontera (Huelva)

Phenol: 600,000 tonnes/year.

Acetone: 370,000 tonnes/year.

## GERMANY

Genthin

Surfactants: 130,000 tonnes/year.

## CHINA

Shanghai

Phenol: 250.000 tonnes/year.

Acetone: 150.000 tonnes/year.

## INDONESIA

Under construction.

Alcohols: 160.000 tonnes/year.

	2015	2014	2013
Consolidated sales of petrochemical products (Millions of metric tonnes)	3.3	2.9	2.9
Revenue excluding special excise taxes (Millions of euros)	3,037	3,069	3,260
Adjusted operating profit (Millions of euros)	96	178	161
Capital expenditure in the year (Millions of euros)	172	265	184

## Key highlights 2015

1

World's leading producer of linear alkyl benzene (LAB).

4

Record production at Puente Mayorga: 59,502 t of solvents and 197,451 t of LAB.

2

World's second largest producer of phenol and largest producer of cumene.

5

0.7 Accident Frequency Rate.

3

Manufacture of 305 mt of RECO-DAS 185 surfactant for pilot test of Enhanced Oil Recovery (EOR) in Caracara.

## •• MILESTONES 2015



### Divestment in polyester and amines

In 2015 we sold the methylamines and polyester business to focus our efforts on our core business activities by optimising efficiency at all our national and international plants.



### Commencement of production at Shanghai plant

In April 2015, production commenced at the Phenol/Acetone plant in Shanghai (China), completing the internationalisation process of the Petrochemical area in the phenol line. Thanks to this plant, Cepsa Chemicals is now the world's leading cumene producer and the world's second largest phenol producer.



### Bécancour plant is now 100% owned by Cepsa Química

We have acquired the interest of the Canadian institutional shareholder (49%) at the Becancour plant. This operation represents an opportunity for self-development in other products such as EOR.

## •• CHALLENGES 2016



### Start-up of the detergent alcohols plant in Indonesia

With start-up expected in 2017, the plant will strengthen our position as world leaders as surfactant suppliers.



### Optimize the phenol business line in China

Maximizing production to help us reduce costs and increase results.



### Grow through M&A

Growth in LAB, phenol, and solvents businesses to guarantee our leadership position without increasing global capacity.

## CHAPTER 2

### Who we are

Trading and bunker

# Trading and Bunker

## PANAMA

Supply of fuel to ships

3 barges.

## UNITED ARAB EMIRATES

Supply of fuel to ships from Fujairah port

1 barge.

## SPAIN

Supply of fuel to ships

Present in 47 ports via tankers.

7 terminals for supplying ships.

13 barges.

	2015	2014	2013
Supplies for Cepsa's refining system (Millions of barrels)	157.9	159.7	158.8
Marketing of the Company's crude oil (Millions of barrels)	12.5	10.3	8.5
Petroleum product transactions for the Company and third parties (Millions of tonnes)	7.1	9.2	9.5
Physical Trading (Millions of tonnes)	3.1	1.9	-
Proprietary trading using derivative financial instruments (Millions of barrels)	28.7	10	-
Chartering of vessels	981	923	982
Marine fuel sales (Millions of tonnes)	5	5.8	5.8

## Key highlights 2015

**1** 212,000 t sales in Fujairah port, Abu Dhabi.

**2** 1,853 vessel acceptances (+15% v. 2014).

**3** 282 ship safety inspections.

**4** 29 barge safety inspections.



## •• MILESTONES 2015



### Merger of the Trading and Bunker business units

To take advantage of the synergies between the two activities.



### Supply to Cepsa refining system

In 2015 we have supplied the Cepsa refining system with 34 different crudes from 17 countries and 35 different suppliers.



### Supplies under ECA regulations

We have carried out supplies of fuels that comply with the new 2015 ECA legislation (emissions area limited to certain pollutants) with a sulphur content of 0.1%.

## •• CHALLENGES 2016



### Strengthen Trading activities

To add more value to the business, exploring the best formulas and seeking the best opportunities to generate value and the maximum integration with the business areas, by leveraging the synergies among the Company.



### Bunker projects

Launch of two new projects: mixed barges (that alternate traditional fuels and LNG) and start testing MSAR marine fuel.

## CHAPTER 2

### Who we are

Gas and power

# Gas and power

## SPAIN

### La Rábida Refinery (RLR)

	PLANT	% INTEREST	CAPACITY
Cogeneration	La Rábida 2	100%	82 MW

### Gibraltar San Roque Refinery (RGSR) · Puente Mayorga Petrochemical Plant

	PLANT	% INTEREST	CAPACITY
Cogeneration	GEPESA LUBRISUR	70%	192 MW
	Cepsa Gas and Power	100%	39 MW
Combined Cycle	Cepsa Gas and Power	100%	388 MW

### Tenerife Refinery (RT)

	PLANT	% INTEREST	CAPACITY
Cogeneration	COTESA	100%	38 MW

### ASESA Refinery in Tarragona

	PLANT	% INTEREST	CAPACITY
Cogeneration	ASESA	50%	14 MW

## ALGERIA

### MEDGAZ (42% Cepsa)

8.000 Mm<sup>3</sup>/year / 210 Km underwater / 160 Km maximum depth / Investment of €900m.

	2015	2014	2013
Natural gas sales (GWh)	30,089	27,753	29,833
Electric power sales (GWh)	2,040	2,100	2,299
Steam sales (Thousands of tonnes)	4,428	4,628	3,969
Revenue excluding taxes (Millions of euros)	770	825	1,156.7
Adjusted operating profit (Millions of euros)	8	13	5
Capital expenditure in the year (Millions of euros)	26	3	159



## Key highlights 2015

- 1 The Medgaz pipeline has been in operation for over 4 years operating at 100%.
- 2 Over 30,000 gigawatt of natural gas sales.

### •• MILESTONES 2015



Divestment in gas distribution business (Gas Directo, S.L.)

In 2015, we sold the retail gas distribution business in Spain, as it was outside our core growth area.

### •• CHALLENGES 2016



Consolidate the Medgaz operations

To keep its operation at peak levels and provide additional market capacity.



Demerger of Nueva Generadora del Sur (NGS)

The former NGS has been split between the two shareholders.



Increase our presence

In new markets (marine, automotive) and in new geographical areas.



Adaptation to the regulatory environment of the electricity system

Progress has been made on the design of a self-consumption model in one of the cogeneration plants at the Gibraltar San Roque Refinery.

## CHAPTER 2

### Who we are

Mission, Vision, Values · Sporting sponsorships



WHAT WE ARE?  
WE PROVIDE THE ENERGY  
THAT EVERY REALITY  
NEEDS.



WHAT DO WE  
WANT TO BE?  
A GLOBAL ENERGY  
COMPANY OF CHOICE.



WHAT ARE OUR VALUES?  
SAFETY, SUSTAINABILITY,  
CONTINUOUS IMPROVEMENT,  
LEADERSHIP, AND  
SOLIDARITY.

#### •• MISSION

We are a global energy company, present in all phases of the petroleum value chain, comprising more than 10,000 professionals on four continents.

With the dynamic and innovative spirit that has characterised us now for more

than 85 years, we are undergoing a process of continuous improvement in our constant search for new goals and new challenges, fully committed to offering maximum customer satisfaction and adapting energy to the needs of each individual, business and industry.

#### •• VISION

We are an integrated energy company: technically excellent, modern, innovative and adaptable. We have established ourselves as a benchmark

at home and our goal is to achieve a significant position in the world energy market.

#### •• VALUES

##### SAFETY

One of our priorities, above all of our employees and customers.

##### SUSTAINABILITY

Of the company over time, with the utmost respect for the protection of the environment and for the communities where we are present.

##### CONTINUOUS IMPROVEMENT

Promoting talent and knowledge.

##### LEADERSHIP

Defending our Company's interests through effort, courage and ambition, but also with honesty and integrity.

##### SOLIDARITY

By working as a team, maintaining a positive attitude and achieving collaboration among our professionals and with our customers and suppliers, we succeed in generating value.

“Technical excellence  
and the capacity to  
adapt to bring the best of  
energy to every reality”



## •• SPORTING SPONSORSHIPS

We continue to support the world of sport by sponsoring leading teams as part of our commitment to international leadership, technical excellence and continuous improvement. These values pervade athletes' work and define Cepsa's spirit, whose main goal is always to achieve maximum efficiency to offer products and services tailored to the needs of our daily lives. Thanks to our sponsorships, the awareness and visibility of the Cepsa brand has kept growing over recent years.

Since Real Madrid and IPIC signed a collaboration agreement in 2014 our sponsorships have been centred on football, a universal language that unites millions of people from different cultures and nationalities all over the world. The spirit to overcome challenges, collective effort, dedication and the relentless pursuit of excellence that characterises Real Madrid, reflects the personality with which Cepsa works to adapt itself to the needs of society.



## Key highlights in 2015

- 1 Cepsa helps Carlos Sainz fulfil his dream to be a Formula 1 driver.
- 2 Maikel Melero is crowned champion for a second consecutive year.

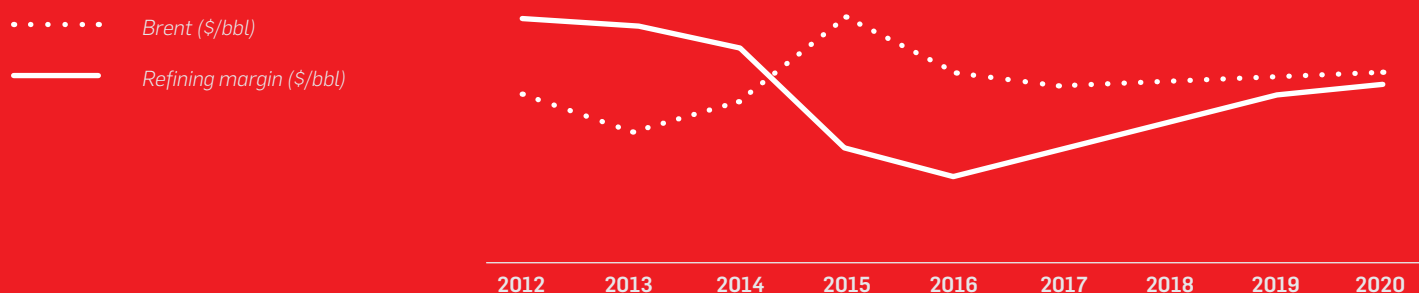


## CHAPTER 3

# OUR ENVIRONMENT



## OUTLOOK





•• **ECONOMIC AND  
INDUSTRIAL  
ENVIRONMENT**



**EXPLORATION  
AND PRODUCTION**

The economic and industrial environment in which we operate is key to adapting our business model and determining our strategy.

**CURRENT SITUATION**

The fall in oil prices, which has left the barrel of Brent at \$38 in December 2015 (70% lower than its price in June 2014), is impacting all oil companies, mainly with regard to their exploration and production activities. This situation originates in:

- Oversupply caused by maximum levels of unconventional hydrocarbon production in the US (shale oil).
- Reduced demand in the past year, mainly in emerging countries especially the Chinese economy.
- The decision by the members of the Organisation of Petroleum Exporting Countries (OPEC) not to cut production to raise prices.

Exploration and production are seeking maximum efficiency in processes to improve profitability, which is conditioned by:

- The increase in development costs for exploration projects, mainly due to increasing technical complexity (deepwater and unconventional fields).
- Reconsideration of major investments.
- Asset divestment.

**2016-2020 OUTLOOK**

The oversupply scenario is expected to continue and therefore a reversal in the downward price trend in the short term is regarded as unlikely. In the long term (2020), the price of Brent is expected to recover to a point of equilibrium at around \$80/bbl.

The future of exploration and production is directly related to crude prices and, while they remain low, a change in the business scenario is not likely, keeping cost reductions, the search for efficiencies and the contention of investments related to growth.



## REFINING

### CURRENT SITUATION

The situation in the European refining industry remains difficult, due to the following factors:

- The fall in demand for petroleum products.
- Increased competitiveness and exports from refineries in Russia, the Middle East and the United States, reducing dependence on the European market.
- The existence of refining overcapacity in Europe, leading to the rationalisation of refineries.
- Regulatory changes aimed at producing more sustainable fuels (biofuels).
- Strict environmental regulations, in terms of both air emissions and Energy and Climate Policy.

### 2016-2020 OUTLOOK

In order to balance the market, between 2016 and 2020 Europe's refining capacity (1.6 Mbd) is expected to be reduced.

From a regulatory viewpoint, the requirement to improve sustainability in production processes and fuels produced, and to reduce pollution in urban

areas, seems to point towards a lower demand for traditional fuels, particularly diesel, and towards an increase in biofuels.

For 2020, the mandatory content of biofuels is expected to rise from 5% to 8.5%.



## DISTRIBUTION AND MARKETING

### CURRENT SITUATION

The recovery of the Spanish economy together with the drop in Brent prices has led to a turnaround in demand for

petroleum products, with an increase in fuel consumption at end-user level.

### 2016-2020 OUTLOOK

Improved growth prospects in Spain (2.6% growth in GDP) points towards a slight re-

covery in future demand (1.5% compound annual growth-CAGR- to 2020).

	<b>Demand 2010 · 2015</b>	<b>Forecast 2015 · 2020</b>
Diesel	-1.4%	▲
Gasoline	-3.8%	▼
Fuel	-4.9%	▼
Kerosene	+0.4%	▲
LPG	-5.4%	▼
Asphalts	+11.3%	▲



## PETROCHEMICALS

### CURRENT SITUATION

The fall in oil prices is also having a significant impact on the chemicals market worldwide. Chemicals companies established in Europe have improved margins due to lower energy prices, while oil prices are jeopardising gas-based chemical plants in the United States. This situation is leading

to deferrals and cancellations of new investment decisions in the industry.

The phenol production overcapacity currently existing in the Chinese market should be noted, where demand is also shrinking as a result of the country's economic slowdown.

### 2016-2020 OUTLOOK

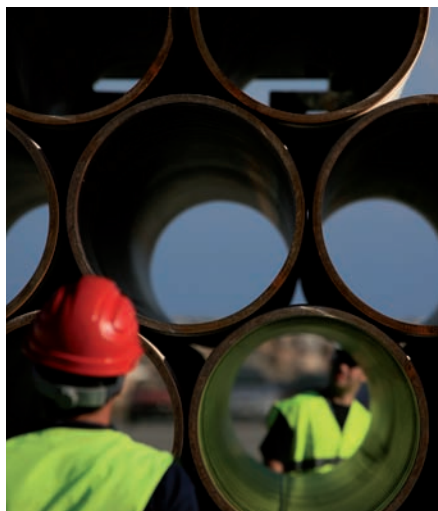
Following the strong growth in phenol capacity in China (+261% in 6 years), oversupply is expected to continue in the market for the next 2-3 years, putting pressure on profit margins.

Conversely, a higher global growth in alcohol surfactants is expected (5.2%), compared to a 0.9% in linear alkyl benzene (LAB) until 2020.

## CHAPTER 3

### Our Environment

Economic and industrial environment · Business model



#### GAS AND POWER

##### CURRENT SITUATION

In 2015, after several years of steady decline, electricity demand rose. Current electricity production in Spain is characterised by:

- Overcapacity of production facilities.
- Increased demand.
- Regulatory framework (self-consumption and alternative energy sources).

Regarding natural gas, in Spain imports account for 99.7% of demand:

##### 2016 · 2020 OUTLOOK

An annual compound growth rate of 2.1% in electricity consumption for the period 2012-2040 has been estimated. Within the European Union this growth will be lower, with a CAGR for the same period of 0.7%.

At a European level, the gas market is expected to evolve towards greater integration and connectivity between

53% of natural gas (NG) consumption and 47% of liquefied natural gas (LNG).

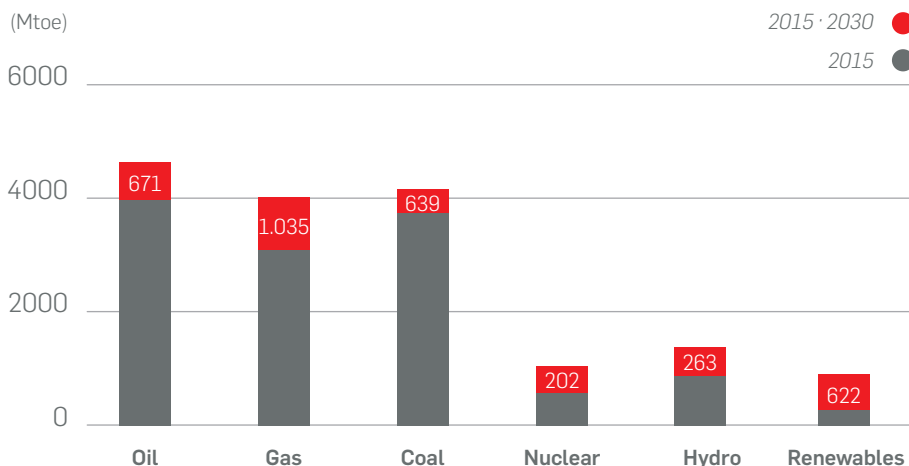
Incoming gas through the pipeline system is currently close to its maximum capacity and therefore fluctuations in demand have to be covered with LNG, increasing the number of short-term contracts.

The domestic NG market is dominated by three companies: Gas Natural Fenosa, Endesa and Union Fenosa Gas, with 72% of the total market, together with minority groups trying to gain market share.

distribution centres. The changeable climate in the world gas market will affect European competitiveness and the supply mix to a greater extent than future regulation.

However, due to future regulations aimed at reducing CO<sub>2</sub> emissions, gas demand is expected to grow more than oil demand by 2030 (1.9% v. 1.0%).

##### 2015 · 2030 OUTLOOK



## •• BUSINESS MODEL



Counting on our 85 years of experience in Spain, we carry out our activities in all the stages of the petroleum and natural gas value chain.

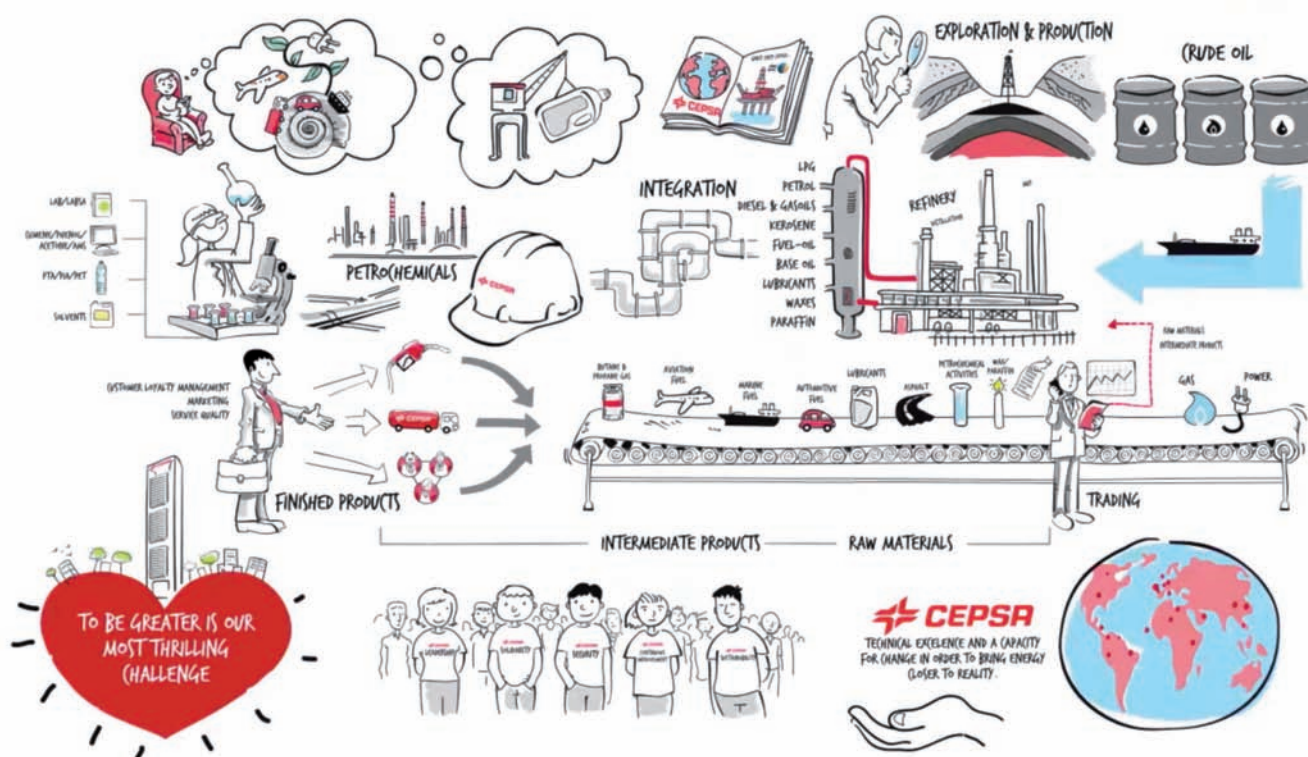
Employing this integrated business model, we achieve greater stability to offset potential adverse impacts on some of the business areas, allowing us to establish synergies between our various activities and increasing efficiency.

Present today on all continents, we are a dynamic Company with an innovative spirit and a great capacity

to adapt, which in 2011 commenced a far-reaching cultural and strategic change led by our single shareholder: IPIC (International Petroleum Investment Company).

Staying on this path towards internationalisation, we intend to achieve our objective of being a global energy company of preference, remaining faithful to our commitment:

Always providing the energy for each reality.



## •• STRATEGY

Following our vision and supported by our sole shareholder, IPIC, we continue to progress in our transformation from a Spanish company with strong pre-

sence in the downstream area into a benchmark global integrated energy company.

### STRATEGIC PLAN 2016 · 2020

In the 2016-2020 timeframe, we remain strongly committed to our main objectives and strategic commitments: shareholder return, financial strength and long term growth. We will be supported by the following areas: Exploration and Production, Petrochemicals and Downstream, adapting to external factors that shape the present and future development of the business.

- Short-term decline in oil prices.
- Long-term recovery in oil prices.
- Divestment of non-strategic assets .
- Refining overcapacity in Europe.
- Phenol production overcapacity .
- Recovery of demand for petroleum products in the short term and stagnation in the long term.
- Increased demand for alcohol-derived surfactants against the demand for LAB.
- Key role of innovation and technological development in the sector .
- Increase in biofuel regulation in Spain.
- Deficit of petroleum products in Africa.
- Increased growth in demand for gas compared to petroleum products.
- Global geopolitical situation .

EXTERNAL  
FACTORS

PRIORITY  
OBJECTIVES

STRATEGIC  
ACTIONS

PRIORITY  
FOR CEP SA





## EXPLORATION AND PRODUCTION

- Oil prices.
- Divestment of non-strategic assets.
- Technological development.
- Increased growth in demand for gas vs oil.
- Geopolitical situation.



## REFINING

- Refining overcapacity in Europe.
- Technological development.
- Increase in biofuel regulation in Spain.
- Geopolitical situation.



## DISTRIBUTION AND MARKETING

- Recovery of demand for petroleum products in the short term and stagnation in the long term.
- Deficit of petroleum products in Africa.
- Increase in biofuel regulation in Spain.
- Technological development.
- Geopolitical situation.

- Resilience against low prices.
- Reserve replacement.
- Sustainable long-term growth.

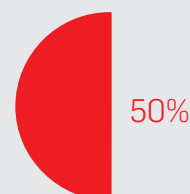
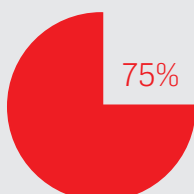
- Protection of refining margin.
- Improved process efficiency.
- Maintaining Cepsa's competitive position.

- Consolidation of our market position.
- Improved efficiency.
- International growth.

- Cost reduction programme and rethinking of investment and development plans.
- Reserve replacement in key assets such as Colombia, Algeria and Southeast Asia, through the extension of existing contracts, exploration and selective mergers and acquisitions.
- Design of a 15-year plan to increase reserves, reducing dependency on successful exploration and incorporating development projects.

- Maintenance of the Refining Optimization Program.
- Increased production of middle distillates in the Gibraltar San Roque Refinery.
- Redesign of our product portfolio. Manufacture of lights, with greater added value and demand.
- Adaptation to biofuel regulation.
- Increase in value of surplus gasoline.
- Gradual exploration of international opportunities.

- Cost optimisation and reduction projects.
- Keeping Cepsa branding formula for services stations.
- Gradual exploration of international opportunities.







EXTERNAL  
FACTORS

PRIORITY  
OBJECTIVES

STRATEGIC  
ACTIONS

PRIORITY  
FOR CEPESA



## PETROCHEMICALS

- Divestment of non-strategic assets.
- Phenol production overcapacity.
- Increased demand for alcohol surfactants.
- Geopolitical situation.



## GAS AND POWER

- Increased growth in demand for gas vs oil.



## TRADING AND BUNKER

- Oil and product prices on the international market.
- Geopolitical situation.

- Maintaining leading position in LAB and phenol business.
- Expansion and diversification of core activities.
- Opening to new businesses.

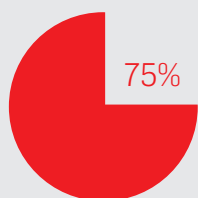
- Reduction of the regulatory impact.
- Gas business optimisation ensuring product supply.
- Business expansion to new markets.

- Development of a robust and sustainable business.
- Exploration of logistical positioning in new geographical markets with high growth potential.

- Modernisation of facilities and search for mergers and acquisitions (LAB); relocation of phenol production to more profitable areas.
- Diversification of alcohols value chain in surfactants and through phenol value chain.
- Exploration of new business lines.

- Protecting electricity asset value.
- The gas business unit will focus on the contractual flexibility of Medgaz and on business expansion through new markets and alternative uses of natural gas.

- Development of blending capacity at Cepsa facilities.
- Increase in trading activity.
- Development of logistics position internationally.



•• RISKS AND OPPORTUNITIES MANAGEMENT

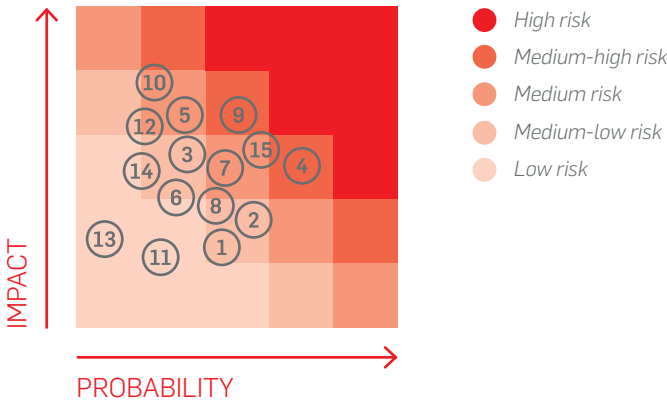
Our activities are carried out in environments where there are a number of external factors (political, economic, social and regulatory) whose evolution can significantly affect operations and results.

Since 2013 we have been working to implement an integrated risk management system that allows us to manage risk on an aligned and consistent basis across the Company, based on the main international standards in this area: ISO 31000 and COSO ERM.

We have taken actions to this regard, such as the formation of the Corporate Risks Unit within Audit, Internal Control and Risks, and the formalization of the Risk Committee. Our Risk Map is also kept up to date on a constant basis, as concerns both the evaluation of risks on the basis of changes in the environments in which we operate, and the development of tools to address them.

On the basis of these criteria, we have identified the following risks to which we are exposed:

- 1. Market competition
- 2. Demand evolution
- 3. Country risk
- 4. Sustainability of E&P assets in current context
- 5. Production and replacement of reserves
- 6. Credit and counterparty risk
- 7. Price risk
- 8. Foreign exchange risk
- 9. Refining margin
- 10. Operating safety
- 11. Attracting and retaining talent
- 12. Physical safety
- 13. Information security
- 14. Innovation / Access to technology
- 15. Regulatory uncertainty



SHAREHOLDERS' RETURNS

1 2 3 4 5 6 7 8 9 10 11 12

FINANCIAL ROBUSTNESS

3 4 6 7 8 9 10 13 15

LONG-TERM GROWTH

4 5 7 9 11 13 14



According to this template, most of the risks to which we are exposed would be classified within the medium-low to medium-high range.

The application of continuous improvement in our model and our risk control systems facilitates progress in all

areas, highlighting the improvement in strategic planning processes.

In addition, the current situation of uncertainty compels us to seek new opportunities both outside Cepsa and in our own activities and characteristics, as an integrated energy Company.

For more information  
on risk management  
click here.



## NEW BUSINESS OPPORTUNITIES

Considering the need to seek alternatives to traditional activities, we are searching for new business opportunities that will help us offset the negative impacts of the current business climate. These new opportunities are

mainly focused on Exploration and Production, Petrochemicals and Distribution and Marketing.

## LEVERAGING OF OUR INTEGRATED STRUCTURE AND INTERNATIONAL PRESENCE

Ensures our involvement in all stages of the petroleum chain, offering major opportunities to optimize our processes and activities. This enables us to address the volatility in the market, committing ourselves to the business areas with the greatest growth opportunities and in turn mitigating the scenario's negative impact on the Company's business. It also allows us to create synergies between the different business areas that increase efficiency and reduce operating costs.

In addition, our international presence allows us to mitigate the impact associated with the local economic and political context in the locations in which we operate.

Furthermore, our membership of the IPIC group gives us access to other companies in the same group, allowing us to establish strategic alliances that improve efficiency, generating economies of scale.

## COMMITMENT TO INNOVATION

In the current context, innovation is a necessary alternative for increasing the efficiency of processes and antici-

pating future regulatory changes that will impact the development of our activity.



## CHAPTER 4

# RESPONSIBLE MANAGEMENT



Our governance system is designed to meet the Company's strategic objectives, upholding our values and commitments to our stakeholders, and is aligned with the application of the best available technologies to our processes and operations.

The main characteristics and details of the Board of Directors and the Board Committees are the following.



## •• CORPORATE GOVERNANCE

### GOVERNANCE SYSTEM AND BODIES

#### BOARD OF DIRECTORS



##### 7 Members

- 1 Executive director.
- 4 Independent directors.
- 2 Shareholder Representative Directors.



##### Meetings

- 7 meetings a year.



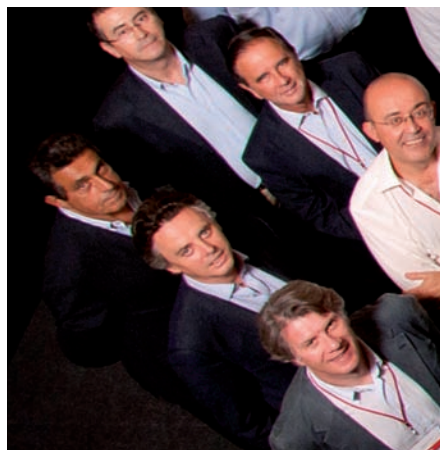
##### Functions

- Monitor and control business management and development.
- Approve the Company's plans, policies, objectives and strategies.
- Ensure their execution and implementation.



##### 2015 Summary

- Preparation and approval of the annual accounts and directors' reports, as well as the proposed distribution of profits for 2014.
- Approval of the Strategic Plan (2016-2020) and 2016 budget.
- Decision taking in relation to corporate structure, main business areas and main sources of funding (acquisition and divestment of assets, shareholdings or strategic businesses; corporate and structural reorganisations or significant financing agreements) as well as matters related to corporate governance or issues falling under its competence (approval of dividend proposals, appointments to the Audit Committee, changes in the Board Regulations and approval of the Corporate Tax Policy and guidelines related to the Code of Ethics and Conduct).



## AUDIT COMMITTEE



### 3 Members

3 External directors appointed by the Board of Directors.



### Meetings

3 quarterly meetings.



### Functions

- Monitor the effectiveness of the Company's internal control system.
- Overseeing internal audit and control systems and risk control and management.
- Propose the appointment of external auditors.
- Monitor the financial information preparation and reporting process.



### 2015 Summary

- Review of draft annual accounts.
- Review of directors' reports.
- Supervision and evaluation of the external auditor's report on the 2014 accounts.
- Preparation and planning of external audit on the 2015 accounts.
- Monitoring progress of work and projects related to Internal Audit, Internal Control, Compliance and Risk Management in 2015 and analysis of the planning of work related to these areas for 2016.

At the meeting held in December 2015 the Board of Directors was advised to approve Cepsa's Corporate Tax Policy, in accordance with current legislation.





## NOMINATION AND REMUNERATION COMMITTEE



### 3 Members

3 External directors appointed by the Board of Directors.



### Meetings

1 meeting a year with no fixed date.



### Functions

Analyse, report on and propose the remuneration policy for Board members and Company management.



### 2015 Summary

- Review of the management remuneration policy and the results of the previous year's objectives (2014).
- Proposal of the management remuneration policy and objectives for 2015.
- Proposal for the replacement of Board members.
- Proposal for Board member compensation.
- Review of CEO and CFO's contracts.

In 2015 the Company focused on aligning the management compensation model with the single shareholder's interests, paying particular attention to the variable component of their remuneration.



## COMPOSITION OF THE BOARD OF DIRECTORS AND BOARD COMMITTEES<sup>1</sup>

Name	Board of Directors	Audit Committee <sup>4</sup>	Appointments and Remuneration Committee <sup>4</sup>
H.E. Suhail Al Mazrouei	Chairman	-	-
Mr. Pedro Miró Roig	Vice-Chairman and CEO	-	-
Mr. Abdulla Salem Al Dhaheri <sup>2</sup>	Member	-	Chairman
Mr. Abdul Munim Saif Al Kindy <sup>2</sup>	Member	Member	-
Ms. Alyazia Ali Al Kuwaiti <sup>2</sup>	Member	Member	Member
H.E. Mohamed Saif Al Suwaidi <sup>2</sup>	Member	-	Member
Mr. Ángel Corcóstegui Guraya <sup>3</sup>	Member	Chairman	-
Mr. Ignacio Pinilla Rodriguez <sup>5</sup>	Secretary	Secretary	-
Mr. José Téllez Menchén <sup>5</sup>	Deputy secretary	Deputy secretary	-
Mr. Carlos Morán Moya <sup>5</sup>	-	-	Secretary

<sup>1</sup> At 23 March 2016, the date of preparation of the annual accounts, directors' report and profit distribution proposal of Compañía Española de Petróleos S.A.U. (Cepsa) and consolidated group in relation to 2015.

<sup>2</sup> Appointed on 18 January 2016 by decision by the single shareholder, IPIC, for the statutory term of six years, following the resignation of Mr. Álvaro Badiola, Mr. Eric Besson and Mr. Hamdan Al Hamed on 11, 13 and 18 of January 2016, respectively.

<sup>3</sup> Appointed on 1 February 2016 by decision of the single shareholder, IPIC, for a statutory term of six years.

<sup>4</sup> On 4 March 2016 the Board appointed Messrs. Corcóstegui and Al Kindy and Ms. Al Kuwaiti members of the Audit Committee and Messrs. Al Dhaheri and Al Suwaidi and Ms. Al Kuwaiti members of the Appointments and Remuneration Committee.

<sup>5</sup> Non-voting.



## AUXILIARY COMMITTEES

Support the Board of Directors and their delegated commissions in their work and in carrying out their responsibilities.

### MANAGEMENT COMMITTEE



#### Functions

- Supervise and coordinate business units and corporate functions.
- Analyse and propose objectives, the strategic plan and the annual budget.
- Approve the policies and initiatives of the various units and areas.



#### Meetings

Every 15 days and whenever convened by the Chairman.

### ETHICS COMMITTEE



#### Functions

- Drive, monitor and control compliance with the values, principles and standards of conduct established in the Code of Ethics and Conduct.
- Broaden the search for solutions to potential ethical dilemmas.



#### Meetings

4 meetings a year.

INVESTMENT COMMITTEE



Functions

Perform a detailed analysis of any major investment projects the Company plans to undertake, prior to being submitted to the Board of Directors.



Meetings

12 meetings a year.

RISK COMMITTEE



Functions

Approve Cepsa's Global Risk Policy and strategy within which the business units and corporate areas are required to operate.



Meetings

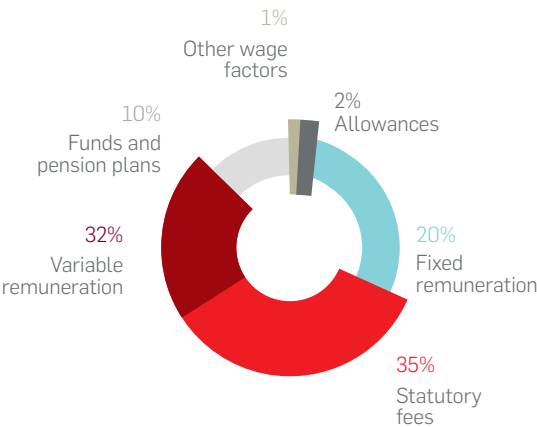
4 meetings a year.

REMUNERATION OF THE BOARD AND SENIOR MANAGEMENT

The Nomination and Remuneration Committee is the body that analyses and proposes the remuneration of the members of the Board and Senior Management. Remuneration has two components: a fixed annual allocation and, until December 2015, attendance fees.

The remuneration of Senior Manage-

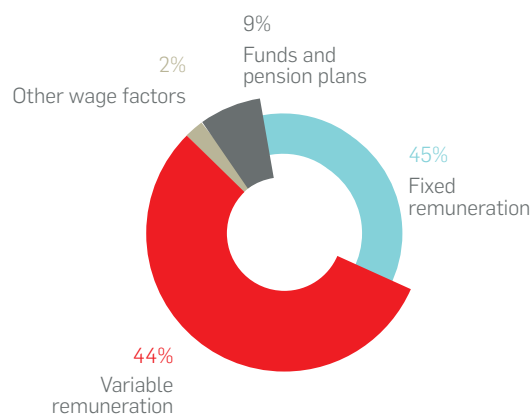
ment and Executive Directors includes a variable portion consisting of a percentage of fixed remuneration based on the degree of fulfilment of the targets set for the year. These targets are based on consolidated profits, safety at work ratios, business operating issues, support activities and personal performance.



Directors' Remuneration  
(Thousands of euros)

2015	5,979
2014	6,750
2013	4,090





### Management Remuneration (Thousands of euros)

2015	6,043
2014	6,249
2013	5,826

## ETHICS, INTERNAL CONTROL AND COMPLIANCE

Cepsa's governance model is based on the Company's Mission, Vision and Values, as well as on the content of the Code of Ethics and Conduct which is the framework for our professional practice.

The Code of Ethics was updated in 2015 to include the Company's new value, "safety". Sixteen ethical guidelines have also been approved which develop the basic rules of the Code of Ethics and serve as guidelines for employees and other stakeholders.

Fourteen complaints have been received through the Ethics Channel concerning

equal opportunities, conflict of interests, suppliers and contractors, customer relations and use and protection of the Company's assets. Over 85% of these complaints have been dealt with to date and the necessary corrective measures implemented.

We evaluate the efficiency of the Company's Internal Control systems from various units, under the supervision of the Internal Audit, Internal Control and Corporate Risk Unit.

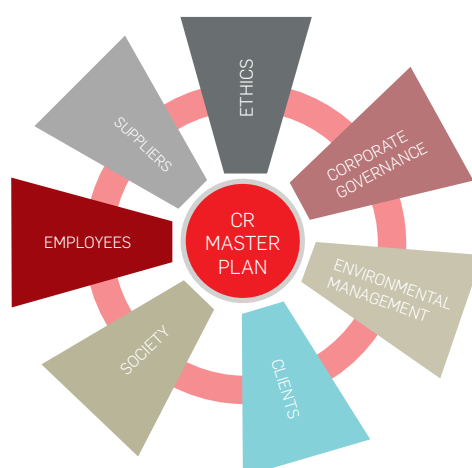
For more information  
about programs  
regarding fulfilment of  
ethics controls click here.



## •• CORPORATE RESPONSIBILITY STRATEGY

We remain firmly committed to responsible management in our activities, aware that operational excellence implies a sustainable development of our processes, while maintaining our values and ethical principles and prioritizing the prevention of potential environmental and social impacts in the areas in which we operate.

As a result of this commitment, in 2013 we launched our first Corporate Responsibility Master Plan, on which we have been working for three years within the following areas of action:



## STAKEHOLDERS

Many of the lines of action in our Master Plan are related to improving our knowledge of and relationships with our main stakeholders: shareholders, customers, suppliers, professionals and the community in which we operate.

The key to our business is to be able to create value for them, being able to

meet their expectations and needs. To this end, we work each day to build a transparent and collaborative relationship based on streamlined, direct, two-directional and permanent communication that allows us to build trust, providing them with different communication channels:

### SHAREHOLDER

Our shareholder, IPIC, is actively involved in the management of the Company through the governing bodies established for that purpose.

### PROFESSIONALS

Through the Ethics Channel, employees can report any incident confidentially. We also have other communication tools such as the climate and commitment survey, internal meetings; the Intranet, and the employee portal. We also receive comments and suggestions directly from the managers they report to.

### CUSTOMERS

We work to constantly improve our customers' experience with our products and services, receiving any complaints and suggestions in this respect through different tools such as satisfaction surveys and the existing Customer Service channels.

### SUPPLIERS

Several tools are currently available for communicating with our suppliers: Supplier Day, the suppliers' portal and the satisfaction survey. Our relations and the existing tools are included in our Guide to Supplier Relations in the Operational Purchasing Manual.

### COMMUNITY

Our priority is to promote dialogue and interaction in the communities in which we are present, using channels such as community committees, open days and public consultations. We also have a close relationship with the authorities, regulatory bodies and institutions in all the countries in which we operate.

## INVOLVEMENT IN INITIATIVES

We take indices and initiatives of recognized prestige as a reference, on both a local and international level, which encourage responsible and sustainable business frameworks. By doing this we strengthen our commitment towards the responsible management of

our activities, increasing our reliability and transparency with respect to our stakeholders. We are currently committed towards the following national and international initiatives in corporate responsibility:



## SUSTAINED ECONOMIC VALUE

Obtaining sustained economic value is one of our business objectives, as well as the balanced distribution of that

value among all those who contribute to its achievement.

<b>Economic value generated<sup>1</sup> (Millions of euros)</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Revenue (including excise taxes)	19,892	26,178	27,577
Other operating income	143	161	157
Financial income	74	61	45
Share in profits of associates	49	57	38
Income on fixed asset disposals	9	31	7
<b>Total</b>	<b>20,167</b>	<b>26,488</b>	<b>27,824</b>
<b>Economic value distributed<sup>2</sup> (Millions of euros)</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Payments to suppliers	15,344	21,709	23,357
Total employee salaries and compensation	586	709	610
Payments to capital providers	339	314	374
Total taxes paid by Cepsa	2,644	2,579	2,767
Discontinued operations	-7	-	-
<b>Total</b>	<b>18,906</b>	<b>25,311</b>	<b>27,108</b>
<b>Economic value retained (Millions of euros)</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Economic value generated	20,167	26,488	27,824
Economic value distributed	18,906	25,311	27,108
Economic value retained	1,261	1,177	716

1. Economic value generated calculated as the sum of operating income, financial income, share in profits of subsidiaries and revenue from asset sales.

2. Economic value generated and distributed on the basis of adjusted results. The effect on equity of price changes in inventories and other non-recurring items has been eliminated, allowing the fundamentals of the business to be appreciated irrespective of the higher or lower value of inventories that are required both for legal (minimum security stocks) and operational purposes.



# CHAPTER 5

# INNOVATION AND TECHNOLOGY

## OPERATION OF CEPESA'S TECHNOLOGY AREA



THIRD  
PARTIES



RESEARCH  
CENTRE



TECHNOLOGICAL  
DEVELOPMENT



ENGINEERING





A culture of innovation is one of our hallmarks. Using research as a tool, we create value, improve competitiveness and the quality of operations and products, optimize production processes and, ultimately, make progress while ensuring the sustainability of our business over time.

The Technology area, which has an advanced Research Center, brings together the Company's innovation activities. The Research Center, together with the Technological Development and Engineering area, are responsible for ensuring the research, development and construction of new projects required by all Cepsa's business units.

Technology provides support to business units and cooperates closely with all of them. It has pilot plants and state-of-the art analytical equipment,

as well as highly specialized professionals, who support the business units in the development of new products and production technologies.

Once research on new processes or new products has been completed at the Research Center, Technology Development and Engineering ensure the implementation, engineering, construction and start-up of the new production units that are necessary for the Company's technological development.

## Enhanced Oil Recovery (EOR) technology for Caracara Sur field (Colombia)

Focused on increasing crude oil production in the Caracara Sur field (Colombia); in May 2015 a pilot test was launched involving the injection of a mixture of chemicals that increased output in wells located around the injection site. In 2015 this technology was patented.

In 2015, tests were begun searching for other molecules that could increase oil production in other fields operated by the Company in North Africa and the Middle East.



## Galileo project: definition of an Intellectual Property management system in the Company

The project aims to establish a culture of knowledge protection in our Company that encourages innovation and gives added value to our intangible assets. By means of the Intellectual Property department in the Technology area, we obtain and assess ideas that might merit protection, providing support on intellectual property management to the business units in their projects.



## Development of a new line of research into surfactants derived from palm nut oil

We are in the process of building our plant in Indonesia, where a new research and technical support line will start operating in 2016 for new plants for surfactants based on ethoxylated alcohols derived from palm nut oil.





## Pilot tests on alternative marine fuel with Quadrise and Maersk

We have entered into an agreement to install a plant for the manufacture of MSAR®, an alternative marine fuel which may offer environmental benefits and is potentially safer and cheaper than traditional marine fuels.

## Launch of three new marine lubricants

We have designed three new marine lubricants for large engines, thereby enabling ship-owners to select the best option from both a technical and economic viewpoint.



## Development and marketing of a new range of bitumens

These products enable a better grip between tyres and the road surface, while ensuring comfortable, low-noise driving which eases traffic circulation and encourages respect for the environment.

## Commencement of ECOASPHALTS project

We have commenced a research project in collaboration with the University of Granada to produce "low temperature asphalts" which entail improvements in safety management and major energy savings, and allow the reintegration of solids that are difficult to manage in environmental terms.



## Sale of license and basic engineering at PIA plant



In 2015 we sold the first license and basic engineering for the construction of a petrochemical plant to produce 100,000 tonnes per year of PIA (purified isophthalic acid) to OMAN Oil, in Oman. PIA manufacturing uses a technology developed during the past ten years by the Research Center and the Petrochemical area at Guadarranque plant in San Roque.

## Development of new catalysts

In 2015 we initiated two projects for the development of new catalysts to increase the production of aromatic raw materials for our petrochemical area. These two new catalysts will be manufactured and loaded into our industrial units throughout 2016. They have been developed in collaboration with UOP.



## Design and patent of a new petrochemical products loading and unloading system



We have developed a pioneering system for loading and unloading of petrochemical products at the Port of Huelva. It involves various hoses that allow different products to be loaded at the same time, also offering a higher pumping rate. Loading and unloading times are reduced by between 50% and 60%, with an estimated saving of 2,160 hours of berthing per year and 20% lower occupancy at the facilities.



## COMMITTED TO INNOVATION BEYOND THE COMPANY

We are firmly committed to innovation backing research projects not only within the Company but also supporting and establishing alliances with institutions and entities.

We are part of Madrid Subterra, a public-private non-profit association formed in October 2014 for promoting the exploration and exploitation of clean, renewable energy potential in the Madrid subsoil. As part of this association, in 2015 we launched the first contest for Innovative Ideas and Projects for harnessing energy in Madrid subsoil.

Within our partnerships with educational institutions aimed at developing research and training, during 2015 we

have carried out various actions such as the 10th edition of the Cátedra awards from the University of Cádiz, where 3 prizes were awarded to projects undertaken by students of the University for their innovation and originality, scientific and technological treatment, relevance and applicability.

As part of the Huelva University professorship, in 2015 research activities have continued to be sponsored and two awards for researchers at the university have been convened.

We also take part in forums, innovation groups and other similar initiatives with a view to staying at the forefront in innovation and sharing our progress.





## CHAPTER 6

# OUR STAKEHOLDERS

### OUR PROFESSIONALS: 10,512 PEOPLE

91.12%

INDEFINITE  
CONTRACTS

3.77%

ABSENTEEISM

34.43%

FEMALE WORKERS

40.15 HOURS

TRAINING PER  
EMPLOYEE

42.74 YEARS

AVERAGE AGE

42.6%

EMPLOYEES  
WITH INDIVIDUAL  
EVALUATION

25%

UNIVERSITY  
GRADUATES

11.96 YEARS

AVERAGE LENGTH  
OF SERVICE

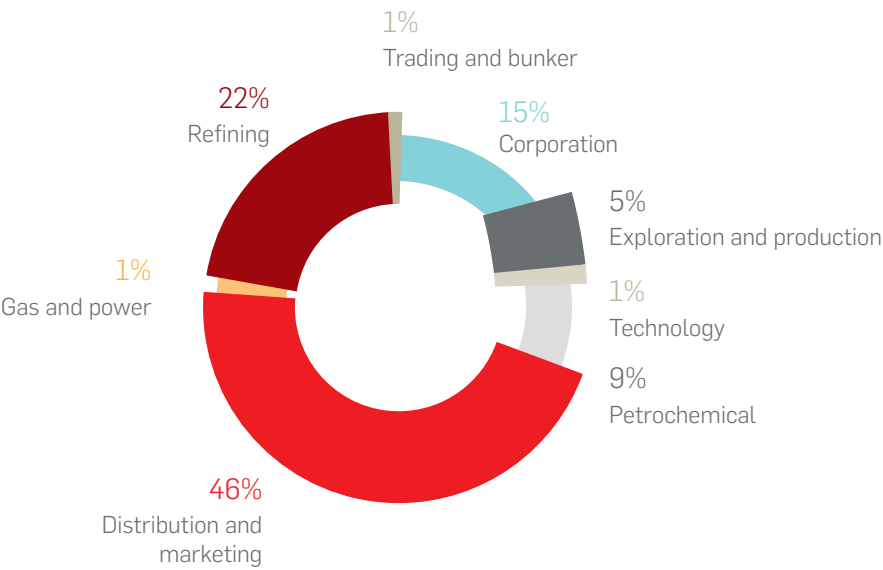


•• **OUR PROFESSIONALS**

Our professionals are an essential asset for achieving our goals and fulfilling our strategic plan. Our human capital is aligned with the Company's values, qualified and oriented towards the achievement of our objectives and challenges, which is key to ensuring sustainable growth over time.

**OUR HUMAN CAPITAL**

We have 10,512 professionals, distributed among our business and functional areas.



## STRATEGY

To achieve our goals we need human capital to be qualified, motivated and aligned with the Company's values. We want our professionals to accompany Cepsa in its growth and internationalisation strategy, contributing to the achievement of challenges and targets.

Our efforts in 2015 have focused on three lines of work: strengthening the

commitment of our professionals, strengthening the positioning of our Company as an outstanding employer, and strengthening the recognition of our values among our employees.

We strive to encourage exemplary procedures and methods for managing our professionals, which have been rewarded in the indices and external recognitions that we received in 2015.



We have a Values Recognition Programme aimed at fostering a corporate culture based on our values among all professionals. This year we gave awards to 11 professionals who

have best represented these values in their daily work. In addition, we have expanded their scope, also recognising these values at a team level.





## ATTRACTING AND RETAINING TALENT

We seek to both attract and retain the talent within the Company, and therefore we invest in:

- Taking part in programmes to involve university students in a professional environment.
- Developing our own initiatives such as the Talent Call-Challenging U grants program.
- Sponsoring highly motivated graduates in the energy sector so they can study international Masters programs in prestigious Oil&Gas schools.
- Creating academic programs in outstanding academic institutions related to our business.
- Encouraging the participation of our professionals in training plans, both internal and external, in prestigious institutions (IESE, ESADE, Nebrija Business School) to ensure their development.
- Trusting our professionals' qualities to fill vacancies in all business areas.

## PROFESSIONAL TRAINING AND DEVELOPMENT

Our employees' knowledge and skills are our greatest asset, and therefore we consider training as a key investment with great strategic relevance. In 2015 we have implemented various measures, including the following:

- Development of the Campus Project, a virtual campus where we have implemented the "Somos Cepsa" (We are Cepsa), "Idiomas" (Languages) and "Liderazgo" (Leadership) schools, optimizing the connection between training and the qualification needs for organizational posi-

tions in integrated management.

- Implementation of a new Training Model in the system, with more involvement of managers in the definition and management of their teams' training. In 2015, 7,806 employees have received 372,812 hours of training, around 40 hours per employee.

We have increased the hours devoted to language training by 75% and those dedicated to business management by 111% compared to 2014.



## TRAINING HOURS BY PROFESSIONAL CATEGORY

Management	5,898
Heads of Department	40,302
Senior technicians	116,925
Mid-level technicians	67,468
Specialists	137,565
Administrative staff	2,478
Assistants	2,176



We have also developed strategic training projects for all our international teams in Corporate Defense and Risk Management.

We also support the training of our professionals through both functional and geographical mobility.

In 2015 we set up the Mobility Committee with a view to:

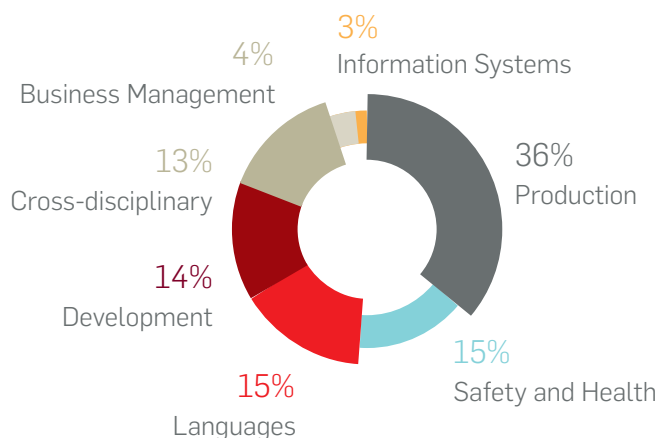
- Prioritizing mobility over covering vacancies with external candidates.
- Ensuring consistency in reactive mobility processes and compliance with deadlines.

- Optimizing personnel through the proper placement of professionals identified as being receptive to mobility.

- Identifying and resolving any incidents that occur in mobility processes.

During 2015 approximately 30% of vacancies were covered with internal professionals.

### Training materials



### PERFORMANCE

We have tools that allow us to evaluate professionals' performance from all areas of the business, through

which we jointly evaluate professional performance and individual capacities.

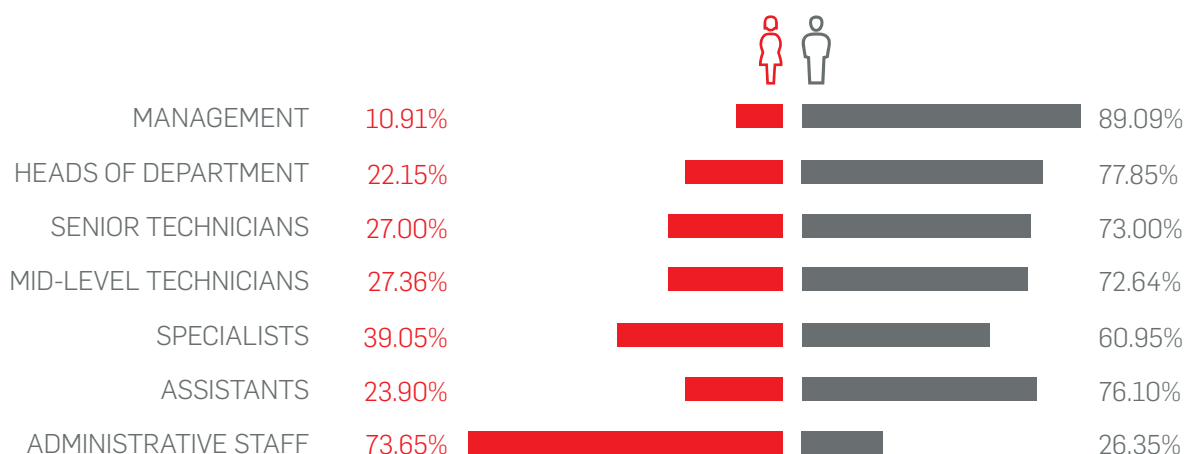
Employees receiving performance evaluation	Total employees	Total individually evaluated employees	%
Management	110	102	92.70%
Heads of Department	632	588	93.00%
Senior technicians	1,696	1,557	91.80%
Mid-level technicians	1,517	783	51.60%
Specialists	6,231	1,282	20.60%
Administrative personnel	167	98	58.70%
Assistants	159	71	44.70%
	<b>10,512</b>	<b>4,481</b>	<b>42.60%</b>

## EQUAL OPPORTUNITIES

We strive to ensure equal opportunities among candidates in the selection process. In 2015 there was an increase in the number of women in the Company's workforce. It should be noted that this increase was also reflected in the number of women in management positions and as department heads, a rise of 3.5% and 2.75% respectively over 2014.

With regard to the presence of women in the various business areas, the leader is the Distribution and Marketing area, with women comprising 45.47% of personnel, followed by Technology (40.16%), Trading and Bunker (37.08%), Gas and Electricity (23.91%), Exploration and Production (23.10%), Petrochemicals (13.59%) and Refining (8.16%).

### Percentage of women and men by category



## WORK-LIFE BALANCE AND BENEFITS



We are in a process of cultural transformation that affects, among other things, the way we work, making highly relevant changes focused on developing new methodologies and more flexible systems for our employees.

Our latest achievement has been to become the first energy sector company to join the Mashumano Foundation business network thanks to the implementation of different and

flexible work models based on productivity and on human factors.

Our work-life balance initiatives, currently numbering over 100, have been well received in the business sector and among experts in human capital. Company professionals also enjoy social benefits and specific offers for Cepsa products and services, and take part in events derived from Company sponsorships.

## CHAPTER 6

### Our stakeholders

Our professionals · Our customers

#### LABOUR RELATIONS

We are firmly committed to the fundamental principles of law in the workplace of the International Labour Organisation (ILO) and are signatories of the Universal Declaration of Human Rights.

A total of 94.97% of our workers are covered by the collective agreement for our industry and 94.7% have trade union representation.

#### SAFETY AND HYGIENE AT WORK

At Cepsa we are committed to the safety of our employees' and therefore our goal is to implement a common safety culture, preventing any kind of accident inside or outside work, with the involvement and commitment of all our employees.

To continue fostering this safety commitment, we have started up initiatives such as the launch of a competition to choose a safety slogan for the Company, the formation of specific safety working groups ("Lessons Learned Group", "Indicators Groups", "Safety Outside Work Group", "Safe Driving Group" and "Lifesaving Rules Group"), the implementation of the Safety Day and the Cepsa Safety Decalogue.

All refineries and factories have externally certified Quality, Environment

and Safety management systems. In 2015, the five asphalt derivative factories and the nine gas plants operated by the Company have passed the external audits of their respective management systems conducted by AENOR and AUDELCO.

Cepsa Chemicals received the FEIQUE 2015 Special Safety Award for chemicals industry companies with over 300 workers that achieve an Accident Frequency rate of zero. Our La Rábida refinery also received an award from AUDELCO for excellence in Occupational Health and Safety.

Thanks to our efforts to raise awareness and increase safety in our professionals' work, in 2015 the accident rate was reduced by 15% compared with 2014.

#### Accident rate and own employee absenteeism<sup>1</sup>

	2015	2014	2013
Number of lost-time accidents <sup>2</sup>	41	48	56
Lost-time accident frequency rate <sup>3</sup>	2.08	2.40	2.61
Absentee rate due to common illness (%) <sup>4</sup>	2.38	1.56	1.55
Overall absentee rate (%) <sup>5</sup>	3.77	2.55	2.47

1. The absenteeism data relate to companies based in Spain.

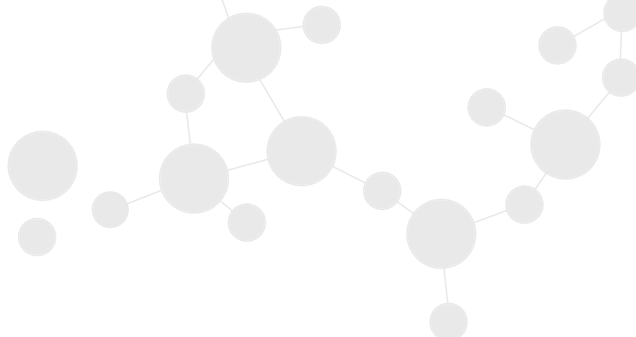
2. Accidents causing temporary disability, permanent disability or death.

3. Number of accidents requiring absence per million hours worked (own personnel).

4. Number of hours of absence due to common illness per theoretical annual hours worked.

5. Number of hours of absence for any reason per theoretical annual hours worked.

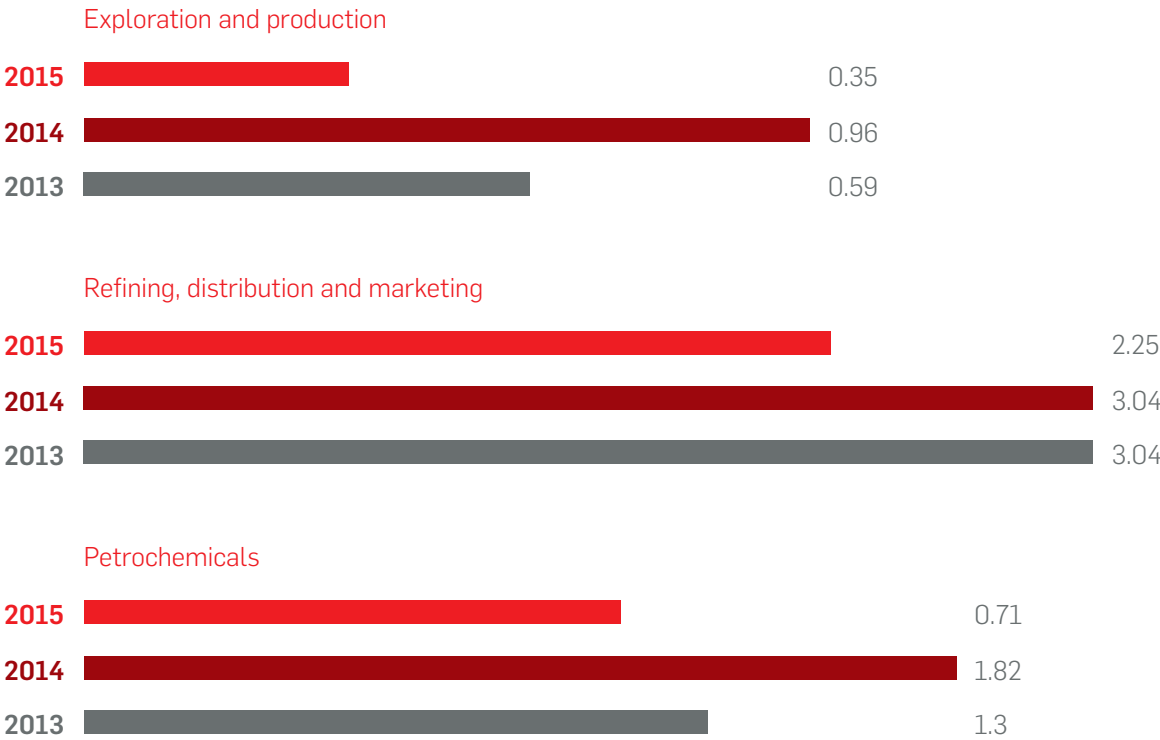




### Accident Frequency Rate

	2015	2014	2013
Own personnel and contractors' personnel	1.75	1.85	2.00
Company's own personnel	2.08	2.40	2.61

### Accident Frequency Rate (own personnel)



### •• OUR CUSTOMERS

Customers choose us because of our dedication to service, technical capacity and global vision, making us their preferred energy company.

#### CONTINUOUS COMMUNICATION AND INDIVIDUAL TREATMENT

At Cepsa, we work to strengthen the link with our customers. This requires an understanding of their priorities and motivations. We place at our customers' disposal various permanent and personalised service channels, both traditional (telephone, fax, email or post) and tailored to new technologies, such as the Whatsapp instant messenger channel or permanent customer

care through our social network profiles.

Our regular customers are constantly informed about our products and services, offers and promotions, which are designed according to their consumption profile, needs, tastes and interests to achieve an individualised mix of offers.

## CHAPTER 6

### Our stakeholders

*Our customers · Our suppliers*

#### CONTINUOUS IMPROVEMENT



During 2015 we launched the Customer Experience project to ascertain our customers' priorities and motivations and detect all customer interactions with Cepsa, evaluate them and identify opportunities for improvement.

To further improve our customer service we need the participation of all stakeholders involved, including our employees. In this respect, we have carried out various actions that encourage professionals who have direct dealings with customers to identify needs and opportunities, and to adapt the products and services we offer accordingly. In 2015 we worked on the following initiatives:

- "Coaching at the point of sale": this project was launched to provide personalised training tailored to Cepsa's professionals at each point of sale, in order to improve customer service.

A total of 206 employees have received training and the proposed objective has been met, this being to achieve a 10% improvement in scores in the selected variables. This project will be extended to cover the entire service station network in 2016.

- IMAS system, through which we collect information on the level of service quality at Cepsa service stations. In 2015 we have conducted more than 5,130 visits to service stations which have resulted in more than 10,200 corrective actions (32% more than in 2014) related to information provided, cleaning and maintenance, customer support and services. This system is already fully implemented in the service station network and is a very useful tool to continue progressing in the improvement of the services offered.

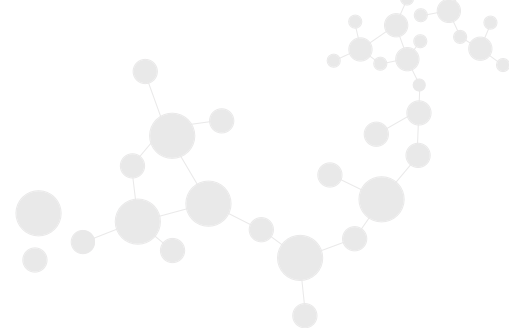
We seek to offer synergies with other products and services of both the Company itself and third parties, establishing alliances and internal and external collaboration schemes that will allow us to offer added value to our customers.

Through the "Porque Tu Vuelves" program, we make continuous efforts to improve the benefits offered to our customers which result from the detection of synergies among Cepsa products. This year we have incorporated new benefits such as earning discount points for home purchases of diesel, purchases in third party establishments and the online store.

In 2015 we have established alliances with Carrefour, Banco Popular-e, Línea Directa and Endesa through which our customers have obtained exclusive benefits that reward their loyalty to the Company.

We are committed to continuous improvement and in 2015 we launched Cepsa Pay, a revolutionary application to make it easier for our clients to refill the car. This application allows users to pay for refilling the car from their mobile in a quick, easy and safe way across all of Cepsa's network of service stations.





## SAFETY AND QUALITY OF PRODUCTS AND SERVICES OFFERED

Due to the nature of our chemical products, they have potential impacts on safety, health and the environment that we must take into account. These matters, in addition to technical and economic aspects, ensure the maximum quality for our customers.

Responsible chemicals management is carried out from our Product Stewardship area.

Our main efforts this year with regard to product security have centred on the adaptation of our products to EC Regulation 1272/2008 (CLP Regulation) concerning new criteria in the classification, labelling and packaging of certain chemical substances and mixtures. This has involved major coordination and collaboration among different business areas and has affected more than 600 products manufactured by the Company.

In 2015 we also completed the study we had been working on jointly for four years with the University of Cádiz, to analyse the safety of LAS (linear alkyl benzene sulfonate) in the environment, with very positive results.

We are committed to the safe use of the products we make and therefore in 2015 we started an internal analysis process to identify areas for improvement in our working procedures, allowing us to unify existing information and to distribute this information and keep it updated and accessible.

To improve the technical support offered to our customers with regard to product safety, this year we launched the Service Now (SNOW) project which allows us to streamline and systematize all inquiries received, while improving services to our customers.

## •• OUR SUPPLIERS

We manage procurement and supplier contracting functions on a centralized basis in Cepsa and in 2015 we have

consolidated our Operational Purchasing Model.

### Business relations with suppliers: expenses included in the income statement (Millions of euros)

	2015	2014	2013
Procurement	12,915	19,463	21,365
Transport and freights	383	329	335
Work, supplies and external services	1,749	1,665	1,503
External environmental expenses	15	6	14
Other operating expenses	215	195	123
Finance costs	15	6	14
<b>Total</b>	<b>15,344</b>	<b>21,709</b>	<b>23,357</b>

### Business relations with supplies: investments (Millions of euros)

	2015	2014	2013
Exploration and Production	543	2,643	386
Refining and Marketing	281	238	187
Petrochemicals	172	265	184
Technology, Gas and Cogeneration	28	28	159
Corporation	26	32	11
<b>Total</b>	<b>1,051</b>	<b>3,206</b>	<b>926</b>

## SUPPLIER RELATIONS



We have over 6,000 suppliers and undertake ongoing communication, evaluation, control, development and joint work initiatives with our supply chain, in order to maintain a fluid and trusting relationship that will ensure the success of the procurement and contracting process.

We place a high degree of importance on communication with our suppliers and have designed spaces for dialogue which enable us to listen to their opinions and experiences in order to carry out continuous improvement initiatives and jointly establish plans and objectives.

- We have improved our supplier portal.
- We have drawn up Supplier Relations Guidelines.
- We have approved the Supplier Code of Ethics, which has been distributed during 2015. This Code

of Ethics must be accepted in all tendering and contracting processes and a clause relating to it has been included in all contracts, orders and the new version of the General Terms of Business.

- We have held another edition of the Supplier Day. This year the meetings took place in Madrid, Huelva, San Roque, Tenerife, Lima and Bogotá, and were attended by over 500 suppliers.
- We have carried out the first supplier satisfaction survey in order to obtain information and continue improving our relations. The results of the survey, which was answered by 271 suppliers, reflected the positive perception of Cepsa by its supply chain, with an average satisfaction score of 71% among the various matters evaluated.

## SUPPLIER CONTROL AND EVALUATION

The supplier registration and approval process is applicable globally for all Cepsa companies and establishes the issues to be analysed for each supplier in relation to the company concerned and the product or service supplied.

During 2015 this process has been extended to all the Company's suppliers. There are currently 5,838 registered suppliers (99.2%) and more than 1,400 approved suppliers, representing 86% of the Company's expenditure.

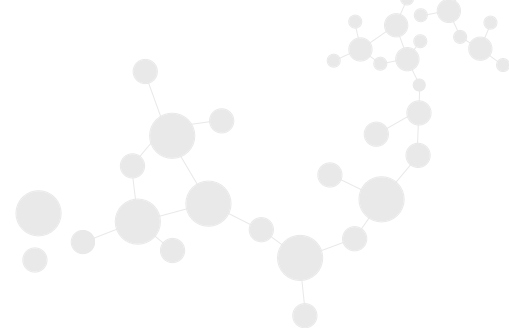
Via segmentation, we identify critical Cepsa suppliers for which approval

requirements are more stringent, and specific follow-up actions and evaluations are established in order to minimise risks relating to the supply chain.

The result of the segmentation based on contracting data for 2015 enables us to carry out specific monitoring of suppliers in segments I, II and III, which accounted for 92% of the Company's total expenditure, during 2015.

All suppliers in segments I, II and III or those supplying high impact goods and services are included in the annual approval plan.





During 2015 we have conducted 860 performance evaluations on 441 suppliers in all areas of specialisation, of which 63% belong to suppliers in the principal segments (I, II and III),

emphasising questions of quality and implementation, safety, environmental performance, innovative capacity and ethical behaviour.



	Suppliers	% Suppliers	% Expense
SEG. I	62	1.03%	59.42%
SEG. II	238	3.94%	23.51%
SEG. III	351	5.81%	8.85%
SEG. IV	5,393	89.23%	8.22%

## JOINT DEVELOPMENT AND WORK

We carry out a major part of our activity in Spain and therefore 54% of our suppliers, representing 49% of the expenditure managed by the Purchasing department, are Spanish. In the areas where our activities are located (Gibraltar San Roque Refinery, La Rábida Refinery and Tenerife Refinery) we have strengthened relations with local suppliers in order to contribute to the development of the areas in which we operate, who represent the 53% of contracted services.

We have extended this commitment to all countries where we operate, with the challenge of developing specific

plans to encourage contracting with local suppliers in each geographical area.

Colombia has led this commitment, launching a specific programme for strengthening local suppliers. To date, a survey of companies in the area has been conducted to determine their degree of maturity and capacity to supply goods and services. Supply lines and services that could be contracted locally have been identified and the methodology for extending this process to other locations as from 2016 has been established.

## DEVELOPMENT OF STRATEGIC ALLIANCES

During 2015 we have identified, developed and formalised strategic alliances with suppliers to add value to our Company through agreements that improve our capacity for innovation and contribute to achieving greater efficiency in the supply of goods and/or

services, by encouraging leveraging of cross-business opportunities.

We are also working on developing strategic relationships with other IPIC companies in order to identify synergies and carry out joint initiatives.



•• OUR COMMUNITY

It is a priority for us to encourage dialogue and interaction with our communities, establishing transparent, sustainable and respectful relationships with them.

We have internal policies and procedures, applicable wherever we operate, to ensure a smooth ongoing relation-

ship with neighbouring communities.

To maintain this relationship, we use different dialogue, communication and participation channels. Three of these should be noted due to their relevance and usefulness in strengthening these relations:



The objectives we pursue in our relations with communities are



Ongoing two-way communication allows us to identify the concerns and needs of the communities around us, which we try to answer through our participation in projects and initiatives that are developed locally in each community.

This participation, which is also supported by internal procedures and policies, is based on the following basic principles:



For more information  
about these social  
initiatives, click here.



These initiatives are diverse in nature and are adapted to the needs and characteristics of the local community concerned, within various lines of action:

#### FOSTERING COMMUNITY DEVELOPMENT

At our centers and facilities we carry out projects with disadvantaged people and groups in order to contribute to improving their quality of life.

#### SUPPORTING CULTURE AND EDUCATION

We are actively involved in promoting cultural events in order to encourage literary and artistic creativity, support and conserve popular customs and conserve our historical heritage.

We also work jointly with various institutions on activities that promote training, knowledge acquisition and skills, as well as scientific research to promote education and employability.

#### PROMOTING LOCAL AMATEUR SPORTS

We support amateur sporting activities aimed at young children and teenagers in local communities or at community participation to encourage the acquisition of values and the development of a healthy lifestyle.

#### RAISING ENVIRONMENTAL AWARENESS

We support various initiatives aimed at raising environmental awareness, encouraging biodiversity and conserving and rehabilitating our natural heritage.

We are involved in a variety of initiatives and we also encourage our professionals to take part in corporate voluntary activities which add to our involvement in the communities in which we operate. This enabled us to achieve some interesting goals in 2015.

#### CORPORATE VOLUNTEERING



**535**  
VOLUNTEERS



OVER **40**  
INITIATIVES

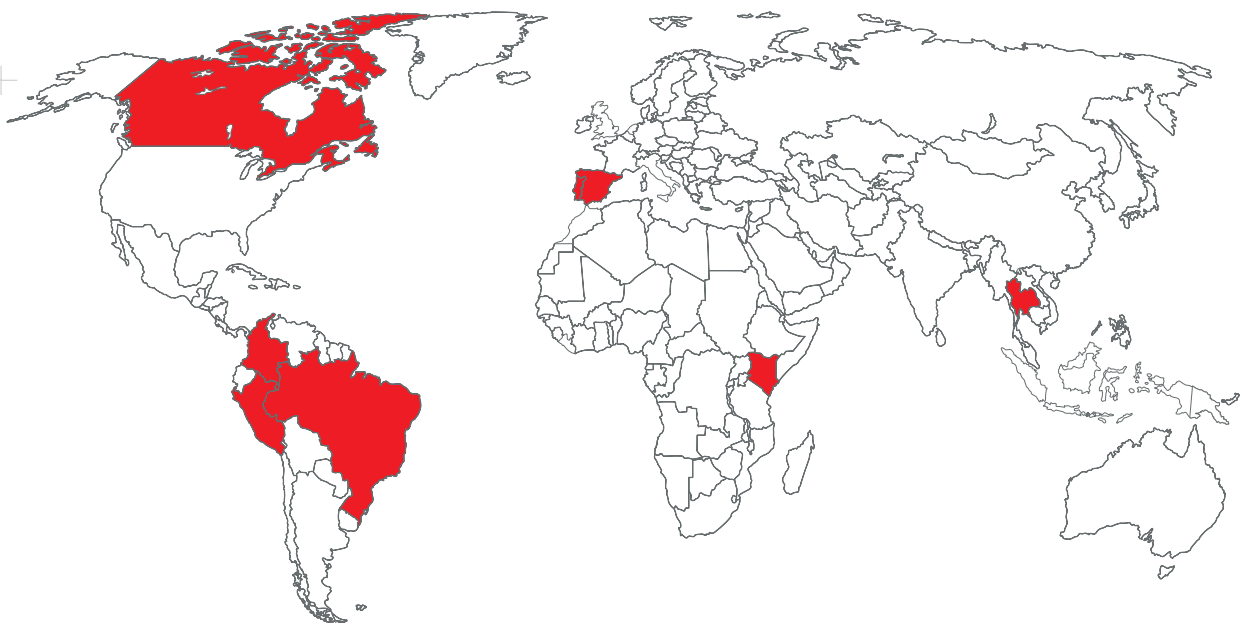


OVER **2,000**  
HOURS

#### Investment in Community Action 2015 (Millions of euros)

	2015
Community development	3,988,439
Culture and education	662,941
Local amateur sports	122,794
Environmental awareness	474,126
<i>Total</i>	<i>5,248,299</i>

## Initiatives by country



### CANADA

Their contribution comprises various activities, including fund-raising for social organisations. It is also one of the main sponsors of the "Gentilly's River Park Challenge" triathlon in which professionals from the plant take part.

### COLOMBIA

This is one of the most involved assets with its local communities. In Casanare we participated in basic sanitation projects and sustainable and productive agricultural infrastructure projects through intermediary entities such as the Community Credit Fund, or through direct financial or material contributions. In Caracara we should note the "Young Builders of Dreams" project for educating and supporting disadvantaged children and "Productive Projects" which support the development of local families through improvements in their livelihood: agriculture and livestock.

### PERU

The needs of this environment require very specific initiatives such as the creation of a "training centre for sustainable productive development with organic cocoa" and the "Bioengineering Los Angeles - Lot 131" project for the revegetation and restoration of embankments to reduce environmental impacts on farmland adjacent to our facilities.

### BRAZIL

We actively participate in various initiatives among which we should note the Green Cheque initiative, a cash donation derived from the recycling and sale of paper, glass, metals and waste accumulated during the year as well as the Health and Environment Workshop, an event lasting several days consisting of different activities focused on community awareness in these areas.





## SPAIN

We implement various initiatives from our corporate headquarters and in the areas around our industrial sites. These include the Social Value Awards, as well as activities involving our professionals such as the "Give and Gain Day, sports events like the "Trail Solidario" in Anaga (Tenerife) and awareness-raising and environmental conservation initiatives such as the "Cuidado del Entorno" (care for the environment) conference. We also highlight the work carried out at our university scholarships, where we promote education and research through training programmes, scholarships and awards. In addition, we support campaigns for blood donation and donations of clothing, food, toys and Christmas gifts, by our professionals.

## PORTUGAL

Our professionals are actively involved in campaigns to collect food and clothing as well as in development initiatives in their community, such as the community bakery recovery project (Meca).

## KENYA

We carry out actions focused on promoting access to water, health and education. Among these actions, this year outstands the "Surgery in Turkana" project.

## THAILAND

There are various initiatives aimed at improving life quality in our surrounding communities. Among other projects, the following must be highlighted: the Organic Agriculture projects, the reforestation project and our collaboration with the Songkhla Lake marine life and mangrove conservation group. We also promote education through scholarships and cultural activities to keep traditions alive.

A close-up photograph of green leaves with several water droplets on their surfaces. The image is overlaid with a white dot grid pattern.

## CHAPTER 7

# CEPSA AND THE ENVIRONMENT

Our Environmental Management strategy stands out among all our corporate strategies as it governs our development and behavior, and clearly spells out our commitment to the environment in a homogeneous way across all the Company.

For more  
information  
click here.







## Preventing, minimizing and mitigating our impacts on the environment.

We are aware of the impact of our activities on our surroundings and we assume the implications involved for the development of our processes. We defend the compatibility between development and the environment and are committed to sustainability and the optimization of our activities with the lowest possible impact.

The basic tools we have to ensure a good environmental performance, to achieve excellence are the following:

- Basic Environmental Regulations.
- Environmental Policy.
- Certified Environmental Management Systems in our major industrial facilities. We should note the obtention of the unified ISO 14001 certification in 2015, bringing together the certification of all operational centres in order to improve and unify the Company's environmental management.
- Environmental Declarations at our refineries and chemical plants.

- Specific training in environmental matters.
- Specific strategies for each environmental issue.

One of the tools that we are working on and which will allow us to improve our environmental management is the Cepsa Environmental Protection System (SIPA), which will enable the unified control and monitoring of environmental data from different facilities locally and internationally, bringing considerable progress in our environmental performance.

During 2016 we will continue with the implementation of the Refining BREF at our refineries and the review of the BREF for High Volume Organic Chemistry (HVOC) and the BREF for Large Combustion Plants (LCP), with the aim of adapting our facilities to the best available techniques.



Our efforts have focused principally on reducing emissions and waste water treatment.

## ENVIRONMENTAL INVESTMENT AND EXPENDITURE

In 2015 our environmental expenditure increased by 7% compared to 2014 and environmental investment doubled, mainly due to emissions reduction and energy efficiency projects in Cepsa Chemicals and Refining. Our efforts have focused primarily on reducing air emissions and wastewater treatment.

We continue to participate in the Spanish Carbon Fund, financing projects focused on reducing Greenhouse Gas (GHGs) in other countries.

The investments made in 2015 include:

- Start-up of the azeotropic distillation at Guadarranque chemi-

cal plant, consisting of modifying dehydration units TA-2 and TA-3 to transform the current conventional distillation process into azeotropic distillation.

- Processes for inerting drilling muds in 8 wells at the RKF - Algeria site.
- Energy efficiency improvements in Refining and Petrochemicals facilities.
- Manhattan project for electricity production in Canada chemicals plant.



ANNUAL AND CORPORATE RESPONSIBILITY REPORT 2015



## •• RAW MATERIALS AND ENERGY<sup>2</sup>

During 2015 raw materials consumption has remained virtually unchanged with respect to 2014.

### Raw materials consumption (Thousands of tonnes)

	2015	2014	2013
Refining	22,016	21,812	23,074
Petrochemicals	4,295	4,201	4,030
<i>Total</i>	<i>26,311</i>	<i>26,013</i>	<i>27,104</i>

Thanks to the energy efficiency measures implemented in Exploration and Production, Refining and Petrochemicals, we have succeeded in reducing direct energy consumption by 1.5% compared to 2014, down to 82.75 GJ. Indirect energy consumption has re-

mained constant at 8.2 GJ. It should be noted that 11% of the electricity consumed is supplied by the Gas and Electricity area to refineries, petrochemical plants and the Marketing and Distribution area, being certified as 100% green energy.

### Direct and indirect energy consumption (Thousands of GJ)

	2015	2014	2013
Fuel gas and fuel oil	40,985	40,974	46,795
Natural gas	38,467	39,306	39,403
Other (diesel, propane, etc.)	3,301	3,692	8,130
<i>Total direct energy</i>	<i>82,753</i>	<i>83,972</i>	<i>94,328</i>
Electricity	8,213	8,242	8,113
<i>Total indirect energy</i>	<i>8,213</i>	<i>8,242</i>	<i>8,113</i>
<i>Total energy consumed</i>	<i>89,001</i>	<i>92,214</i>	<i>102,441</i>



We study the energy efficiency ratio as a more significant performance indicator for our operations in terms of energy consumption. This indicator relates trends in energy consumption to the volume of activity in each business unit. For Exploration and Production we use crude oil and natural gas production, for Refining we take the quantity of crude oil processed as a reference, and for Petrochemicals, the output of each plant.

In Refining, the energy efficiency ratio improved by 2.8% compared to 2014, due to improvements in energy efficiency at the refining plants. In E&P the ratio figure does not relate to energy efficiency due to the disparity in its activities (seismic, drilling, production) with different typical consumption levels. However, energy consumption per production unit in E&P has lowered in 2015.

### Energy efficiency of direct energy

	2015	2014	2013
Exploration and production (GJ/tonne produced)	1.13	1.16	0.63
Refining (GJ/tonne processed)	2.61	2.68	3.05
Petrochemicals (GJ/tonne produced)	3.74	3.73	3.96

(2) The data reported in this section include information from the Guadarranque plant and 5 months for the Montreal plant.



•• **ATMOSPHERE<sup>3</sup>**

Our activities include potentially air polluting processes, which increases the importance of preventing and controlling our emissions to avoid or minimize adverse effects on health, ecosystems, the environment and materials.

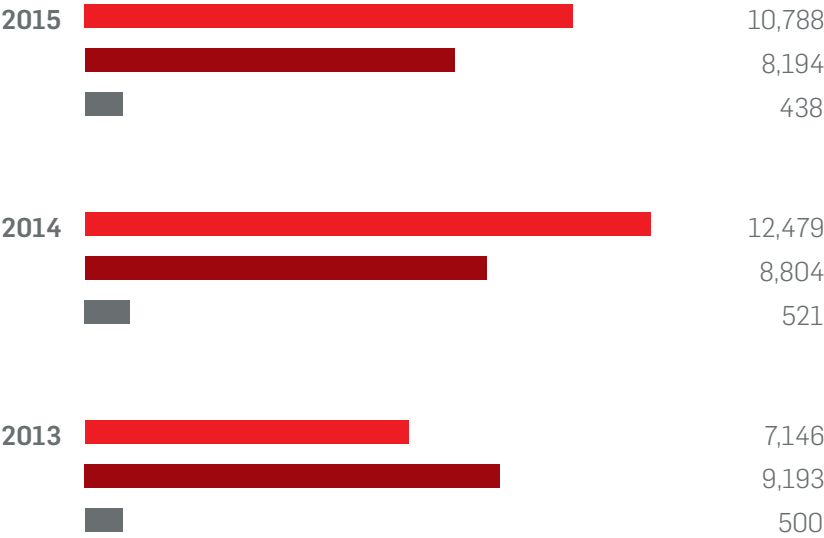
The effort to reduce emissions is evidenced by the indicators, which have

maintained a downward trend in Exploration and Production, Refining and Petrochemicals, even after the commissioning of new plants, such as Shanghai.

In the Petrochemicals area the decrease in emissions has reached the limit, as all factories use natural gas as fuel.

**Air Emissions**  
(Tonnes)

- $NO_x(t)$
- $SO_2(t)$
- $Particles(t)$







The effort to reduce emissions is evidenced by the indicators, which have maintained a downward trend in Exploration and Production, Refining and Petrochemicals.

<b>SO<sub>2</sub> emissions</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Refining (kg/tonne produced)	0.352	0.364	0.393
Petrochemicals (kg/tonne produced)	0.006	0.007	0.012
E&P (kg/tonne oil&gas produced)	0.069	0.102	0.007

<b>NO<sub>x</sub> emissions</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Refining (kg/tonne produced)	0.154	0.160	0.157
Petrochemicals (kg/tonne produced)	0.301	0.305	0.404
E&P (kg/tonne oil&gas produced)	1.011	1.212	0.306

<b>Particulate emissions (PM)</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Refining (kg/tonne produced)	0.015	0.017	0.019
Petrochemicals (kg/tonne produced)	0.006	0.011	0.007
E&P (kg/tonne oil&gas produced)	0.014	0.015	0.003

(3) The data reported in this section include information from the Guadarranque plant and 5 months for the Montreal plant.



The management of carbon by the Company includes Optimization plans for the Refining and Petrochemicals areas.

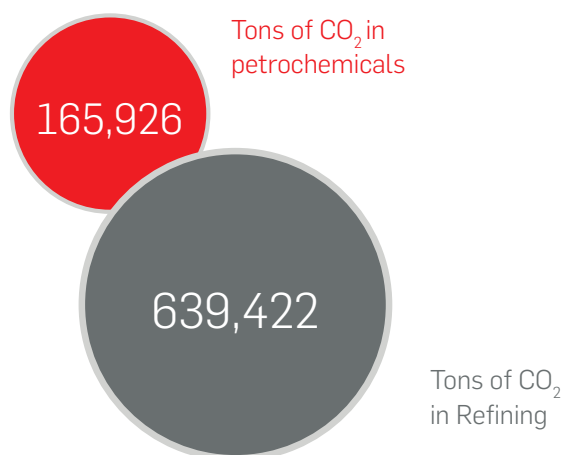


## •• CLIMATE CHANGE

Our activities generate greenhouse gases (GHGs) at our facilities, which we measure and report.

- On a European level, management of CO<sub>2</sub> as a GHG is regulated by the European Emissions Trading Scheme (ETS) and facilities are subjected to continuous improvement to ensure compliance with the European 2020 and 2030 objectives for reducing CO<sub>2</sub> emissions.
- Our plant in Canada is subject to the Quebec Cap & Trade System, as well as the Montreal plant until May 2015<sup>4</sup>.
- Our facility in Shanghai is subject to a pilot ETS system as part of the Chinese Government's drive to use these Carbon Trading systems.
- The rest of our facilities are not currently subject to any carbon trading system, although we calculate and monitor our emissions.

## Reduction targets 2015-2020



## The main points of the Carbon Strategy in 2015 are the following:

Promotion of energy regulation aimed at a global agreement, in order to uphold the three energy policy principles: supply security, price viability and competitiveness.

Defence of a Global Energy Policy in line with the last International Summit on Climate Change (COP21) in Paris and with the agreement concerning regular monitoring of member countries' reduction intentions, aimed at a limit on global temperature increase not exceeding 2°C.

Improved reporting and communication of our emissions, verified under ISO 14064 since 2013, expanding the coverage of this certification.

On a facilities level, it should be noted that most of our energy management systems are certified under ISO 50001 (energy efficiency).

In the other facilities there are energy efficiency targets for both thermal and electrical energy in our commercial area as well as different plans for biodiversity protection and the rationalization of raw materials consumption in all our processes.

(4) In May 2015 Montreal plant was acquired by Indorama.

GREENHOUSE  
GAS EMISSIONS

The scope of our emissions is both national and international, covering three GHGs: CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O. Therefore CO<sub>2</sub> equivalent is reported. The organisation carbon footprint certification under ISO 14064 has the same GHG scope on a national and operational control level. On this point, we report scope 1 emissions (direct combustion and processes) and scope 2 emissions (derived from acquired electricity).

These two scopes are those certified to date under ISO 14064, including in this reporting the national emissions certified under ISO 14064:1 (those under operational control), as well as national and international emissions without any operational control.

We also report scope 3 emissions (supply chain emissions divided into 15 categories under the GHG Protocol) since 2014, which are not certified

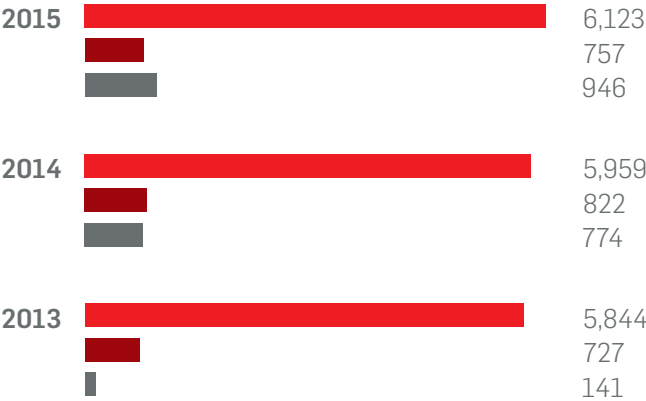
under ISO 14064. In the reporting we therefore use international methodologies such as ISO 14064, DEFRA conversion factors, GHG Protocol methodology and Warming Potentials from the latest IPCC AR5 (5th report 2014).

The increase observed in this scope is mainly due to the fact that in Cepsa we are progressively increasing the categories envisaged and increasing the scope within them in order to broaden the coverage of these emissions, while we define a procedure for this methodology and possible management levers on them.

The scope 3 categories calculated in 2014 and 2015 include those relating to emissions from fuel and purchased energy, waste generated in operations, business travel, employee movements, investments and franchises.

GHG emissions  
(Thousands of tonnes)

- Scope 1
- Scope 2
- Scope 3



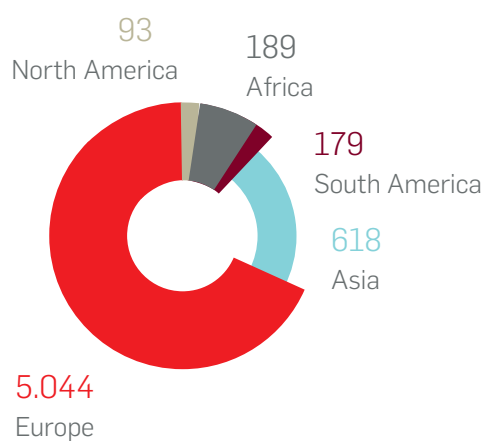
(5) Emissions generated by facilities without operational control and having only financial control, with a 50% interest in Cepsa's case (NGS and ASES).

## CO<sub>2</sub> emissions by business unit (Thousands of tonnes)

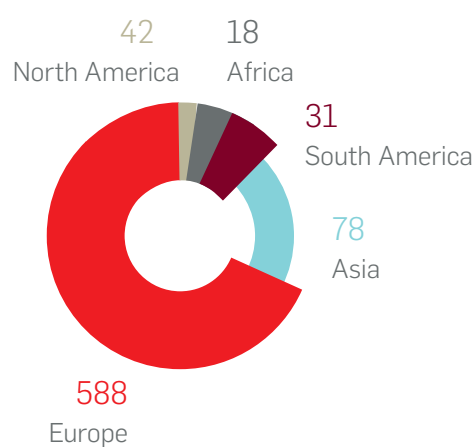
	2015		2014		2013	
	Scope 1	Scope 2	Scope 1	Scope 2	Scope 1	Scope 2
Exploration and Production	866	84	561	78	254	82
Refining	3,373	389	3,415	395	3,463	339
Petrochemicals	750	222	792	303	799	255
Gas and Power	218	2	245	3	302	3
GEPESA	904	10	940	11	1,008	10
Commercial	12	48	6	32	17	38
<i>Total</i>	<i>6,123</i>	<i>757</i>	<i>5,959</i>	<i>822</i>	<i>5,844</i>	<i>727</i>
	<b>6,880</b>		<b>6,781</b>		<b>6,571</b>	

## Emissions by geographical area (Thousands of tonnes)

Scope 1 emissions



Scope 2 emissions



## CHAPTER 7

### Cepsa and the environment

Climate change · Water



In 2015, the increase in the assets of the Exploration and Production area, combined with the increased production in petrochemical plants both in

Spain and in Canada, has resulted in an increase in scope 1 and 2 emissions. This rise has also been influenced by the start-up of the new Shanghai plant.

#### EMISSION INTENSITY BY BUSINESS UNIT

We calculate emission intensity in the Exploration and Production area although, given the different nature of the assets, energy consumption and therefore the generation of greenhouse gases cannot be correlated with production. We calculate the ratio of our total emissions (scope 1 + scope

2) with respect to the adjusted net attributable profit (CLEAN CCS NIAT) to estimate an intensity for our entire business. However, given the disparity of the business units, despite belonging to the energy industry, this indicator is not comparable to other sectors.

	2015	2014	2013
Exploration and Production (t CO <sub>2</sub> equivalent / t oil and gas)	0.162	0.110	0.066
Refining <sup>(6)</sup> (t CO <sub>2</sub> equivalent / t crude oil processed)	0.216	0.230	0.216
Petrochemicals <sup>(7)</sup> (t CO <sub>2</sub> equivalent / t production)	0.257	0.286	0.291
<b>Total emissions</b> <b>(t CO<sub>2</sub> equivalent / Clean CCS NIAT, €)</b>	<b>0.0115</b>	<b>0.0148</b>	<b>0.0177</b>

The energy efficiency measures implemented during 2015 have resulted in a reduction of 42,339 tonnes of CO<sub>2</sub>eq in

the Refining and Petrochemicals businesses and this improvement is reflected in emissions intensity.

(6) Scope 1 +2 emissions for the Refining ratio include cogeneration emissions associated with the refining plants.

(7) Scope 1 +2 emissions for the Chemicals ratio include cogeneration emissions associated with the refining plants.





## Risks and opportunities from climate change management

Our energy and petrochemicals businesses are highly conditioned by controls over GHG emissions on both a European and international level, as well as the impact on the climate from the emissions from our exploration and production activities. The management of their impact is regulated through our Carbon Strategy. Regarding climate change, we have identified the following risks.

For more information about risks and opportunities arising from climate change management, click here.



### •• WATER<sup>8</sup>

Water is the source of life and is essential to human wellbeing and the environment, besides being a basic right according to the UN. At Cepsa we use considerable amounts of water in our activities and processes and therefore we manage water responsibly, in line with one of the Company's five values. We seek to save on water consumption, use water efficiently, maximise reuse, minimise wastewater resulting from our operations and, in parallel, improving wastewater quality, as we state in our water positioning and strategy.

With regard to discharges from the industrial activity of refineries and petrochemical plants, all effluents from production processes converge in wastewater treatment plants to be subjected to complex physical, chemi-

cal and biological treatments, to ensure not only strict compliance with the quality parameters required by existing authorisations, but also the highest possible quality in water discharges.

The tables below reflect the main water figures in the last three years.

The increase in water consumption in Exploration and Production reflects the increase in activities in this area, which in turn has led to a rise in the volume of wastewater.

Wastewater quality has greatly improved, since the first analyses and controls, more than a decade ago. However, the variation in the crude oil basket, among other factors, has increased suspended solids in Refining for the past three years.

(8) The data reported in this section include information from the Guadarranque plant and 5 months for the Montreal plant.

## CHAPTER 7

### Cepsa and the environment

Water · Waste

#### Water collection

(Thousands of m<sup>3</sup>)

	2015	2014	2013
Exploration and Production	13,509	12,683	12,087
Refining	12,733	12,221	12,662
Petrochemicals	9,217	9,658	9,867
Commercial	1,451	1,446	1,420
<i>Total</i>	<i>36,910</i>	<i>36,008</i>	<i>36,036</i>

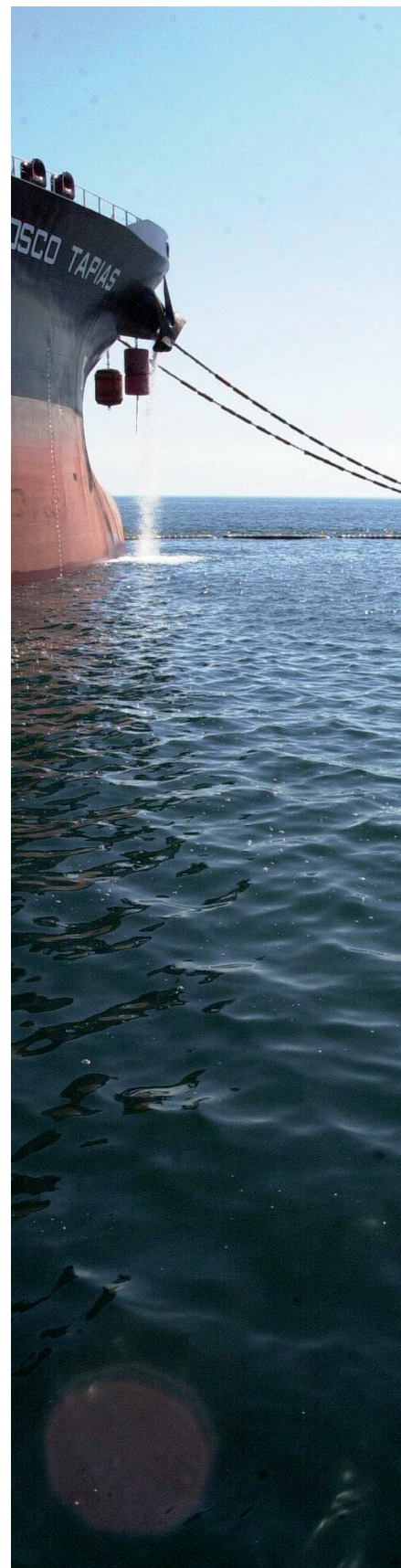
#### Wastewater

(Thousands of m<sup>3</sup>)

	2015	2014	2013
Exploration and Production	927	350	153
Refining	7,952	8,153	7,814
Petrochemicals	4,921	4,949	5,366
Commercial	1,655	1,620	1,591
<i>Total</i>	<i>15,455</i>	<i>15,072</i>	<i>14,923</i>

#### Main control parameters in discharges in Refining and Petrochemicals (Tonnes)

	2015	2014	2013
<i>Refining</i>			
Total organic carbon	166	210	217
Suspended solids	201	175	179
Oil and grease	28	34	33
<i>Petrochemicals</i>			
Total organic carbon	856	1,487	1,241
Suspended solids	329	349	326
Oil and grease	6	5	4





## PROTECTION OF THE MARINE ENVIRONMENT

Cepsa's activities include the intake and discharge of products and raw materials at its facilities. A major part of these operations involves loading and unloading materials in bulk at the refineries and maritime facilities. Fuel supply manoeuvres also take place at these maritime facilities. We therefore take particular care over our impacts on sea water, and to this end we are constantly developing actions and projects.

During 2015 we conducted an evaluation of critical points and an analysis of environmental risks at our marine facilities, continuing the risk analysis of all Cepsa terminals launched in 2012.

In November we also carried out a General Marine Pollution Simulation at the port of Melilla, where we checked the effectiveness of the response protocols established in the Internal Maritime Plan for the installation, as well as the resources used and coordination with the various agencies involved.

We have also continued with our R&D projects in collaboration with leading research groups, which are aimed at the prevention, early detection and efficient fight against marine pollution.

### ATHENEA PROJECT

Tool for predicting the trajectory of spills in real time, operating in safe conditions and environmental risk analysis at the offshore facilities.

### AUV PROJECT

Development of an autonomous submarine to detect leaks in underwater pipelines.

### DECFO PROJECT

Early pollutant detection system using fibre optic at Cepsa's offshore facilities.

### SAVEMAR PROJECT

Autonomous navigation system for rapid deployment of spill containment barriers in the vicinity of our maritime facilities.

## •• WASTE<sup>9</sup>

Waste generation is inherent to our activity and therefore we are constantly implementing measures to ensure its adequate environmental management.

For another year we have continued to work with the aim of applying a hierarchy in waste management at our production centres, that is, firstly minimizing the amount and hazar-dousness

of the waste generated (prevention), reusing recyclable products extracted from the waste, recycling any waste materials that can be transformed into other products and recovering any possible materials for energy purposes. When these forms of management cannot be applied, waste is managed through authorised waste managers.

(9) The data reported in this section include information from the Guadarranque plant and 5 months for the Montreal plant.

## CHAPTER 7

### Cepsa and the environment

Waste · Soil · Biodiversity

#### Waste produced (Tonnes)

	2015	2014	2013
Hazardous waste	51,593	54,110	35,980
Non-hazardous waste	25,483	28,754	35,287
<i>Total</i>	<i>77,076</i>	<i>82,864</i>	<i>71,267</i>

In addition, all countries where we operate are signatories to the International Convention for the Prevention of Pollution from Ships (MARPOL). Our refineries and logistic supply terminals for ships in the Canary Islands have

authorised treatment plants to receive waste from ships for treatment. During 2015 we have processed 77,069 tonnes of MARPOL waste at these facilities.

#### •• SOIL

Soil protection at our facilities is based on the implementation of preventive actions, first to avoid leaks and spills in unprepared areas and also to have in place early warning mechanisms and internal control procedures, to detect any such leakage as soon as possible, in order to take appropriate actions to prevent contamination.

Preventive actions are carried out from the design and construction stage of new facilities or changes made to existing facilities. We also have inspection and maintenance programmes, as well as plans and campaigns for monitoring soil and groundwater quality using the piezometric networks installed for this purpose.

#### •• BIODIVERSITY

We recognize the importance of protecting biodiversity and therefore we conserve the natural environment and its wealth through various initiatives, the most relevant being:

- Restoration of habitats in areas in which we operate, recovery of degraded ecosystems and their conservation, reconciling their use and enjoyment.
- Raising environmental awareness and training through activities aimed at schools, associations, stakeholders and the community in general, in areas close to our production facilities.
- Knowledge building and awareness raising in local communities concerning the benefits of conserving natural wealth.



During 2016 we will take part in a new biodiversity project, the Biodiversity Action Plans (BAP), at the Palos de la Frontera and San Roque facilities. The aim is to define a program, methods and mechanisms for monitoring local management of conservation and biodiversity enhancement in these locations. Each BAP will include the

conservation and biodiversity improvement actions we have been carrying out at La Laguna Primera de Palos in Palos de la Frontera (Huelva) since it was restored more than a decade ago, and in the Madre Vieja Environment Station at San Roque (Cádiz), which was opened in 2014.

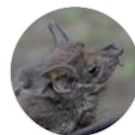
For more information on the biodiversity projects click here.



In 2015 the main projects on biodiversity conservation and environmental awareness in which we have worked and collaborated are:



Database of marine and coastal resources and marine ecosystems beneath Coastal Energy 's oil rigs in the province of Songkhla, Thailand. Years: 2012-2017.



Evaluation of the diversity and importance of bats in the area of influence of the Tiple Garibay exploration block (Colombia). Publication in 2015 of the report: "Bats".



Publication of scientific articles with data collected during the "Abundance and distribution of apex predators in marine environment of Doñana" project. Financed by Cepsa.



Tamar Project (Brazil), aimed at recovering and protecting sea turtles and strengthening their reproduction. Environmental education is taught in parallel.



Conservation of the Posidonia oceanica sea meadows in the Andalusian Mediterranean (LIFE Posidonia Andalucía). LIFE09 NAT/ES/000534. Co-financed by Cepsa. Years: 2012-2015.



Environmental education and awareness raising, as well as the recovery, conservation and strengthening of habitats. Instituto Fábrica de Florestas (Brazil). 2015.



Andalusian blue carbon for climate change mitigation: quantification and recovery mechanisms (LIFE Blue Natura.). LIFE14 CCM/ES/000957. Co-financed by Cepsa. Years: 2015-2019.



Mangrove and marine fauna conservation in Lake Songkhla (Thailand), education and environmental awareness building. 2015.

## CHAPTER 8

# FURTHER INFORMATION



## •• DRAWING UP THE REPORT

With a view to creating a report including both financial and non-financial information, setting out clearly our way of creating value, in 2013 we began a process to gradually bring our Annual and Corporate Responsibility Report into line with the International Integrated Reporting Framework of the IIRC (International Integrated Reporting Council). To this end, we designed a road map on which we planned a number of actions to be carried out for the next years. This year we have continued the implementation of the actions planned in the road map, and improved those already implemented in previous years.

We have made progress with respect to the identification of the risks to which are exposed, and have drawn up a corporate risk map. We have also improved the information provided on the relationship between those risks and our business model and corporate strategy, associating them to the current and forecast socio-economic context in which we operate.

We have made further progress on the information provided on our governing bodies, particularly focusing on the activities in 2015 (composition of the governing bodies, meetings held, tasks performed and decisions taken).

In 2015 we have made a major effort to simplify the report, seeking a more visual and schematic approach to make the information more attractive. This new report enables us to focus on the existing internal resources and tools which support the information set out. It is further proof of the spirit of continuous improvement which characterises our organisation.

In the next few years we will continue to progress until we have a report in line with all the requirements of the IIRC, enabling all our stakeholders to form an overall, integrated picture of the Company's management of its business in all areas.

## SCOPE OF THE INFORMATION

The information included in this Annual and Corporate Responsibility Report for 2015 refers to all the activities carried out by Cepsa as an energy company that performs its activity in all phases of the hydrocarbon value chain.

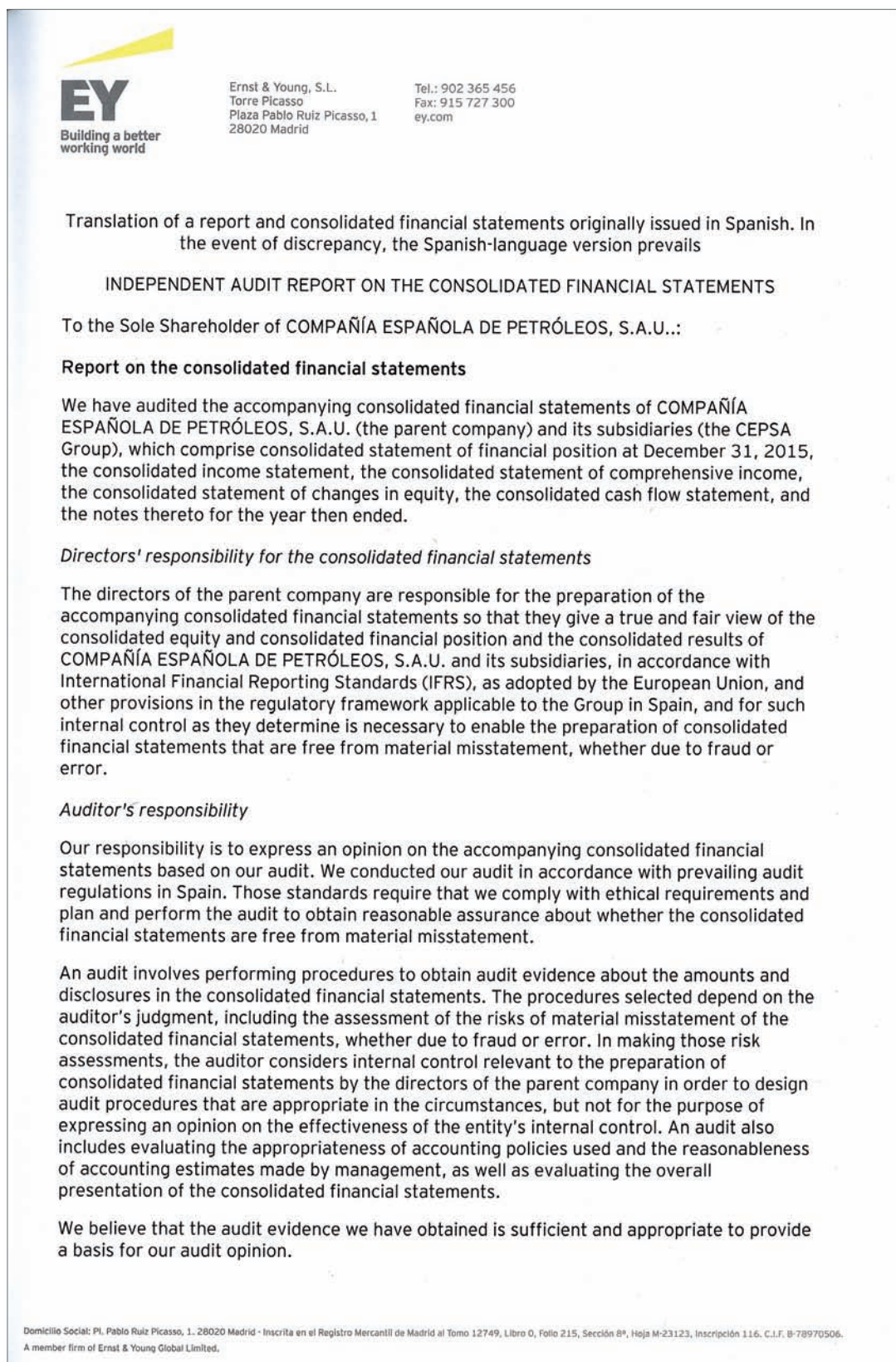
This report contains information on Cepsa corresponding to the period from 1 January to 31 December 2015 and the comparative information for

the corresponding periods of 2014 and 2013 for certain indicators for purposes of comparison and to provide the reader with the evolution over time of the data set out in the Annual Report.

The Cepsa figures shown in this Annual and Corporate Responsibility Report are consolidated and relate to the Company as a whole, although there are particularities in some chapters.



## Auditor's report and consolidated annual accounts 2015



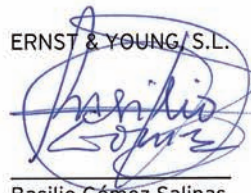
### *Opinion*

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of COMPAÑÍA ESPAÑOLA DE PETRÓLEOS, S.A.U. and its subsidiaries at December 31, 2015, and its consolidated results and consolidated cash flow for the year then ended, in accordance with IFRS, as adopted by the EU, and other provisions in the regulatory framework for financial information applicable in Spain.

### **Report on other legal and regulatory requirements**

The accompanying consolidated 2015 management report contains such explanations as the directors of the parent company consider appropriate concerning the situation of the Group, the evolution of its business and other matters; however, it is not an integral part of the consolidated financial statements. We have checked that the accounting information included in the aforementioned consolidated management report agrees with the 2015 consolidated financial statements. Our work as auditors is limited to verifying the consolidated management report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from the accounting records of COMPAÑÍA ESPAÑOLA DE PETRÓLEOS, S.A.U. and its subsidiaries.

ERNST & YOUNG / S.L.



Basilio Gómez Salinas

April 6, 2016



## Consolidated Statements of Financial Position

At 31 December 2015 and 2014

Compañía Española de Petróleos, S.A.U and Subsidiaries (Consolidated Group)

(Thousands of euros)

<b>Assets</b>	<b>2015</b>	<b>2014 (Restated)*</b>
<b>Non-current assets</b>		
<b><i>Intangible assets (Note 8)</i></b>		
Intangible assets and rights	892,733	824,206
Impairment losses and amortisation charge	(464,969)	(336,508)
<b><i>Total intangible assets</i></b>	<b><i>427,764</i></b>	<b><i>487,698</i></b>
<b><i>Goodwill in consolidation (Note 9)</i></b>	<b><i>304,870</i></b>	<b><i>820,991</i></b>
<b><i>Property, plant and equipment (note 10)</i></b>		
Tangible assets and rights	16,798,556	15,848,710
Impairment losses and depreciation charge	(11,995,503)	(8,623,174)
<b><i>Total property, plant and equipment</i></b>	<b><i>4,803,053</i></b>	<b><i>7,225,536</i></b>
<b><i>Investments accounted for using the equity method (Note 7)</i></b>	<b><i>524,555</i></b>	<b><i>448,869</i></b>
<b><i>Non-current financial assets (Note 11)</i></b>	<b><i>116,942</i></b>	<b><i>486,310</i></b>
<b><i>Deferred tax assets (Note 24)</i></b>	<b><i>921,896</i></b>	<b><i>422,657</i></b>
<b><i>Total non-current assets</i></b>	<b><i>7,099,080</i></b>	<b><i>9,892,061</i></b>
<b>Current assets</b>		
Inventories (Note 12)	1,273,306	1,754,320
Trade and other receivables (Note 13)	1,665,968	2,484,570
Current income tax assets	95,052	193,449
Other current financial assets (Note 11)	216,522	144,054
Other current assets	9,810	7,971
Cash and equivalents (Note 14)	1,233,918	1,382,597
<i>Assets held for sale and discontinued operations (Note 25)</i>	<i>253,499</i>	<i>-</i>
<b><i>Total current assets</i></b>	<b><i>4,748,075</i></b>	<b><i>5,966,961</i></b>
<b><i>Total assets</i></b>	<b><i>11,847,155</i></b>	<b><i>15,859,022</i></b>

The accompanying Notes 1 to 35 are an integral part of these Consolidated Statement of Financial Position.

\* Financial year 2014 has been restated for comparison purposes with financial year 2015.

Shareholders equity and liabilities	2015	2014 (Restated)*
<b>Equity (Note 15)</b>		
<b>Shareholders' equity</b>		
Share capital	267,575	267,575
Share premium	338,728	338,728
Revaluation reserve	90,936	90,936
Retained earnings	4,397,862	5,114,332
Profit attributable to equity holders of the Parent	(1,040,414)	(389,168)
<i>Total shareholders' equity</i>	<i>4,054,687</i>	<i>5,422,403</i>
<b>Adjustments for changes in value</b>		
Translation differences	762,724	444,644
Adjustments for value changes in hedge operations	(511,054)	(276,433)
<i>Total adjustments for changes in value</i>	<i>251,670</i>	<i>168,211</i>
<i>Total equity attributable to shareholders of the parent</i>	<i>4,306,357</i>	<i>5,590,614</i>
<b>Non-controlling interests (Note 15.g)</b>		
Equity attributed to non-controlling interests	94,673	100,503
Profit attributed to non-controlling interests	(6,834)	17,626
<i>Total non-controlling interests</i>	<i>87,839</i>	<i>118,129</i>
<i>Total equity</i>	<i>4,394,196</i>	<i>5,708,743</i>
<b>Non-current liabilities</b>		
Bank borrowings (Note 16)	2,904,686	3,022,419
Other non-current liabilities (Note 16)	84,282	81,175
Deferred tax liabilities (Note 24)	304,365	1,997,333
Grants related to assets (Note 17)	47,068	65,216
Net employee defined benefit liabilities (Note 18)	8,487	10,879
Provisions (Note 19)	514,005	340,871
Other non-current liabilities (Note 20)	20,698	32,890
<i>Total non-current liabilities</i>	<i>3,883,591</i>	<i>5,550,783</i>
<b>Current liabilities</b>		
Bank borrowings (Note 16)	1,146,650	1,266,129
Other financial liabilities (Note 16)	21,707	19,481
Trade and other payables (Note 20)	2,254,696	3,237,949
Current income tax liabilities	42,292	51,205
Other current liabilities	36,123	24,732
<i>Liabilities held for sale and discontinued operations (Note 25)</i>	<i>67,900</i>	<i>-</i>
<i>Total current liabilities</i>	<i>3,569,368</i>	<i>4,599,496</i>
<i>Total equity and liabilities</i>	<i>11,847,155</i>	<i>15,859,022</i>

The accompanying Notes 1 to 35 are an integral part of these Consolidated Statement of Financial Position.

\* Financial year 2014 has been restated for comparison purposes with financial year 2015.

## Consolidated Profit and Loss Accounts

At 31 December 2015 and 2014

Compañía Española de Petróleos, S.A.U and Subsidiaries (Consolidated Group)

(Thousands of euros)

	2015	2014 (Restated)*
Sales of goods and rendering of services	17,452,002	23,364,579
Excise tax on oil and gas charged on sales	2,440,124	2,275,283
<b>Excise tax on Revenue (Notes 3.q and 21)</b>	<b>19,892,126</b>	<b>25,639,862</b>
Changes in inventories of finished goods and work in progress	(281,364)	(47,395)
In-house work on non-current assets (Notes 8 and 10)	41,746	76,000
Procurements (Note 21)	(13,233,951)	(19,438,394)
Other operating income	71,789	63,672
Staff costs (Note 21)	(586,036)	(687,483)
Changes in operating allowance	160,934	(491,566)
Other operating expenses		
Excise tax on oil and gas	(2,443,564)	(2,276,419)
Other expenses (Note 21)	(2,331,005)	(2,189,669)
Amortization charge (Notes 8 and 10)	(1,004,236)	(1,033,148)
Allocation to profit or loss of grants related to non-financial assets and other grants (Note 21)	33,320	25,861
Impairment and gains or losses on disposals of non-current assets (Note 21)	(3,384,406)	(40,210)
<b>Operating profit (loss)</b>	<b>(3,064,647)</b>	<b>(398,889)</b>
Share in profit of companies accounted for using the equity method (Note 7)	(77,365)	29,045
Financial income (Note 23)	87,633	89,194
Financial costs (Note 23)	(183,800)	(106,991)
Impairment and gains or losses on disposals of financial instruments (Note 23)	303,785	6,266

The accompanying Notes 1 to 35 are an integral part of these Consolidated Statement of Profit or Loss.

\* Financial year 2014 has been restated for comparison purposes with financial year 2015.

	2015	2014 (Restated)*
<b>Consolidated profit (loss) before taxes</b>	<b>(2,934,394)</b>	<b>(381,375)</b>
Income tax (Note 3.p and 24)	1,882,754	32,239
<b>Consolidated profit (loss) for the year from continuing operations</b>	<b>(1,051,640)</b>	<b>(349,136)</b>
<b>Consolidated profit (loss) for the year from discontinued operations (Note 25)</b>	<b>4,392</b>	<b>(22,406)</b>
<b>Consolidated profit (loss) for the year</b>	<b>(1,047,248)</b>	<b>(371,542)</b>
<i>Attributable to:</i>		
Shareholders of the Parent	(1,040,414)	(389,168)
Non-controlling interests	(6,834)	17,626
<i>Earnings (loss) per share (Note 26):</i>		
Basic	(3.90)	(1.37)
Diluted	(3.90)	(1.37)

The accompanying Notes 1 to 35 are an integral part of these Consolidated Statement of Profit or Loss.  
\* Financial year 2014 has been restated for comparison purposes with financial year 2015.



## Consolidated Cash Flow Statements

At 31 December 2015 and 2014

Compañía Española de Petróleos, S.A.U and Subsidiaries (Consolidated Group)

(Thousands of euros)

<b>Cash flows from operating activities</b>	<b>2015</b>	<b>2014 (Restated)*</b>
Profit (losses) for the year before taxes	(2,934,394)	(381,375)
Depreciation and amortisation charge and impairment losses	4,394,281	1,073,358
Changes in provisions for contingencies and expenses	73,684	120,834
Grants related to assets and other deferred income	(34,178)	(26,017)
Impairment and gains or losses on disposals of financial instruments	(316,595)	(5,990)
Change in operating allowances	(159,338)	491,565
Other changes	161,207	(47,267)
<b><i>Cash flows from operating activities before change in operating working capital</i></b>	<b>1,184,667</b>	<b>1,225,108</b>
Interest paid	(81,899)	(73,651)
Interest received	7,682	41,721
Dividends received	27,358	53,376
Income tax paid	(262,232)	(359,210)
<b><i>Other cash flows from operating activities</i></b>	<b>(309,091)</b>	<b>(337,764)</b>
<b><i>Change in operating working capital</i></b>	<b>783,117</b>	<b>548,677</b>
<b><i>Total cash flows from operating activities</i></b>	<b>1,658,694</b>	<b>1,436,021</b>
<b>Cash flows from investing activities</b>		
<b><i>Payments</i></b>		
Intangible assets	(41,224)	(17,204)
Property, plant and equipment	(1,030,539)	(955,017)
Financial assets		
Associates and other investments	(61,503)	(197,903)
Other financial assets	(2,300)	(42,575)
Acquisition of subsidiary, net of cash acquired	(15,104)	(1,965,031)
Grants received	107	646
<b><i>Total payments</i></b>	<b>(1,150,562)</b>	<b>(3,177,084)</b>
<b><i>Collections</i></b>		
Intangible assets	3,302	19,977
Property, plant and equipment	23,652	44,141
Financial assets	228,041	65,956
<b><i>Total collections</i></b>	<b>254,995</b>	<b>130,074</b>
<b><i>Total cash flows from investing activities</i></b>	<b>(895,567)</b>	<b>(3,047,010)</b>

Restated adjustments have no effect on the Consolidated Cash Flow Statement.

\* Financial year 2014 has been restated for comparison purposes with financial year 2015.

<b>Cash flows from operating activities</b>	<b>2015</b>	<b>2014 (Restated)*</b>
<b><i>Dividends paid</i></b>		
To equity holders of the Parent (Note 15.f)	(327,302)	(302,360)
To non-controlling interests	(11,259)	(11,515)
<b><i>Total dividends paid</i></b>	<b><i>(338,561)</i></b>	<b><i>(313,875)</i></b>
Net change in non-current financial liabilities	(165,253)	2,244,780
Net change in current financial liabilities	(424,765)	(1,266,126)
Payments of financial lease liabilities	-	(675)
<b><i>Total cash flows from bank borrowings</i></b>	<b><i>(590,018)</i></b>	<b><i>977,979</i></b>
<b><i>Total cash flows from financing activities</i></b>	<b><i>(928,579)</i></b>	<b><i>664,104</i></b>
Net increase in cash and cash equivalents	(165,452)	(946,885)
Effect of changes in foreign exchanges rates	16,773	46,339
Cash and cash equivalents at beginning of year	1,382,597	2,283,143
Cash and cash equivalents at end of year	1,233,918	1,382,597
<b>Detail of changes of operational working capital</b>		
Inventories	593,192	(291,973)
Trade and other receivables	952,200	478,354
Other current financial assets	(37,556)	(79,803)
Trade and other payables	(734,132)	432,453
Other changes	9,414	9,646
<b><i>Total changes in working capital</i></b>	<b><i>783,118</i></b>	<b><i>548,677</i></b>

The accompanying Notes 1 to 35 are an integral part of these Consolidated Cash Flow Statement.  
\* Financial year 2014 has been restated for comparison purposes with financial year 2015.

## Consolidated Statement of Comprehensive Income

December 31, 2015 and 2014

Compañía Española de Petróleos, S.A.U and Subsidiaries (Consolidated Group)

(Thousands of euros)

	<b>2015</b>	<b>2014</b> <b>(Restated)*</b>
<b>Consolidated profit (loss) for the period of the Income statement</b>	<b>(1,047,248)</b>	<b>(371,542)</b>
<b>Income and expenses recognised directly in equity</b>	<b>72,149</b>	<b>168,098</b>
Cash flow hedges	31,417	(11,003)
Net Investment hedge	(352,288)	(313,554)
Exchange differences on translation of foreign operations	315,371	410,565
Companies accounted for using the equity method	-	(537)
Tax effect	77,649	82,627
<b>Transfer to income statement</b>	<b>8,602</b>	<b>(12,755)</b>
Cash flow hedges	9,720	(18,127)
Companies accounted for using the equity method	2,398	(66)
Tax effect	(3,516)	5,438
<b>Total recognised income/(expenses)</b>	<b>(966,497)</b>	<b>(216,199)</b>
a) Attributable to equity holders of the Parent	(956,954)	(237,300)
b) Attributable to non-controlling interests	9,543	21,101

The discontinued operations did not lead to any change in the Consolidated Statement of Income apart from the change in the consolidated profit of 2014. The accompanying Notes 1 to 35 are an integral part of these Consolidated Statement of comprehensive income.

\* Financial year 2014 has been restated for comparison purposes with financial year 2015.

# Consolidated Statements of Changes in Equity

31 December 2015 and 2014

Compañía Española de Petróleos, S.A.U. and Subsidiaries (Consolidated Group)

(Thousands of euros)

	Subscribed capital	Share premium	Revaluation reserve	Retained earnings	Translation differences	Interim dividend	Reserves for asset/liability valuation at fair value	Non-controlling interests	Total
<b>Balance at 01/01/2014 (Restated)*</b>	<b>267,575</b>	<b>338,728</b>	<b>90,936</b>	<b>5,809,220</b>	<b>32,375</b>	<b>(160,545)</b>	<b>(21,210)</b>	<b>77,275</b>	<b>6,434,354</b>
Adjustment on correction of error (Note 2.u)				(7,186)					(7,186)
<b>Restated Balance at 01/01/2014</b>	<b>267,575</b>	<b>338,728</b>	<b>90,936</b>	<b>5,802,034</b>	<b>32,375</b>	<b>(160,545)</b>	<b>(21,210)</b>	<b>77,275</b>	<b>6,427,168</b>
<b>Total recognised income and expense restated in 2014* (Note 2.u)</b>				<b>(389,168)</b>				<b>17,626</b>	<b>(371,542)</b>
<b>Gains (losses) recognised directly in equity</b>									
Cash Flow and net investments in foreign operations Hedges	-	-	-	-	-	-	(255,223)	-	(255,223)
Translation differences	-	-	-	(5,178)	412,269	-	-	3,473	410,564
<b>Total gains (losses) recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,178)</b>	<b>412,269</b>	<b>-</b>	<b>(255,223)</b>	<b>3,473</b>	<b>155,341</b>
<b>Changes due to transactions with shareholders</b>									
Proposed gross dividend	-	-	-	(462,905)	-	160,545	-	(11,515)	(313,875)
<b>Other changes in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Sale of shares/minority acquisitions (Note 15)				(219,619)				31,270	(188,349)
<b>Total shareholder transactions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(682,524)</b>	<b>-</b>	<b>160,545</b>	<b>-</b>	<b>19,755</b>	<b>(502,224)</b>
<b>Balance at 12/31/2014 (Restated)*</b>	<b>267,575</b>	<b>338,728</b>	<b>90,936</b>	<b>4,725,164</b>	<b>444,644</b>	<b>-</b>	<b>(276,433)</b>	<b>118,129</b>	<b>5,708,743</b>

	Subscribed capital	Share premium	Revaluation reserve	Retained earnings	Translation differences	Interim dividend	Reserves for asset/liability valuation at fair value	Non-controlling interests	Total
<b>Balance at 01/01/2015</b>	<b>267,575</b>	<b>338,728</b>	<b>90,936</b>	<b>4,725,164</b>	<b>444,644</b>	<b>-</b>	<b>(276,433)</b>	<b>118,129</b>	<b>5,708,743</b>
<b>Total recognised income and expense</b>				<b>(1,040,414)</b>				<b>(6,834)</b>	<b>(1,047,248)</b>
<b>Gains (losses) recognised directly in equity</b>									
Cash Flow and net investments in foreign operations Hedges	-	-	-	-	-	-	(234,621)	-	(234,621)
Translation differences	-	-	-	-	318,080	-	-	(2,709)	315,371
<b>Total gains (losses) recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>318,080</b>	<b>-</b>	<b>(234,621)</b>	<b>(2,709)</b>	<b>80,750</b>
<b>Changes due to transactions with shareholders</b>									
Proposed gross dividend	-	-	-	(327,302)	-	-	-	(11,259)	(338,561)
<b>Other changes in equity</b>									
Sale of shares/minority acquisitions (Note 15)				-				(9,488)	(9,488)
<b>Total shareholder transactions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(327,302)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(20,747)</b>	<b>(348,049)</b>
<b>Balance at 12/31/2015</b>	<b>267,575</b>	<b>338,728</b>	<b>90,936</b>	<b>3,357,448</b>	<b>762,724</b>	<b>-</b>	<b>(511,054)</b>	<b>87,839</b>	<b>4,394,196</b>

The accompanying Notes 1 to 35 are an integral part of these Consolidated Statement of changes in equity.

\* Financial year 2014 has been restated for comparison purposes with financial year 2015.



# Cepsa Group Financial Information

## Income Statement for Years Ended 31 December

(Millions of euros)

	2015	2014 (Restated)*	2013	2012	2011
Sales of products and services	17,452	23,365	25,244	26,808	24,681
Excise tax on oil and gas charged on sales	2,440	2,275	2,333	2,003	2,210
<b>Net Sales</b>	<b>19,892</b>	<b>25,640</b>	<b>27,577</b>	<b>28,811</b>	<b>26,891</b>
<b>EBITDA (Adjusted gross operating profit) Includes discontinued operations (*)</b>					
Trading	65	13	17		
Corporation	(72)	(102)			
Exploration and Production	549	955	729	872	789
Refining	722	244	410	625	450
Marketing	344	318			
Petrochemicals	150	221	214	227	227
Gas and Power	21	32	23	53	43
<b>Total adjusted gross operating income</b>	<b>1,779</b>	<b>1,681</b>	<b>1,393</b>	<b>1,777</b>	<b>1,509</b>
<b>Total adjusted operating income excluding discontinued operations in Petrochemicals</b>	<b>1,766</b>	<b>1,643</b>	<b>1,393</b>	<b>1,777</b>	<b>1,509</b>
<b>Adjusted operating income (*)</b>					
Trading	65	13	17		
Corporation	(72)	(101)			
Exploration and Production	(96)	283	436	533	487
Refining	512	32	72	265	121
Marketing	258	231			
Petrochemicals	96	153	161	161	176
Gas and Power	7	13	5	42	35
<b>Total adjusted operating income</b>	<b>771</b>	<b>625</b>	<b>691</b>	<b>1,001</b>	<b>819</b>
Inventory gains/(losses)	(444)	(891)	(119)	163	374
Other non-recurring items	(3,392)	(132)	(85)	(72)	(25)
<b>Total operating income IFRS</b>	<b>(3,065)</b>	<b>(399)</b>	<b>487</b>	<b>1,092</b>	<b>1,168</b>
<b>Income before taxes IFRS</b>	<b>(2,934)</b>	<b>(381)</b>	<b>795</b>	<b>1,068</b>	<b>1,190</b>
Corporate income taxes	1,883	32	(247)	(477)	(533)
<b>Consolidated profit for the year IFRS continuing operations</b>	<b>(1,052)</b>	<b>(349)</b>	<b>547</b>	<b>591</b>	<b>657</b>
<b>Consolidated profit for the year IFRS discontinued operations</b>	<b>4</b>	<b>(22)</b>			
<b>Net income (before minority interests) IFRS</b>	<b>(1,047)</b>	<b>(372)</b>	<b>547</b>	<b>591</b>	<b>657</b>
Minority interests	7	(18)	(14)	(15)	(17)
<b>Net income IFRS</b>	<b>(1,040)</b>	<b>(389)</b>	<b>533</b>	<b>576</b>	<b>640</b>
Net losses/(gains) on non-recurring items in the period	1,652	848	(163)	(21)	(215)
Adjustment to minority interests for net losses/ (gains) on non-recurring items in the period	(16)	-	-	-	-
<b>Adjusted net income</b>	<b>596</b>	<b>459</b>	<b>371</b>	<b>555</b>	<b>425</b>

(\*) Adjusted using the Replacement Cost method to eliminate inventory price variations and other non-recurring items in the period.

\* Financial year 2014 has been restated for comparison purposes with financial year 2015.

## Tangible fixed assets, intangible assets and long-term financial investments in Associated Companies (Breakdown by Business Segments)

(Millions of euros)

	2015	2014 (Restated)*	2013	2012	2011
Trading	1	-	-		
Corporation	26	57	11	7	8
Exploration and Production	543	2,643	386	247	429
Refining	177	153	187	371	214
Marketing	104	85			
Petrochemicals	172	265	184	86	53
Technology, Gas and Power	28	3	159	23	38
<b>Total investments</b>	<b>1,052</b>	<b>3,206</b>	<b>926</b>	<b>734</b>	<b>742</b>

## Statement of Cash Flows for the Year (Ended December 31)

(Millions of euros)

<b>Cash Flows from Operating Activities</b>	2015	2014 (Restated)*	2013	2012	2011
Cash flows from operating activities (before changes in working capital)	876	887	951	1,525	1,392
Changes in operating working capital	783	549	661	(618)	(273)
<b>Total cash flows from operating activities</b>	<b>1,659</b>	<b>1,436</b>	<b>1,612</b>	<b>907</b>	<b>1,119</b>
<b>Cash flows used in investing activities</b>					
Capital expenditure	(1,151)	(3,178)	(892)	(761)	(727)
Capital grants received	-	1	2	3	6
Proceeds from asset sales	255	130	353	49	22
Investments due to changes in the Group					
<b>Total cash flows used in investing activities</b>	<b>(896)</b>	<b>(3,047)</b>	<b>(537)</b>	<b>(709)</b>	<b>(699)</b>
<b>Cash flows from financing activities</b>					
Changes in short or long term loans	(590)	978	(169)	595	369
Cash dividend paid	(339)	(314)	(374)	(337)	(306)
<b>Total cash flows (used in)/from financing activities</b>	<b>(929)</b>	<b>664</b>	<b>(543)</b>	<b>258</b>	<b>63</b>
<b>Total net increase/(decrease) in cash and cash equivalents</b>	<b>(165)</b>	<b>(947)</b>	<b>532</b>	<b>456</b>	<b>483</b>

\* Financial year 2014 has been restated for comparison purposes with financial year 2015.

## Balance Sheet

(Before Profit Distribution at December 31)

(Millions of euros)

<b>Assets</b>	<b>2015</b>	<b>2014 (Restated)*</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Assets</b>					
Fixed assets	6,794	9,071	5,504	5,514	5,519
Intangible assets	428	488	504	540	445
Tangible fixed assets	4,803	7,226	4,330	4,354	4,594
Long-term financial investments	1,563	1,358	670	620	480
Goodwill in consolidation	305	821	50	63	62
<i>Non-current assets</i>	<i>7,099</i>	<i>9,892</i>	<i>5,554</i>	<i>5,577</i>	<i>5,581</i>
<b>Current assets</b>					
Inventories	1,273	1,754	1,934	2,758	2,545
Accounts receivable	1,761	2,678	2,977	2,874	2,745
Other short-term investments	217	144	172	163	184
Other current assets	10	8	14	9	14
Cash and cash equivalents	1,234	1,383	2,283	1,758	1,304
<i>Current assets</i>	<i>4,495</i>	<i>5,967</i>	<i>7,380</i>	<i>7,562</i>	<i>6,792</i>
<b>Non-current assets held for sale and from discontinued operations</b>	<b>253</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Total assets</i>	<i>11,847</i>	<i>15,859</i>	<i>12,934</i>	<i>13,139</i>	<i>12,373</i>

\* Financial year 2014 has been restated for comparison purposes with financial year 2015.

<b>Shareholder's equity and liabilities</b>	<b>2015</b>	<b>2014 (Restated)*</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<i>Equity attributable to shareholders of the parent company</i>	<b>4.306</b>	<b>5.591</b>	<b>6.357</b>	<b>6.243</b>	<b>6.026</b>
<b>Equity</b>	<b>4.055</b>	<b>5.422</b>	<b>6.345</b>	<b>6.173</b>	<b>5.919</b>
Subscribed capital stock	268	268	268	268	268
Paid-in surplus	339	339	339	339	339
Revaluation reserve	91	91	91	91	91
Retained earnings	4.398	5.114	5.274	5.060	4.742
Income attributable to the parent company	(1.040)	(389)	534	576	640
Interim dividend paid in the year	-	-	(161)	(161)	(161)
<b>Adjustments for changes in value</b>	<b>252</b>	<b>168</b>	<b>11</b>	<b>70</b>	<b>107</b>
Translation differences	763	445	32	89	129
Other adjustments for changes in value	(511)	(276)	(21)	(19)	(22)
<b>Minority interests</b>	<b>88</b>	<b>118</b>	<b>77</b>	<b>69</b>	<b>73</b>
<i>Total shareholder's equity</i>	<b>4.394</b>	<b>5.709</b>	<b>6.434</b>	<b>6.312</b>	<b>6.099</b>
<b>Non-current liabilities</b>					
Payable to credit entities	2.905	3.022	2.299	2.431	1.941
Other interest-bearing loans	84	81	96	109	116
Capital grants	47	65	72	83	74
Provisions	522	352	212	205	153
Other non-current liabilities	325	2.030	339	380	374
<i>Non-Current liabilities</i>	<b>3.884</b>	<b>5.551</b>	<b>3.018</b>	<b>3.208</b>	<b>2.658</b>
<b>Current liabilities</b>					
Payable to credit entities	1.147	1.266	681	850	628
Other interest-bearing loans	22	19	29	20	19
Other current liabilities	2.333	3.314	2.772	2.749	2.969
<i>Current liabilities</i>	<b>3.501</b>	<b>4.599</b>	<b>3.482</b>	<b>3.619</b>	<b>3.616</b>
<b>Liabilities held for sale and discontinued operations</b>	<b>68</b>	<b>-</b>			
<i>Total shareholder's equity and liabilities</i>	<b>11.847</b>	<b>15.859</b>	<b>12.934</b>	<b>13.139</b>	<b>12.373</b>

\* Financial year 2014 has been restated for comparison purposes with financial year 2015.

## Intangible and Tangible (Fixed Assets at December 31)

(Millions of euros)

	2015	2014 (Restated)*	2013	2012	2011
<b>Gross intangible assets</b>	<b>893</b>	<b>824</b>	<b>827</b>	<b>848</b>	<b>724</b>
Operating licenses, concessions, patents, etc.	121	95	91	105	78
EDP computer software	210	183	179	167	168
Other intangible assets	562	546	557	576	478
<b>Amortization and impairment of intangible assets</b>	<b>465</b>	<b>337</b>	<b>322</b>	<b>308</b>	<b>279</b>
Operating licenses, concessions, patents, etc.	69	55	49	45	41
EDP computer software	149	140	143	133	134
Other intangible assets	247	142	130	130	104
<b>Net intangible assets</b>	<b>428</b>	<b>488</b>	<b>505</b>	<b>540</b>	<b>445</b>
Operating licenses, concessions, patents, etc.	52	40	42	60	37
EDP computer software	60	43	36	34	34
Other intangible assets	316	405	427	446	374
<b>Gross tangible fixed assets</b>	<b>16,799</b>	<b>15,849</b>	<b>11,795</b>	<b>11,229</b>	<b>10,876</b>
Land and structures	322	325	404	398	382
Technical installations and machinery	8,096	7,477	7,334	7,008	6,853
Investments in oil and gas assets with proven and unproven reserves	6,677	6,384	2,739	2,659	2,515
Other installations, tools and furniture	105	153	134	126	123
Advances and construction in progress	727	938	556	345	296
Other fixed assets	872	572	628	693	707
<b>Depreciation and impairment of property, plant and equipment</b>	<b>11,996</b>	<b>8,623</b>	<b>7,295</b>	<b>6,874</b>	<b>6,282</b>
Land and structures	100	97	128	119	111
Technical installations and machinery	5,469	5,206	4,554	4,232	3,991
Investments in oil and gas assets with proven and unproven reserves	6,071	2,994	2,202	2,006	1,761
Other installations, tools and furniture	81	78	104	99	93
Other fixed assets	274	247	307	418	326
<b>Net tangible fixed assets</b>	<b>4,803</b>	<b>7,226</b>	<b>4,500</b>	<b>4,355</b>	<b>4,594</b>
Land and structures	221	228	276	279	271
Technical installations and machinery	2,627	2,270	2,780	2,776	2,862
Investments in oil and gas assets with proven and unproven reserves	606	3,389	537	653	754
Other installations, tools and furniture	25	75	30	27	30
Other fixed assets	598	325	321	275	381
Advances and construction in progress	727	938	556	345	296

\* Financial year 2014 has been restated for comparison purposes with financial year 2015.



## Statement of Capital Employed

(Before Profit Distribution at December 31)

(Millions of euros)

	2015	2014 (Restated)*	2013	2012	2011
<b>Capital employed</b>					
1. Net fixed assets	7,097	9,898	5,555	5,577	5,518
2. Working capital	931	1,303	2,328	2,932	2,553
<b>Net assets</b>	<b>8,027</b>	<b>11,200</b>	<b>7,883</b>	<b>8,509</b>	<b>8,071</b>
3. Long-term operating liabilities	(895)	(2,379)	(623)	(669)	(572)
<b>Capital employed (*)</b>	<b>7,133</b>	<b>8,822</b>	<b>7,260</b>	<b>7,840</b>	<b>7,499</b>

<b>Capital used</b>					
4. Total Shareholders' equity	4,394	5,709	6,434	6,312	6,312
4.1. Shareholders' equity	4,306	5,591	6,357	6,243	6,243
4.2. Minority interests	88	118	77	69	69
5. Net debt:	2,923	3,042	826	1,528	1,652
5.1. Long-term financing	2,989	3,104	2,395	2,540	2,540
5.2. Short-term financing	1,168	1,321	714	870	870
5.3. Short-term interest-bearing loans	-	-	-	(124)	-
5.4. Cash and cash equivalents	(1,234)	(1,383)	(2,283)	(1,758)	(1,758)
<b>Capital used</b>	<b>7,318</b>	<b>8,751</b>	<b>7,260</b>	<b>7,840</b>	<b>7,964</b>

	2015	2014 (Restated)*	2013	2012	2011
<b>Discontinued operations</b>	<b>185</b>	<b>-</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Financial year 2014 has been restated for comparison purposes with financial year 2015</b>	<b>-</b>	<b>(71)</b>	<b>-</b>	<b>-</b>	<b>-</b>

(\*) Excluded discontinuing operations.

\* Financial year 2014 has been restated for comparison purposes with financial year 2015.

## Breakdown of Adjusted Capital Employed by Business (Segments at December 31)

(Millions of euros)

	2015	2014 (Restated)*	2013	2012	2011
<b><i>Adjusted capital employed</i></b>					
Trading	(92)	(47)	94		
Corporation	39	(20)			
Exploration and Production	3,589	3,177	774	711	883
Refining	2,674	2,784	3,951	4,607	4,159
Marketing	695	923			
Petrochemicals	1,223	1,353	1,181	1,247	1,303
Gas and Power	328	455	421	349	337
<b><i>Total adjusted capital employed</i></b>	<b>8,456</b>	<b>8,624</b>	<b>6,421</b>	<b>6,914</b>	<b>6,682</b>
Accumulated adjustment in stocks valuation	(114)	198	839	926	817
Accumulated adjustment in non-recurrent items	(1,209)				
<b><i>Total capital employed</i></b>	<b>7,133</b>	<b>8,822</b>	<b>7,260</b>	<b>7,840</b>	<b>7,499</b>

\* Financial year 2014 has been restated for comparison purposes with financial year 2015.

## Structure of Statement of Capital Employed

(Before Profit Distribution at December 31)

	2015	2014 (Restated)*	2013	2012	2011
1. Net fixed assets	99.50%	112.20%	76.52%	74.90%	74.90%
2. Working capital	13.05%	14.77%	32.07%	33.21%	33.21%
3. Long-term operating liabilities	(12.55)%	(26.96)%	(8.58)%	(8.11)%	(8.11)%
<b>Capital employed (*)</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
4. Shareholders equity	61.61%	64.71%	88.62%	81.00%	81.00%
5. Net debt	40.99%	34.48%	11.38%	19.00%	19.00%

(\*) Excluded discontinuing operations.

\* Financial year 2014 has been restated for comparison purposes with financial year 2015.

## Profitability and Equity Ratios (At December 31)

	2015	2014 (Restated)*	2013	2012	2011
Return on Average Capital Employed (R.O.A.C.E.) <sup>(1)</sup>	7.6%	6.4%	5.9%	8.4%	6.8%
Return on average equity (R.O.A.E.) <sup>(2)</sup>	-21.0%	-6.5%	8.5%	9.2%	9.4%
Adjusted Return on Average Equity <sup>(3)</sup>	10.8%	8.4%	6.8%	9.6%	10.5%
Net income attributable to the parent company / Average number of shares	(3.9)	(1.5)	2.0	2.2	2.2
Adjusted net income attributable to the parent company / Average number of shares	2.2	1.7	1.4	1.9	2.1
Net income attributable to the parent company / Net sales revenues <sup>(4)</sup>	-6.0%	-1.7%	2.1%	2.3%	2.1%
Adjusted net income attributable to the parent company / Net sales revenues <sup>(5)</sup>	-24.4%	-20.2%	1.5%	2.0%	2.1%
Average financial debt / Cash flows from operating activities	1.8	1.3	0.7	1.8	1.7
Net interest-bearing debt (includes internal allowances) / Shareholders' equity (GEARING)	66.5%	53.3%	12.8%	24.2%	24.2%

(1) Net Income before interest, deducting operating taxes / Adjusted average capital employed.

(2) Net income attributable to the parent company / Average shareholders' equity.

(3) Adjusted net income attributable to the parent company / Adjusted average shareholders' equity.

(4) Net Income attributable to the parent company / Net sales revenues excluding excise tax on oil and gas charged to sales .

(5) Adjusted net income attributable to the parent company / Net sales revenues excluding excise tax on oil and gas charged to sales.

\* Financial year 2014 has been restated for comparison purposes with financial year 2015.

## Operating Environment Indicators

	2015	2014 (Restated)*	2013	2012	2011
Brent crude (\$ / Barrel)	52.46	99.00	108.70	111.60	111.27
Exchange rate (\$ / €)	1.110	1.329	1.328	1.285	1.392
<b>Return on Assets</b>					
ONP (adjusted)	650.6	511.6	396.3	581.9	458.5
Adjusted capital invested current year	11,233	11,003	7,044	7,583	8,141
Adjusted capital invested previous year	11,033	7,044	7,583	8,141	7,146
<b>ROA</b>	<b>5.85%</b>	<b>5.67%</b>	<b>5.42%</b>	<b>16.29%</b>	<b>6.00%</b>

\* Financial year 2014 has been restated for comparison purposes with financial year 2015.



## Glossary

**AENOR:** Asociación Española de Normalización y Certificación (Spanish Standardisation and Certification Association).

**AUDELCO:** Organisation specialising in management systems audit and certification.

**Barrel:** Measure of volume equivalent to 159 litres.

**Biofuel:** Fuel from vegetable oil.

**BREF:** Reference documents concerning best available techniques.

**Catalyst:** Substance capable of increasing the speed of a chemical reaction without itself being modified, as opposed to a reagent, which is modified during the reaction.

**CDP:** Carbon Disclosure Project.

**Combined cycle:** Energy generation system which combines a gas turbine cycle with a steam turbine cycle to obtain a greater output with a lower environmental impact.

**CH<sub>4</sub>:** methane.

**CO<sub>2</sub>:** carbon dioxide.

**CO<sub>2</sub> equivalent:** greenhouse gases equivalent to CO<sub>2</sub>.

**Cogeneration:** Energy generation system which simultaneously produces heat and electricity.

**COSO ERM:** Integrated Risk Management System.

**Cracking:** This involves breaking up or splitting high molecular weight hydro-

carbons (fuels such as diesel oil and fuel oil) into lower molecular weight compounds (naphthas).

**CROP:** Continuous Refining Optimisation Programme.

**Emission rights:** Permits or credits awarded to organisations which enable them to fulfil the objectives of the Kyoto Protocol and which can subsequently be sold in a regulated market.

**Effluent:** Liquid waste which is usually discharged as a result of the various processes at a productive plant.

**EFR:** Empresa Familiarmente responsable (Family Responsible Company).

**EFQM:** European Foundation for Quality Management.

**ELASTER:** Cepsa's new bitumen range.

**EOR:** Enhanced Oil Recovery.

**FEIQUE:** Federación Empresarial de la Industria Química Española (Spanish Chemicals Industry Business Federation).

**GJ:** Gigajoule (1 billion joules). The joule is the International System unit of work, which is equivalent to the work done by a force of one Newton acting over a distance of one metre in the direction of the force.

**GW:** Gigawatt (1 billion watts.) The watt is the unit of power in the International System produced by a potential difference of 1 volt and an electric current of 1 ampere (1 volt-ampere).

**Hydroskimming:** A refinery with a configuration that only includes disti-

llation, reformation and some hydro-treatment.

**Furnaces:** Plant equipment that provides the heat required to manufacture products.

**AFR:** Accident Frequency Rate. Number of fatal and disabling accidents per million man-hours worked.

**ISO:** International Standards Organisation.

**ISO 9001:** Certifiable quality management standard.

**ISO 14001:** Certifiable environmental management standard.

**ISO 14001:** Certifiable environmental management standard.

**ISO 14064:** standard that verifies reports on Greenhouse Gas Emissions.

**ISO 50001:** Certifiable energy management standard.

**ISO 31000:** Certifiable risk management standard.

**IMAS:** (Installations, Environment, Customer Service and Safety).

**IWH:** Increased Water Handling.

**LAB** Linear alkyl benzene, the most common raw material in the production of biodegradable detergents.

**LAS:** linear alkyl benzene sulfonate.

**Mbd:** million barrels per day.

**MSAR:** alternative marine fuel.

**MWh:** Megawatt hour. Energy unit.

**Mtoe:** Millions tonnes of oil equivalent.

**NOx:** Nitrogen oxides.

**UNE-EN ISO Standard:** International regulation concerning Spain.

**Off shore:** Away from the coast or out to sea. Applies to activities performed at sea, such as the operation of oil platforms.

**On shore:** Along the coastline, on land.

**INTERNATIONAL LABOUR ORGANISATION (ILO):** internationally recognised United Nations body promoting social justice and human and labour rights.

**Global Compact of the United Nations:** Initiative aimed at disseminating among the private sector the assumption of commitments in terms of the environment, labour, the protection of human rights and the fight against corruption.

**PIA:** purified isophthalic acid for the manufacture of polyesters.

**Sulphur plant:** Treatment plant which recovers this product so that it may be controlled and marketed.

**Pool:** Wholesale electricity market. Market overseen by the operator Omel in which electricity is purchased and sold on a daily basis.

**Prevention of occupational hazards:** A series of activities aimed at preventing occupational accidents, which may be due to environmental conditions at the place of work, the physical nature of the work, job conditions or conditions

resulting from the organisational system of the work. Each occupational hazard has a related preventive plan to prevent it or to lessen its seriousness.

**LETP:** Liquid effluent treatment plant.

**RBSA:** Bioenergy Sustainability Standard of Assurance.

**Piezometric networks:** These are used to find out the temporary evolutions of water potentials.

**Risk assessment:** Assessment of the probability of a risk occurring and study of its consequences for people, the environment and assets, with a view to its elimination or control.

**ROP:** Refining Optimisation Plan.

**SO<sub>2</sub>:** Sulphur dioxide.

**Seismic:** Method for establishing the detailed underground rock structure by means of the detection and measurement of the impact of reflected acoustic waves on the different rock strata. It is used to locate structures which potentially contain crude oil or gas before drilling. Processing such data enables the generation of 3D images of the underground structures.

**SEVESO:** European Directive that requires the identification of risk industrial areas, the adoption of appropriate measures to prevent major accidents involving dangerous substances and the limitation of their consequences for people and the environment.

**SIPA:** Cepsa's Environmental Protection System.

**Solomon:** index that measures efficiency in refining created by consul-

tants Solomon Associates.

**Shale Oil:** Unconventional oil produced from oil shale via pyrolysis, hydrogenation or thermal dissolution.

**tm:** metric tonne.

**Waste recovery:** Any procedure that enables the use of the resources contained in waste.

**VCMO (Value Chain Margin Optimization):** global optimisation project which seeks business opportunities within Cepsa.

**Working interest:** Total share of production, calculated before applying contractual terms, when Production-Sharing Contracts are involved.

**Compañía Española de Petróleos S.A.U.**

Cepsa Tower  
Paseo de la Castellana, 259 A  
28046 Madrid (España)  
[www.cepsa.com](http://www.cepsa.com)

**Contact details**

Cepsa - Communication and Institutional Relations Department  
Tel: (34) 91 337 60 00  
[comunicacion@cepsa.com](mailto:comunicacion@cepsa.com)

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