



ANNUAL AND CORPORATE RESPONSIBILITY REPORT



2014

CEPSA

KEY PERFORMANCE INDICATORS

Results (millions of euros)	2014	2013	2012
Turnover (excluding excise taxes)	23,903	25,244	26,808
Adjusted operating income	649	691	1,001
Adjusted net attributable profit	459	371	555
Net attributable profit (IFRS)	-350	534	576

Financial data (millions of euros)	2014	2013	2012
Share capital	268	268	268
Net equity attributable to the parent company	5,637	6,357	6,243
Net financial debt	3,066	826	1,528
Investments during the year	3,206	926	734
Investment in Corporate Responsibility initiatives	5.8	3.9	4.4
Dividends distributed by Cepsa	302	361	321

Operational data (millions of euros)	2014	2013	2012
Crude oil output (working interest) (BOPD)	106,901	87,878	104,277
Crude oil sales (BOPD)	41,425	25,518	26,213
Crude oil distilled (BOPD)	429,589	454,246	485,205
Product sales (millions of tons)	27.7	28.3	30.2
Electric power production (GWh)	2,100	2,299	3,575
Natural gas sales (GWh)	27,753	29,833	29,047

Markets and business data	2014	2013	2012
Brent crude oil price (\$/barrel)	99.0	108.7	111.58
Cracking refining margin (\$/barrel)	4.5	3.94	6.3
Hydroskimming refining margin (\$/barrel)	-3.4	-3.90	-1.4
Electricity pool price (€/MWh)	41.3	43.7	47.4
Natural gas price (Henry Hub Spot €/MWh)	11.2	16.9	12.1
Exchange rate \$/€	1.329	1.328	1.285
Three-month EURIBOR (%)	0.21	0.22	0.57
CPI (%)	-1.0	0.3	2.9

Workforce	2014	2013	2012
Number of employees	10,804	11,069	11,743
Hours of training	420,319	396,908	394,036
Lost-time accident frequency rate*	1.85	2.00	2.45
Economic value distributed to employees (millions of euros)	709	610	596

* Number of lost-time accidents per million hours worked (Company staff and contractors).

Environment	2014	2013	2012
Environmental costs (millions of euros)	73.93	83.59	83.89
Environmental investment (millions of euros)	19.22	12.55	19.24
Direct energy consumption (thousands of gigajoules)	83,972	94,328	104,914
Water consumption (thousands of cubic meters)	36,008	36,036	36,893
Total emissions (kt CO ₂ eq)	6,025	5,933	6,719



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LETTER FROM CHAIRMAN



I am pleased to have the opportunity to address you for the first time as Chairman of the Cepsa Group since my appointment by the sole shareholder, IPIC, in 2015.

Although I have only recently taken on this role, I am delighted to be able to share with you some of the highlights and accomplishments of 2014, the result of an intense transformational process that Cepsa has undergone and which is successfully positioning the Company to truly be **a global energy player**, characterized by its industry-leading and integrated technologies as well as its commitment to operational excellence.

Despite the hurdles and challenges posed by the market in 2014, remarkable progress was made towards extending the Company's global reach through the pursuit of new business and market opportunities; upgrading the efficiency of its processes and operations; offering a broader range of high-performance products to satisfy its customers; and motivating its workforce.

With regard to E&P activities, the Company has expanded its global footprint into Asia thanks to the acquisition of Coastal Energy, with assets in Thailand and Malaysia, and into Abu Dhabi through its partnership with Cosmo Oil. In Petrochemicals, construction of a phenol and acetone plant in Shanghai was completed, making Cepsa the second leading phenol producer worldwide. Moreover, a joint venture agreement was signed for the production of vegetable-based industrial alcohols in Indonesia. Cepsa also continued focusing on growth in Latin America: production started up in Peru at the end of 2014 and a number of lube marketing agreements were signed in Paraguay and Colombia throughout the year.

A major milestone in 2014 was no doubt the relocation of the corporate headquarters to one of Madrid's most emblematic buildings, Cepsa Tower, in one of the city's prime business districts. This move exemplifies the transformation undertaken in the Company, implementing a new and innovative way of working to create a modern, dynamic and flexible workplace.

Hand in hand with this change, the Company revamped its brand identity and redefined its positioning. As part of this process, new Mission, Vision and Values were introduced to reflect this new identity and better articulate what the Company stands for.

Cepsa is fully cognizant of the fact that its success relies on achieving growth through sustainability. In this respect, the Company continued demonstrating its steadfast commitment to the welfare and interests of the communities where it operates and to excellence in environmental management and stewardship, as evidenced in Cepsa's renewed support for the Principles of the United Nations Global Compact, which it first adhered to back in 2005.

The Company is likewise aware that the technical know-how, expertise and capabilities of its highly-qualified workforce are one of its basic cornerstones and a distinguishing factor. Decisive efforts were made in the year to implement plans and programs aimed at increasing employee engagement, commitment and satisfaction, attracting and retaining the most talented professionals and building their drive, motivation and team spirit.

I am confident that Cepsa will successfully move ahead on its path towards becoming a stronger, more competitive and more global energy company, relying on its upstream and petrochemicals activities as key growth drivers; seeking out new opportunities to expand its businesses across the globe; optimizing its refining operations; maximizing the value of its products and services on the market; and improving efficiencies and synergies in its Gas & Power activities.

S.E. SUHAIL AL MAZROUEI
CHAIRMAN OF CEPESA

LETTER FROM VICE-CHAIRMAN AND CEO



Firstly, I am delighted to have this opportunity to review the main results and milestones for Cepsa in the past year.

I would like to highlight that we conducted our business in a complex operating environment, as is usual in this sector, but particularly in 2014, a year that was marked by extreme price volatility, with a sharp fall in crude oil prices in the second half to levels unseen since 2009, coupled with overabundant oil supply on the market. This new energy landscape has had consequences for everyone in society and especially for companies with interests and investments in the upstream business.

Despite these challenges, we are especially proud to have efficiently managed our resources and improved our results. The Company's Adjusted Net Income totaled €459 million, 24% higher than in 2013.

This favorable earnings performance was attributable in part to the success of our integrated business model, enabling us to offset the fall in the price of crude oil, which had a negative impact on our Exploration and Production results, with firmer refining margins in the latter part of the year and a modest recovery in domestic fuel demand.

Our Refining and Marketing businesses contributed positively to our results, underpinned by investments to enhance conversion and operational efficiency at our industrial facilities, as well as the pick-up in marketing activity driven by new, innovative products and services that have helped us gain market share in some segments.

Gas and Power also supported earnings in the year, led by our natural gas trading operations and the increase in our stake in Medgaz.

Our petrochemicals business likewise witnessed an improvement in results in 2014, thanks to the smooth operations of our plants in Spain, Canada and Brazil, the signing of export agreements, and the development of projects in line with our goals of targeted capital spending, international growth and entry into new markets.

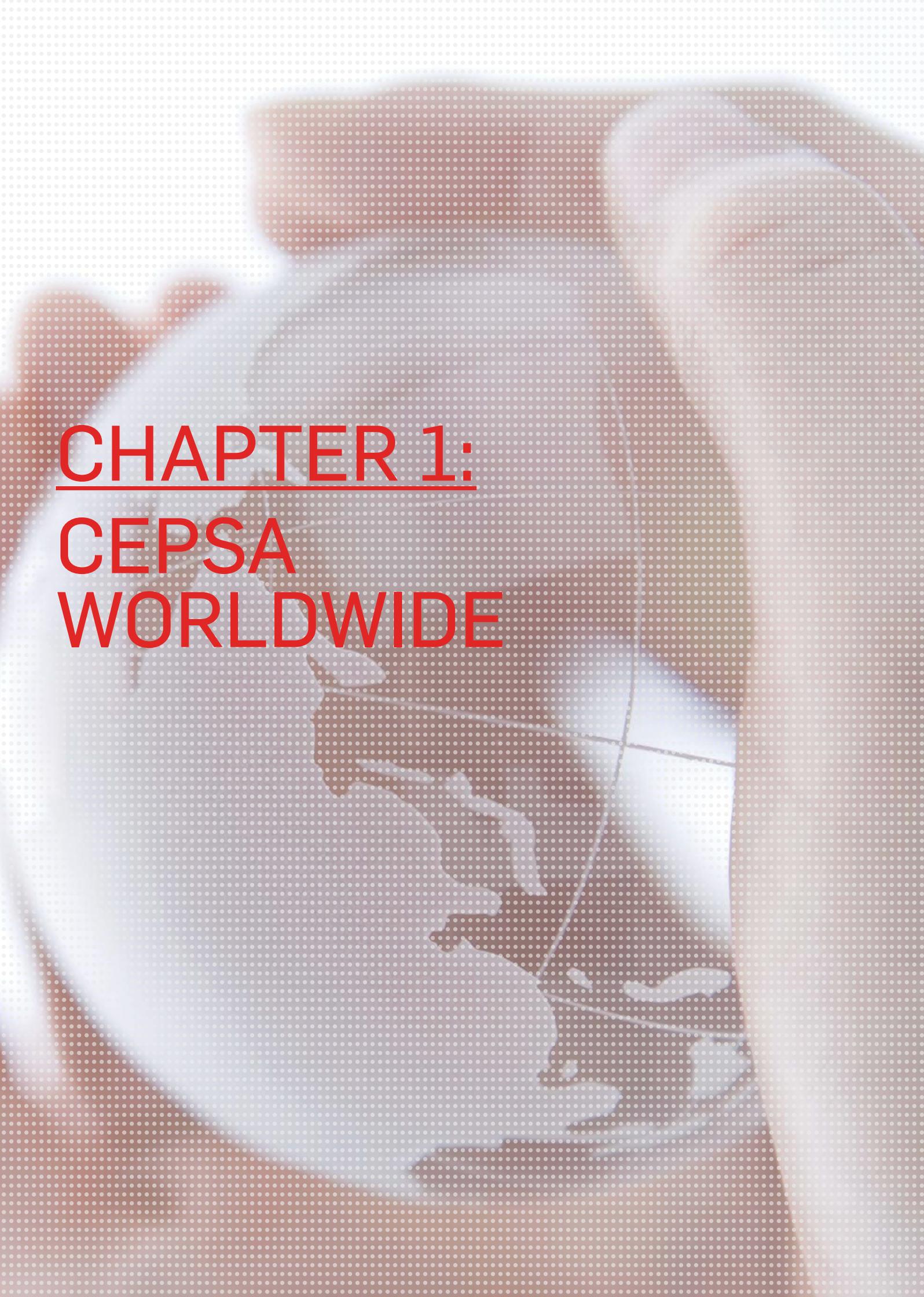
Investments in the year amounted to €3.2 billion, compared with €926 million in 2013. The majority of these resources went towards the acquisition of Coastal Energy and the start-up of operations at our new chemical plant in Shanghai. We also allocated capital expenditures towards optimizing the efficiency, safety and reliability of our operations, developing new products and improving our environmental performance and impact on the communities where we operate.

As a result, the Company was able to reduce its energy and raw materials consumption, as well as emissions at the majority of its facilities, capturing the benefits of measures and initiatives we implemented over the past year.

Without a doubt, our progress and accomplishments in 2014 would not have been possible without the hard work, efforts, drive and dedication of our workforce, to whom I would like to extend my appreciation. All of us at Cepsa are firmly committed to excellence in everything we do and the result of this commitment was seen in the solid performance we delivered in the year.

Lastly, following my appointment as Vice-Chairman, I would like to thank our shareholder IPIC, the Board of Directors, and all of the Company, for their trust and confidence in me to carry out this new responsibility.

PEDRO MIRÓ
VICE-CHAIRMAN AND CEO
OF CEPESA



CHAPTER 1:
CEPSA
WORLDWIDE

CHAPTER 1: Cepsa worldwide



EXPLORATION AND PRODUCTION



COLOMBIA

Onshore oil exploration and production in the Los Llanos basin (Caracara, Jilguero, Puntero, Llanos, Ramiriqui, Merecure, Balay and El Portón; and CPO 12 and CPO 14, which are not operated by Cepsa) and the Upper Valley of the River Magdalena (CPR Espinal and La Cañada Norte).

Transport rights in the OCENSA oil pipeline (5%).

ALGERIA

Production centers in the onshore oilfields of Rhourde El-Krouf (RKF, 100%) and Ourhoud (39.76%).

Crude exploration in the Rhourde er Rouni block (49%)

Development blocks: Timimoun (gas, 11.25%) and BMS (crude, 45%).

PERU

Onshore oil exploration in the Marañón basin (block 130) and the Ucayali basin (Los Ángeles 1X-ST, 3X-Noi, and 2CD wells, and blocks 131 and 114).

SPAIN

Crude production in four offshore blocks off the coast of Tarragona (not operated by Cepsa).

THAILAND

Offshore exploration and production in block G5/43 off the Gulf of Thailand (100% Coastal Energy)

Exploration and production of gas in onshore blocks operated by APICO (39% Coastal Energy).

MALAYSIA

Production of oil and gas in the Kapal and Banang offshore blocks (70% Coastal Energy)

Exploration in the PM-316 offshore block

UNITED ARAB EMIRATES

Exploration and production in four offshore oilfields (agreement with Cosmo Oil)

LIBERIA

Oil and gas exploration off the coast of Liberia, West Africa (Block LB-10, 30% stake, not operated by Cepsa).

SURINAME

Oil and gas exploration off the coast of Suriname, northern South America (Block 53, not operated by Cepsa).

KENYA

Onshore exploration in the Turkana region, northeast Kenya (Block 11A, 55% stake)

BRAZIL

Offshore oil and gas exploration in the Ceará basin (Blocks 717 and 665, with a 50% stake, not operated by Cepsa).

REFINING



SPAIN

Three refineries.

50% of an asphalt refinery in Tarragona.

DISTRIBUTION AND MARKETING



SPAIN

More than 1,400 service stations and 935 convenience stores.

Two* asphalt factories and five asphalt derivatives factories.

Three factories supplying fuel to ships and thirteen barges.

Twelve aviation fuel supply points.

One base and paraffin production plant.

One lubricant bottling plant and one automatic silo.

Nine butane and propane bottling and transfer facilities.

PORTUGAL, ANDORRA AND GIBRALTAR

293 service stations in Portugal, Andorra, and Gibraltar, and 44 convenience stores in Portugal.

Storage and distribution of fuel and asphalts in Portugal.

MOROCCO

Supply of fuel to ships.

PANAMA

Supply of fuel to ships (three barges).

REST OF THE WORLD

Distribution of lubricants through trading partners.

* At the "La Rábida" refinery and at Asfaltos Españoles S.A., in which Cepsa holds a 50% stake.

PETROCHEMICALS



SPAIN

Three petrochemical plants.

CANADA

Two petrochemical plants** (51% stake).

BRAZIL

One petrochemical plant (72% stake).

CHINA

75% of new phenol and acetone plant in Shanghai.

Commercial office.

PORTUGAL

Commercial office.

ITALY

Commercial office and storage of petrochemical products.

UNITED KINGDOM

Commercial office and storage of petrochemical products.

BELGIUM

Commercial office and storage of petrochemical products.

THE NETHERLANDS

Commercial office.

UNITED STATES

Commercial office.

INDONESIA

Project for the construction of a fatty alcohol plant.

GAS AND POWER



SPAIN

Seven cogeneration plants and a 50% stake in a combined cycle plant.

Distribution and marketing of gas and power.

ALGERIA

MEDGAZ gas pipeline (42% stake).

CEPSA REPRESENTATIVE OFFICE

UNITED ARAB EMIRATES

CEPSA HEADQUARTERS

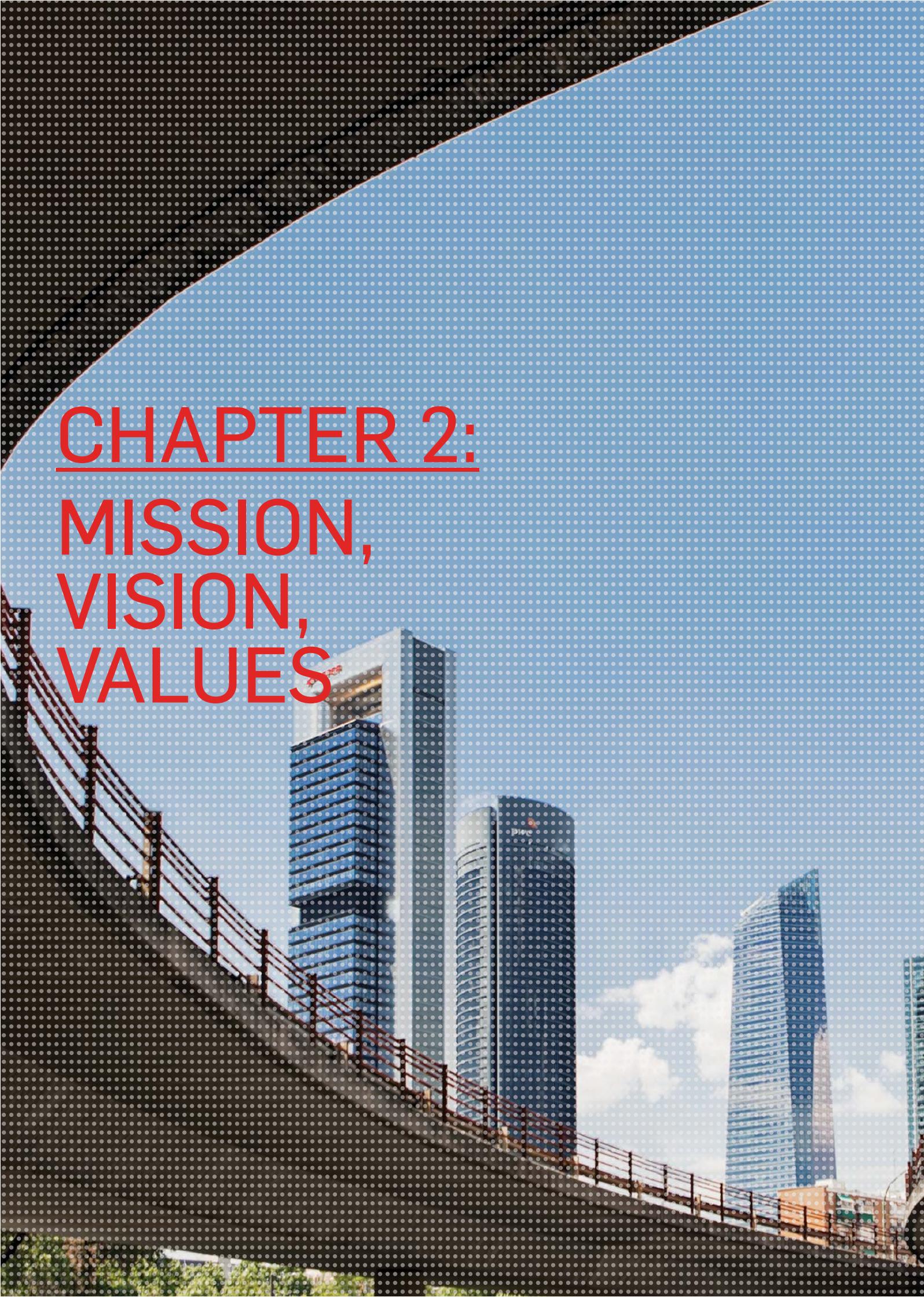


SPAIN

Cepsa Tower, Madrid, Spain

** Subsequent to the preparation of this report, in 2015 Cepsa reached an agreement for the sale of the Montreal PTA plant.

CHAPTER 2: MISSION, VISION, VALUES



Our ability to generate value is directly related to our ability to meet society's expectations.

Therefore, in its role as a company operating across the entire petroleum value chain in four continents, Cepsa seeks to understand, adapt to and meet the specific energy needs of societies in all regions in which it carries on its activities.

With more than 10,500 employees in 16 countries where we operate, and because we sell our products worldwide, one of our major challenges is to ensure that they all share our Mission, identify with our Values, and work together to realize the Company's Vision:



OUR VALUES

At Cepsa we feel proud to promote the ethical values that have guided our decisions over the more than 85 years of our business history.

SAFETY

Safety as a priority, with the commitment to protect all the professionals with whom we have a relationship, employees of Cepsa and of associated companies, suppliers and distributors, as well as our customers, and to ensure the integrity of the facilities and processes. Advancing toward excellence,

making prevention our best defense for eliminating risks, extending our attention beyond the workplace.

SUSTAINABILITY

Promoting the continuity of the Company's business over time, strengthening our commitment to protecting the environment and

the wellbeing of society, especially in communities where we are present, and maintaining relations with stakeholders based on ethics and transparency.

CONTINUOUS IMPROVEMENT

Promoting the development and retention of talent and

knowledge, ensuring excellence, acting with efficiency and reliability, complying with regulations and establishing effective measures to prevent possible irregular conduct.

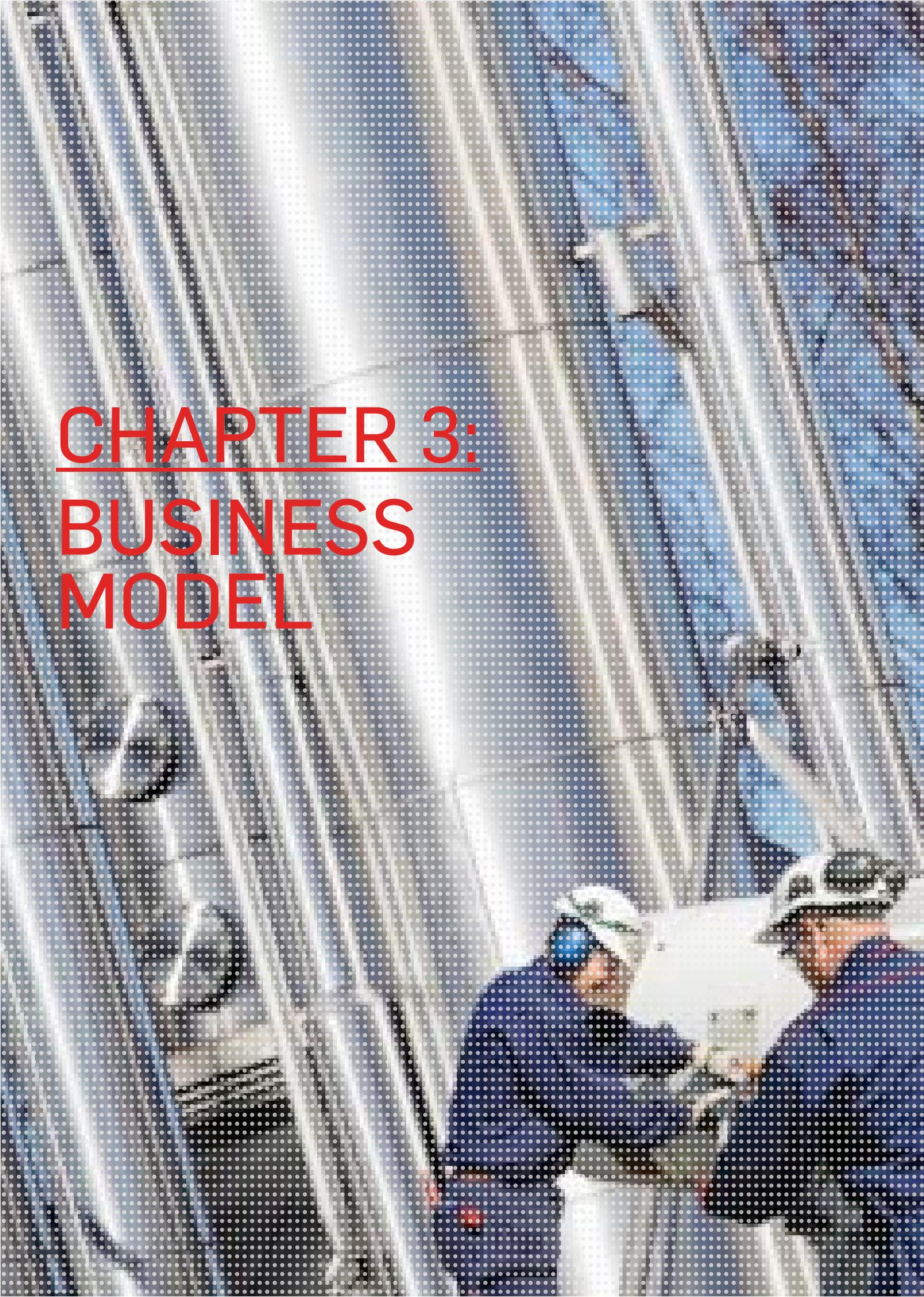
LEADERSHIP

Acting honestly, with integrity and respect, diligently and responsibly, encouraging

comradeship and seeking new ideas and opportunities with effort, boldness and ambition.

SOLIDARITY

Teamwork, always seeking to benefit as a whole through cooperation among areas and in collaboration with customers and suppliers, maintaining a positive attitude toward others.



CHAPTER 3:
BUSINESS
MODEL

*We are a global energy company
with more than
85 years of history.*

We are a global energy company with more than 85 years of history, present in all phases of the petroleum value chain. Since August 2011, Cepsa's share capital has been 100% held by the Abu Dhabi government's investment fund, International Petroleum Investment Company (hereinafter IPIC). As at the end of 2014, we had more than 10,500 employees, and were active in 16 countries, selling our products throughout the world.

Our business model is based on developing oil and gas **exploration and production** activities; **refining, distribution and marketing** of petroleum derivatives; **petrochemicals**; and the supply of **gas and power**. Additionally, through the **trading** unit, we carry out activities involving the supply and marketing of crude oil and petroleum products.

ACTIVITIES

Cepsa's **Exploration and Production Unit** is dedicated to looking for and extracting oil and gas in onshore and offshore fields. Thanks to the boost from IPIC, the Unit has taken on a higher profile role in the past few years, both in terms of the volume of reserves and in terms of the geographical and geomorphological diversification of the blocks and wells we operate. Cepsa has assets in Spain, Algeria, Liberia, Kenya, Malaysia, Thailand, Colombia, Peru, Brazil, and Suriname, and recently acquired stakes in four blocks in the United

Arab Emirates by buying 20% of the share capital of a company that owns a 64% share in the concessions.

We have a long track record in the **refining, marketing and petrochemicals businesses**, which have always been characterized by their technical excellence and high degree of integration.

Within the **Refining Unit**, the refineries process crude oil to manufacture petroleum products such as diesel, gasoline, kerosene, LPG and fuel oil. Cepsa's **Trading Unit** supplies crude oil and other products to the refineries, both for the refining processes and to cover other needs of the Company's commercial areas. In addition, it sells the crude oil from the production fields operated by Cepsa, as well as the surplus from products processed in our refineries. It also carries out other trading transactions in the crude oil and petroleum products markets. The Marketing Unit sells these fuels as well as lubricants and asphalts. Although at present a large part of the sales go to the domestic market, our objective is increasingly to channel them abroad. This is already being achieved in some business areas, such as asphalts, which exports two thirds of its output to more than 30 countries, and lubricants, which exports 49% by volume to nearly 80 countries.

Cepsa's Petrochemicals Unit manufactures and sells feedstock for the preparation of high value-added products chiefly used in making new

generation plastics and biodegradable detergents. This Unit is characterized by the quality, innovation, and international leadership of its products. Its activity is spread among Spain, Canada, Brazil, and China, with established projects in Indonesia. This Unit exports worldwide.

The **Gas and Power Unit** produces electricity in our cogeneration plants, and we have a 50% stake in a combined cycle plant, which is used as the main source of supply for several of our industrial facilities in Spain, the surplus being sold in the market. We have an equity stake in the Algerian MEDGAZ gas pipeline, for which we also have transport rights.

CHAPTER 3: Business model

TOWARDS A NEW CEPSA

Since IPIC acquired 100% of Cepsa's share capital, we have gone from being a company focused on refining and petrochemicals, with limited exploration and production assets, and mainly selling in the Spanish market, to being an organization that carries out major investments and forms strategic alliances to export its products and acquire stakes and oil exploration and extraction rights in key locations worldwide. In parallel with this, we continue to work to

maintain the technical excellence underpinning our more established businesses, where we now focus our efforts on the quest for efficiency and optimizing our product mix.

This integration along the entire hydrocarbon value chain improves our flexibility and ability to respond, and is positioning us as a global company fully embarked on a process of growth and expansion.



Cepsa: Value chain

1. EXPLORATION AND PRODUCTION

The search for and extraction of oil and gas on land and at sea.

2. TRANSPORT

The transportation of crude and natural gas via oil and gas pipelines and tankers to their destination.

3. TRADING

Marketing of crude produced, supply of oil and other products to refineries and other.

4. REFINING

Refineries transform the crude into raw materials for other industries and finished products such as fuels, asphalt, lubricants etc.

5. PETROCHEMICALS

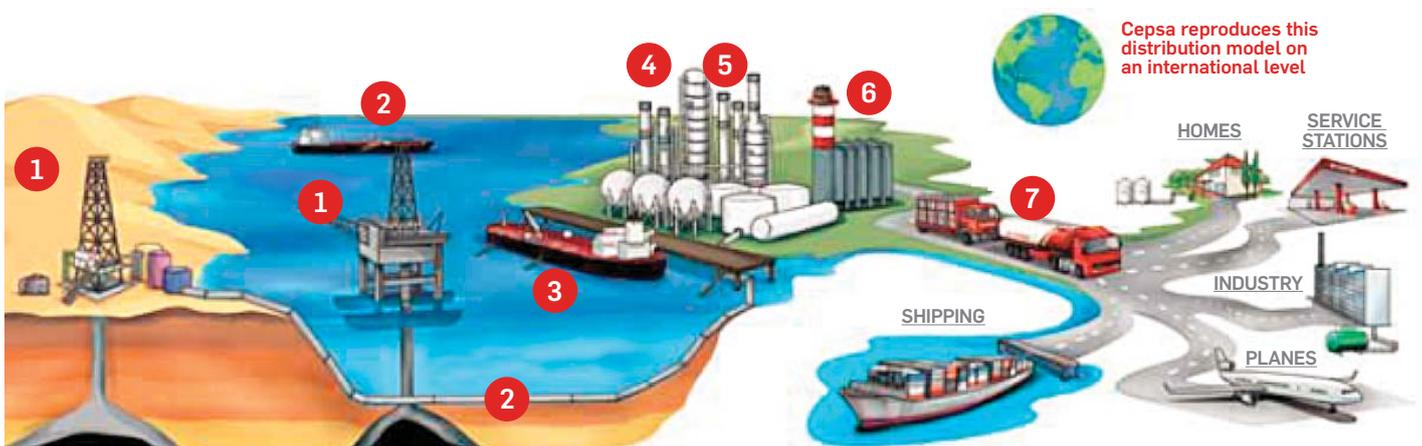
Our petrochemical plants manufacture derivatives that can be used as raw materials for the polyester industry, for the manufacture of the latest generation detergents and plastics, among other products.

6. GAS AND POWER

Cepsa has cogeneration plants that produce electricity and steam for our production centers, selling excess on the energy market.

7. DISTRIBUTION AND MARKETING

Through its own sales channels and a domestic and international network, Cepsa sells and distributes its products to its customers.



SPORTING SPONSORSHIPS AS A LEVER FOR INTERNATIONALIZATION

The Company supports a variety of different sporting activities. In addition to its long-standing objective of encouraging sport as a way of promoting the virtues of discipline, effort, and perseverance, we now have the potential of its global impact, helping to raise Cepsa's profile in international markets.

Many of our sponsorships are in the automotive world, in line with the activities of the Company as a manufacturer and distributor of a wide range of fuels and lubricants. Prominent among them is the support for the Toro Rosso Formula 1 team and its drivers Carlos Sainz and Max Verstappen; for the Cepsa Truck Team over the past 26 years; and for freestyle motocross riders Dany Torres and Maikel Melero.

Thanks to these sponsorships, the associations and profile of the Cepsa brand have grown continuously over the past few years, with particular visibility in the world of Formula 1, since the Company has a presence and interest in four of the five world markets in which this sport has the greatest following (Brazil, Spain, Italy, and the United Kingdom).

In managing its sponsorships, Cepsa places its stakes on innovation, and focuses on offering unique experiences for the different audiences through these activities. For example, one of the projects on which the Company has been working in the past few years is the development of the Cepsa Sports digital platform, enabling fans to keep up to date with the latest news about the sponsorships and to access exclusive promotions.

Beyond the world of motor sport, Cepsa also sponsors other sports activities, most notably in soccer through its sponsorship of Real Madrid, one of the world's most prestigious clubs.

Many of our sponsorships are in the automotive world, in line with the activities of the Company.





CHAPTER 4:
CORPORATE
GOVERNANCE

CHAPTER 4: Corporate governance

GOVERNANCE MODEL

Cepsa's corporate governance system is designed to ensure that the Company achieves its strategic goals, that it conforms to best international practices in business management, and that the interests of all the groups and stakeholders with which it interacts are protected.

Governing Bodies

In conducting its business, Cepsa follows a model that enables it to optimize its teams and resources, coordinating its people and other assets in order to achieve its business objectives in line with its Mission, Vision, and Values. Cepsa's governing bodies are the Board of Directors, the Executive Committee, the Audit Committee and the Nomination and Remuneration Committee. The composition of the Board of Directors changed slightly in 2014. So too did the

number of members, ending the year with one member fewer than at the end of the previous year (seven, as opposed to eight).

Santiago Bergareche, who over a six-year period had successively held the positions of Chairman and Co-Chairman of the Company, resigned in June 2014 as member and Vice Chairman of the Board, and therefore as a member of the Company's Executive Committee, Chairman of the Appointments and Remuneration Committee, and member of the Audit Committee. In the same month, the Board of Directors agreed to appoint Pedro Miró as Vice Chairman of the Board. Since then he has combined this post with that of CEO, which he has held since September 2013.

Furthermore, Carmen Cagiga was replaced, following her retirement, by José Téllez as non-director Vice Secretary

to the Board of Directors, the Executive Committee and the Audit Committee.

H.E. Khadem Al Qubaisi, Chairman of Cepsa, also took on the chairmanship of the Audit Committee, a position Mr. Hamdan Al Hamed had taken over in 2013 from the previous chairman.

Mr. Hamdan Al Hamed is now a member of this committee, as well as of the Board of Directors, the Executive Committee and the Nomination and Remuneration Committee.

Lastly, Mr. James Sullivan, a member of the Cepsa Board since 2013, added to his posts of member of the Board of Directors and of its two Committees that of member of the Executive Committee.

With these changes, the composition of Cepsa's governing bodies as at December 31, 2014 was as follows:

Members of the Board of Directors and Board Committees¹

Name	Board of Directors	Executive Committee	Audit Committee	Nomination and Remuneration Committee
S.E. Khadem Al Qubaisi ²	Chairman	Chairman	Chairman	Chairman
D. Pedro Miró	Vice-chairman and Chief Executive Officer	Vocal	-	-
D. Hamdan Al Hamed	Member	Member	Member	Member
D. Álvaro Badiola	Member	-	-	-
D. James Sullivan	Member	Member	Member	Member
D. Ignacio Pinilla ³	Secretary	Secretary	Secretary	-
D. José Téllez ³	Vice-secretary	Vice-secretary	Vice-secretary	-
D. Carlos Morán ³	-	-	-	Secretary

¹ Members of the Board of Directors and of the Board Committees at March 4, 2015, management report and proposed appropriation of profits of Compañía Española de Petróleos S.A.U. (Cepsa), all in relation to financial year 2014. The current composition of the Board of Directors can be viewed at: http://www.cepsa.com/cepsa/Quienes_somos/Gobierno_Corporativo/Organos_de_Gobierno/

² On June 2, 2015, H.E. Suhail al Mazrouei was appointed Chairman of Cepsa.

³ Non-board members.

CHAPTER 4: Corporate governance

Members of the Board of Directors

S.E. KHADEM AL QUBAIS

Chairman

Date of appointment

October 1, 2009 (through co-option, ratified by the Annual General Meeting on May 28, 2010).

Qualification

A graduate of the United Arab Emirates University with a degree in Economics.

H. E. Khadem Al Qubaisi has held the posts of Chairman of the Board of Directors and of the Executive Committee, and since 2014 also of the Audit Committee of Cepsa; he is also a member of the Nomination and Remuneration Committee.

He has a wealth of professional experience in the financial arena. He began his professional career as a financial analyst with the Abu Dhabi Investment Authority, and subsequently headed the investment division of International Petroleum Investment Company (IPIC), where he has been Managing Director.

Mr. Al Qubaisi also has chaired the Boards of Directors of Abu Dhabi National Takaful and Arabtec Holding. He has been a board member of ChemaWEyaat, Abu Dhabi's national chemicals company, and of the Emirates Investment Authority, EIA. At regional level, he has been chairman of Bahrain's First Energy Bank. He has been Chairman of Cepsa since September 27, 2011.

PEDRO MIRO

CEO and Vice-chairman

Date of appointment

September 17, 2013 and June 18, 2014 respectively.

Qualification

A degree in Chemistry from the University of Barcelona.

Mr. Miró is Chief Executive Officer and Vice-chairman of Cepsa, and a member of the Executive Committee. He has spent his entire professional career with Cepsa, having been part of the Company since 1976, and has occupied the positions of Manager of the Research Center, Manager of Technology and Vice President for Exploration and Production. In 2009 he was made a member of the Management Committee and Senior Vice President of Technical Operations, with responsibility for Cepsa's Refinery and Power divisions.

Additionally, he was Chairman of MEDGAZ from 2000 until its commissioning in March of 2011, and he plays an active part in several national and international industry associations, having been Vice-chairman of EUROPIA (now FuelsEurope).

HAMDAN AL HAMED

Member

Date of appointment

December 9, 2013.

Qualification

Degree in E-Commerce Applied Sciences from the Technological University of Abu Dhabi.

Hamdan Al Hamed has been a member of Cepsa's Board of Directors since December 9, 2013 and is a project analyst with IPIC. Before that, he was a partner in Invest AD, the Abu Dhabi investment company, until 2010. Hamdan Al Hamed is a member of Cepsa's Executive Committee, Nomination and Remuneration Committee, and Audit Committee.

ÁLVARO BADIOLA

Member

Date of appointment
March 6, 2014.

Qualification

Mr. Badiola holds a degree in Business Administration from the Comillas Pontifical University.

Mr. Badiola is a member of the Executive Committee. He has developed his career in the financial sector with companies such as Arthur Andersen, BBVA and Telefónica, where he served as Chief Executive Officer in Peru.

He joined Cepsa in July 2012 as Chief Financial Officer. At present, as well as being a member of Cepsa's Board of Directors, he is also a member of the Boards of CLH, MEDGAZ, Cepsa Trading and CBS.

He is also on the Company's Management, Ethics, Investment, and Risks Committees.

JAMES SULLIVAN

Member

Date of appointment
October 23, 2013.

Qualification

Degree in Law, Degree in Arts and Humanities and Post-graduate Degree from the University of Otago.

Mr. Sullivan was admitted as a solicitor of the Senior Courts of England and Wales and as a barrister and solicitor of the High Court of New Zealand. Sullivan began his career as a barrister in New Zealand. He currently serves as General Counsel to International Petroleum Investment Company in Abu Dhabi. Before moving to the United Arab Emirates, James Sullivan worked for an important international law firm in London.

During 2014 Mr. Sullivan was a member of Cepsa's Audit and of the Nomination and Remuneration Committee, and in 2014 he was appointed a member of the Executive Committee. He is also a board member of Falcon Private Bank, Falcon Private Wealth and Hakkasan Limited.

IGNACIO PINILLA

Non-Director Secretary

Date of appointment
January 31, 2012.

Qualification

Law degree from the Complutense University of Madrid.

Mr. Pinilla serves as Non-Director Secretary to Cepsa's Board of Directors and Executive and Audit Committees. He has worked as a State Attorney for the Spanish Ministries of Health and Finance. Following his years of public service, he went on to provide legal advice to private companies. He has been Company Secretary with Portland Cement and with Iberia Líneas Aéreas de España, S.A., and has held the position of Secretary to the Board and Manager of Legal Affairs at Construcciones Aeronáuticas, S.A.

He joined Cepsa as Manager, Legal Affairs, in 2001, and following IPIC's acquisition of 100% of Cepsa's shares he was appointed Senior Vice President of Corporate Legal Affairs and General Counsel.

He is also a member of Cepsa's Ethics Committee and Investment Committee and Secretary to the Management Committee.

JOSE TÉLLEZ

Non-Director Vice-Secretary

Date of appointment
October 24, 2014.

Qualification

Law degree from the Autonomous University of Madrid (UAM).

Mr. Téllez started his professional career with Ernst&Young Abogados, where he gained experience in commercial law, corporate restructuring, and legal advisory services on mergers and acquisitions (M&A). In 2008 he was promoted to Senior Partner, working full-time on his specialist areas.

In September 2014 he joined Cepsa as legal head of Corporate Affairs, as well as Vice-secretary to the Board, and on October 24, 2014 he was appointed Vice-secretary to the Board of Directors, the Executive Committee, and the Audit Committee.

CHAPTER 4: Corporate governance

Board Committees

The Board exercises its powers, duties and responsibilities through two committees:

- **The Audit Committee** is composed of five members, three of whom are Directors appointed by the Board of Directors based on professional experience and skills in accounting, finance and auditing.

The Audit Committee is responsible for ensuring the effectiveness of the Company's internal controls,

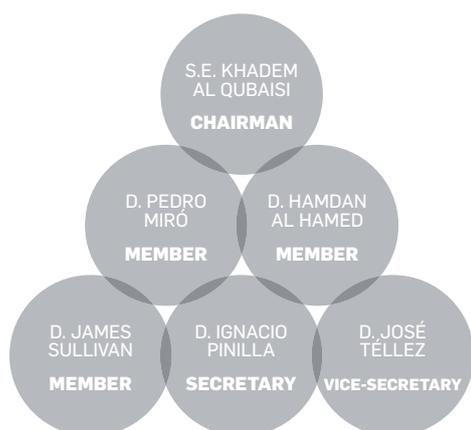
overseeing the internal audit, and the risk control and management systems, proposing the appointment of the external auditors, and supervising the process of preparing and submitting financial information.

This body, which is governed by the relevant Regulations of the Board of Directors, meets at least once every quarter. The Audit Committee met four times in 2014.

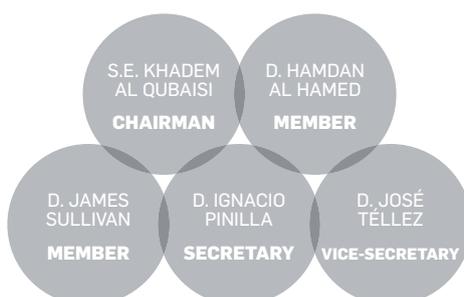
- **The Nomination and Remuneration Committee** is composed of four members, and is governed by

the relevant provisions in the Regulations of the Board of Directors. The Nomination and Remuneration Committee is responsible for analyzing, reporting on and proposing the remuneration policy for members of the Board of Directors and Senior Management of the Company, as well as making proposals for the appointment of members of the Board of Directors and the Executive Committee. Due to the nature of its role and responsibilities, it does not meet at specific minimum periodic intervals. It met once in 2014.

Members of the Executive Committee



Members of the Audit Committee



Members of the Nomination and Remuneration Committee



REMUNERATION OF THE GOVERNING BODIES

Remuneration of the Board and Senior Management

The Board's remuneration is governed by the Company's By-Laws and the Regulations of the Board of Directors. It consists of a fixed remuneration set by the Company's sole shareholder at the proposal of the Nomination and Remuneration Committee and the Board of Directors, plus attendance

fees, subject to the total received by all the members of the Board not exceeding one thousandth of the total consolidated revenues of the previous financial year. The annual fixed allocation is distributed among the Directors at the time, in the manner and in the proportions agreed by the Board of Directors itself at the proposal of the Nomination and Remuneration Committee, based on the commitment and the importance of the role performed by each Director.

The remuneration of Senior Management, and executive directors' additional remuneration, consists of a fixed portion and a variable portion, the latter being calculated as a percentage of the fixed remuneration based on the degree of achievement of the targets set for the year. These targets are set in terms of the consolidated financial results, safety at work indicators, operational business aspects, and individual performance.

Board of Directors' remuneration

Type of remuneration (thousands of euros)	2014	2013
Fixed remuneration	1,215	550
Variable remuneration	1,372	347
Attendance fees	154	216
Directors' fees (fixed amount)*	3,400	2,700
Other items of remuneration	44	15
Pension funds and schemes: contributions and obligations assumed	565	262
Total	6,750	4,090

Remuneration of Senior Management (other than executive directors)

Type of remuneration (thousands of euros)	2014	2013
Fixed remuneration	2,862	3,266
Variable remuneration**	2,637	1,569
Other items of remuneration	156	200
Pension funds and schemes: contributions and obligations assumed	594	791
Total	6,249	5,826

* There was no change in the unit value of the directors' fees in 2014 relative to 2013. The increase in the absolute amount of this item is due to settlement of amounts upon retirement and renewal.

** The increase in variable remuneration is basically due a change in 2013 in the way it is paid. Until 2012, variable remuneration was paid in two installments: an advance of 40% of the estimated amount in July, subject to evaluation, and the definitive settlement in March of the following year, from which the advance paid in July of the previous year was deducted. In 2013 the advance payment was discontinued, so the only payment received was that of March, from which the 40% advance paid in July 2012 was deducted; the payment was thus approximately 60% of the amount accrued. Thus 2014 was the first year in which the whole amount accrued for the previous year was paid, i.e. the whole amount for 2013 without any deduction, since there had been no advance payment in July 2013.

Ethics and Compliance

Cepsa's governance model is based on the Company's Mission, Vision, and Values, as well as its Code of Ethics and Conduct, which serves as a framework of reference for our professional practices.

The purpose of Cepsa's Code of Ethics and Conduct, which has been approved by the Board of Directors, is to establish the values and ethical principles that govern the Company's actions. It also defines the general conduct guidelines that are mandatory for all its directors, managers, employees, and other persons whose activity is expressly subject to it, in performing their duties.

With the aim of ensuring that the governance model leads to proper implementation and supervision of, and compliance with, the Code of Ethics and Conduct, Cepsa has an Ethics Committee, an Ethics Channel for reporting incidents, and an investigation procedure.

The Ethics Committee, composed of members appointed by Cepsa's

Board of Directors, is responsible for driving, monitoring and controlling compliance with the values, principles and standards of conduct established in the Code of Ethics and Conduct, and for finding solutions to any ethical dilemmas that arise, dealing with complaints received, and supporting the implementation of the necessary corrective measures in each case.

The Ethics Committee is also responsible for the ongoing supervision of the design and implementation of best practices in the areas of control, investigation, and employee training, to prevent any misconduct that may give rise to any kind of liability or consequences for Cepsa's reputation. The persons to whom they apply must always conduct themselves in accordance with these ethical rules and, when in doubt, they must consult the Ethics Committee through its Ethics Channel for Reporting Incidents.

This Ethics Channel for Reporting Incidents, together with the Investigation Procedure, are public, and are available to anyone through the Corporate Governance area of Cepsa's website (www.cepsa.com).

The Ethics Channel enables both Cepsa employees and outside parties to alert the Company, confidentially, to any practices that do not conform to the provisions of the Code of Ethics and Conduct.

To this end, Cepsa also endeavors to ensure fair competition and to comply with applicable legislation in this area. In June 2013 the Legal Affairs Department launched a new version of the Program for compliance with competition regulations adapted to the new public criteria established by the European Commission, with the aim of ensuring dissemination of the culture of awareness about competition and promoting its application throughout the Company.

Anti-corruption

Cepsa's approach to the prevention of corruption and bribery stems from its Code of Ethics and Conduct, which includes specific measures in this respect. Through its Ethics Committee, Cepsa puts its fraud prevention policies and procedures as well as its program on compliance with the law into practice.

A collage of diverse human hands in various colors and poses against a dark, dotted background. The hands are arranged in a circular pattern, with some palms facing up and others facing down. The colors range from light skin to dark brown. The background is a dark grey or black with a fine, white dotted pattern.

CHAPTER 5:
CORPORATE
RESPONSIBILITY

For Cepsa, corporate responsibility is a key factor in the success of the business.

RESPONSIBLE MANAGEMENT

Cepsa conducts its business responsibly, and is fully aware of the importance it has for its stakeholders. Through our Corporate Responsibility Master Plan for 2013-2015, we have defined the main objectives we wish to achieve in this area and the actions needed in order to do so.

Sustainability in the conduct of our business

We believe that it is of prime importance for the Company to manage its activities responsibly, abiding by its ethical values and principles, and working proactively to prevent and mitigate its impact on the environment and on communities, with all stakeholders in mind. For Cepsa, corporate responsibility is a key factor in the success of the business.

As a company in the energy sector, Cepsa is committed to providing energy safely and responsibly for society and to acting as an example of sustainable management. Measures aimed at preventing or reducing social and environmental impacts or those in the field of human rights are implemented in all the countries in which Cepsa operates, irrespective of their culture and level of economic and social development.

The result of this approach is reduced impact on the areas in which we carry out our activities, with the consequent social and economic benefits.

For Cepsa, corporate responsibility is a key factor in the success of the business.

Corporate Responsibility Master Plan

Our commitment to acting as a responsible, sustainable company, respecting its environments where it operates, is included in the Corporate Responsibility Master Plan for 2013-2015.

This Plan establishes the patterns guiding our actions, such as respect for people's rights, transparency in the conduct of our business, quality and safety in our activities and products, and the protection of the environment.

Cepsa's management aims to consolidate a responsible business model, encouraging and recognizing the efforts of the various Units in order to ensure that the needs and interests of our stakeholders are catered to in seven areas: ethics, good governance, environmental management, employees, customers, suppliers, and society.

During 2014 progress was made on developing and implementing various positioning strategies, policies, and management systems forming part of the actions envisaged in the Corporate Responsibility Master Plan for 2013-2015.

CHAPTER 5: Corporate responsibility

ETHICS

The values and general principles governing Cepsa's activity are contained in our Code of Ethics and Conduct, which establishes the behavioral guidelines to be followed by our employees in the performance of their duties.

GOOD GOVERNANCE

The various individuals forming our Company's system of governance must commit to conduct that is ethical, transparent, and responsible in the various business areas, at the same time seeking quality and efficiency in their activity.

ENVIRONMENTAL MANAGEMENT

At Cepsa we are committed to upholding our standards of excellence in protecting the environment and contributing to sustainable development.

CUSTOMERS

The products and services that we offer are governed by the principles of quality and effectiveness. We foster close relationships with customers, based on trust.

EMPLOYEES

We respect human rights in the workplace and offer a safe and attractive working environment, allowing our employees to develop personally and professionally.

SUPPLIERS

In Cepsa we work jointly with our suppliers to attain common objectives, sharing our values with them.

SOCIETY

We invest in actions aimed at meeting the needs and priorities of the communities in which we operate, since we believe that it is necessary to manage our impacts positively and strengthen our commitment to society.

Relationships with stakeholders

Our commitment to ensuring that our stakeholders' needs and expectations are catered to is linked to the Company's competitiveness and ability to generate value.

Our stakeholders comprise the individuals or groups that affect and/or may be affected by Cepsa's activities, products or services, either because our decisions and activities have consequences for them, or because their actions affect the

management and reputation of the Company.

Our main stakeholders are our shareholder, our customers, our suppliers, our employees, and the community in which we operate.





Cepsa maintains close dialogue with the local communities where it operates, and consults with them over their concerns to respond to their needs.

Stakeholders	Relations channels
SHAREHOLDER	Our shareholder, IPIC, actively takes part in the running of the Company through the Governance Bodies in place for this purpose.
EMPLOYEES	Employees have access to a completely confidential Ethics Channel for reporting incidents, as well as periodic working climate surveys that were introduced in 2012. At any time they can make suggestions to their immediate superiors or make use of the Intranet or the employee portal.
CUSTOMERS	Customers' complaints and suggestions are collected and handled in-house through the 'Customer's Voice' program, which allows actions for improvement and solutions to be established to meet their requirements effectively. Additionally, their opinions are collected by means of periodic satisfaction surveys. We also carry out projects such as 'Customer Experience' to study the interaction with each business unit's customers and thus improve our relationships with them.
SUPPLIERS AND CONTRACTORS	<p>In order to continue building solid relationships with these groups, in 2014 we launched an Operational Purchasing Manual, which includes a Guide to Supplier Relations in which the necessary principles are established for managing communication with this group.</p> <p>In turn, suppliers and contractors can send any suggestions directly to the Purchasing Unit or via the area reserved for them on our website, where in addition to the Ethics Channel through which they can tell us of their concerns or report any kind of irregularity, we also recently made a suggestion box available.</p>
COMMUNITY AND OTHERS	Cepsa maintains intense ongoing dialog with the local communities in which it operates, and inquires as to their concerns so as to be able to respond to their particular needs. To this end, it uses channels of communication such as participation in community committees to deal with matters of common interest, holding open house days, and carrying out public consultations for the approval of specific projects. It also maintains close relations with the administrations and regulatory bodies and institutions in all the countries in which it operates.

CHAPTER 5: Corporate responsibility

Supporting initiatives

Cepsa is also committed to other national and international initiatives in the field of corporate responsibility, such as:

- Complying with the Universal Declaration of Human Rights.
- Subscribing to the Organization for Economic Co-operation and Development's (OECD) guiding principles and to the International Labor Organization's (ILO) Declaration on Fundamental Principles and Rights at Work.
- Commitment to the ICCA's Responsible Care initiative.
- Subscribing to the World Business Council for Sustainable Development.
- Subscribing to the Biodiversity Pact.
- Committing to the Ministry of Health, Social Services and Equality

to support the campaign to raise awareness of domestic violence.

- Accepting the Code of Good Tax Practices issued by the Spanish Government.

Sustained economic value

One of our business goals is to make sustained financial profit, as well as distributing it in a balanced manner among all those who contribute to its making.

Economic value generated¹ (millions of euros)	2014	2013	2012
Net sales (including excise taxes)	26,178	27,577	28,810
Other operating income	161	157	123
Financial income	61	45	38
Share in profits of associates	57	38	38
Gains on disposal of assets	31	7	23
Total	26,488	27,824	29,032

Economic value distributed² (millions of euros)	2014	2013	2012
Payments to suppliers	21,709	23,357	24,615
Total employee benefits	709	610	596
Payments to capital providers	314	374	337
Total taxes paid by Cepsa	2,579	2,767	2,512
Total	25,311	27,108	28,060

Economic value retained (millions of euros)	2014	2013	2012
Economic value generated	26,488	27,824	29,032
Economic value distributed	25,311	27,108	28,060
Economic value retained	1,177	716	972

¹ The economic value generated obtained by adding together operating income, financial income, share in associates' results and income from sales of assets.

² The economic value distributed calculated on the basis of the adjusted results. The effect on the Company's assets of changes in inventory prices and other non-recurring items have been eliminated, providing a more meaningful indicator of the fundamentals of the business regardless of fluctuations in the value of the inventories that are required both for legal (minimum security stocks) and operational reasons.



CHAPTER 6: THE YEAR IN REVIEW

2011	2012	% Change
107,18	107,18	0%
105,33	105,33	0%
107,67	107,67	0%
112,36	112,36	0%
105,72	105,72	0%
104,39	104,39	0%
104,00	104,00	0%
100,00	100,00	0%
100,00	100,00	0%

*Cepsa's net income
for 2014 was
€459 million,
24% up on that of 2013.*

Cepsa results for 2014

(millions of euros)

AMOUNT	2014	2013	2012
Turnover	23,903	25,244	26,808
Adjusted operating income	649	691	1,001
Exploration and production	283	436	533
Refining, distribution and marketing	275	88	265
Petrochemicals	178	161	161
Gas and power	13	5	42
Corporation	- 101	-	-
Adjusted net attributable profit	459	371	555
Net attributable profit (IFRS)	-350	534	576



Net Income

Cepsa's Net Income for 2014 (after elimination of non-recurring items and calculating the change in inventories on a clean current cost of supplies (CCS) basis), was 24% up on 2013. The main reasons were the recovery in refining margins in the last four months of the year and increased demand in the domestic fuel market, with efficiency improvements carried out in all the industrial plants also making a positive contribution.

The profits generated in 2014 by the Refining, Distribution and Marketing units offset the less favorable results of Exploration and Production, which were negatively affected by the low prices of crude in the second half of the year.

In spite of these adverse conditions at the end of the year, oil production reached the equivalent of 106,901 barrels of oil per day, an increase of 22% on the previous year. Marketing for its part posted an increase of 62%.

Results of the Petrochemicals business were 12% up on those of 2013, a highlight being the setting up of a joint venture with Indonesia's Golden Agri-Resources Ltd. (GAR) in order to enter the fatty alcohols market. As for Gas and Power, thanks to the trading operations and the increased stake in the MEDGAZ gas pipeline, net income was up by 117% on the previous year.

Capital expenditure

Investments in 2014 amounted to €3,206 million, more than three times the previous year's figure.

This increase in investment reflects the implementation of the actions necessary to attain the Company's strategic objectives of expansion and growth: to boost its oil and gas reserves and expand the petrochemicals business internationally to countries with faster growing demand.

Investments in 2014 amounted to €3,206 million.

Cepsa capital expenditure in 2014 (millions of euros)

Business Unit	Capital expenditure 2014	Capital expenditure 2013
Exploration and production	2,643	386
Refining, distribution and marketing	238	188
Petrochemicals	262	184
Technology, gas and power	3	159
Corporation	57	-
Total	3,206	926

A large part of the capital expenditure concerned the acquisition of Coastal Energy, an exploration and production company with assets in Malaysia and Thailand, at the beginning of 2014; this has boosted our oil and gas reserves by 150%; planning for this acquisition had started during 2013. Another substantial part of investments went towards financing the final construction phases of the phenol and acetone manufacturing plant in Shanghai, China. There was also significant capital expenditure on projects for improving efficiency, maintenance and safety at the industrial plants, and on product innovation for our customers.

Financial position

The Company has a solid financial profile. Consolidated assets at year-end amounted to €15.858 billion, 22% more than at the end of the previous year. Shareholders' equity amounted to €5.469 billion, 13% less than at the end of 2013.

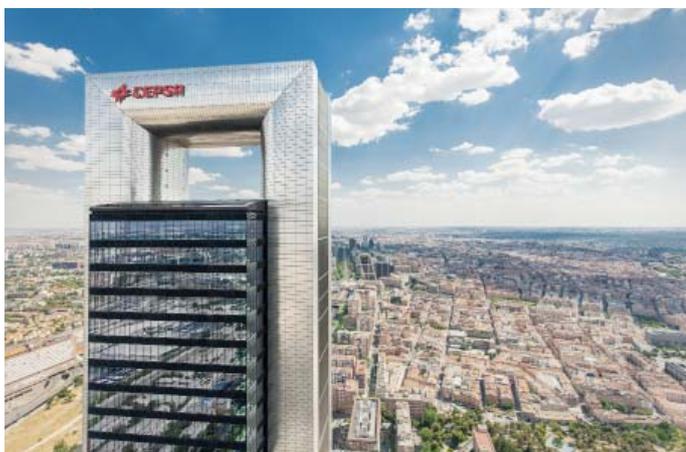
The total debt volume increased with the execution of the Company's capital expenditure plans, although it remains limited, with a financial leverage (expressed in terms of net borrowings as a percentage of shareholders' equity plus net borrowings) of 33.7%. In order to improve the debt structure and

provide additional liquidity to cater to its strategic plans, in the past year Cepsa signed a three- and five-year multi-currency term and revolving facilities agreement for €1.5 billion, arranged as a club deal with a total of 17 banks.

Additionally, the Company renegotiated a significant number of bilateral transactions with banks in order to extend the maturities of its financial debt and bring margins into line with the more favorable market conditions prevailing in 2014.

A photograph of a red carpeted walkway on a cable-stayed bridge. The carpet is bright red with a white dashed line down the center. The walkway curves to the right. In the background, a tall, silver pylon is visible, with numerous cables fanning out to support the bridge deck. The sky is blue with some light clouds. The entire image has a halftone dot pattern.

CHAPTER 7:
THE YEAR'S
MILESTONES



MOVE TO THE NEW CORPORATE HEADQUARTERS IN CEPESA TOWER

In June, the Company moved its headquarters to what had previously been known as the Foster Tower, one of Madrid's most iconic buildings. Renamed Cepsa Tower following the transaction, the new headquarters symbolizes the new phase of growth and international projection that the Company is experiencing.

Cepsa Tower is a skyscraper with more than 109,000 square meters of office space located in the capital's most modern and fast-developing area.

The new headquarters offer more innovative, functional and open spaces, which help develop a working culture based on communication and teamwork in line with the Company's new stage of its business. It is equipped with the latest generation technology providing wireless connectivity from any point, and is also more sustainable, as it facilitates a 'paperless', digital culture and considerably increases our energy efficiency.



TENTH ANNIVERSARY EDITION OF THE SOCIAL VALUE AWARDS

The Cepsa Social Value Awards were launched in Huelva in 2005, and since then have become a symbol of the Company's commitment to the environment where it operates. This initiative, which marked its tenth anniversary in 2014, has granted 135 awards to associations and NGOs since its first edition, recognizing and supporting social and charitable projects of all kinds in the regions where the Company's activity is most significant (Madrid, Huelva, Canary Islands, Campo de Gibraltar, Portugal, and Colombia).

We should stress that the projects are presented, endorsed, and driven by Cepsa employees, who involve themselves with the Company's social action initiatives.

CHAPTER 7: The year's milestones



RECOGNIZED AS A BENCHMARK EMPLOYER BY TOP EMPLOYERS ESPAÑA 2014

For a second consecutive year the Top Employers Institute recognized Cepsa as one of the top employers in Spain, thanks to its Human Resources management policy.

Aspects of people management such as career progression, welfare policies and professional development are assessed as part of the pre-certification evaluation. On this occasion the certification focused on effective HR practices and how they are executed, measured and supported with the use of technology.

This recognition places us among the most advanced world trends in best labor practices.



START OF EXPLORATION AND PRODUCTION ACTIVITIES IN ABU DHABI IN PARTNERSHIP WITH COSMO OIL

Cepsa and the Japanese company Cosmo Oil Co. Ltd., both belonging to the IPIC portfolio (Cosmo Oil Co. Ltd. 20.8%) and with a long track record in the petroleum sector, have joined forces to create Cosmo Abu Dhabi Energy Exploration & Production Co. Ltd. to carry out exploration and production activities in Abu Dhabi.

The new company, in which Cepsa holds a 20% equity stake with the Japanese company holding the remaining 80%, will take part in the operation of four offshore crude production fields located in shallow waters to the West of the emirate. The agreement also covers the search for new opportunities in the UAE, one of the world's ten biggest countries in terms of oil reserves and production.

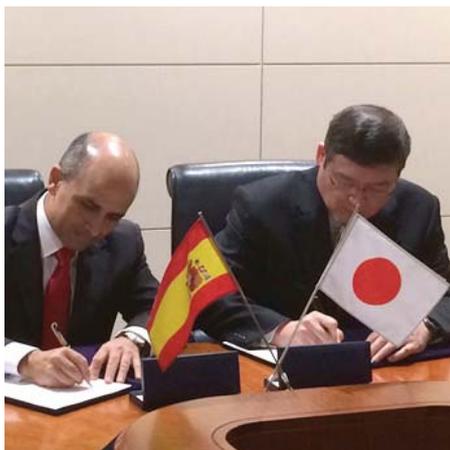
The transaction represents a large opportunity in view of Cosmo's broad experience as an operator in Abu Dhabi, which will enable Cepsa to fulfill its objective of forging a path in this high-potential area.



CEPSA STARTS PRODUCING CRUDE IN PERU AND ACQUIRES EXPLORATION BLOCKS IN KENYA AND LIBERIA

Cepsa started long-duration trials in the Los Angeles-IX well in Block 131 in Peru.

Following the initial production trials at the end of 2013, the results of which were positive, finding oil with one of the highest levels of quality seen in recent years in Peru, in September 2014 Cepsa started long-duration trials, during which time we already expect to see substantial production figures. The Company has already taken the first steps to begin marketing this light, high-quality oil (44^o-45^o API gravity), in turn strengthening our expansion in Peru.



SUMITOMO ACQUIRES A STAKE IN CEPESA QUÍMICA CHINA

Cepsa and Sumitomo, a leading trading company in various sectors of products and services, signed an agreement whereby the Japanese company acquires 25% of Cepsa Química China. By joining the company's shareholding structure, Sumitomo, a leader in various industries, will give a boost to the construction project for the petrochemical factory in Shanghai.

The result of this transaction is a joint venture combining Cepsa's technology and experience in feedstock production with world leader Sumitomo's experience in Asian markets.



CEPSA AND GAR AGREE TO SET UP A JOINT VENTURE TO PRODUCE FATTY ALCOHOLS

The aim of the joint venture is to jointly develop, formulate, produce, sell, and distribute fatty alcohols worldwide. The company, to be based in Singapore, will be called Sinarmas Cepsa Pte. Ltd., and each partner will hold 50% of the equity.

Golden Agri-Resources Ltd. (GAR) is the world's second biggest palm oil producer. With this agreement, the two companies pool their experience and know-how in the chemical sector, with the aim of diversifying their activity into the fatty alcohols market.



INAUGURATION OF THE MADREVIEJA NATURE RESERVE RESEARCH CENTER IN SAN ROQUE

The Madre Vieja Nature Reserve Center is an environmental research center on which Cepsa has been working since 2009. The project, which involved the creation of two lakes and two seasonal ponds that will form an ideal habitat for the many species associated with these kinds of ecosystems, was started with the objective of opening a research center from which to observe the coexistence of industry and nature. This space was also established as an environmental education resource for the public.

In June, five years on from the launch of the project, and following extensive restoration work, Cepsa officially opened the station to the public.

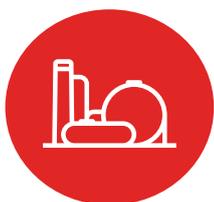
This project sits within the framework of Cepsa's policy on biodiversity and its commitment to the environment in the areas in which it operates. With as many as 138 different species of birds, mammals, amphibians, and reptiles inhabiting the area, it has great ecological potential, and is of considerable interest to environmental experts.

CHAPTER 8: ECONOMIC AND SECTORAL ENVIRONMENT



Cepsa's strategy and results are partly dependent on the characteristics of its economic and sectoral environment. Demand and economic and political stability in the markets in which

it operates, crude oil prices, new regulations, and growing technological challenges are some examples of factors influencing the Company in the short to medium term.



REFINING MARGIN IN EUROPE

The refining margin in Europe is a key factor in the results of the Refining and product Marketing Units. In Europe, the margin is strongly influenced by:

- Weak demand for petroleum products.
- Excess refining capacity.
- A process of refinery rationalization.
- Increased competitiveness of American refineries thanks to their access to cheaper oil and energy.
- The emergence of large-scale, export-g geared refineries in the Middle East.
- Regulatory changes such as the new laws on marine fuels.



DEMAND FOR PETROLEUM PRODUCTS IN SPAIN

Cepsa is the fourth biggest industrial group by turnover in Spain, where it carries out a large part of its business. Its activity is therefore highly exposed to the performance of Spain's economy:

- From 2008 to 2013, demand for petroleum products fell by more than 20%.
- 2014 was the first year in which this contraction slowed. Consumption reached 54.36 million metric tons, only 0.99% less than in 2013.
- Growth prospects are for a slow and modest recovery in demand.



PRICE OF BRENT CRUDE (BBL)

Crude oil prices have a strong impact on oil and gas companies like Cepsa, particularly on the exploration and production business.

- Market forecasts point to a scenario of low prices being maintained in the short term.
- Companies with exploration and production activities are reconsidering their short-term capital expenditure and acquisitions. The market is estimating a 20% reduction in capital expenditure.
- During 2014 the price of Brent crude, the European oil benchmark, plummeted, from the \$100 a barrel average over the past three years to \$62.50 per barrel in December 2014. This fall was mainly due to:

Excess supply of crude oil from non-conventional formations (harder to access than those traditionally exploited) in the United States and Canada.

Lower than expected growth in demand, mainly from emerging markets.

Decision by OPEC (Organization of Petroleum Exporting Countries) to maintain its crude production volume in order to preserve its market share.



NEW ENERGY POLICIES

Regulatory changes affecting our sector produce financial effects, pose challenges, and offer opportunities for the Company.

Creation of the National Energy Efficiency Fund, which obliges distributors of energy products to contribute to the fund and leads to uncertainty as to the profitability of their activities.

- Bill to amend the law so as to create an organized natural gas market to encourage new entrants.
- Deregulation of the market for "light" bottles of butane.
- New bill to amend the Hydrocarbons Act so as to promote competition in service stations, among others



EXPLORATION AND PRODUCTION ENVIRONMENT

Exploration and production costs and shifts in the profitability of production activity influence the growth and capital expenditure strategies of companies in our sector:

- Increasing technical complexity of deepwater exploration and production.
- Development of new EOR (enhanced oil recovery) technologies to increase extraction yields.
- Appreciable increase in costs of developing exploration projects.
- Geopolitical risk in regions with reserves (Africa, Latin America, Middle East, etc.).



The image features three padlocks of varying colors (two blue, one red) arranged diagonally across the frame. The background is a dark blue grid with a pattern of white and light blue characters, including hexadecimal digits (0-9, A-F) and binary digits (0, 1). The text 'CHAPTER 9: RISKS AND OPPORTUNITIES' is overlaid in a bold, red, sans-serif font, with the word 'CHAPTER' underlined. The padlocks are shown in an open state, with their shackle and keyhole visible. The blue padlocks are positioned on the left and center, while the red padlock is on the right. The overall aesthetic is technical and digital, suggesting themes of security, data, and risk management.

CHAPTER 9:
RISKS AND
OPPORTUNITIES

The integrated approach to risk defines a common strategy, coordinated and uniform throughout Cepsa.

Since 2013, Cepsa has been working to implement an integrated risk management system that will allow it to manage the risks affecting its activity in a coordinated and uniform way throughout the Company.

RISK MANAGEMENT MODEL

Cepsa carries out its activities in environments where there are external factors that may affect the way it operates and may jeopardize the attainment of its goals. The Company manages this situation by applying policies aimed mainly at optimizing the trade-off between the risk margin hedged and the associated cost.

In this regard, Cepsa identifies and manages its risks as efficiently as possible, adapting its strategy and developing contingency mechanisms with which to face possible changes in its environment that may affect its operations.

Since 2013, the Company has taken several steps towards transforming its risk management system into an integrated management model in accordance with that defined by the ERM (Enterprise Risk Management) Integrated Framework of the COSO II (Committee of Sponsoring Organizations of the Treadway Commission):

- It has set up the Corporate Risks Unit within the Audit, Internal Control, and Risks Unit;
- It has established a Risks Committee;

- It has approved a general risks policy and a number of management procedures, the essential principles of which are based on international risk management standards ISO 31000 and COSO ERM.

This integrated approach defines a common risk strategy, coordinated and uniform throughout the Company, and provides guidelines for identifying and managing the main risks at every level of the organization and for each business or functional unit as well as Company-wide. It also helps to guide the setting of strategic and operational objectives.

The integrated approach to risk defines a common strategy, coordinated and uniform throughout Cepsa.

THREE LINES OF DEFENSE

The organizational structure of the integrated risk management system and its model of functions and responsibilities has been designed in accordance with the premises of the Three Lines of Defense Model. This model distinguishes three groups in effective risk management:

- **First line of defense:** Units of the organization that manage the risks in the day-to-day business. These are the risk owners, responsible for assessing, controlling and mitigating the risks in an appropriate manner.
- **Second line of defense:** The Corporate Risk Unit and other support and control Units

specializing in the management of certain types of risk. Their mission is to advise and coordinate with the first line of defense to ensure proper implementation of the risk management system. The Corporate Risk Unit oversees the integrated risk management function and ensures that it is global, uniform, and integrated with the main decision-making processes.

- **Third line of defense:** Internal Audit. Its function is to evaluate and supervise the enterprise risk management system.

Based on this integrated system, the Board of Directors, through the heads of the three lines of defense, oversees and periodically controls the risks, adjusting their profile where necessary, depending on the circumstances.

In this context, in support of the strategic and budgetary planning processes, various actions have been carried out with the aim of gaining an overall view of the impact of the risks:

- Identification of the effect of the risks affecting the establishment or success of the Company's strategic lines;
- Development of sensitivity analyses of the main variables (financial, operational, strategic, and regulatory);
- Updating Cepsa's Risk Map;
- Formal approval of plans for managing or mitigating risk.

CHAPTER 9: Risks and opportunities

In 2014, Cepsa continued to improve the process for analyzing the risks associated with new investments as an essential element in decision-making based on the risk-return trade-off.

THE CEPESA RISK UNIVERSE

Cepsa classifies its risks into four broad types: strategic and planning, financial and market, operational and infrastructure, and compliance. These are broken down in turn into more specific risks, enabling the strategy used to manage them to be more sharply focused.



The following tables show the link between the external factors affecting Cepsa's operations (listed earlier in the section headed 'Economic and sectoral environment') and the risks identified by the Company in each group, together with the control measures in place to prevent and manage them.



STRATEGIC AND PLANNING RISKS

Related to Corporate Governance, strategic positioning, and external factors such as market dynamics (economic situation, demand trends, etc.), natural disasters, and climate change.

External factors

Economic crisis in Europe affecting demand for petroleum products.

Increasing competition from refineries in the United States and the Middle East, combined with the excess refining capacity in Europe, is driving down margins in this business. All these factors are driving a process of rationalization of refineries in Europe.

Risks

Current economic context in countries where Cepsa operates.

Geopolitical risk stemming from the discovery or acquisition of reserves in unstable countries.

Tough competitive environments due to the pressure of those markets with the greatest advantages in production

Control measures

Transformation and optimization projects to improve the efficiency and effectiveness of processes and operations in our industrial facilities and promote integration and synergies among units.

Internationalization of activities: exploring commercial alternatives in other international and emerging markets, to create new opportunities and reduce risks deriving from exposure to the Spanish market.

Diversificación del portfolio de proyectos de exploración y producción: para mitigar nuestra exposición al riesgo geopolítico, Cepsa persigue equilibrar su cartera de proyectos extendiendo sus actividades a diferentes países.

Optimization of production processes and improving efficiency, research for the development of new, more competitive, higher added value products to offset new competitors' advantages.

CHAPTER 9: Risks and opportunities

FINANCIAL AND MARKET RISKS

Deriving from volatility in the price of commodities, exchange rates, interest rates, liquidity and solvency.

External factors

In 2014 there was a sharp fall in the price crude that had a negative effect on the results of the Exploration and Production Unit; on the other hand, those of the Refining and Marketing Unit can benefit from this short-term situation of lower raw material prices.

In the second half of 2014, the US dollar appreciated against the euro. Cepsa's activities are sensitive to changes in this exchange rate, since prices for crude oil and petroleum and petrochemical products are mainly quoted in dollars.

The depressed economic situation has increased the credit risk on our customers, which may affect the revenues of the Marketing Unit.

Risks	Control measures
Market risk and commodities price risk due to the volatility of oil and gas prices.	<p>Management of the risk by means of a hedging system that protects the Company from price fluctuations.</p> <p>Optimization of capital expenditure on exploration and production in line with the new situation and expectations of future Brent crude prices. Highly selective acquisition of projects.</p> <p>Vertical integration of the Group, enabling the short-term effects of economic cycles and their specific impact on any one business unit or area to be minimized.</p>
Liquidity, exchange rate, and interest rate risks deriving from movements in the financial markets.	<p>Maintaining a sound balance sheet structure so as to be able to face any changes in the economic and sectoral scenarios with confidence.</p> <p>Minimization of the impact of the exchange risk on commercial transactions.</p> <p>Centralized arrangement of financing sources, investment of cash surpluses, and hedging instruments for financial risks.</p> <p>Obtaining local currency finance for acquisition of long-term assets.</p> <p>Borrowings mainly agreed at variable rates of interest.</p> <p>Maintaining levels of available credit lines and cash such as to ensure our ability to meet payment obligations and to deal with any requirements for funds.</p>
Credit risk deriving from possible unpaid receivables	<p>Preparation and updating of "Internal rules and procedures" for managing the risk of establishing appropriate collection instruments, etc.</p> <p>Subscribing to insurance policies to cover the risk of unpaid customer receivables in certain sales areas.</p> <p>Establishment of a system for analyzing the credit quality of trade receivables and other customer assets by reference to solvency and payment record.</p>

OPERATIONAL AND INFRASTRUCTURE RISKS

Associated with the effectiveness and efficiency of operations and the technological complexity. This risk category is related to the performance, protection, and use of the Company's assets.

External factors

Greater technical difficulty and increased costs of accessing oil and gas reserves and extracting crude.

Growing concern and tougher regulatory stance on environmental, quality, health and safety issues.

Increased vulnerability of the Company in the current context of new technologies as regards protecting its information.

Risks	Control measures
Risk of non-availability of the technology necessary to access less accessible deposits , which would limit access to certain growth opportunities.	<p>Recent access to offshore exploration blocks is enabling Cepsa to gain experience in these kinds of operations, so as to be able to expand its presence in these types of assets in the future.</p> <p>Emphasis placed on research and development by promoting new EOR (Enhanced Oil Recovery) technologies to increase the recovery rate from the fields.</p>
Industrial, prevention, and safety risks that may lead to accidents and incidents in Cepsa's facilities	<p>Integration of safety along the entire length of the command chain.</p> <p>Application of best safety practices, eliminating risk at source.</p> <p>Philosophy of continuous improvement in work planning, analysis and monitoring of incidents and accidents, internal audits, and supervision of work.</p>
Environmental risks deriving from potential impacts of our operations	<p>Integrated Environmental Permits held for all industrial plants.</p> <p>Establishment of a policy and a set of rules on environmental protection, and certification by external bodies of the environmental management systems of all the large industrial plants.</p> <p>Ongoing projects focused on improving efficiency and reducing the environmental impact of all facilities and operations.</p> <p>For further information on the management of this risk, see the chapter headed 'Our environment'.</p>
Property and casualty risks in respect of material or personal damage and civil liability	<p>Insurance cover for the risks of material damage, loss of profits deriving from material damage, civil liability, and loss or damage arising in the transportation of crude, products and equipment.</p>
Risks regarding the attraction and retention of talent related to the level of skills existing in human resources and their ability to contribute to the achievement of the strategic plans and growth objectives	<p>Launch of programs focusing on training and development and performance evaluation.</p> <p>Recruiting policies and procedures such as 'Success Factors' to ensure equal opportunities and non-discrimination, as well as tools for managing and assuring succession in Cepsa.</p> <p>Development and dissemination of initiatives aimed at improving Cepsa's employment offering, which as well as ensuring employees' wellbeing and retaining talent, also help to generate a positive profile with which to attract it, so that human resource planning is appropriate to the Company's strategic plans and growth objectives.</p>
Risks relating to security of information.	<p>Organizing security so as to ensure the availability, integrity, confidentiality, monitoring, and auditing of information.</p> <p>Certification of Information Security Management system under international standard (ISO 27.001).</p>

CHAPTER 9: Risks and opportunities

REGULATORY AND COMPLIANCE RISKS

Cepsa's activities are subject to many legal, safety, and environmental protection rules which, when changed, may affect the framework in which these activities are carried out and consequently the results of the business.

External factors

Bill currently before the Spanish Congress to amend the law regulating the hydrocarbon sector (Law 34/1998, the 'Hydrocarbons Act').

Creation of a National Energy Efficiency Fund to which distributors of energy products are obliged to contribute, and which has a significant financial impact for Cepsa.

Bill to amend the Hydrocarbons Act so as to create an organized natural gas market in Spain in the near future, which will encourage new entrants to the market.

Reduced profitability of cogeneration plants (of which Cepsa has seven) as a result of the new renewable energy remuneration regime established by Law 24/2013 on the Electricity Sector.

Changes in the area of taxes (in particular the special tax on electricity and on the value of power output) that affect the Company's activity in the electricity sector, reducing its profits.

New legislation on sulfur content of marine fuels, limiting it to 0.1% in fuel for ships sailing in the so-called SECAs (Sulfur Emission Control Areas). The refineries will have to adapt their processes in order to be able to manufacture it.

Risks

Control measures

Non-compliance with legislation applying to the sector's activities due to regulatory changes.

Maintaining certification of the environmental management system, health and safety, and quality, in the majority of centers of activity, which ensures that Cepsa identifies new legal requirements and adapts its activity so as to comply with them.

As regards to effective equality between men and women, in compliance with Law 3/2007, Cepsa has an Equality Plan with measures to ensure equal treatment and opportunities and to prevent discrimination based on sex.

In the field of defense of competition, Cepsa has established a "Compliance Program" adapted to the new criteria of the European Commission.

Improper conduct or non-compliance with in-house rules applicable to our employees and which may damage Cepsa's image and reputation.

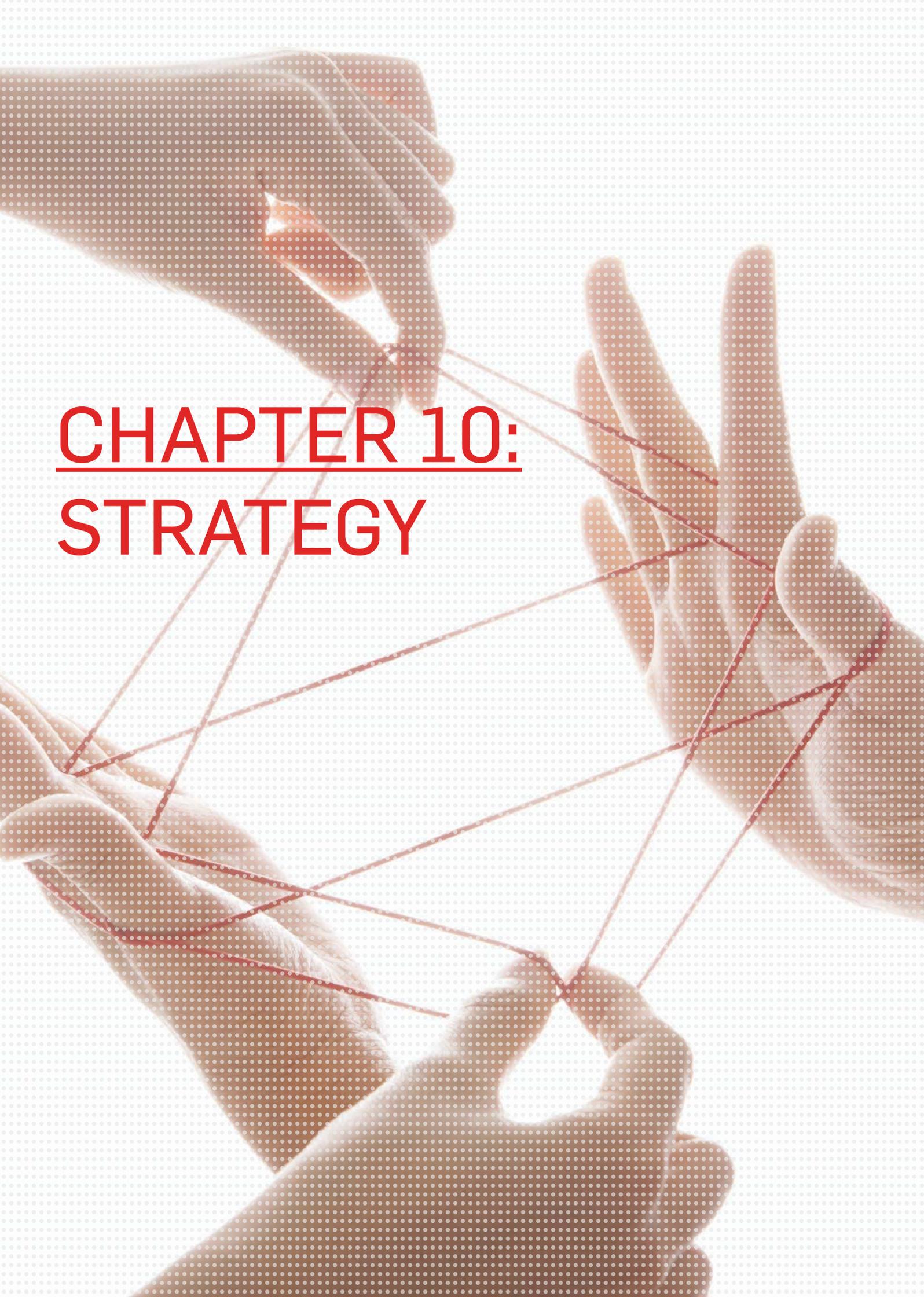
Existence of a Code of Ethics and Conduct that establishes the values and ethical principles governing the actions of the Company and its employees. Cepsa also has an Ethics Channel for reporting incidents and a procedure for investigating these reports.

Development of in-house rules and procedures concerning the environment, biodiversity, health and safety, and the prevention of risks in the workplace, which guide the actions of our employees in order to ensure compliance with the applicable legal requirements, and include other additional requirements aimed at achieving high levels of safety and environmental protection.

Regulatory changes due to developments in the legislation and tax treatment applying to Cepsa's activities and/or sector.

Anticipation and adaptation to regulatory changes: to minimize the impact of the regulations, Cepsa endeavors to move ahead of the market given the prospect of a change, and adapts to the new requirements as quickly as possible. It seizes opportunities, staying at the forefront of process development and of product development in line with processes.





CHAPTER 10:
STRATEGY

We are in a process of change which, with a new strategy, is transforming our working model.

With the aim of attaining strong global growth, Cepsa is using its two most international business units as a lever: Exploration and Production and Petrochemicals, without neglecting to take advantage of other opportunities that might arise in other areas such as Refining, Power, or Marketing. We are in a process of change which, with a new strategy, is transforming our working model

STRATEGIC PLAN 2015-2019

With a view to strengthening the business model, our Strategic Plan for 2015 - 2019 retains the objectives of the previous plan:

- Growth in Exploration and Production to increase production and reserves, by means of acquisitions and the development of exploration projects.
- Internationalization in Petrochemicals, entering emerging markets and maintaining leadership in the phenol and LAB lines.
- Efficiency in Refining, refocusing our activity towards higher value products and in turn improving competitiveness.
- Maximizing value in Marketing by improving efficiency and optimizing processes.
- Optimization of strategic assets in Gas and Power.

These objectives have been established in order to take advantage of the opportunities offered by the environment and to manage the risks faced by the Company. Growth and internationalization favor diversification of the markets in which Cepsa operates, enabling the businesses' exposure to be reduced and generating the flexible framework that is necessary for the Company to absorb the changes in the economic and sectoral environment of some of them.

Maintaining a sound balance sheet structure and strictly controlling possible risks are necessary requisites for making our growth project a reality and ensuring availability of the resources that will allow us to take advantage of opportunities for profitable acquisitions that will add value and help us to grow.

The following graph gives an overall integrated view of the Company's current strategy. It shows the strategic actions to be carried out, taking account of factors in the environment which, as we have observed in previous sections, determine the degree of influence of the risks.

CHAPTER 10: Strategy

	EXTERNAL FACTORS	STRATEGIC OBJECTIVES	STRATEGIC ACTIONS
EXPLORATION AND PRODUCTION	Price of Brent crude	Achieve success in exploration in order to boost production.	Reconsideration of investments in light of the new price context (highly selective investment in projects).
	Technical costs	Ensure future business by promoting a portfolio of assets with balanced risk, making highly selective acquisitions.	Maximize the production of our assets.
	Geopolitical situation	Improve profitability and streamline processes and operations.	Replace reserves in decline.
	New technologies	Maximize our technical capabilities for developing new extraction techniques.	Exploration programs in Kenya and Suriname. Non-organic growth (acquisitions).
REFINING	Excess refining capacity in Europe	Carry out an optimization plan by means of efficiency projects.	Focus on operating excellence.
	Regulatory changes	Redesign our product portfolio, steering it to other products with greater added value.	Defensive investments.
	Price of raw materials	Develop optimization projects along the value chain.	Implementation of efficiency projects.
		Increase the utilization rate to 97%.	
MARKETING	Economic recovery	Consolidate our market share, adapting the current business model to the competitive conditions of the market environment.	Focus on consolidating market share and reducing costs.
	Weak demand for petroleum products	Boost our competitiveness.	Capital expenditure centered on aviation fuel, LPG, and service stations.
	Regulatory changes	Implement new optimization projects in the value chain in order to reduce costs and increase efficiency.	
		Explore opportunities abroad that will enable us to diversify exposure away from the domestic market.	
PETROCHEMICALS	Price of raw materials	Promote organic growth by renewing contracts to maintain our global leadership, mainly in South America.	Marketing of phenol and acetone in China in 2015.
	Supply/demand ratio	Consolidate our global position by entering emerging markets.	Diversification into fatty alcohols with the construction of a new manufacturing plant in Indonesia, consolidating our world leadership in surfactants.
	Demand for biochemical products	Diversify products and seek opportunities for bio-products.	Explore opportunities for mergers and acquisitions (M&A) in order to continue with the internationalization of the business.
		Boost competitiveness by means of synergies with refining activity and other IPIC companies.	Maintain leadership in the LAB business.
GAS AND POWER		Increase contractual capacity in the MEDGAZ gas pipeline.	
		Expand our presence in the gas market.	Maintain strategic assets, adapting the business to the new regulatory framework.
	Regulatory changes	Maintain key partners.	Improve efficiency and reduce costs.
		Adapt operations to regulatory changes.	
	Consider divestment of non-strategic assets.		
	Develop optimization projects.		

MASTER PLAN

Organizational adaptation is being driven internally by a Master Plan that supports and is aligned with the Strategic Plan. The Master Plan lays down the main lines of action for the Group in the following areas:

- Improving efficiency and streamlining processes.
- Communication, Corporate Responsibility and Brand.
- People.

The aim of this Master Plan is to ensure that Cepsa is ready to successfully tackle the challenges posed by the Strategic Plan, particularly:

- Its increasingly international positioning.
- The significant changes taking place in the most habitual markets.
- The investments deriving from the Strategic Plan that is currently being developed..

CREATING VALUE

The Company's ten key differentiators that give it a competitive advantage and enable it to create value in the short, medium and long term are:

1

Support from our sole shareholder, IPIC, and synergies with other companies in its portfolio.

2

Production of crude oil in Algeria, Colombia, Malaysia, Thailand, Peru, and the United Arab Emirates.

3

Nuevos activos de exploración en Malasia, Tailandia, Brasil, Surinam, Kenia y Liberia.

4

Synergies from integrating the refining and petrochemicals operations.

5

Petrochemical plants in Spain, Canada and Brazil; completion of the construction of a plant in China and construction project for a plant in Indonesia.

6

Managing the MEDGAZ gas pipeline with Sonatrach.

7

The R&D capacity at our Research Center enables us to be efficient and to maximize returns through technology.

8

World pioneering technology for fixed bed alkylation and best practices in LAB production.

9

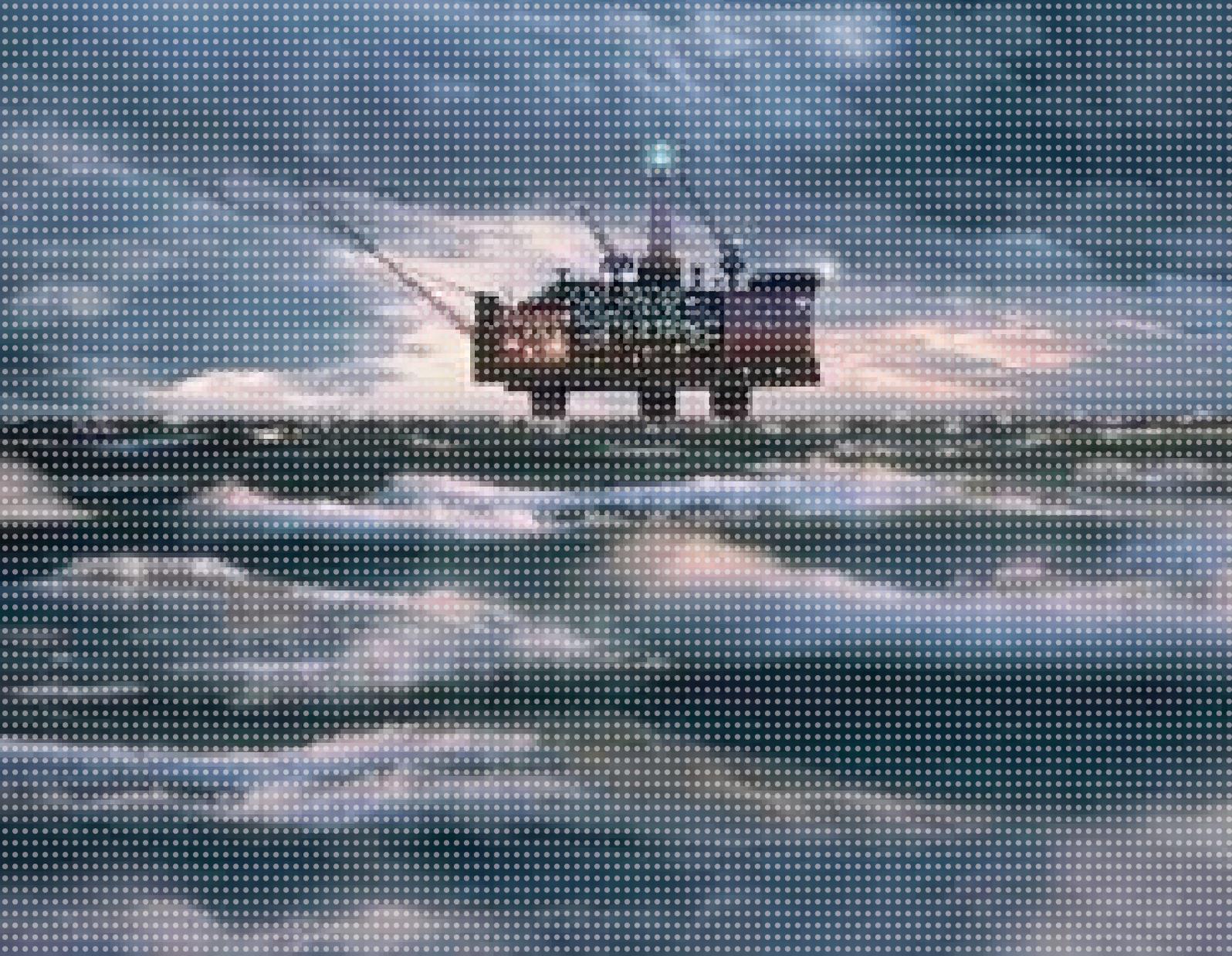
World leadership in the production of LAB and cumene.

10

A team of highly committed people with the knowledge, capabilities, and skills required by their present and future activity, managed in accordance with best HR management practices (Top Employer).



CHAPTER 11: OUR ACTIVITIES



With the objective of continuing to increase production capacity, and taking into account the current scenario of low crude oil prices, Cepsa will maintain its strategy and continue to look for opportunities to grow through acquisitions, ensuring the continuity of its exploration activity, seeking efficiency in all its projects, and always with the maximum commitment to safety, the environment, and supporting local communities wherever it operates.

Key Indicators

	2014	2013	2012
Turnover (millions of euros)	1,066	503	814
Adjusted operating income (millions of euros)	283	436	533
Capital expenditure in the year (millions of euros)	2,643	386	247
Working interest production (thousands of barrels per day)	106.9	87.9	104.3
Net entitlement production (thousands of barrels per day)	60.5	42.6	46.5

Business model, strategy and results

The strategy pursued by Cepsa in its Exploration and Production operations since the start of the strategic plan for 2012-2016 has consisted of **growth** in order to increase production and reserves, by means of acquisitions and the development of exploration projects, and in **technical** and **geographical diversification** in order to reduce risk.

Therefore, 2014 saw the completion of integration with Coastal Energy, with assets in Thailand and Malaysia, and the entry, in partnership with Japan's Cosmo Oil, to the exploration and production business in Abu Dhabi, one of the world's ten leading countries in terms of crude reserves and

production. In the past few years we have also acquired stakes in exploration blocks in new countries such as Kenya, Suriname, Liberia, and Brazil, and we have developed deepwater offshore drilling projects.

All these actions, particularly the acquisition of Coastal Energy, involved capital expenditure of €2,643 million in 2014, seven times the previous year's figure.

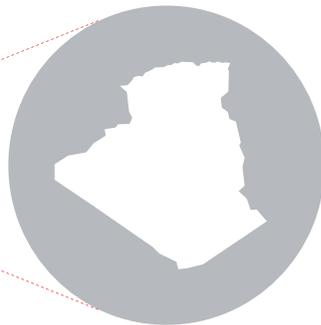
As for the business figures for this past year, adjusted operating income was €283 million, 35% less than in 2013. This reduction is explained by the fall in the price of crude oil, especially in the last four months of 2014, and by the greater financial effort required by the exploration activity (greater number of exploration wells than in previous years).

Under this new price scenario, with no prospect of change in the short to medium term, Cepsa is holding to its strategic course but adjusting its actions to the new circumstances. In this regard, we are developing efficiency plans aimed at reducing technical costs, increasing productivity of assets in production, and accelerating production start-up of development projects, with maximum attention to safety, and with the aim of safeguarding future business by means of a portfolio of assets that are profitable in the new price context, and with well-balanced risks.



In addition to the acquisitions we are also developing efficiency plans to reduce costs, increasing the productivity of our assets, and accelerating development projects.

Countries



ALGERIA

Cepsa is one of the leading operators in Algeria, where the Company develops its activities at two oil fields, Rhourde el Krouf (RKF) and Ourhoud (ORD), located in the Berkine basin, with stakes of 100% and 39.76% respectively.

Since 2002, Cepsa has had interests in natural gas exploration blocks situated in the Timimoun basin and Bir el M'sana (BMS), with stakes of 11.25% and 45% respectively. Another project being developed is the exploration in the Rhourde er Rouni II block, where a discovery has already been made and is now in the evaluation phase.

Major developments in Algeria in 2014 include the following:

- Completion of the 3D seismic study at Rhourde er Rouni II on an area of 2,165 square kilometers and drilling of six exploration wells. This work has confirmed the existence of new reservoirs that will be analyzed technically and financially to determine their commercial potential, with additional work to be carried out during 2015 and 2016.
- Extension of the exploitation license at RKF for two years on the same conditions. In this period,

the objective is to seek projects of common interest with Sonatrach, and to continue carrying out our activity in the country.

- Start of the first EPC (Engineering, Procurement and Construction) in Timimoun, to attain the objective of producing gas in this block in 2017.
- Continuation of the development phase of the BMS field following its acquisition in 2013, with the objective of bringing it on-stream in mid-2015.



COLOMBIA

Cepsa started its exploration activity in Colombia in 2000, signing the first contracts in the following year.

In 2014 it reached above forecast production rates, and also reached the replacement rate of the estimated reserves.

At year-end, the Company had stakes in 15 E&P blocks, seven of them operated, and a TEA (Technical Evaluation Agreement), also operated by the Company.

There are currently seven blocks in production:

- Five operated: Caracara (70%), Llanos 22 (55%), Tiple (70%), Garibay (50%), and Puntero - Puntero being the one in

which the Onca (100%) and Manatus (70%) fields are located - all of them situated in the Los Llanos basin.

- Two non-operated: CPR Espinal (15%) and La Cañada Norte (16.7%), both situated in the Upper Valley of the Magdalena River.

Among the most important work undertaken in 2014 we should highlight:

- Drilling of 12 new wells in Caracara.
- Drilling of five exploration wells, two of which, Manatus 2 and Onca 2, have proved successful.
- Completion of the 2D seismic study in onshore block CPO-14, close to the Caracara block.

- Development of the EOR/ IOR Enhanced Oil Recovery project, which uses tertiary recovery techniques to increase the production and volume of extractable reserves in the fields. In 2014, the EOR injection trials were carried out and concluded in the CCS-C17 well.

All the exploration, development and production processes for petroleum and natural gas in Colombia are certified in accordance with ISO 9001:2008, ISO 14001:2004, and OHSAS 18001:2007.

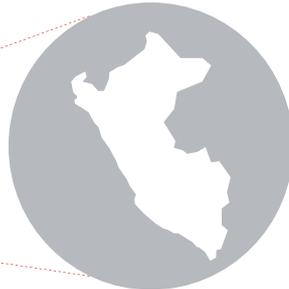


SPAIN

Cepsa has an average 7.6% stake in a platform and several offshore fields (non-operated) in the Mediterranean, off the coast of Tarragona (Casablanca, Rodaballo, Boquerón and Montanazo).

At the end of 2014 an intervention campaign was carried out on the Rodaballo-1 well, with production being re-established in 2015, at significant volumes.

In 2012, Cepsa, along with associated companies in the area, requested a prospecting permit from the Spanish authorities in a new block (Medusa) in the area of Casablanca. This application was published in the Official State Gazette in March 2014.



PERU

In 2007, Cepsa began its exploration activities in Peru, and in 2013 it participated as operator in three contracts, one located in the Marañón basin, in the north of the country (block 130), and the other two in the Ucayali region, located in the east (blocks 114 and 131), in which Cepsa holds 100%, 60%, and 70% stakes respectively.

Following the success of the first production trials of the Los Ángeles 1X-ST well in block 131 at Ucayali, Cepsa decided in September 2014 to continue with long-term production trials. In the course of the past three months of the year 180,000 barrels were obtained. In 2015 new drilling will take place in the Los Ángeles formation.

With production forecasts of as much as 4,000 barrels a day, the development of the logistics necessary for the production and sale of crude in this area is already being planned.



MALAYSIA

Following the acquisition of the Coastal Energy group, which was completed in January 2014, the company's assets became part of Cepsa's portfolio of exploration and production projects.

In Malaysia, the development plan for the Kapal, Banang, and Meranti (KBM) group of oilfields in the offshore zone of peninsular Malaysia was set in motion. It had been signed in July 2012, in the form of a Small Field Risk Service Contract with Petronas.

Additionally, in May 2014 we obtained a new PSC (Production Sharing Contract) signed between Coastal Energy (80% WI, 100% risk) and Petronas (20%) for block PM-316. A start has already been made on processing the existing 1,148 square kilometers of data from the 3D seismic study, and it is planned to drill at least two exploratory wells.

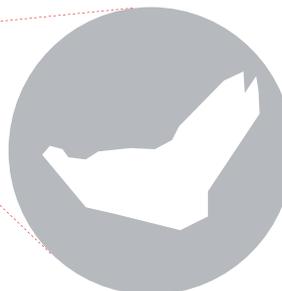


THAILAND

In Thailand, Cepsa, operates 100% of the G5/43 block in the Gulf of Thailand, as well as having various onshore gas interests in the northeast of the country, including a 13.7% stake in the Sinphuhorm gas field.

In 2014, we obtained the environmental permits to redevelop the G5/43 offshore block and mitigate the decline of the current fields. This process will be carried out by means of a campaign involving more than

40 wells, the first of which was drilled in 2014. Additionally, we have drilled three exploratory wells, with one discovery that will be developed once the relevant permits have been issued.



NEW BUSINESSES

During 2014, Cepsa continued to identify new business opportunities, a process that culminated in the completion of several transactions.

In November, the Company completed the purchase from Cosmo Oil of 12.8% of the assets of ADOC in Abu Dhabi. This involves four offshore assets, three of which are in production

and the other in development. This represented Cepsa's entry to the E&P business in **Abu Dhabi**, and a contribution to the Company's net production of some 19,000 barrels a day in 2014 and 40 million barrels of resources.

We also acquired a 55% stake in an onshore exploration block in the

northeast of **Kenya** (11A) and a 30% stake in an oil and gas exploration block in Liberia, where wells have been drilled offshore at depths of 3,400 and 5,200 meters. In 2015 we also envisage drilling a well of this type in **Suriname**, in the block in which Cepsa has had a 25% stake since 2013.



CHAPTER 11: Our activities Refining, distribution and marketing

The development of the efficiency plans and the price of crude in the last four months of 2014 led to a substantial improvement in the refining margin, and with it a positive contribution from this business to the Company's results.

Key Indicators	2014	2013	2012
Consolidated sales of petroleum products (millions of metric tons)	25.03	25.8	26.4
Turnover (excluding excise taxes) (millions of euros)	18,940	20,325	21,520
Adjusted operating income (millions of euros)	275	88	265
Capital expenditure in the year (millions of euros)	238	187	371

REFINING

In the past few years the context of the refining business has been marked by the contraction in domestic consumption, increasing regulatory restrictions, and excess production capacity, in Europe, to which also can be mentioned the sharp increase in competitiveness of American and Middle Eastern refineries with access to cheaper crude oil and relatively few regulatory restrictions.

This situation has depressed margins and led to a process of rationalization of the number of European refineries, as a result of which the least efficient of them will go out of business.

To mitigate the risks associated with this complex environment, in 2012 the Refining area deployed a strategy to contain costs, save energy and improve margins, through technological optimization and operational excellence.

As a result of the fall in the price of crude oil in the last four months of 2014, and of the success of the efficiency measures implemented, the refining margin improved slightly in 2014, contributing positively to the Company's results. However, the environmental risks described previously continue to be present.

For all these reasons, the new Strategic Plan for 2015-2019 maintains its focus on the development of new initiatives in the quest for efficiency, operating excellence and cost containment, as well as the shifting of the product mix towards other products with greater value-added.

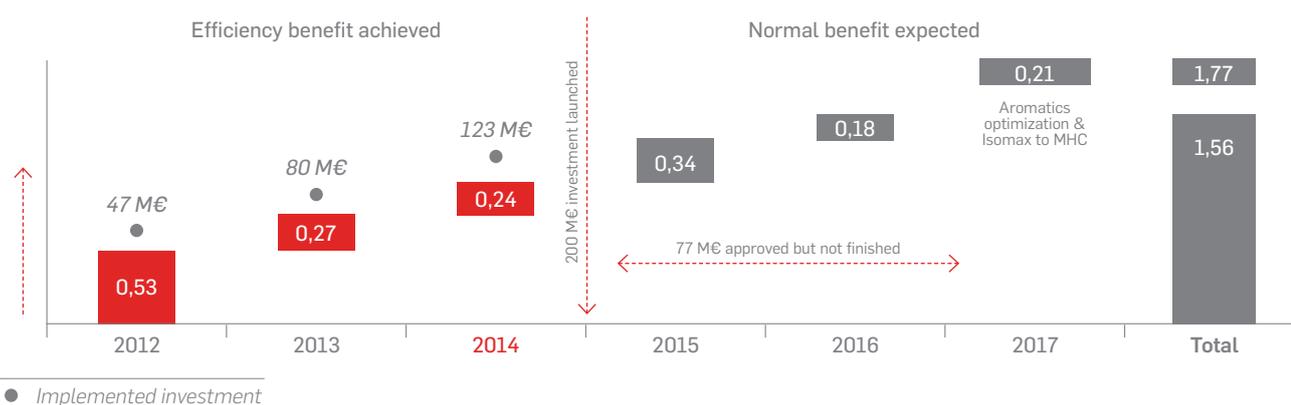
One of the most important programs being carried out to develop the Strategic Plan is the Refining Margin Optimization and Improvement Plan (ROP). Started in 2012, its objective is

to achieve, by executing operational actions and projects, an improvement in the refining margin of US\$1.50 per barrel by December 2017.

In the framework of this Plan, 64 measures were put in place in 2014. Together with the measures developed previously, these led to an improvement in the margin of US\$1.04 per barrel relative to the 2012 values. With a view to the next few years, we expect the execution of the scheduled investments to enable us to increase the initial margin to US\$1.77 per barrel by December 2017.

The positive results achieved with the Plan have led us to renew it for next year with new objectives beyond 2017. With the renewal, it will adopt the name CROP, for Continuous Refining Optimization Program, and will have a new time horizon of 2019.

Results obtained and improvement forecast in the refining margin thanks to the measures of the ROP plan



In addition to the ROP, another of the main process optimization and cost reduction actions carried out during the year consisted in the creation of an office to manage the Value Chain Margin Optimization project. This program also involves the Marketing, Petrochemicals, and Trading Units. It was joined by others, such as the organizational integration of the industrial facilities with the refineries and the implementation of a planning tool that optimizes the purchase of raw materials and the operation of the refineries.

The ultimate objective of the business is to continue improving the margin of its activities and to ensure the favorable positioning of Cepsa's refineries.



CEPSA'S NEW DMB 0.1 FUEL FOR SHIPS COMPLIES WITH THE NEW LEGISLATION ON SULFUR CONTENT FOR MARINE FUELS .

Regulatory changes have constituted an additional challenge in refining activity. The **MARPOL Convention** for the Prevention of Pollution from Ships, which limits to 0.1% the maximum sulfur content of marine fuels in SECAs (Sulfur Emission Control Areas) is one

example of these. This restriction gave rise to great uncertainty as to future demand and supply capacity for fuels with these specifications. The restriction came into force on January 1, 2015.

For this reason, Cepsa decided to launch a new fuel with only 0.1% of sulfur (DMB 0.1) in 2014. It is manufactured in the Gibraltar-San Roque and La Rábida refineries, as a result of which it is ready to respond to the new demand from the bunker market.

The development and production of this new fuel also responds to the Company's strategic objective of optimizing its refineries' product mix.



CHAPTER 11: Our activities Refining, distribution and marketing

Our Assets

Cepsa has three refineries in Spain: Gibraltar-San Roque, La Rábida, and Tenerife. They all hold OHSAS 18001, ISO 14001 and 9001, and AQAP-2120 certifications, and are run using an optimization model that allows them to be managed with a view to achieving maximum integration and synergies.

In 2014, these certifications were added to by ISO 50001 Energy Management Systems, which will help Cepsa continue with its continuous improvement plan in the field of savings and efficiency.

The Gibraltar-San Roque and La Rábida refineries, with a high level of conversion rates, have production units for lubricants, asphalts (La Rábida only), and basic petrochemical products (benzene, xylene, toluene, and propylene). The outstanding latest addition to their range is the production of the DMB 0.1 marine distillate, a fuel with less than 0.1% of sulfur that enables the compliance with the new legislation on sulfur content in marine fuels. The Tenerife refinery, although operating at low levels of output during 2014, is kept operational in order to ensure or ability to supply our customers in any contingency that might arise.

Turning to 2015, in response to the European Commission's new Best Available Techniques (BAT) Reference Document for the Refining of Mineral Oil and Gas (BREF)², a process of negotiation with the Public Administrations has been started for the revision of the Integrated Environmental Permits for the three facilities. These will be adapted to the new provisions of the BREF and all changes decided upon must be implemented in 2018.

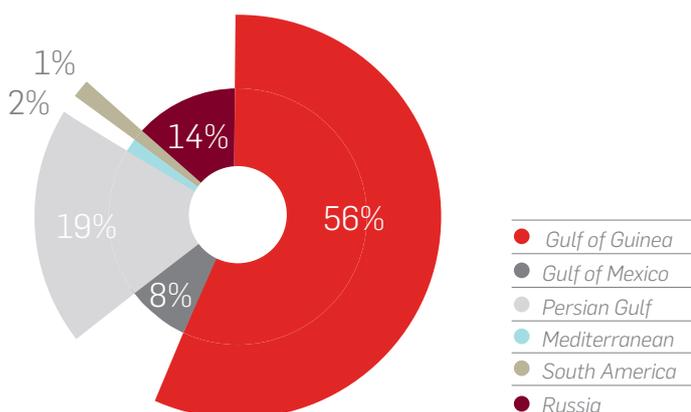
Capacity by plant

Facility	Capacity (millions of metric tons)
GSR	12
LR	10
T	4.5
ASESA*	0.73
Total	27.3

* Cepsa has a 50% stake in the Tarragona-based asphalt refinery ASESA.

2. In accordance with the provisions of Article 13 of Directive 2010/75/EU of the European Parliament and of the Council of November 24, 2010 on industrial emissions (integrated prevention and control of pollution).

Sources of crude oil received at refineries



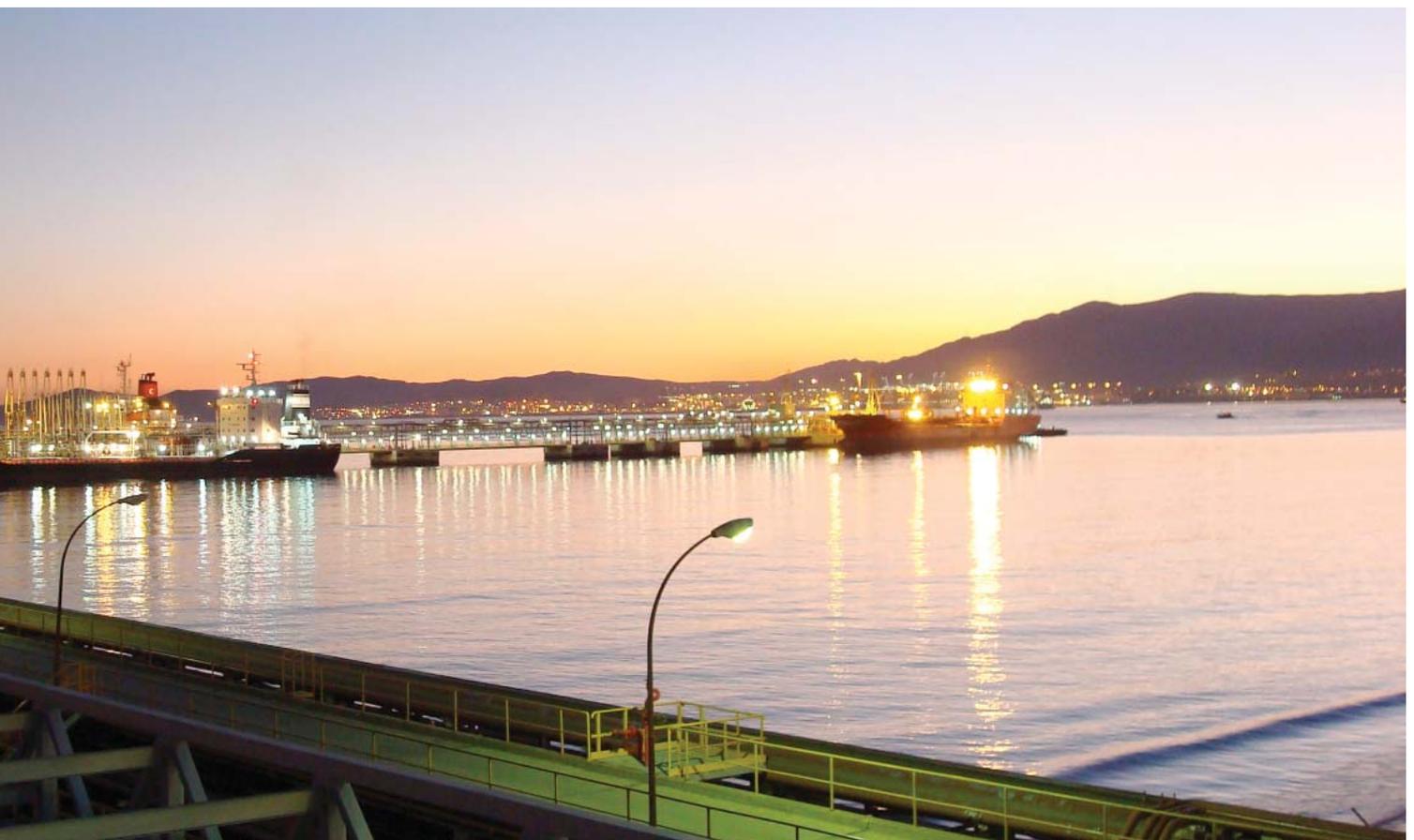
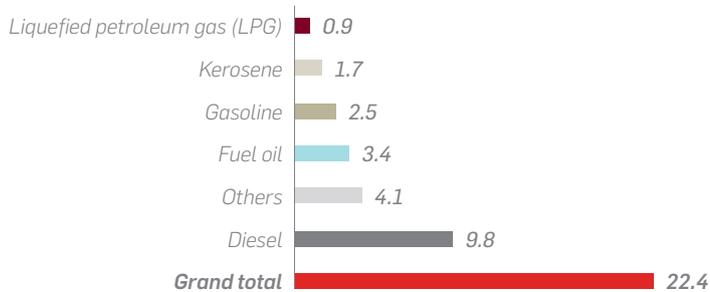
In 2014

In 2014 the combined production of Cepsa's three refineries amounted to 22.4 million metric tons, a similar volume to that of the previous year.

In order to comply with Spanish legislation on biofuels, in 2014 the refineries blended 76,684 cubic meters of bioethanol and 194,013 cubic meters of biodiesel and hydro biodiesel into their fuels.

Cepsa adds ISO 50001 Energy Management Systems to its refineries' certifications.

Combined output of the refineries (millions of metric tons)



CHAPTER 11: Our activities Refining, distribution and marketing

Capital expenditure

In 2014 Cepsa's capital expenditure in the Refining area amounted to €153 million, 22% more than in 2013.

Part of this investment went toward continuing the implementation of the Refining Margin Optimization and Improvement Plan (ROP), which has been running since 2012. Since the plan started, projects worth €200 million have been launched, of which €123 million has already materialized.

Biofuels

In 2014 the mechanism for monitoring and supplying biofuels in Cepsa was optimized to enable us to meet the objectives of incorporating biofuels in an efficient manner. The project involved a reduction in costs and significant operational improvement, in line with our needs.

In 2014 we also continued to work together with the AOP (Spanish Association of Petroleum Products Operators) and the CNMC (Spain's National Authority for Markets and Competition) to construct the technical base that will lead to better sustainable biofuels in Spain.

In this regard, in 2015 Cepsa aims to complete the automation and adaptation of its in-house information and management system for reporting to the CNMC, so as to be able to handle the commitment to incorporate biofuels more quickly and effectively, and to include the latest requirements in the area of sustainability.

Also in 2015, we aim to obtain certification of compliance with the sustainability criteria for biofuels, in accordance with the provisions of European Directive 2009/28/EC. This project was launched in 2014 with the process of external and internal auditing, which will enable us to identify the aspects for improvement so as to comply with the requirements for certification.

TRADING

Cepsa's Trading unit supplies crude oil and other products to the refineries, both for the refining processes and to cover other needs of the Company's commercial areas. In addition, it sells crude oil from the production fields operated by Cepsa, as well as the surplus from products processed in the refineries.

The Trading unit also carries out hedging activities in relation to its own business risk, as well as that of other business units, and takes advantage of market opportunities through proprietary trading (taking positions with its own funds), in both physical and financial derivatives markets, measuring and controlling the risks in accordance with the policy it has in place.

It manages the maritime transport of crude oil and derivative products, overseeing safety through the Vetting Unit. The Vetting Unit ensures safety at sea and protection of the environment by controlling the quality and seaworthiness of the ships that carry the cargoes owned by Cepsa or that operate in its shipping terminals, carrying out more than 1,600 vessel acceptances and 337 inspections.

Trading and Vetting Units. Key figures

Activity	2014	2013
Supplies for Cepsa's refining system (millions of barrels)	159.7	158.8
Marketing of the Company's crude oil (millions of barrels)	10.3	8.5
Petroleum product transactions for the Company and third parties (millions of metric tons)	9.2	9.5
Physical Trading (thousands of metric tons)	1,888	-
Proprietary trading in derivative financial instruments (millions of barrels)	10	-
Chartering of vessels	923	982

DISTRIBUTION AND MARKETING

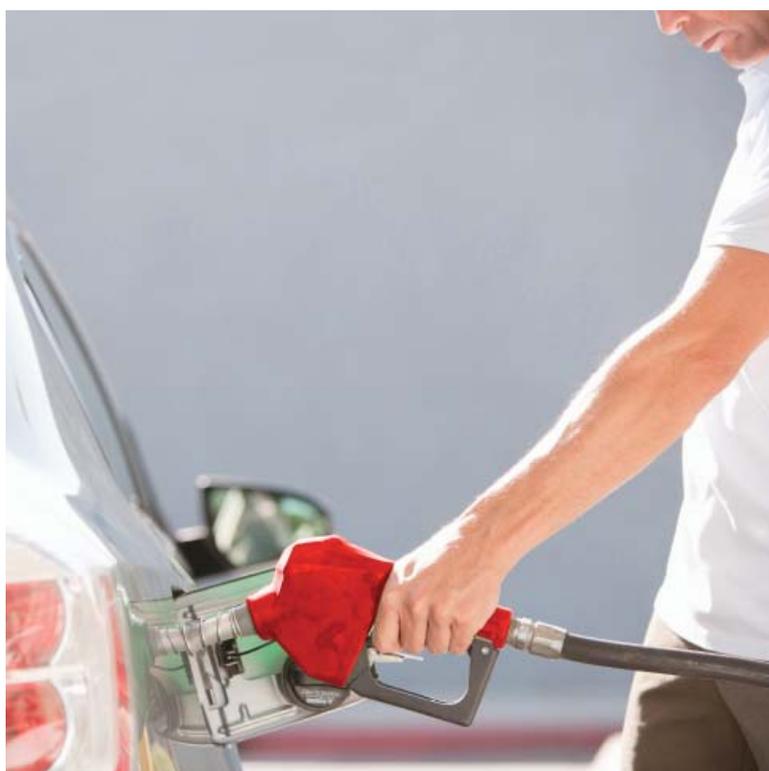
For distributing and marketing its products, Cepsa has its own sales channels and an extensive national and international network of agents and distributors of fuels, LPG, asphalts, and lubricants.

Although the business continues to be exposed to the current weakness of the Spanish market, the country's improved growth prospects point to a slow and modest recovery in demand for petroleum products. For the first time in six years demand remained at the same level as in the previous year, bringing an end to the decline seen year after year since 2008.

Despite this shift of trend, which contributed positively to the result of the business in 2014, the quest for efficiency improvements and maximization of value continues to be our main objective. Furthermore, the diversification of our activity into other markets enables us to reduce exposure to the domestic market.

In 2014 various actions were taken in the areas of integration and optimization of the logistics chain and product and service innovation, by entering into cooperation agreements with first class specialized firms, and expansion into international markets.

In 2014, Cepsa's capital expenditure in the Refining area was €153 million, 22% more than in 2013.



Sales of petroleum products (thousands of metric tons)

	2014	2013	2012
Motor and other fuels	11,170	11,274	11,717
Marine fuels	5,600	6,563	7,331
Aviation fuel	2,423	2,193	1,888
Liquefied Petroleum Gas (LPG)	508	504	536
Asphalts	950	954	1,012
Lubricants, base oils and paraffins	231	224	240
Exports	4,151	4,104	4,330
Total	25,033	25,816	27,054

CHAPTER 11: Our activities Refining, distribution and marketing

Optimization of Logistics

In the past few years, with the aim of optimizing the logistics of the Company's subsidiaries and simplifying the organizational structure, the sales network has developed various projects.

A plan has been established to put in place an integrated logistics model based on local distribution of products, taking advantage of the logistical synergies among the various types of distribution, and establishing points for improvement, thus enabling us to save costs and optimize the processes.

Motor and other fuels

Cepsa's network of service stations has over 1,400 points of sale in Spain

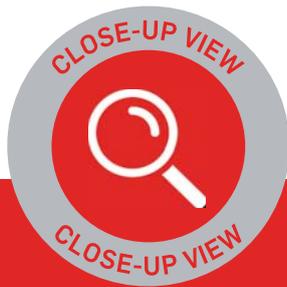
and Portugal. Every day more than 750,000 customers pass through our service stations, and 50% of all refuelings correspond to loyal Cepsa customers.

In the last few years, the service stations have been gradually transformed into a new concept of 'service shopping centers', notably featuring the DEPASO shops, with more than 800 points of sale in Spain, and the new incorporation of Carrefour Express shops, 500 of which are expected to be opened in the next five years.

Providing excellent customer service at any time is Cepsa's main means of differentiating itself from its competitors. Therefore, we have set

in train actions aimed at evaluating and improving customer satisfaction, such as the incorporation of the IMAS (Spanish acronym for Installations, Environment, Customer Service, and Safety) quality measurement, improvement, and monitoring system and have improved the offering, providing our customers with innovative services based on alliances with major companies such as Opel (GM), Banco Santander and Línea Directa (Bankinter's insurance subsidiary).

Turning to 2015, several evaluation and training projects are already under way to continue working to improve customer service and strengthen the image of our stations and of the Cepsa brand.



IMAS PROGRAM FOR IMPROVING SERVICE QUALITY AT OUR SERVICE STATIONS.

The IMAS program aims for continuous improvement of all aspects involved in the quality of the service provided to customers at our service stations (safety, customer service, quality of installations, and environment). Specialist

agents working for the Company carry out self-assessments of the service stations and design and monitor Action Plans catering to the particular needs of each station. In 2014 they made 5,200 visits and proposed more than 7,200 actions.



Liquefied Petroleum Gas (LPG)

The Company markets and distributes butane, propane and LPG for vehicles. The home delivery network in Spain consists of over 90 distributors.

At present, we have more than three million customers for these products (half a million more than at year-end 2013), and our market share in bottled liquefied gases increased to over 20% in 2014. This increase is due to the start of sales of our light

butane and propane bottles in Catalonia.

In 2015 we will continue working to increase our market share, improve our profitability, and keep meeting our zero accident target.

Cepsa manufactures asphalts at the La Rábida refinery and at Asfaltos Españoles, S.A. (ASESA, 50% owned by Cepsa). The nominal capacity is one million metric tons per year.

It also has six factories where asphalt derivatives and special products for the construction industry are produced.

In 2014 the asphalts business line focused on projects to improve efficiency and on opening up new markets, starting sales in the U.S. and Latin America.

Thanks to these measures, sales of asphalts in 2014 came to just over 950,000 metric tons, with increases in both domestic and export sales, which make up more than two thirds of sales.

Lubricants, base oils and paraffins

The quest for efficiency in the supply chain, diversification into new markets and products with greater value-added, and the focus on customers have been the strategic approaches enabling us to position ourselves in the top rank of the market. In 2014 we sold 223,000 metric tons of product, a very similar volume to that of 2013, and we started selling lubricants in China and Paraguay.

Also in 2014 we launched the new version of our XTAR range of high quality lubricants, with which Cepsa is seeking to increase its market share by means of an offering of greater value to customers. There are also two other ranges of lubricants: Cepsa, and Ertol.

Another of the area's milestones in 2014 was the completion of construction of the automated lubricants silo at the San Roque site, which substantially improves logistics and will bring large cost savings once it is operating.

The large volume of lubricants sold outside Spain is also noteworthy. Some 49% of sales of lubricants, base oils, and paraffins are exported through an extensive network of distributors that sells our products in a total of 79 countries.

Cepsa's network of service stations has over 1,400 points of sale in Spain and Portugal, through which

750,000 customers pass every day. Half of all refuelings involve loyal Cepsa customers.

Marine fuels

The Company occupies a leading position in the supply of marine fuels thanks to its enviable position in the Strait of Gibraltar, the Canary Islands and the Panama Canal.

Sales of these products in 2014 amounted to 5.808 million metric tons, 11% less than in 2013, in line with lower demand, especially in the Canary Islands market.

In December 2014 we started selling the new DMB marine fuel with a 0.1% sulfur content, which complies with the requirements of the SECA legislation. The development of this new fuel gives Cepsa a great competitive advantage in bunker business.

In 2015, supply channels will be adapted to facilitate the marketing and sale of this product.

Aviation fuel

Cepsa also supplies aviation fuels. These products are subject to the strictest specifications and quality controls.

In 2014, sales of aviation fuel reached 2.3 million metric tons, 10% more than in 2013. This increase was due to an incipient recovery of the market, as well as to our maintaining existing strategic contracts and winning other new ones, with a high degree of customer satisfaction.

In the aircraft and airport installations supply segment, Cepsa took 100% control of Spanish Intoplane Services S.L. through the purchase of the 50% of shares it did not already hold.

CHAPTER 11: Our activities Petrochemicals

Cepsa's Petrochemicals Unit occupies leading positions in all its specialities, and it is engaged in an ambitious expansion and

internationalization plan, which in 2014 involved its consolidation in the Asian market, specifically in China and Indonesia.

Key Indicators	2014	2013	2012
Consolidated sales of petrochemical products (millions of metric tons)	2.9	2.9	2.9
Turnover (excluding special excise taxes) (millions of euros)	3,069	3,260	3,301
Adjusted operating income (millions of euros)	178	161	161
Capital expenditure in the year (millions of euros)	265	184	86

Business model

Cepsa's petrochemical business is closely and dynamically integrated with its refining activities. We manufacture high value-added

products that become the feedstock for other industries, and are used for a large number of final applications including plastics, detergents, synthetic fibers and PET bottles.

BASIC PETROCHEMICALS

The manufacture of basic petrochemical products is carried out in Cepsa's Gibraltar-San Roque and La Rábida refineries, which can produce more than 1 million metric tons per year of these derivatives. After the distillation of the crude oil, the refineries' transformation units obtain feedstock (benzene, toluene and xylene) for other processes, as well as intermediate and finished products such as solvents, propylene and sulfurs. Cepsa distributes and markets these products worldwide.

PETROCHEMICAL DERIVATIVES

Cepsa's Chemical Unit has three manufacturing plants in Spain, two in Canada, and one in Brazil, which together can produce up to three million metric tons of product per year. In addition, in 2015 Cepsa has inaugurated the new chemical plant in Shanghai, which will produce cumene, phenol, and acetone. The project was launched in 2011.

Cepsa produces and markets feedstock for the manufacture of detergents and of the polyester industry, as well as cumene, phenol, and acetone for the manufacture of resins, high-tech plastics, synthetic fibers, pharmaceutical products, and a long list of final applications.

Cepsa is a world leader in the production of feedstock such as LAB (linear alkylbenzene), which is used to make detergents (15% of world capacity), where we are also in the vanguard with the 'Detal' technology

that was developed jointly by Cepsa and Universal Oil Products (UOP). We are also world leaders in the production of PIA (purified isophthalic acid), of which we are the only European integrated producer (25% of world capacity), and of

phenol, which is used to make textiles and all types of computers, of which we are the second biggest producer in Europe and, after the inauguration of our chemical plant in China, we are the second biggest in the world.

Strategy and results

The difficult global economic situation, and particularly that of Europe, has had an effect on the strategy of Cepsa's Petrochemicals division.

With the aim of strengthening our leading position in the main businesses and maintaining and improving our results, the 2015-2019 Plan establishes strategic lines centered on increasing the capacity of our assets and the construction of new plants or acquisitions to optimize our commitment to value. The plan also covers diversification of our offering by integrating or expanding into alternative products.

With these actions, the Company maintains its commitment to excellence and the technological vanguard in all its production plants. In this regard, in 2014 Cepsa approved €20.2 million in investments to improve energy efficiency, and finalized various key projects that will place its facilities among the most competitive in 2015.

2014 was a year of consolidation for the Petrochemicals Unit in Asia. Construction of the phenol and acetone plant in China was successfully completed, and a joint venture was set up in Indonesia with Golden Agri-Resources Ltd. (GAR). The joint venture is called Sinarmas Cepsa Pte. Ltd. and it will produce and sell fatty alcohols, which represents the entry into a new market. We also continued the work of the Research Center in cooperation with other entities, for the development of new products and processes.

Other highlights in 2014 in the Petrochemicals Unit were:

- Improved results in Brazil, where output of LAB, and more particularly LABSA (linear alkylbenzene sulfonic acid) increased following the unit's recent increase in capacity.

In the past few years, Cepsa's Petrochemicals Unit has embarked upon an ambitious investment program.



- Increase in cumene manufacturing capacity to one million metric tons a year, making Cepsa the world's leading producer.

Over the next few years, the new Strategic Plan for 2015-2019 maintains the objectives of the previous Plan in terms of internationalization and entering emerging markets, as well as holding on to the leading position in the phenol and LAB lines.

Several other actions aimed at optimizing processes and management in 2015 are also in place. The start of production and sales of surfactants that can be applied in EOR (enhanced oil recovery) technology is also expected, and there are plans to develop a talent management project in order to ensure smooth succession.

Our assets: Countries

SPAIN

Cepsa's Petrochemicals Unit in Spain has three production plants located in the industrial complexes where its refineries are also located. One of them is in Palos de la Frontera (Huelva) and the other two, Guadarranque and Puente Mayorga, are in San Roque (Cádiz).

The Guadarranque plant produces feedstock for the manufacture of plastic containers, textile fibers, and resins. The Puente Mayorga plant, the processes of which are closely integrated with the Gibraltar-San Roque refinery, makes linear alkylbenzene (LAB), linear alkylbenzene sulfonic acid (LABSA), and n-paraffins, as well as de-aromatized solvents and heavy alkylates.

Lastly the Palos de la Frontera plant produces phenol, cumene, acetone, and alpha-methylstyrene.

In 2014, the maintenance, facilities engineering, environmental protection and laboratory activities of these plants was integrated with those of the two refineries, as a means of improving efficiency and the synergies between refining and petrochemicals.

Petrochemical production plants in Spain. Production capacity.



Palos de la Frontera plant
 Cumene: 1,000,000 metric tons per year
 Phenol: 600,000 metric tons per year
 Acetone: 370,000 metric tons per year

Guadarranque plant
 Purified terephthalic acid (PTA): 650,000 metric tons per year
 Purified isophthalic acid (PIA): 220,000 metric tons per year
 Polyethylene terephthalate (PET): 175,000 metric tons per year

Puente Mayorga plant
 Linear alkylbenzene (LAB): 220,000 metric tons per year
 Linear alkylbenzene sulphonic acid (LABSA): 80,000 metric tons per year
 n-paraffins: 400,000 metric tons per year
 Other products: dearomatized solvents and heavy alkylates.

CANADA

The Company has a 51% stake through Cepsa Química S.A. in two production plants located in Canada.

The Bécancour plant* was the first in the world to use DETAL (fixed-bed alkylation) technology for the production of linear alkylbenzene (LAB). In line with Cepsa's objective of integrating its activities, the n-paraffins that constitute the main raw material of this plant are supplied from the Puente Mayorga plant in Cádiz.

The Montreal plant*, in Quebec, supplies PTA (purified terephthalic acid) to the NAFTA market (the U.S., Canada, and Mexico).

Petrochemical production plants in Canada. Production capacity.



Bécancour plant
 Linear alkylbenzene (LAB): 120,000 metric tons per year

Montreal plant
 Purified terephthalic acid (PTA): 600,000 metric tons per year

* 100% Cepsa owned as of July, 2015.

** For 2015, Cepsa has agreed to sell the PTA business to Indorama, a Thailand-based company.

BRAZIL

Cepsa is the majority shareholder of DETEN Química, S.A., South America's leading producer of LAB (linear alkylbenzene), and has the world's biggest LABSA (linear alkylbenzene sulfonic acid) production capacity at a single site.

Petrochemical production plants in Brazil. Production capacity.



Camaçari plant
 Linear alkylbenzene (LAB): 220,000 metric tons per year
 Linear alkylbenzene sulphonic acid (LABSA): 120,000 metric tons per year

CHINA

Cepsa launched the project to construct a new chemical plant in China in 2011 and completed it in 2014. The new plant, which was officially opened in April 2015, is located in the Shanghai Chemical Industry Park (SCIP), the world's biggest phenol and acetone center, and its purpose is to supply its products to the Chinese market, with a great potential for export growth worldwide.

The plant has the best technology available, and improved flexibility in the production of these derivatives, by having two factories (Spain and China) and consolidating its presence in the petrochemicals market as the world's second biggest producer of phenol and acetone, and the leading producer of cumene.

In 2015, efforts will focus on integrating the operations of the new Shanghai plant into the current structure of the business, and on fulfilling the ambitious sales and production plans made for its first year of operation. The objective is to consolidate our position as the world's second biggest producer of phenol.

Petrochemical production plants in China. Production capacity.



Plant in Shanghai Chemical Industrial Park*

Phenol: 250,000 metric tons per year
Acetone: 150,000 metric tons per year
Cumene: 360,000 metric tons per year*

* Opened in April 2015

INDONESIA

In 2014 Cepsa, together with Golden Agri-Resources (GAR), the world's second biggest producer of palm oil, based in Indonesia, established a joint venture called Sinarmas Cepsa Pte. Ltd. to develop, formulate, and produce fatty alcohols in Indonesia for sale and distribution worldwide. This company, which is based in Singapore, enables Cepsa to enter the oleochemicals sector and develop a new business line, expanding its product range and starting to sell in new markets.

In 2015 we will draw up the joint venture's business plan and its growth and expansion strategy for the near future, including both the marketing plan for alcohols and the downstream development possibilities for this raw material for detergents.

Together with the phenol plant in China, this project will enable us to strengthen the presence of Cepsa's Petrochemicals Unit in Asia and to diversify our current LAB line, expanding the Company's surfactant portfolio.

OTHER COUNTRIES

Cepsa carries out worldwide sales and distribution of its petrochemical products and products obtained in the refineries, through sales offices and marketing companies located in Italy, the United Kingdom, Belgium, The Netherlands, and Portugal.



AWARDS

CEPSA' PETROCHEMICALS UNIT RECEIVED RECOGNITION IN 2014 FROM SEVERAL ORGANIZATIONS

1

In March, the phenol business line was recognized by its customer Eastman through the **Supplier Excellence Award**.

2

The DETEN plant, in Brazil, received two awards: the **Prêmio Polo de Saúde, Segurança, e Meio Ambiente (Camaçari Industrial Complex HSE Award)**, granted by COFIC, the Camaçari Industrial Development Committee, for HSE management in the complex, and, for the second consecutive year, the **Cliente Nota 10 ("A-Grade Customer")** award granted by one of our suppliers, the Brazilian distribution and marketing company BR Distribuidora.

3

The Shanghai chemical plant won the **3.5 Million Safe Man Hours** award for its excellent health and safety management in the facilities, upon completing 3.5 million man-hours without accidents with days lost, and was also awarded a **certificate for the best HSE performance in 2013**.

CHAPTER 11: Our activities Gas and power

Cepsa's Gas and Power Unit is engaged in the generation and marketing of electric power for industrial customers and consumers in the service sector, the international transport of gas through the MEDGAZ gas pipeline, and the import and supply of gas to the Distribution and Marketing Unit for onward sale.

Key Indicators	2014	2013	2012
Natural gas sales (GWh)	27,753	29,833	29,047
Electric power sales (GWh)	2,100	2,299	3,575
Steam sales (thousands of metric tons)	4,628	3,969	4,572
Turnover excluding taxes (millions of euros)	825	1,156.7	1,171.7
Adjusted operating income (millions of euros)	13	5	42
Capital expenditure in the year (millions of euros)	3	159	23

In 2014, the Gas and Power Unit was again affected by regulatory changes driven by energy industry reform, as well as by the context of heavy oversupply.

Precisely because of this, in the past few years the Unit has focused its efforts on adapting to the new regulations and strengthening its growth through internationalization and the search for new niche markets for both the gas and power businesses.

In line with these objectives, in 2013 Cepsa acquired a 22% stake in MEDGAZ S.A., the operating company for the eponymous underwater gas pipeline, bringing the Company's shareholding in the consortium to 42%.

In 2014 sales activities began in Portugal, where natural gas trading transactions were carried out.

All this, plus the improved results of our combined cycle plant thanks to the drastic reduction of fixed costs and access fees, the actions taken to offset

the sluggish internal demand of the industrial plants, and the results of the natural gas sales company in which Cepsa has a 35% shareholding, enabled the division to obtain net income for 2014 of €13 million, 160% more than in 2013.

In 2015, the strategy for Gas and Power will continue to focus on:

- Optimizing strategic gas and power assets, seeking opportunities to expand the business, and growing internationally by moving into markets such as those of Portugal and France.
- Adapting the business to the new regulatory framework, minimizing the risks, and taking advantage of the opportunities associated with the new regulations, especially in the cogeneration plants.

Natural Gas

Profits from the natural gas business were the main contributor to the

results of the Gas and Power Unit, whose sales actually fell by 7% relative to the previous year (27,753 GWh) due to the fall in domestic demand and the low profitability of the cogeneration facilities, which are the main consumers of the natural gas sold by the Company).

The main activities of this area, and those that made a positive contribution to the results, are:

- The transport of gas through the MEDGAZ underwater pipeline connecting Algeria with the South of Europe via Spain.
- Marketing and sale of the gas it produces and regasifies in its industrial plants through Cepsa Gas Comercializadora (in which Cepsa has a 35% shareholding), both to major consumers and to customers in the residential and commercial sectors.

Electric Power

Cepsa has an installed capacity of 1,131 MW in its seven power stations located at the Company's refineries and industrial plants, and 780 MW of capacity in the Nueva Generadora del Sur (NGS) combined cycle station, in which it has a 50% stake.

The results for 2014 were once again badly affected by the impact of the new electricity regulations and the pool prices. However, the actions taken to minimize costs in the combined cycle partly offset these effects.

Turning to the future, with the objective of maximizing profits, the Power business will carry out a more thorough adaptation of its generating units' operating systems to the new regulations, and will endeavor to optimize its portfolio of assets, retaining only those that are considered strategic.

*In 2014 the Gas and Power Unit
posted net income of
€13 million,
160% more than in 2013.*



A woman with blonde hair, wearing a white lab coat and safety glasses, is looking down at a piece of equipment in a laboratory. In the background, a molecular model is visible, consisting of black, white, and blue spheres connected by white rods. The entire image has a halftone dot pattern.

CHAPTER 12:
INNOVATION AND
TECHNOLOGY

Research has been one of the Company's fundamental pillars since its establishment. For Cepsa, it is a key development tool in its business project.

RESEARCH CENTER

The main objective of Cepsa's Research Center, located in Alcalá de Henares (Madrid), is to support the Company's businesses through pilot plants and analytical equipment, enabling us to develop new products and production technologies, as well as to prepare for the future by investing in projects.

To date, its activities have enabled us to make improvements to the production processes, develop new fuels with reduced environmental impacts, resolve operational problems, and provide technical assistance to our customers.

In response to the current technical and competition challenges, the objective of the Technology area is to foster these areas of know-how in the service of the Company's business areas, and to introduce new products and services.

Major Projects in 2014

Among the activities developed in the field of innovation in 2014, the following stand out:

- **Conclusion of the construction of the phenol and cumene plant at the Shanghai Chemical Industrial Park (SCIP)**, with a capacity of 360,000 tons of cumene and 250,000 tons of phenol a year. Construction of the plant began in 2012 and was completed in 2014. During this time almost 2,000 people have worked on the project, including contractors,

and 6.5 million working hours have been required. In the first quarter of 2015 after work to get the plant up-and-running (pre-commissioning and commissioning) phenol and acetone production will start in line with customer specifications.

- **Construction project for an oleo-chemical complex in Sumatra, Indonesia.** This project, which Cepsa is developing jointly with Indonesia's Golden Agri-Resources Ltd. (GAR), a large-scale producer of palm oil, aims to construct a petrochemicals plant for the manufacture of fatty alcohols using this raw material. In 2015 the engineering, and purchase and preparation of lands and civil works will be finalized and the construction phase will continue. The objective is to have the plant in operations towards the end of 2016, and to start sales in early 2017.
- **Development of the surface installations for operating the Bir el Msana (BMS) oilfield in Algeria,** connecting the production wells and water injection wells by flowline, and the new facilities for treating and storing the crude produced (CPF). In 2014, the electrical overhead cabling was constructed, as were part of the CPF installations and the living quarters for the operating, maintenance, and military personnel. The engineering, acquisitions, construction and preparation to have it operating will be completed in the first half of 2015, and first production is expected around July.
- **Construction of a silo for lubricants at San Roque,** integrating the manufacturing lines with a fully automated storage system that had previously been completely separate from the production facilities. The project has brought notable improvement in efficiency, a significant reduction in costs thanks to the savings on transport, and a reduction in the associated environmental impact. The construction was completed at the end of 2014 and from January 2015 the installations will be gradually brought online.
- **Launch of the new DMB 0.1% marine fuel.** This fuel, as has been explained previously, has a sulfur content of 0.1%, which makes us the pioneers in the development of a fuel that complies with the new MARPOL (International Convention for the Prevention of Pollution from Ships) rules in Sulfur Emission Control Areas or SECAs.
- **Conversion of 'bottom-of-the-barrel' products at the Gibraltar-San Roque Refinery** into demanded and high-margin products to replace others with lower margins such as fuel oil. DMB 0.1%, a marine oil with less than 0.1% of sulfur, is the most notable one. In 2014 conceptual engineering plans have been drawn up for the project. In 2015 the technology needed for the project is expected to be selected, as well as requests for the investment needed to start the preliminary engineering of the future plant.

CHAPTER 12: Innovation and technology

- **Development of the EOR/ IOR Enhanced Oil Recovery project**, which uses tertiary recovery techniques to increase the production and volume of extractable reserves in the fields. In Colombia, in 2014 the EOR injection trials were carried out and concluded in the CCS-C17 well.

Other innovation projects

Cepsa carries out numerous innovation and technology projects in collaboration with various organizations, in Spain and abroad. In addition to those already mentioned, we would highlight other projects developed by the innovation area:

- Synthesis of alternative fuels with reduced impact on the environment. At present work is being carried out on a project for obtaining renewable diesel as an alternative to conventional diesel (DRAGO in the Spanish acronym) which seeks to develop a high-performance fuel bio-component from biomass waste. The biomolecule on which we are working, which has excellent properties, is being subjected to ongoing stability trials.
- The Acetals project, consisting in the development of a process for producing a bio fuel additive by obtaining an acetal from glycerin and acetone. This will enable us to produce a higher value-added fuel and at the same time provide an outlet for acetone. The product obtained so far has appropriate properties for adding to diesel, although it is limited by its low solubility and high density. For that reason in 2014 the project was still at the stage of evaluation of alternative syntheses using other ordinary ones from the refinery.
- Launch of a new version of the XTAR range of lubricants. The continuous improvement of our premium products sets us apart from the competition and showcases our capacity

for innovation and the modern technology we use in Cepsa for their formulations.

- Launch of the new, lighter butane and propane bottle, weighing just half as much empty as conventional ones, safer and easy to handle. The innovative features are the valve guard and the ergonomic handles, adapted to the legislation so as to be transportable in private vehicles, and the intelligent chip that makes for a safer filling process.

In 2015, Cepsa is looking to increase the surfactant production capacity in Brazil in order to cater to the country's increased demand, and there are also plans to build new Jaguar South West (JSW) production facilities in the Caracara block (Los Llanos, Colombia) in order to maintain crude output in spite of the increased proportion of water and sediments in the production fluids.

The role of technology in environmental protection

The activities carried out by Cepsa's Research Center are aimed both at optimizing production processes and at developing new fuels, and seek to minimize the impact on the environment by reducing greenhouse gas emissions.

The Center has collaborated since 1986 with the business units and with Health, Safety and Environment (HSE), paying special attention to the area of environmental protection. All new products are designed to conform to market specifications and comply with international regulations.

Collaboration with educational institutions

Cepsa's Research Center, with the aim of promoting training and research, collaborates on various programs with educational institutions such as the University of Alcalá de Henares, Carlos III, the Autonomous University,

Complutense, and Polytechnic Universities of Madrid, the Universities of Huelva, Seville, Cádiz and La Laguna (Tenerife). It also has agreements with the Higher Center for Scientific Research and the Technological Institute of Chemistry.

The activities led by our Research Center have enabled us to make improvements to processes, develop new fuels with reduced environmental impacts, resolve operational problems, and provide technical assistance to our customers.





CHAPTER 13: OUR STAKEHOLDERS

Cepsa has a motivated and cohesive team that shares and develops its activities in accordance with the Company's objectives, its Mission, its Vision, and its Values.

We have more than 10,500 employees of 60 different nationalities spread over several continents.

Leadership, the compatibility of personal and professional development, attracting the best talent, and promoting ethical conduct - these are the principles that inspire us to urge our employees to commit to attaining Cepsa's strategic objectives through their knowledge and experience.

Principles inspiring our action

LEADERSHIP IN THE NEW CEPESA

A new style of leadership and collaborative, flexible, results-oriented management. All this is what makes a more agile, efficient Cepsa possible.

PERSONAL AND PROFESSIONAL DEVELOPMENT

The Company evaluates its employees' individual capabilities and identifies and develops the talent the business needs. Cepsa invests in the development of its people, promoting innovation, safety and collaboration.

ATTRACTING TALENT

Cepsa aspires to continue being a company of choice which, through a corporate culture based on work-life balance, employee development, and other measures to improve job satisfaction, attracts and retains the best talent.

EMPLOYEES, VALUES, AND ETHICS

The Company incorporates its values and ethical conduct into the day-to-day running of its business. Cepsa promotes equality, diversity, personal growth, and work-life balance, so as to be a flexible, family-responsible company.

CHAPTER 13: Our stakeholders Our professionals

Lines of action

- Foster an appropriate working environment, putting in place flexible working hours and tele-commuting, among other measures.
- Attract, identify, and retain talent in accordance with the new Integrated Evaluation Model (MIDE in its Spanish initials).
- Maintain a high level of satisfaction and commitment among employees by consolidating the use of the Working Climate and Commitment survey and developing Action and Results Improvement Plans.

- Instill a culture of development and high performance, driving the Corporate Schools project and creating a program focused on recognition of Cepsa's values.
- Improve Cepsa's positioning as a leading company in its labor practices (Top Employers 2015).
- Improve the Human Resources management processes, gearing them toward making mobility more systematic, faster and more flexible.
- Support the Company's internationalization, facilitating internal mobility processes, speeding up the recruitment

process, encouraging foreign postings and transparency in the policies and processes applying to it, and developing a protocol for integrating new acquisitions.

Our professionals

As of December 31, 2014, the workforce numbered 10,804 (including 261 semi-retired). This is the number of employees on the payroll as at that date. The average workforce for the year 2014 was 11,191; this figure takes account of the number of days during which each employee was on the payroll, irrespective of working days (full or part time, etc.) and changes to working days during the year.

Cepsa's workforce*	2014	2013	2012
Workforce as at December 31	10,804	11,069	11,743
Average age	42.20	42.95	41.7
Average years of service	11.1	12.12	11.4

* The workforce of Coastal Energy is not included in the other tables relating to breakdowns of employees.

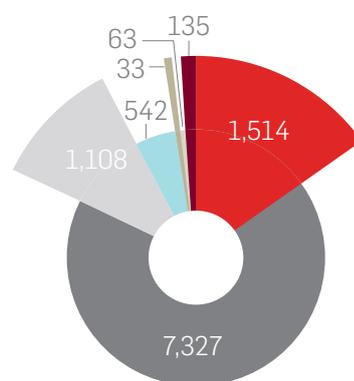
As regards the business areas, the majority of the workforce corresponds to the Refining, Marketing and Distribution Unit, which accounts for more than two thirds of the total. The corporate areas (reporting to the CEO) and Petrochemicals are the next biggest units in terms of numbers of employees.

The vast majority of Cepsa's employees have indefinite employment contracts (91.8%) and work full-time (96.35%).

By location, Spain and Portugal account for more than 80% of the workforce, and in these two countries practically all the workers are nationals of the country (97.76%)¹. In the remaining geographical areas this percentage reaches 78.9%.

¹ For the purposes of this report, 'local' is considered to refer to persons who were born in or who have the right to permanent residence in the country where the company has its registered office.

Our workforce, broken down by business area



- Corporation*
- Refining, distribution, and marketing
- Petrochemicals
- Exploration and Production
- Gas and Power
- Trading
- Technology

* This unit comprises: Corporate Affairs, CFO (Chief Financial Officer), Communication and Institutional Relations, Corporate Strategy and Development, HR and Organization, and General Secretariat.

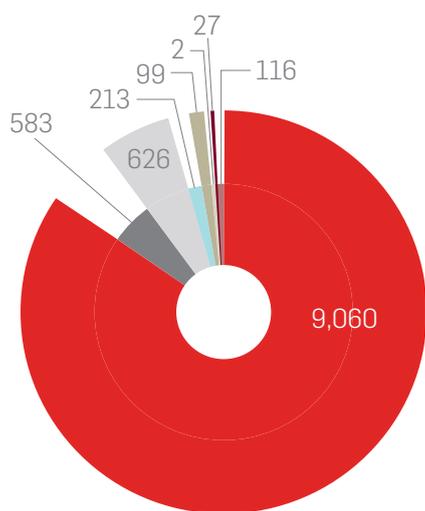
The data are broken down by reference to the organizational structure, i.e. the position occupied by each employee, irrespective of the company to which he or she belongs. In the organizational structure, an employee may be allocated to two or more positions in different businesses, with different volumes of work in each.

Local Employment

Geographic Region	Total Employees	% Local Employees ¹
Spain	9,060	96%
Portugal	583	99%
Belgium	8	100%
Brazil	218	98%
Canada	212	98%
China	116	86%
Colombia	343	95%
Algeria	98	32%
UK	7	86%
Italy	6	100%
Netherlands	6	100%
Panama	9	78%
Peru	56	82%
USA	1	100%
Morocco	1	0%
U.A.E.	2	50%

* This table does not include the workforce of Coastal Energy.

Our workforce, broken down by geographical areas



- Spain
- Portugal
- Latin America
- Canada and United States
- North Africa
- Middle East
- Rest of Europe
- China



Our workforce, broken down into professional categories*

	2014		2013	
	Women	Men	Women	Men
Management	130	606	118	600
Senior and mid-level technicians	843	2383	870	2,527
Specialists	2,338	3,922	2,233	3,964
Administration	165	57	380	124
Assistants	70	212	84	169
Total	3,546	7,180	3,685	7,384

* This table does not include the workforce of Coastal Energy.

Attracting and retaining talent

Equal opportunities, transparency, and independence are essential requisites in the processes for attracting the best professionals.

In this area in 2014 the Company implemented 'Success Factors', a new tool for speeding up selection of in-house and external candidates and facilitating people management. This tool has been complemented by a system that controls the whole process of filling vacancies, from detecting the need to hire through to the post being filled.

Cepsa offers an opportunity for professional growth to people interested in developing a career in the Company and who have an appropriate profile for the functions required. As well as the Cepsa University scholarships, based on agreements with various universities to subsidize scholarship programs for students, the Company offers customized in-house training programs, and continuously monitors all employees' professional careers, guiding them and offering them opportunities for development.

Cepsa has also worked on revising its new recruit induction plan (on-boarding) aimed at making it easier for new recruits, expatriates, or employees taking part in internal

mobility programs to familiarize themselves quickly with the Company and its Values and easily assume their duties. The improvements have consisted of adapting the processes so as to integrate new employees and systematizing and computerizing these processes.

In 2015, implementation of a GBS (Global Business Service) will be completed, with the objective of gaining in resource flexibility and adaptability and favoring the globalization of selection and mobility.

Training and developing people

Technological developments and changes in the marketplace pose new challenges for Cepsa's activities and those of its employees. In this context, the Company has placed its stakes on strengthening the qualifications of its employees, offering them the training necessary to adapt to the new operating conditions and to carry out their duties safely, and efficiently.

In 2014, Cepsa invested €6.94 million on various training programs totaling 420,321 hours, in which 86.23% of the workforce took part.

Among the most significant training and development projects were the implementation of the new talent development program based on the 70/20/10 model, an initiative that has

been adapted to the various different levels of the organization. According to this model, people's development comes about 10% through traditional training, 20% from relations with other people at work and the feedback they receive during their career, and 70% from on-the-job experience. The program offers coaching, courses at different schools, working course sessions, etc., adapted to the different profiles and levels in the organization.

The development of a knowledge map for structuring and standardizing training itineraries has been developed through the Campus Project: Corporate Schools. As well as enabling significant savings to be made in resources and effort in the field of training, this project will drive improved design of training activities, gearing them towards the achievement of optimal performance in all professional profiles.

With the aim of sharing the Company's new Values with employees, and in line with the recommendations for improvement identified in the Working Climate and Commitment surveys carried out in 2012, the Company has launched a program of information and promotion of internal relations called 'Leading the New Cepsa', which contributes, among other things, to improving knowledge of Cepsa's various businesses and their objectives.

Lastly, the updating of the general training and language policies to bring them into line with the new Code of Ethics and Conduct was another of the areas in which the Company worked during this past year.

In 2015, Cepsa will continue to work along the same lines, and to advance in adapting to a leadership model based on the Mission, Vision, and Values.



Training delivered in 2014 by subject matter

Subject	Hours of training	% of total
Production	133,802	31.83%
Health and safety	80,821	19.23%
Management	41,886	9.97%
Languages	31,903	7.59%
IT	13,397	3.19%
Human resources	11,159	2.65%
Sales / marketing	10,336	2.46%
Technology	9,316	2.22%
Environment and quality	8,930	2.12%
Exploration	8,316	1.98%
Business management	6,669	1.59%
Administration	6,125	1.46%
Communication	3,788	0.90%
Planning and logistics	3,712	0.88%
Miscellaneous	50,161	11.93%
Total	420,321	100%

Equal opportunities and non-discrimination

Integrity and transparency form part of Cepsa's corporate culture and constitute basic principles in all processes relating to people management.

Within this framework of integrity, Cepsa is committed to ensuring equal opportunities for all its employees. Its certification as a 'Family-Responsible Company', which recognizes its model for managing work-life balance and equality, its adherence to the Diversity Charter (proof of its commitment to diversity, equality and non-discrimination), and its promotion of various flexi-time and telecommuting measures, favor the consolidation of a modern and committed corporate culture and the projection of a corporate image in accordance with this culture.

Women make up one third of our workforce (33.06%), and their share of senior positions of again increased this past year, reaching 17.66%.

In order to continue advancing in this area and in all things relating to the promotion of diversity, in 2014 Cepsa signed the Diversity Charter. This voluntary initiative consists of ten principles, to which companies and public and private organizations and institutions can subscribe in favor of diversity, equality, and non-discrimination, backed by the European Commission, and at the national level by the Ministry of Health, Social Services and Equality. In subscribing to this Charter, the Company reaffirms its commitment to complying with the legislation in force on equal opportunities, and adopts the basic principles in areas such as raising awareness, developing a diverse workforce, promoting social inclusion, and work-life balance.

Talent mobility

Functional and geographical mobility constitutes an opportunity for development and an enriching

experience for our employees. Cepsa promotes this mobility in view of the positive influence it has on the attainment of the objectives of internationalization, leadership, and building a common culture.

In this area, following the policy of international postings and work placements overseas promoted in 2013, the Company has continued working to standardize the conditions and rules applying to professionals working abroad, offering them a complete and competitive expatriate package. Furthermore, through its on-boarding programs, Cepsa ensures that employees taking part in mobility programs are welcomed from the outset and helped to adapt to the new work environment.

In 2014, 432 persons changed jobs in Cepsa, 42 of them moving geographically to perform their duties in new locations.

Performance evaluation and remuneration

Performance evaluation, periodic feedback on the development of functions, and acknowledgment of work well done are some of the main actions carried out by the Company to improve its employees' development, motivation, and skills.

In order to manage these processes, in 2013 Cepsa developed a new evaluation model called MIDE (the Spanish acronym which, as a word, means 'measure'; the letters standing for Integrated Evaluation Model). This model takes account of both professional performance and each person's individual capabilities.

The model enables evaluations to be carried out of the performance and capabilities of each employee, feedback to be received, and objectives to be set jointly with the line supervisors for each year. In this way employees are fully aware of their duties and take part in their plan for individual development within the Company. In 2014 the MIDE was applied to nearly 3,000 employees.



IMPROVED EMPLOYER RATING ON SOCIAL NETWORKS

In 2014, Cepsa was in second position among companies in the energy sector in LinkedIn's Talent Brand Index.

The number of Cepsa followers currently exceeds 40,000 professionals, concentrated in countries such as Spain, Algeria, Peru and Colombia, showing the high degree of interest in Cepsa as an employer in these countries.

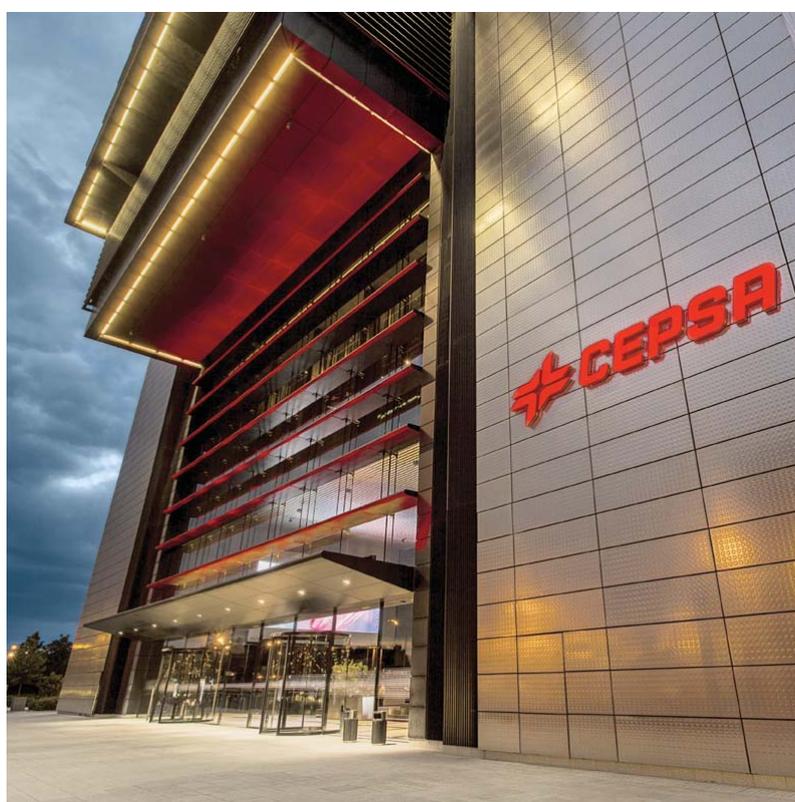


The model consists of two tools for evaluating capabilities: a 360° Evaluation developed for managers and department heads, with the objective of assessing their relevance and strategic impact on the organization, and individual Evaluations carried out by means of an in-house tool, designed for all other employees, by reference to a number of capabilities previously defined in their 'Dictionary of Capabilities'.

In the next few years Cepsa will advance in adapting other evaluation systems existing in the Company to the MIDE, an action that will have an effect on the processes for establishing fixed and variable remuneration, training plans, development, promotion, and mobility plans, and the Company's succession plan.

As regards the latter, Cepsa has embarked upon a process to strengthen its objectives and actions and to have a planned succession chart, updated and in lines with the organization's needs. This project will continue throughout 2015 with the aim of ensuring a portfolio of talent that can take over the future leadership of the Company.

Integrity and transparency form part of Cepsa's culture and basic principles in processes relating to people management.



Employees receiving performance evaluations	Total number of employees	Total number of employees with individual evaluation	Total number of employees with other types of evaluation	Total evaluated	%
Management	736	693	8	701	95.24%
Senior Technicians	1,666	1,509	47	1,556	93.40%
Technicians	1,560	864	354	1,218	78.08%
Specialists	6,260	1,171	1,034	2,211	35.32%
Administration	222	147	17	164	73.87%
Assistants	282	131	-	131	46.45%
Total	10,726	4,515	1,460	5,981	55.76%

Employee satisfaction and commitment

With the aim of ascertaining and evaluating the level of satisfaction of its employees, Cepsa carries out a Working Climate and Commitment survey every two years in all the countries in which it is present.

In 2014 a new edition of this survey was carried out, with 10,854 employees being invited to take part. Through this survey, the Company sought to compare results with those of 2012 to see what had changed, to ascertain the mood and level of commitment of the workforce, and to analyze the opinions of employees in the various different geographical regions and business units and at the various hierarchical levels.

The analysis of the results will be completed in the first few days of 2015, and all employees will be informed of the conclusions. Additionally, they will serve for defining action plans with which to improve the lowest-scoring areas.

Work-life balance and family support

In 2014, Cepsa made significant efforts to move forward in its work-life balance policies.

On the one hand, it started a process for obtaining certification as a 'Family-Responsible Company' (EFR in the Spanish initials) ", which is granted to organizations with a management model that facilitates work-life balance, equality, diversity, and employees' personal development.

It also launched a Plan for Employee Support and Work-Life Balance ('PACE', in the Spanish acronym), an initiative whereby the Company provides its employees with various services of interest in their personal lives, such as legal and financial advice, guidance on physical and emotional health, and free access to a platform for finding domestic assistants.

Also of note was the launch of the 'Flexitime and Telecommuting' program, designed to move away from a culture of physical presence towards a new culture of work by objectives, geared to results and shared responsibility between the organization and its employees. This program will benefit both employees and the Company, since as well as contributing to their personal and professional wellbeing, it will have a positive influence on their motivation and productivity, which in turn will have a favorable effect on such important processes for Cepsa as efficiency improvement, optimization of resources, and attracting and retaining talent.

Also in the field of work-life balance, Cepsa takes part in direct assistance programs such as the Plan Familia, an initiative run by the Adecco Foundation to support the integration of employees' children with any kind of disability. It also has a commitment to the Ministry of Health, Social Services and Equality to carry out actions to raise awareness about domestic violence and abuse.

Respecting workers' rights

Cepsa is committed to the Fundamental Principles and Rights at Work of the International Labor Organization (ILO) and to the Universal Declaration on Human Rights.

The Company ensures that its workers' rights are always protected, guaranteeing freedom of association, the right to join a trade union, and collective bargaining. More than 95% of the workforce are covered by collective bargaining agreements, and 90.5% have union representation.

Cepsa is also absolutely and permanently committed to rejecting any form of forced or compulsory labor, child labor, or discrimination. In order to advance in this field, in 2014 Cepsa approved new Guidelines, which complement its Code of Ethics and Conduct, among them the Guideline on Commitment to Human Rights.

In all cases the Company is committed to acting with integrity and transparency, complying with the legislation in force in all countries in which it operates and in all its activities, and informing its stakeholders of this.



CEPSA VALUES RECOGNITION PROGRAM

In line with the objective of promoting the values of the new Cepsa, in 2014 we launched the Cepsa Values Recognition Program, which consists of identifying and recognizing the employees who best represent these values in their day-to-day work and dealings.

The objective is to foster a corporate culture that incorporates the Company's five values: Safety, Leadership, Sustainability, Continuous Improvement, and Solidarity.

In 2014, twelve employees, from all Cepsa's Units, were recognized in an event called 'Recognition of Cepsa Values'.

HEALTH AND SAFETY

Managing Health and Safety

Cepsa sees safety as an overall policy encompassing people, operations, and products, and accordingly it takes care to ensure that safety is integrated into the activities of all the Company's Business Units.

Commitment to the safety of our employees

The culture of safety, provided in our Policy on Health & Safety at Work, is further developed in the Basic Rules for the Prevention of Risks in the Workplace, involves a commitment to the safety of people and plant and equipment; the analysis of risks, and the management of changes in processes, organization and products; and the participation of all personnel in prevention.

Similarly, Cepsa's Code of Ethics and Conduct indicates that, with the objective of preventing and minimizing hazard and accidents at work, employees must be constantly aware of safety and observe with particular attention the rules relating to health and safety at work as well as those relating to the protection of the environment.

Both these rules and the audits carried out to ensure compliance with them encompass all our activities.

Furthermore, the Company places particular importance on training as a means of improving health and safety performance. In 2014 we delivered 80,821 hours of training on health and safety (more than 19% of total training hours), reaching 68% of the workforce.

*Safety
is one of Cepsa's
five Values.*

Be Safe, Be Cepsa
Actitud Segura, Actitud Cepsa



CEPSA

CHAPTER 13: Our stakeholders Our professionals

Prevention of occupational hazards and operational safety

In line with these commitments, Cepsa carries out several programs to ensure the safety of its employees, its plant and equipment, and the environment.

'Visible leadership and zero tolerance of unsafe acts' is a program aimed at the Company's managers. Its objective is for managers, setting an example for the other employees, to play an active part in implementing the culture of safety in the facilities. The program comprises the following actions:

- Preventive Safety Observations (PSO).
- Checking the effectiveness of safety communication down to operator level.
- Involvement in the granting and/or withdrawal of permits for field work.

- Active involvement in investigating accidents and their causes, and defining and implementing corrective measures.

- Encouraging incident reporting, ensuring that the most serious ones are brought to the surface.

- Regular safety meetings.

In 2014, in order to strengthen the prevention of risks to workers in the industrial facilities, we introduced electronic access control. This tool enables us to improve the control of the documentation provided by service companies which is needed in order to issue the entry permits for their operatives. The objective is to ensure that all workers in Cepsa's industrial facilities are physically fit for the work they are to carry out and have the required experience for it, and that their employers have informed them of the risks associated with their tasks,

so that they carry them out in the best possible conditions.

This past year we also established some 'golden rules' common to all Cepsa's sites so as to ensure safety and good workplace conditions. These rules encapsulate best safety practices and simplify the previous rules, and so facilitating their implementation.

The Company's commitment and dedication to health and safety are reflected in the gradual improvement in the absentee and accident frequency rates. In 2014 there were no serious industrial incidents leading to personal injury or material damage, and at all times the protection of the environment and the health and safety of neighboring communities were assured.



The Company places particular importance on training as a means of improving health and safety performance.



Accident and absentee rates¹ for Company's own employees	2014	2013	2012
Number of lost-time accidents ²	48	56	56
Lost-time accident frequency rate ³	2.40	2.61	2.64
Accident severity rate ⁴	0.15	0.09	0.09
Absentee rate due to common illnesses (%) ⁵	1.56	1.55	1.55
Overall absentee rate (%) ⁶	2.55	2.47	2.53

1. The figures on absenteeism refer to companies based in Spain.

2. Accidents leading to temporary unfitness for work, permanent disability, or death.

3. Number of lost-time accidents per million hours worked (Company personnel).

4. Number of calendar days lost due to accidents per thousand hours worked.

5. Number of hours of absence due to common illnesses as a percentage of theoretical annual working hours.

6. Number of hours of absence due to any reason as a percentage of theoretical annual working hours.

Accident frequency rate	2014	2013	2012
Own personnel and contractors' personnel	1.85	2.00	2.45
Company's own personnel	2.40	2.61	2.64

Accident frequency rate (Company employees) in the business areas	2014	2013	2012
Exploration and production	0.96	0.59	0.55
Refining and marketing	3.04	3.04	2.97
Petrochemicals	1.82	1.30	1.37

In Cepsa we aim to set ourselves apart by offering excellent service adapted to each customer.

Accordingly, we constantly analyze their needs and carry out actions to evaluate and raise their level of satisfaction with the Company and the products and services we sell.

THE CUSTOMER, OUR MAIN OBJECTIVE

Customer satisfaction, continuous improvement in the quality of our products and services, meeting delivery deadlines, and appropriate handling of complaints are the main objectives of our commercial strategy for achieving leadership and excellence in all our businesses.

Effective management of these processes leads to customer satisfaction with the service offered by Cepsa, which in turn is essential for winning their loyalty. Making sure our customers come back is a priority within Cepsa's commercial strategy, with particular relevance in the current economic situation and with shrinking demand. Nearly 50% of the people passing through our service stations every day are loyal customers.

To ensure that we meet our customers' expectations, we believe that before defining and guiding the strategy, it is essential to get to know them; that is, to understand their priorities, the reasons behind their choices, and their needs, bearing in mind that these may change over time. To do so, we carry out actions aimed at finding out their opinions, which enable us to adapt our services and give each customer what he or she is looking for.

The relationship with our customers does not end with the delivery of the product or the provision of the service. In order to attend to their requests for information or complaints, we make a Customer Service area available, which can be accessed from our website. All queries received are analyzed in order to take the necessary measures in each case.

CUSTOMER ORIENTATION AND SATISFACTION

One of our main marketing channels is our network of service stations.

As well as the service stations, we have other channels and points of sale for selling different products and services, such as asphalts, marine and aviation fuels, LPG, large-scale lubricants, fuel oil for residential boilers, electric power, etc.

Cepsa adapts its offering of products and services to the different needs of each customer: residential, self-employed, and companies.

With the objective of improving our knowledge of them and their demands, in 2014 we carried out several actions aimed at hearing their opinions, improving the quality of our customer service, and offering innovative services, by means of alliances with major companies:

- The Voz del Cliente ('Customer's Voice') project has been designed to collect and manage, in an application on Cepsa's intranet, all the concerns and requests received from customers by all the business units in contact with them, so as to obtain an overall view of the most frequent ones and be able to establish actions for improvement and specific solutions. This year the program incorporates a new tool that can be used from a PC, tablet, or cellphone, and which we estimate will lead to more 4,000 queries being resolved in 2015.
- We have worked on a new procedure to carry out customer satisfaction studies for all the businesses, with comparable and strategic indicators for tracing actions for improvement. During 2014 we carried out studies of the asphalts, aviation fuel, LPG and bunker lines, and those on power and distribution are currently under way.
- A new Customer Experience project aimed at studying how the

customers of each business unit interact with the various means they have at their disposal and at analyzing their experience as customers in order to detect the points for improvement and optimize their experience with Cepsa.

- In line with our objective of maximizing customer loyalty, we have established alliances with leading companies in strategic sectors. Línea Directa (insurance subsidiary of Bankinter), Banco Santander, and Opel (GM) were our partners in developing these initiatives in 2014.



Ensuring our customers' loyalty is a priority within Cepsa's commercial strategy.



ALLIANCE WITH OPEL

Cepsa has signed an agreement with Opel to promote the use of LPG as automotive fuel and hybrid technology.

We have agreed to make an investment of €10 million to install LPG pumps in 100 service stations in the main cities of Spain. Opel produces a wide range of hybrid vehicles in Spain, incorporating additional biogas tanks.

WE STRIVE FOR MAXIMUM EFFICIENCY

Customers, with ever more cards in their wallets, seek solutions that make their lives easier. Cepsa was the first operator in Spain to launch its loyalty cards in virtual format accessible from smartphones, valid in practically its whole network of more than 1,500 service stations.

The virtual 'Porque Tu Vuelves' card, or MOBICARD is the same

LPG is an alternative fuel that represents a saving of 40% and emits 90% fewer particles and NOx (nitric oxide and nitrogen dioxide) than diesel. Public administrations, gas operators and vehicle manufacturers are all betting on LPG as one of the alternative fuels that will help improve air quality, and on Spain complying with the European Union's demanding emissions requirements. We estimate that in 2016, 200,000 vehicles will be powered by this fuel in Spain.

as the plastic one, but accessible from the cellphone. Customers can download their MOBICARD from porquetuvuelves.com and from the Cepsa app, and they can even access it easily from Apple's Passbook or Pass Wallet for Android versions.

To provide this service, the Company had to apply several specific developments on its digital platforms as well as technological adaptations at the points of sale.



In order to achieve excellent customer service, it is essential for employees to be involved and share the same objectives. For this, we organize contests and incentive programs, such as those we carried out in 2014:

- **The Innovative Ideas Challenge** is a competition in which employees of the service stations propose the best practices they have applied in their points of sale as ideas for extending to the rest of the Cepsa network. The winning ideas are communicated to the rest of the stations in the network to subsequently be implemented. In 2014 more than 200 ideas were shared, relating to safety at the facilities, protection of the environment, the improvement of processes in the shops, the sale of fuel, etc.
- We also run the **RedTeam** incentive program, the objective of which is to motivate and generate sales attitudes, rewarding participants who demonstrate involvement. The levers of the program are two-way communication between Cepsa and the stations, and sales campaigns that make the program dynamic and generate positive attitudes among participants. With this initiative we also strengthen their feeling of belonging to the Company.

All the actions for improvement and the ideas implemented in the service stations of the Cepsa network are periodically disseminated among customers by means of the magazine 'Redacción', distributed directly at our points of sale.

For 2015 several actions are planned, which will help us to continue improving in our objective of boosting customer loyalty:

- **Coaching at the point of sale.** With the purpose of improving the results at the point of sale by 10%, we have established a personalized training course tailored to employees of the service stations, focusing on improvement

in customer relations. A pilot trial will be carried out in 32 stations.

- **Quality and skills at the service stations.** Using a team of "mystery customers", we will analyze the best practices in Cepsa's service stations and others under its control with the ultimate objective of evaluating the quality of service provided and establishing actions for improvement. We expect to analyze a total of 1,800 points of sale.
- **The 2015 restrooms campaign** seeks to involve all those concerned with maintenance (Cepsa employees and end-customer) with the objective of offering quality, clean and well-maintained facilities. As part of the campaign, a ranking of 1,250 stations will be produced, and the 400 with the best scores in each quarter will be rewarded.

COMMITMENT TO QUALITY

In 2014 we launched the IMAS quality measurement system. This system enables us to evaluate the quality of service in the service stations of Cepsa's network in Spain, in areas relating to safety, environment, customer service, and quality of facilities. The objective of the program is to detect incidents by means of visits carried out by experts, who can then identify areas for improvement and schedule actions, so that we succeed in standardizing the quality of customer service throughout our network. In 2014 more than 5,200 visits were carried out and some 7,720 corrective actions proposed. This program will continue during 2015.

SAFETY IN PRODUCTS AND SERVICES

Providing the resources and means required to ensure safety, protection of health, and care of the environment are key aspects in dealing with the chemical products that we manufacture in Cepsa. We promote Product Stewardship throughout

their life cycle, ensuring ethical and responsible handling.

We evaluate the physical-chemical dangers and classify the service stations according to their environmental risk. In the event that any stain or spillage is detected, the facility is immediately decontaminated.

We also evaluate the risks associated with new substances or applications, and all product information is made available to customers: its distribution, the relevant legislation in force, and instructions for safe use.

Product stewardship and REACH

There are currently growing concerns about the effects of chemical products on health, safety, and the environment. These concerns have led to increasingly strict legislation establishing various specifications for the composition, handling, storage, and labeling of products, added to which there are sometimes particular customer requirements.

To make sure that its chemical products comply with these specifications, Cepsa promotes Product Stewardship, a responsible way of managing products which ensures protection of health, safety, quality, and respect for the environment. The scope of the Stewardship comprises the product's entire life cycle, and is applied from the research and development phase through to the subsequent phases of manufacturing, marketing, distribution, use, recycling, right through to final elimination. Accordingly, it works with all the links in the supply chain in order to make sure that the manufacture, distribution and use of the products are carried out efficiently, safely, and in a manner that is respectful of the environment. It also collaborates with members of various associations such as CONCAWE, CEFIC, and FEIQUE, to develop this ambitious program and to provide concerned parties with all the available information to ensure safe use of its products.

Cepsa carried out various actions in 2014 to advance in optimizing communication and information about products. It updated the contents of the Product Stewardship section of its intranet, made various improvements to the system for automatically sending Safety Factsheets to customers, and also made public a link for viewing and downloading these Factsheets directly. Cepsa issues safety factsheets for practically its entire range of products, even though legally this is mandatory only for products classified as hazardous.

Moreover, in order to speed up, systematize, and personalize all the queries that the Product Stewardship area has to attend to, we have developed, together with the Information Systems Unit, a platform with this function, which will be operational on Cepsa's intranet at the beginning of 2015.

We also plan to set up a 24/7 toxicology hotline on all Safety Factsheets for Cepsa products, attended by toxicologists in 40 different languages. Thanks to these new tools, we will succeed in giving individualized attention to all customers/users of our products at both a national and international level.

Therefore, we are incorporating criteria of sustainability and life cycle analysis (LCA) in the development of new mineral and bio products with the objective of comparing the environmental effects associated with the manufacture of the products from the two sources and, once they have been identified, reducing them as effectively as possible.

Cepsa makes sure that all its products comply with applicable laws and regulations. Chemicals manufactured, imported, or sold in quantities of over one metric ton are registered under the European regulations on chemical substances (REACH) so as to be able to assess the risks and determine the impact they may have on people's health

We have introduced the 'IMAS' system, which allows us to evaluate the quality of our customer attention at our service stations.

and safety and on the environment. As of 2014 Cepsa had a total of 163 products registered.

In 2015, the Company will intensify specific training in the areas involved in health and safety, and more specifically in handling products, informing the personnel involved in the supply chain of the current regulatory framework.

Classification and labeling of products

The United Nations Globally Harmonized System (GHS) aims to standardize all information relating to the danger posed by certain chemicals. By means of Regulation (EC) No. 1272/2008 on Classification, Labeling and Packaging (CLP), the EU established a framework for classifying, labeling and packaging these chemical products. Cepsa complies with this legislation, and this has favored the internationalization of our products.

Although this regulation applies only to chemical substances, from 2015 it will also cover mixtures, which is why Cepsa is already moving ahead with its classification and labeling, including the following information on its Safety Factsheets and labels: classes and categories of hazard, warnings, hazard indications, and cautionary advice.

COMMERCIAL COMMUNICATIONS AND DATA PROTECTION

As a member of the Association for the Self-regulation of Commercial Communication (Autocontrol), Cepsa undertakes to conduct its commercial communications responsibly and to contribute to the strengthening of advertising self-regulation as a way of safeguarding the rights of consumers and competitors.

Cepsa also forms part of Confianza ('Trust'), an integrated system of self-regulation for interactive advertising and e-commerce with consumers, organized by FECEMD (Federación de Comercio Electrónico y Marketing Directo or 'Federation of Electronic Commerce and Direct Marketing Federation'), AECE (Asociación Española de Comercio Electrónico or 'Spanish Association for Electronic Commerce'), Autocontrol, and the AEA (Asociación Española de Anunciantes or Spanish Advertisers' Association).

As regards the protection of personal data of customers, suppliers, employees, and candidates, at Cepsa we comply with the levels of security legally required for the protection of data of a personal nature, and have installed all the technical means available to us to avoid the loss, misuse, alteration, unauthorized access or theft of the personal data provided to us.

CHAPTER 13: Our stakeholders Our suppliers

With the approval of the Operational Purchasing Manual in 2014, Cepsa has standardized the purchasing function throughout the Company, strengthening communication with suppliers, transparency in selection and recruitment processes, and responsible management of the supply chain.

At Cepsa we have the objective of improving communication with our suppliers, creating a framework of trust and seeking to develop long-term relationships. Furthermore, we work to improve transparency in the processes of selection and recruitment, and to promote responsible management of our supply chain.

In line with these objectives, in 2013 we approved our Purchasing and Contracting Policy, which constitutes the framework of action and reference for the whole Company. In 2014, in fulfillment of the commitments made in our Policy, we developed the Operational Purchasing Manual.

This manual establishes a single system for selecting suppliers and procurement in Cepsa. As well as the procedures for guiding these actions, it includes a Purchasing Code of Ethics, the function of which is to establish the general principles by which anyone responsible for the purchasing function must be guided. It also establishes the guidelines to be followed by employees involved in these processes in their dealings with in-house suppliers and customers so as to ensure compliance with Cepsa's Code of Ethics and Conduct and its Policies.

Also in 2014 we approved the Supplier Code of Ethics, with a view to sharing Cepsa's values and ethical principles with them.

At present we are distributing the new Codes among the Company's purchasing employees and our suppliers, to make sure that they all accept and share them.



Transactions with suppliers in respect of expenses recognized in the corporate results

(millions of euros)	2014	2013	2012
Procurement	19,463	21,365	22,599
Transport and freight	329	335	319
Work, supplies and external services	1,665	1,503	1,524
Environmental expenses ¹	6	14	14
Other operating expenses	195	123	142
Financial costs ²	50	17	17
Total	21,709	23,357	24,615

¹ The decrease in allocations relative to 2013 is due to the fact that the needs of several Group companies had already been covered.

² Financial costs of net borrowings, i.e. not including financial income and expenses of an operating nature.

Transactions with suppliers in respect of capital expenditure

(millions of euros)	2014	2013	2012
Exploration and Production	2,643	386	247
Refining and Marketing	238	187	371
Petrochemicals	265	184	86
Technology, Gas and Cogeneration	28	159	23
Corporation	32	11	7
Total	3,206	926	734

Cepsa establishes strategic alliances with suppliers in order to build long-term collaborative models.

MANAGING SUPPLIERS

Given the size of our portfolio of suppliers, in order to ensure maximum objectivity in the selection and optimal quality in the services contracted, it is essential to establish standardized selection processes favoring equal opportunities and free competition. Therefore, our priorities in managing purchases are based on three fundamental pillars:

- Simplification of processes and control, extending the supplier selection and procurement system incorporated in the Operational Purchasing Manual throughout the Company.
- The quest for effectiveness in the purchasing function through planning, saving, and the use of tools to ensure transparent processes that are identical throughout the group, promoting free competition and focusing in added value when making purchasing decisions.
- Satisfaction of all the players involved in the purchasing processes, both the in-house customer and the suppliers, by improving communication and measuring performance.

The Operational Purchasing Manual helps implement the three pillars through the procedures, policies, and codes that it contains, establishing in the process of taking decisions that have to be evaluated, both economic and technical aspects, compliance with legislation in force, and performance on previous contracts.

To help with decision taking, the Manual includes a section in which suppliers are classified into four groups, in accordance with criteria of economic risk and the criticality of their supplies and services. This also enables us to develop specific actions for improvement and monitoring for each group, and to minimize the risks associated with the supply chain.

The Operational Purchasing Manual also includes a Guide to Supplier Relations, which establishes the principles necessary for handling communication with this group. Also, in 2014 we conducted supplier surveys in Spain and Peru, obtaining positive results, notably their perception of our predisposition to collaborate and build long-term relationships.

With the aim of enabling our suppliers to send us their complaints,

report any irregular actions or express any concerns, Cepsa has an ethics communication channel on its website. Also, with the aim of favoring communication and dialog, we have made a mailbox available for our suppliers to make any suggestions (*development.suppliers@cepsa.com*).

Cepsa forms strategic alliances in the field of purchasing with major suppliers in order to build long-term collaborative models, with continuous improvement and transparent, frequent negotiations being the main lines of action. In 2014 we worked on defining the methodology, which found expression in a set of procedures and tools incorporated into the Operational Purchasing Manual. A total of 15 strategic alliances were established during the year. Some of them included principles of corporate responsibility, such as the two alliances with Special Employment Centers in which we have incorporated these principles into our recruitment processes with the aim of contributing to the integration of persons with disabilities into the labor market.

PURCHASING AND PROCUREMENT

In 2014 we carried out other initiatives to strengthen the guidelines of the Operational Purchasing Manual. One of the most notable is the new Supplier Sourcing and Management platform, Cepsa Sourcing and Suppliers C2S, through which all public tender processes and auctions will be handled. The platform offers purchasing managers the information necessary for the decision making process: supplier status and performance in both economic and technical terms, performance on previous contracts, and corporate responsibility and risk criteria. The objective for 2015 is to expand the content of the platform for subsequent implementation in all the geographical regions in which Cepsa operates, and to advance in integrating all the information with the rest of the applications: SAP MM and SRM.

In order to inform purchasing employees of Cepsa's strategy and objectives and those of the function, we held the first Purchasing Work Days. On these days we informed them of the challenges facing both the Company and the function, we presented the new Operational Manual, and we laid down the lines of action through to year-end.

Evolution of purchasing and local suppliers in Spain

Cepsa carries out the major part of its activity in Spain, 69% of the suppliers which it used in 2014 being Spanish, representing 65% of total purchasing expenditure; Cepsa favors local suppliers where possible in order to contribute to the development of the areas in which it operates.

In line with its process of internationalization and the strategic plan, Cepsa has also applied this commitment to the other countries in which it operates. Cepsa currently has suppliers in Algeria, Canada, Portugal, Colombia, Peru, Brazil, China, and Thailand.

By procuring from local suppliers, Cepsa contributes value to the communities in which it operates, fostering local capabilities and contributing to the development of the local economy. In 2014 approximately 40% of contracting was from local suppliers who are locally established.

	2014	2013	2012
Purchases made in Spain* (millions of euros)	741.45	579.06	530.82
% of total purchases made in Spain	65%	75%	69%

* Not including purchases of crude oil, raw materials, or petroleum derivatives.



SUPPLIER DAY

In March 2014 we held a 'Supplier Day' in Spain; in Colombia and Peru it took place in May. During this session, which brought Cepsa's purchasing employees together with external suppliers,

we explained Cepsa's mission and values, the Company's main milestones of the year, its overall transformation and specifically the changes relating to the purchasing function and its processes. We informed them of the results of the supplier satisfaction surveys and presented the functions of the unit responsible for supplier development, strategic alliances and evaluation processes.





We are keenly aware of the social dimension of our projects, and therefore seek to integrate them with the communities in which they are carried out. We maintain a constant dialog with them, identifying and managing the potential impacts of our activity and promoting social initiatives to contribute to the development of the area.

COMMUNITY RELATIONS

Cepsa carries out its activities in a range of different environments, with which it interacts and on which it may have social, economic or environmental effects. To manage this interaction and ensure the creation of value in the short, medium and long term, it is essential to build relations based on collaboration and mutual benefit with the communities living in these areas.

This integration with the community improves the viability of our projects. Therefore, from the very first phase of these projects, we use all the resources within our reach to build relationships based on trust that benefit both parties.

The Company has specific policies for managing these relations with its environment. One of the most important of these consists of holding continuous dialog with the communities in order to identify their concerns and endeavor to satisfy their needs by means of patronage, corporate volunteer work, charitable sponsorship, and collaboration in social projects.

In this way Cepsa contributes to improving the quality of life of the communities in which it operates, by carrying out activities aligned with its business strategy.

IDENTIFYING AND MANAGING IMPACTS

Acting responsibly is of prime importance to the Company, and so the first step in these situations is to identify and evaluate the potential impact of our activities so that we can plan how to manage them effectively. In this context of impact evaluation and management, we apply at all times the rules established in our Code of Ethics and Conduct, taking account of the particular context so as to adapt to the circumstances of each case and the different groups involved.

Taking stakeholders' views into consideration is also essential for guiding the actions to be taken. For this, we have tools enabling us to establish this dialog, as well as policies and procedures for identifying, preventing and administering possible impacts on the environment. The environmental and social impact studies are fundamental items in these processes.

In this regard, before embarking on a project, the Company identifies

the stakeholder groups involved and carries out initial tests to define sensitive areas in the social, legal and environmental areas. Similarly, the needs of the communities living near the facilities are identified and assessed, to identify where we can contribute to meeting them.

As regards to our existing facilities, they are in areas close to urban settlements, so the Company maintains close relations with neighboring communities and has well-established and appropriate channels of communication, among which we would highlight:

- Participation in community committees for dealing with matters relating to industrial and occupational safety, environmental protection, corporate responsibility and communities.
- Holding open house days to bring our production centers closer to society.
- Carrying out public consultations for the approval of specific projects.



CEPSA PROMOTES THE DEVELOPMENT OF THE COMMUNITIES OF PUERTO GAITÁN

Through the Caracara Association, established by Cepsa and Ecopetrol, Cepsa is collaborating on the third phase of the 'Productive Projects' of four villages in Puerto Gaitán, Colombia, one of the areas where it has exploration and production projects.

The support consists of helping the inhabitants of these villages to develop productive activities or small businesses, with the aim of making the profits and the culture of work that they will generate form the basis for the social and productive transformation of these communities.

Some of the projects carried out consist of activities such as the establishment of cultivated plots of land or poultry pens, or the sale of ready meals. The villages participating in this phase were Santa Bárbara, Guasipati, Nuevas Fundaciones, and Alto Neblinas.

SOCIAL ACTION

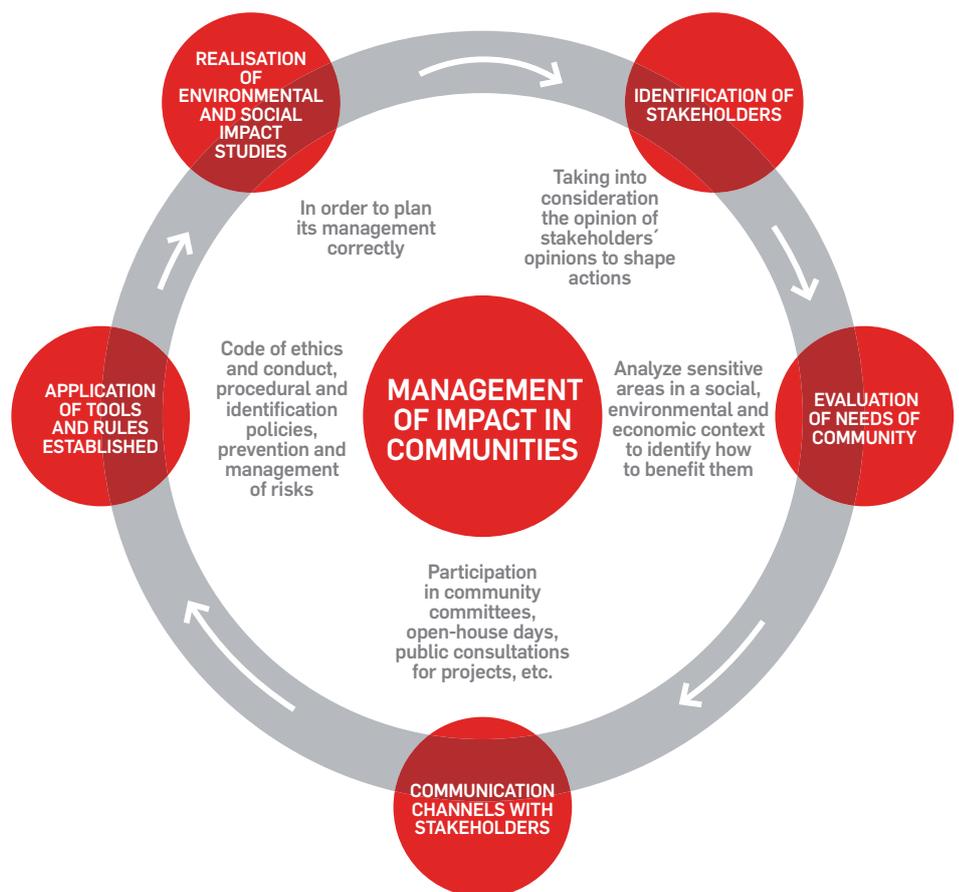
To strengthen its social commitment, Cepsa invests in activities designed to attend to the needs and concerns of the communities in which it operates, and always with the greatest respect for the environment. These activities, which fall within the social action framework, must address the problems identified in the countries in which we operate and must, in turn, be aligned with the Company's values, while at the same time seeking to involve our employees.

Aid is granted by means of various patronage actions, corporate volunteer work, charitable sponsorship, and donations to social projects, via four specific lines of action:

- Fostering the development of communities.
- Promoting culture and education.
- Promotion of sports.
- Raising environmental awareness

One of the main investments the Company makes in its social actions is organizing corporate volunteer programs as a way of contributing to improving the social landscape where it operates, reducing social inequality, and fostering the value of solidarity among our employees. In 2014, more than 400 Cepsa employees took part in various corporate volunteer activities such as caring for the environment and sporting tournaments and activities aimed at integrating persons with disabilities, and support days for different groups at risk of marginalization.

In our relations with communities we use all the resources within our reach to build relationships based on trust that benefit both parties.



Investments in social action in 2014

(Thousands of euros)	2014
Development in the community	3,688
Promoting culture and education.	862
Promotion of sports	375
Raising environmental awareness.	432
Social orientation services*	420
Total	5,778

*Cepsa considers its employees as one of its stakeholder groups in the communities in which it operates.

INITIATIVES IN SUPPORT OF COMMUNITY DEVELOPMENT

In Cepsa we are committed to improving the quality of life of the communities with which we interact, and for this reason we support projects aimed at helping the most underprivileged groups. To do so, we entrust our aid to non-governmental organizations, public administrations or humanitarian aid associations promoting actions in the field of health and social wellbeing. The aid usually takes the form of direct financing by means of corporate and employee donations, with subsequent monitoring of the projects.

Notable initiatives carried out in 2014 included:

SEVERAL REGIONS

Cepsa Awards for Social Value 2014.

For ten years now these awards have been our way of recognizing and encouraging social initiatives that contribute to improving the quality of life of the most disadvantaged groups in society. Proposals are presented by the Company's employees as 'sponsors of solidarity'. In the 2014 edition, Cepsa supported a total of 24 associations in Spain, Portugal, and Colombia, contributing financially to the winning social projects.

CANADA

Every year Cepsa in Canada organizes activities to collect funds for various organizations dedicated to the development of local communities. In 2014 we organized markets, sports days and tournaments, donations, events, etc. with the participation of employees.

In 2014 the funds raised were used to benefit the following organizations:

Bécancour (Québec)

- United Way, a charitable organization whose mission is to improve the life of the most underprivileged groups and to build communities by mobilizing people and resources.
- *Opération Enfant Soleil* is an NGO that raises funds to promote the development of pediatrics and to subsidize social intervention projects in support of children in Quebec.
- The Heart and Stroke Foundation is an organization for supporting people who have had heart attacks or strokes and their families.

Montreal

- *l'Antre-Jeunes de Mercier-Est* is an organization providing assistance (meals, assistance, and activities) to the most underprivileged and organizes activities for homeless children.
- The *Pointe-de-l'Île* foundation, whose objective is to prevent children dropping out of school, financing breakfast for children in socially vulnerable situations.
- *Action secours - Vie d'Espoir*, for the organization of services such as community kitchens and the sale of fresh food at low prices, and to Maison Dalauze, which provides refuge to abused women.
- *Alzheimer and Cancer Societies*, to collaborate on research into these diseases.
- The *Marie-Ève* foundation, to help people with disabilities go bowling for a day.

PORTUGAL

- In Portugal we collaborate with the '*Sempre Mulher*' race held in support of the Portuguese Association for the Support of Women with Breast Cancer.

- Cepsa also sponsors the marathon of the Portuguese Association of Families and Friends of people with Alzheimer's, held on World Alzheimer's Day.
- Setting up collection points in the service stations to raise funds for a number of Portuguese solidarity associations.

THAILAND

- Financing of an ambulance and medical equipment for the hospital of Ranod. For this project, Cepsa received a medal in recognition from H.R.H. Princess Sirindhorn.
- Cepsa grants scholarships to underprivileged young people in four districts. In 2014 we granted 145 primary education scholarships, 25 secondary, and 13 higher education. We also granted scholarships to students of the Prince of Songkhla University.
- Collaboration with primary and secondary schools in Songkhla by holding a drawing competition, the winners of which received scholarships.

BRAZIL

- In Brazil we collaborate with a program for the collection of waste to raise funds for social actions through the campaign called 'Green Check'. In 2014 three NGOs were beneficiaries: the Association for Assistance to the Elderly, Community Nursery, Señora Santana (help for underprivileged children) and CRERA (help for drug addicts).

SPAIN

Madrid

- Participation in the Fourth Corporate Volunteer Work Week, the Spanish edition of 'Give & Gain Day', an international initiative that takes place simultaneously in 20 countries and in which the Company took part for the second year. On this occasion

30 children aged between 9 and 14 at risk of social exclusion enjoyed a visit to Safari Madrid, accompanied by 20 volunteers.

- Support for the awareness raising campaign 'There's a way out of domestic violence', promoted by the Ministry of Health, Social Services and Equality, performing an essential role as agents of social change, carrying out numerous actions aimed at raising awareness among employees, customers, and suppliers. An example of this was the first Race against Domestic Violence, which took place in Madrid's Retiro Park.

San Roque (Cádiz)

- Financing of the Memory Workshops held by the Asansull Association at the San Roque Town Hall, aimed at stimulating all the cognitive areas as a way of keeping the elderly active and alert for longer.
- Cepsa supports the 'Family Schools' project aimed at equipping and supporting parents in performing their educational role and providing their children with a safe, protective environment. In 2014 this action received the Andalusia Award for the Promotion of Children's Rights to Local Public Initiatives, awarded by the Council for Equality, Health, and Social Policies of the Regional Government of Andalusia.
- Financing of the Golf Tournament adapted for people with disabilities, held by the Punta Europa Occupational Center, the Asansull Association and FEGADI (Cadiz Federation of Persons with Physical and Organic Disabilities).

Huelva

- Collaboration with Huelva City Hall on financing a project to prepare a 3,800 square meter space in the Moret Park as leisure and therapeutic vegetable patches for people with disabilities.

- Study carried out with the University of Huelva through the Cepsa scholarship, on the effect of art therapy on elderly people suffering from senile dementia, Alzheimer's disease, or depression.

Canary Islands

- 'The Canary Islands drives safely' road safety awareness-raising campaign, by means of workshops in schools and institutes on all the islands and courses in various companies.
- Cepsa organized an activity called 'Sponsor a duck', which consisted of floating 3,000 rubber ducks in the water monument of Plaza de España in Santa Cruz de Tenerife. The funds raised were allocated to the Red Cross project for the care of children in hospital.
- Organization, in collaboration with the Spanish Association against Cancer, of a Solidarity Book Fair and a golf tournament at the Real Club de Golf de Las Palmas de Gran Canaria to raise funds for research.

PERU

- Construction and installation of public water storage in the poorest rural villages of the Peruvian jungle, where the drinking water supply is non-existent.
- Improvement of the road network in the Ucayali basin area where we operate the Los Ángeles well. The collaboration included the rehabilitation of three bridges and the delivery of materials to the State to pave 11 kilometers of the Fernando Belaúnde Terry highway. We also donated fuel for the municipal machinery that is improving the rural roads in the area.

KENYA

- Collaboration in various projects relating to the supply of water to communities in the area in which we operate:

Construction of a small reservoir to supply the population and their livestock.

Construction of three water wells in Nasinyonyo, Nanaam, and Naimoit.

Repair of two wells in the communities of Kalapsuk and Kapatidiea.

Supply to communities affected by drought by means of tanker trucks.

COLOMBIA

- In 2014 we carried out the following projects in **Puerto Gaitán (Meta Department)**, a community close to the Caracara block:

Donation of furniture and educational materials to the municipal library and to community centers.

Program to strengthen customer service by local suppliers, with the support of the National Learning Service (SENA).

Adaptation of the facilities of the Playa Rica children's playground and installation of 20 solar plants in Alto Manacacias (Meta Department) in homes with no access to electricity.

Logistical support at the Sixth Altillanura (high plains) Forum, which analyzed the strategic development paths for agribusiness in Colombia.

- In **Casanare**, we carried out the following actions:

Collaboration with the Community Credit Funds, whose objective is to provide credit services to promote the generation of competitive and self-sustainable entrepreneurial capacity.

In collaboration with the Corazul Corporation, we support various

projects of the Social Action Office in the fields of health, education, promotion of sports, women's awareness-raising programs, etc.

PROMOTION OF DONATION ACTIONS

Cepsa promotes various donation campaigns and fund-raising events among its employees, with a view to raising awareness among its workforce of the social needs of the most vulnerable groups in the societies in which they live and work. Among others, we organized donations of food, toys, books, clothes, etc. in Spain, Portugal, and Canada.

INITIATIVES TO PROMOTE CULTURE AND EDUCATION

The development of culture and education in its zones of influence is also a matter of priority for Cepsa. The Company supports initiatives aimed at training and cultural development, starting from the very young through to university students and also supporting initiatives to encourage older people to keep their cognitive capabilities active.

By organizing forums, seminars, visits and talks, granting scholarships, awards and research grants, and supporting cultural projects of various kinds, Cepsa contributes to conserving cultural identity and to promoting education in the communities where it is present. In 2014 we carried out various projects:

PORTUGAL

- Collaboration with the Portuguese Youth Symphonic Orchestra for its year-end concert. We also invited 20 young people from the Aldeias SOS, an organization dedicated to the integration and development of young people in a situation of vulnerability.
- Collaboration with the Associação Flamenco Atlântico for the promotion of the art of flamenco, by organizing exhibitions, concerts and lectures on this genre.

CANADA

Bécancour (Québec)

- Financing of the NGO Diffusion Plein Sud, the objective of which is to help preserve the country's historical heritage and that of the Musée des Religions du Monde, which promotes knowledge of the history of different religions.

Montreal

- Financial support to the organization Amis de la culture de la Pointe in promoting cultural activities.
- Organization of Observation Day, an open house day for students interested in the company, as an encouragement to complete their studies.

BRAZIL

- Cepsa collaborates with the Programa de Incentivo à Educação (PIE, educational incentive program), the objective of which is to contribute to the training of the teachers and students of Camaçari and Dias d'Ávila public schools. In 2014, 116 schools, 691 teachers, 5,113 students, and 2,352 civil servants took part.
- Participation in the Construindo o Futuro (Building the Future) program, an initiative aimed at providing students with information on technical careers and strengthening the ties of companies in the Camaçari Industrial Estate with schools and the community. In 2014, 12 companies, 12 schools, and 825 students took part.

THAILAND

- Cepsa took part in the traditional Elderly Day ceremony at Songkran, the old Thai New Year, in which a little water is gently poured on old people as a mark of respect and blessing.
- Collaboration in the construction of a funeral pavilion for the mainly Buddhist and Muslim coastal community.

- With the objective of promoting cultural and religious heritage among young people, Cepsa collaborates with local governmental organizations, schools, and temples in Ranod, Sathing Phra, and Singhanakorn Districts, in the Buddhist Lent Day and 'Practice the Dharma at the temple overnight' projects.

ALGERIA

- Collaboration with the Spanish embassy and the Cervantes Institute in Algiers on sponsorship of various cultural activities. A particular highlight was the concert given by Spain's Casa Mediterráneo Ensemble as part of the Algiers International Cultural Festival of Symphonic Music.

PERU

- Contribution of textile material to the Cacataibo tribe's clothes-making project, as part of the Promotion of Ethnic Culture initiative, the objective of which is to preserve the ethnic identity of Peru's indigenous peoples. This project was carried out in collaboration with FENACOCA, (Federación Nativa de Comunidades Cacataibo or 'Native Federation of Cacataibo Communities').

SPAIN

In Spain, Cepsa supports numerous projects in support of education and culture, the arts, music, and gastronomy, sponsoring various local cultural events in all its areas of influence. In 2014 the following stood out among them.

Madrid

- With the objective of disseminating the national artistic heritage, Cepsa acquired the status of 'Corporate Friend of the Prado Museum' by means of an annual financial contribution towards the promotion, support, and development of cultural, educational and other kinds of actions related to the activity of the Prado Museum.

San Roque (Cádiz Province)

- Educational sessions for schoolchildren at the Carteia archaeological site, with the aim of promoting knowledge of the cultural heritage among the youngest members of society. In 2014, 375 students from several San Roque schools took part.
- Collaboration with the Campo de Gibraltar UNED (Distance University), whereby Cepsa finances the 'UNED and the Word' season of lectures by well-known speakers from various disciplines and grants scholarships (the 'UNED Awards') for the best students to take a master's degree course of their choice.

Huelva

- Cuadernos de la Energía ('Energy Notebooks') is a training program on the petroleum value chain aimed at schools and institutes in the province of Huelva. It is delivered via an online platform, a day at the facilities, and a competition in which students present a project on one of the aspects dealt with.
- In relation with the promotion of cultural heritage, Cepsa financed the publication of a book called *A través del cristal* ('Through the Glass'), a collection of stereoscopic photographs donated by the Palos de la Frontera Town Hall to the Regional Government of Andalusia in 2009 and now restored and published by Cepsa. Cepsa also collaborated with the Regional Department of Education, Culture and Sports on a project to restore five works of art in the Huelva Museum.
- Agreement with the Andalusia Regional Ministry for the Environment and Zoning on spreading knowledge of the natural and archaeological heritage of the Marismas del Odiel natural marshlands, declared a UNESCO Biosphere Reserve. A total of 19 visits were made to the Saltés archaeological site during 2014, two of them with Cepsa employees.

Canary Islands

- *Sumérgete en Santa Cruz* ('Immerse yourself in Santa Cruz') is a project created and driven by Cepsa as a contribution to embellishing the city by means of four large murals at various points in the city.
- Collaboration with the fifth edition of *Cine+Food*, an event that brings together film and gastronomy in Las Palmas de Gran Canaria.
- Agreement with ENIC, the Canary Islands Business School, on granting 'Cepsa Scholarships' to promote training on the shipping business and port management, which are potential sources of employment in the Islands.
- We sponsor the project organized by FEMETE, the Tenerife Provincial Federation of Metal and New Technologies Entrepreneurs, to train unemployed people and offer them jobs in the field of manufacturing and erection of metal structures, by providing personal protective equipment.
- Loan of the triptych of 'Nava y Grimón', a famous Flemish painting, to the Municipal Museum of Fine Arts of Santa Cruz de Tenerife as a centerpiece of its permanent collection and for temporary exhibitions.

CEPSA SCHOLARSHIPS

The Cepsa Scholarships continue to perform their work of promoting educational and research activities in universities and other academic institutions. In 2014 we carried out several activities under our four scholarships:

- The main objective of the **Cepsa Scholarship at the Higher Technical School of Engineering (ETSI) of the University of Seville** is to support educational activities and technical studies relating to the improvement of the environmental quality

and sustainability of production processes and the use of petroleum products. For the third consecutive year we held the Petroleum Refining Course, delivered entirely by technical personnel from the Gibraltar-San Roque and La Rábida refineries and Cepsa's Research Center. As in previous years, competitive examinations were held for summer intern scholarships at our refineries, we took part in the 'ESIEM' sessions on Engineering and Employment held by ETSI, the Higher Technical School of Engineering of the University of Seville, and we granted awards for the best final-year projects in the fields of petroleum refining and petrochemicals.

- The activity of the **Cepsa Scholarship at the University of Cadiz (UCA)** in 2014 centered on the collaboration of employees from the Gibraltar-San Roque refinery with postgraduates of the university, help in designing the content of subject matter for their classes, and granting scholarships for students to gain practical work experience in our facilities. Through this Scholarship, Cepsa also collaborates with several research groups and final-year projects. The Company also held a competition for the '2014 Cepsa Scholarship Innovation Award' for studies or projects on subjects relating to energy, petroleum, or the environment; it collaborated on setting up the Technology Campus Foundation's Scientific Advisory Council; and it acted as intermediary for various courses and events held at UCA.
- The **Cepsa Scholarship at the University of Huelva (UHU)** has centered on two actions. The first consists of fostering the development of environmental research, industry, and management, and support for various technical and social research projects. Some examples are the innovative technical developments for implementing inferential controls; the application of ultrasonic technology for improving the performance of effluent treatment

plants, and procedures for bringing about the catalytic oxidation of benzene to phenol. The second consists of incentivizing talent and developing skills by means of the 'Students 10C Awards' and 'Sapere Aude Awards' presented to students with outstanding overall knowledge and research capabilities. Other actions were also carried out, such as practical sessions, research programs and series of lectures on various subjects.

- The activities of the **Cepsa Scholarship in the School of Civil Engineering of the Universidad Politécnica de Madrid (UPM)** are designed for final year students, recent graduates, and teachers wishing to complement their training. During 2014 we continued to hold courses and seminars, offering scholarships and research grants to students and teachers respectively. Particular attention was given to publicizing the scholarships that Cepsa offers for Master's programs at IFP School, Paris, France, and the Institute of Petroleum Engineering (IPE) of the Heriot-Watt University, Edinburgh, Scotland. Free technical English classes were offered to the oil and gas sector; seminars were held on the applications of lubricants, seismic exploration, and the use of IT tools for oil and gas detection, etc.; and prizes were awarded for the most outstanding final-year projects.

PROMOTING SPORT

Cepsa believes that sport is a means for promoting values such as effort, teamwork, solidarity and fair play. It therefore supports activities designed to promote sports by supporting and sponsoring clubs and tournaments, helping with the construction of sports facilities, and the restoration of recreational areas, and holding events of various kinds in our areas of influence and in local communities.

The following are some of the more noteworthy initiatives for the promotion of sports carried out in 2014:

CANADA

Bécancour (Québec)

- Sponsorship of the second edition of the Gently River Park Challenge, consisting of a triathlon featuring cycling, mountain running, and kayaking, with the participation of Cepsa employees.
- Cepsa Bécancour also sponsored a canoe pair in the 81st edition of the Classique Internationale de Canots de la Mauricie, which takes place on the St. Maurice River.

Montreal

- Collaboration with the Montreal East Bantam Hockey Tournament (ice hockey for under-fifteens), helping to finance players' equipment.

SPAIN

San Roque (Cádiz Province)

- Cepsa granted scholarships for 20 children to attend the Football Campus run by Adolfo Aldana, a former Real Madrid, Deportivo de La Coruña and Spanish international footballer from San Roque, and promoted schools in San Roque.

Huelva

- Collaboration with the sixteenth Cepsa-Palos half-marathon and the Cepsa-Moguer cycling tour route, in which each cyclist donates the registration fee to a local NGO.
- We held the seventh Cepsa football tournament for five-to eight-year-olds, which we see as an opportunity for education in values. Also, every player and every spectator attending the event contributed a kilogram of food to the Huelva Food Bank.

Canary Islands

- We sponsor the Santa Cruz Basketball Club and League, the

Mini-basketball Campus held at Easter to teach children basketball in ten local schools, and the children's football school Real Unión de Tenerife, where hundreds of children and teenagers learn a sporting discipline and the values associated with it. Cepsa also collaborates with the Tenerife teams in the Island Federation of Canarian Wrestling, supporting promising youngsters.

- Cepsa also collaborates with the 'Tenerife Bluetrail' mountain race held by the Cabildo (island council) of Tenerife, in which 6,000 runners took part in 2014.

Ceuta

- In Ceuta Cepsa supports the development of the pool of young water polo players of the city's Club Natación Caballa.

COLOMBIA

- Cepsa in Colombia, through the Caracara Association, contributes to strengthening the sports activity of the Cimarrón Park in Puerto Gaitán, in the department of Meta. In 2014 it contributed to improving the drainage system of the football pitch, installing an area with exercise facilities and a children's playground.

THAILAND

- Collaboration with Village Headman Day, organized by Thailand's Interior Ministry, by sponsoring the football tournament, in which employees took part as volunteers.
- Cepsa supports the Kradang-nga Cup 2014 sports project against drugs. The objective is to instill the sporting culture in young people in the area and prevent problems with drugs.

PERU

Collaboration with the Club de Menores Amigos de la Policía Nacional del Perú (PNP) Alexander Von Humboldt, a children's club in

support of the police, which holds sports contests in rural villages where we operate with a view to preventing crime in the community by means of sporting and recreational activities.

RAISING ENVIRONMENTAL AWARENESS

Cepsa extends its commitment to environmental conservation beyond its activities. Cepsa is convinced of the importance of the environment for communities' quality of life to be maintained for future generations, and supports programs that promote the conservation and rehabilitation of the natural heritage, education, respect for the environment, and the creation of a more sustainable culture. Notable initiatives carried out in 2014 included:

SPAIN

- Placing special containers in which to deposit used batteries at service stations throughout the Cepsa network, for subsequent removal by authorized waste manager Ecopilas.
- We held a one-day session of corporate volunteer work on care of the environment, to celebrate the occasion of World Nature Protection Day (October 18). Clean-up actions were carried out at various nature spots, trees were planted, and we also held nature walks to learn about native species in Madrid, San Roque (Cádiz Province), Huelva and Tenerife, in which 41 employee volunteers and 68 family members took part.

San Roque (Cádiz Province)

- Opening to the public of the Madre Vieja Environmental Station, an environmental research center owned by Cepsa, situated next to the Gibraltar-San Roque refinery. The center has various species of native fauna, of great ecological wealth, and is managed by local company Ornitour.

Huelva

- Visits, educational workshops, and fun environmental activities around Laguna Primera de Palos (Huelva), on the occasion of World Wetlands Day in February. Cepsa, in collaboration with the Regional Government of Andalusia, restored this wetland environmentally in 2001.

Canary Islands

- Cepsa collaborated for the second consecutive year with the Ataretaco Foundation and Santa Cruz City Hall on the collection of used household oils, by placing 120 containers. We also held educational talks on the recycling of used vegetable oils at centers of RedECOS, the regional government's network of educational centers for sustainability. For this and other projects, in 2014 the Ataretaco Foundation awarded Cepsa a plaque in recognition of its contribution to the foundation's aims.

COLOMBIA

- Development of an environmental training campaign for communities in the Puerto Gaitán urban area (Meta department), with the objective of promoting a culture of hygiene and appropriate handling of waste.

CANADA

Montreal

- Collaboration with the Comité Zip Jacques-Cartier in financing clean-up activities along the Montreal shoreline.

PORTUGAL

- Movimento ECO for the prevention of forest fires and public awareness raising. Contribution to the TV awareness and prevention campaign during 2014.
- We took part in the Civil Defense Fair, by holding educational workshops on the protection of the environment, health and safety at Cepsa's Matosinhos facilities.

PERU

- Replanting vegetation of 7,980 square meters of embankment along the access roads and platforms of the Los Ángeles wells, with a view to limiting the effects of landslides on neighboring farmers' crops.
- Collaboration on the installation of a forest nursery with a thousand saplings of species native to Peru, tended by qualified local personnel, with the objective of preserving the native species.



THAILAND

- Cepsa collaborates with local fishing communities in the Singhanakorn and Sathing Phra districts in the 'Crab Bank' project, the objective of which is to increase the number of crabs on the coast of Songkhla and raise awareness among the population of the importance of their conservation.
- Collaboration with the reforestation project organized by the Office of Natural Resources and the Environment and the Forest Industry Organization on the occasion of Queen Sirikit's 80th birthday in several areas of their zone of influence. The objective was to encourage students and the public in general to take part in planting in temples and schools to offset greenhouse gas emissions.
- Project to restore artificial reefs and marine and coastal ecosystems in Ranot, Sathing Phra, Singhanakorn, and Muang districts. The action consists of cleaning beaches and reefs, releasing small marine animals, and planting trees on the beaches.

BRAZIL

- Conservation program for sea turtles, run by the TAMAR-Base Arembepe organization, which has 32 years of experience in protecting the five species of turtle found in Brazil. During 2014 we organized visits to Arembepe, exhibitions, classes, and hatchling releases, actively involving people from the community.
- Collaboration with the Instituto Fábrica de Florestas (IFF, 'Forest Factory Institute'), dedicated to environmental education and conservation in the Atlantic Forest, planting 5,000 trees typical of the region and holding the Seminar on Ecological Restoration, with the participation of students, farmers, and community leaders in the area.
- On the occasion of World Water Day, Cepsa Brazil carried out a campaign directed at employees and contractors on the importance of the appropriate use of resources and how this contributes to water conservation.

Water Initiative







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THE NATURAL
ENVIRONMENT

At Cepsa we assume our responsibility towards the environment in which we operate. Sustainability, one of our Values, encompasses development and environment.

Commitment to protection of the environment

Our commitment in the area of environmental protection is based on the following principles:

- Complying with all applicable legal provisions in the area of the environment and climate change, and in the absence of such provisions, applying the best available standards.
- Identifying, evaluating, and acting on environmental risks in order to avoid them or mitigate their effects.
- Promote and implement actions aimed at preventing, avoiding and/or mitigating environmental impact on water, soil, the atmosphere and biodiversity in the environment.
- Identify the factors that may affect climate change and ways of adapting and mitigating it.
- Propose objectives for reducing greenhouse gas emissions.
- Administer the natural resources that we use in accordance with criteria of sustainability.
- Provide training and information to employees on best environmental practices.
- Revise Cepsa's positioning in environmental protection, and keep it up-to-date, supported by an environmental management system based on continuous improvement.
- Promoting the use of the best available techniques in the Company's production processes, paying special attention to reducing emissions, protecting the subsoil, minimizing waste generation, rationalizing energy consumption and increasing energy efficiency.
- Having safe facilities, with robust design and equipment, correct operation, and appropriate maintenance.
- Planning and supplying the necessary human, technical and financial resources to maintain and control the environmental management system so as to be able to comply with the Positioning in Environmental Protection.
- Adopting a proactive stance in disseminating important environmental information, making it available to interested parties.
- Evaluating service companies and suppliers' management systems in accordance with the environmental criteria established in the Company, and involving them in its Environmental Policy.
- Complying with the requirements of the programs and initiatives to which Cepsa voluntarily subscribes in a framework of sustainable development.

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Preventing, minimizing, and mitigating effects on the environment



We use the best available techniques and we control and monitor them in order to prevent and reduce as much as possible the emissions from our facilities. Cepsa also belongs to the main national and international working groups, enabling us to stay at the cutting edge of technology. Examples are the AOP air quality group in Spain and CONCAWE and FuelsEurope at international level.

Our facilities have industrial effluent treatment plants, and strict controls are applied to discharges into water, appreciably reducing the impact on the water.



Our facilities have piezometric control networks that enable us to check at all times the state of the soil and groundwater, and to act swiftly if necessary to minimize any adverse conditions.

We apply a preventive policy to the production of waste, promoting its minimization, reuse, recycling and recovery, with a view to protecting the environment and people's health.



We carry out all the actions necessary to comply with the provisions of the Internal Maritime Plans and in-house procedures for preventing and combating accidental marine pollution. We carry out all appropriate actions designed to improve the operational efficiency of the terminals, port facilities and bunkering operations, with the aim of minimizing the risks associated with the activities carried out in them. Cepsa is also committed to seeking new technologies that can be applied to the early detection and combating of marine pollution.

We defend our stance on climate change, and we make it compatible with the three principles of our energy policy: security of supply, viability of prices, and competitiveness. To this end, we promote those energy policies that relate to the environment and to regulations concerning climate change and that promote the technical and economic viability of the sector. Cepsa is committed to the Carbon Footprint approach to its activities and products, and we are in the process of obtaining ISO 50001 certification for the energy management systems already in place in our production centers. This facilitates communication of the Energy Efficiency improvement plans, which in turn leads to a reduction in greenhouse gas emissions into the atmosphere.



ENVIRONMENTAL MANAGEMENT STRATEGY

Protection of the environment in which Cepsa carries out its activities, and compliance with the procedures regulating its actions in the area of the environment are fundamental objectives for the Company.

We have an Environmental Management System that sets out all the procedures and rules needed to fulfill the commitments of our environmental positioning in all units and production centers. The System

is periodically evaluated to ensure compliance with the rules and with our objective of continuous improvement.

Cepsa implements its commitment to the environment uniformly throughout the Company, informing everyone in the organization, both its own personnel and service companies and other interested parties, of its positioning on Environmental Protection. Furthermore, it develops, maintains, and enforces procedures regulating actions in this field, making sure that all obligations and responsibilities at all levels are clearly

specified. In 2014, we gave 8,930 hours of training on environmental matters.

We also have emergency procedures whereby employees are instructed on how to respond quickly and effectively to any environmental incidents that might arise. Of particular importance in this regard are the simulations, which enable us to plan measures to improve actions, correct errors, and above all avoid them being repeated.

Also, with the aim of advancing on the path to excellence, Cepsa promotes innovation in environmental matters.

KEY ENVIRONMENTAL INDICATORS BY AREA OF ACTIVITY

Consumption of raw materials and energy

During 2014 Cepsa reduced its consumption of raw materials in refineries and petrochemical plants by 4%, and of direct energy by 11% relative to 2013. The main reason for this reduction was the halt in production at the Tenerife Refinery (the refineries consume 80% of the resources in the form of crude oil). Excluding this facility, direct energy consumption fell by around 7.5%.

The increase in consumption in the exploration and production activities, for example those deriving from the transition from seismic exploration to well drilling, and above all the acquisition of Coastal Energy, are factors linked to the growth of the business which by their very nature entail the inability to reduce our consumption further.

Indirect energy consumption amounted to 8.2 million GJ, 1.6% more than in the previous year, mainly as a result of the increased consumption in exploration and production.

The energy efficiency ratio, which is more meaningful than the absolute consumption figures, shows how changes in energy consumption relate to those in the volume of activity of the business units. For the Refining Unit, the volume of crude oil processed is the reference, while for the Petrochemicals Unit we use plant production, and for the Exploration and Production Unit the production of oil and gas.

In Refining, the energy efficiency ratio improved by 15.9% relative to 2013, due in large part to the reduced consumption at the Tenerife refinery. Excluding this facility, the ratio was 3.8% lower than the year before, thanks to the efficiency and environmental optimization measures put in place. The efficiency ratio of the Petrochemicals Unit improved

by 5.9% relative to 2013. The ratio for Exploration and Production is not representative of energy efficiency, since the relative weights of the different activities carried out by the unit, (seismic exploration, drilling, and production) vary from year to year and each have different levels of associated energy consumption.

Cepsa implements its commitment to the environment uniformly throughout the Company.

Consumption of raw materials (thousands of metric tons)	2014	2013	2012
Refining	21,812	23,074	24,801
Petrochemicals	4,201	4,030	4,149
Total	26,013	27,104	28,950
Direct and indirect energy consumption (thousands of GJ)	2014	2013	2012
Fuel gas and fuel oil	40,974	46,795	49,518
Natural Gas	39,306	39,403	46,529
Coke, kerosene, diesel oil	3,692	8,130	8,868
Direct energy	83,972	94,328	104,914
Electricity	8,242	8,113	8,355
Indirect energy	8,242	8,113	8,355
Total energy consumed	92,213	102,441	113,269
Energy efficiency	2014	2013	2012
Refining (Gigajoule/metric ton treated)	2.68	3.05	2.93
Petrochemicals (Gigajoule/metric ton produced)	3.73	3.96	3.89
Exploration and production (Gigajoule/ metric ton of oil and gas produced)	1.16	0.63	0.57

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Atmospheric emissions

Cepsa's efforts to reduce atmospheric emissions in its operations are reflected in the containment of the emissions indicators, in spite of new production units coming on stream.

In Petrochemicals, the reduction has reached its limit, since all the factories now use natural gas as their fuel. In contrast, the increase in the ratio for Exploration and Production is mainly associated with the greater consumption of thermal energy.

Our actions to reduce greenhouse gas emissions are explained later.



Atmospheric emissions (metric tons)	2014	2013	2012
NO _x	12,022	7,146	8,697
SO ₂	8,804	9,193	10,531
Particles (PM)	521	500	512
SO₂ emissions	2014	2013	2012
Refining (Kg/metric ton treated)	0.373	0.393	0.420
Petrochemicals (Kg/metric ton produced)	0.007	0.012	0.012
Exploration and Production (Kg/ metric ton of oil and gas produced)	0.102	0.007	0.003
NO_x emissions	2014	2013	2012
Refining (Kg/metric ton treated)	0.162	0.157	0.217
Petrochemicals (Kg/metric ton produced)	0.213	0.404	0.352
Exploration and Production (Kg/ metric ton of oil and gas produced)	1.212	0.306	0.259
Particle emissions (PM)	2014	2013	2012
Refining (Kg/metric ton treated)	0.017	0.019	0.018
Petrochemicals (Kg/metric ton produced)	0.011	0.007	0.007
Exploration and Production (Kg/ metric ton of oil and gas produced)	0.015	0.003	0.003

Water management

Water is indispensable for industrial production. Cepsa uses large quantities of water in its exploration and production operations, as well as in its refineries and petrochemical plants. In 2014, water consumption by Exploration and Production rose due to the increase in activity.

Given the importance of this resource, the Company promotes its sustainable use in accordance with the strategy defined in its positioning, despite the fact that the majority of its facilities are located in areas where there is no shortage of water. In the majority of cases, water treatment takes place in the centers of production.

Cepsa's strategy notably includes the optimization of the production processes in order to reduce water consumption to a minimum, and in the case of new projects this is applied from the earliest concept phase. The Exploration and Production Unit uses various techniques to treat process water, depending on the project concerned. In Colombia, water from drilling and production is treated by means of reverse osmosis for reuse, or by means of physical-chemical processes for re-injection into the field. In Algeria, industrial waste water is stored in watertight lagoons in which, following a process of evaporation, the pollutant load is reduced to a solid residue that is then treated and inertized using confinement and/or encapsulation techniques.

As regards discharge deriving from the industrial activity of the refineries and chemical plants, all effluent from the production processes is channeled into the liquid effluent treatment plants (LETPs), where it undergoes complex physico-chemical and biological treatment to ensure not only strict compliance with the quality parameters required by the authorizations in force, but also the best possible quality of discharge. Cepsa applies the best available techniques in its LETPs.



Volume of water consumed (thousands of cubic meters)	2014	2013	2012
Exploration and production	12,683	12,087	11,768
Refining	12,221	12,662	13,633
Petrochemicals	9,658	9,867	9,908
Sales and marketing	1,446	1,420	1,584
Total	36,008	36,036	36,893

Volume of water discharged (thousands of cubic meters)	2014	2013	2012
Exploration and production	350	153	76
Refining	8,153	7,814	8,525
Petrochemicals	4,949	5,366	5,808
Sales and marketing	1,620	1,591	1,769
Total	15,072	14,923	16,178

Main environmental control parameters in refining and petrochemicals discharge (metric tons)	2014	2013	2012
Refining			
Total organic carbon (TOC)	210	217	257
Suspended solids	175	179	293
Oils and greases	34	33	50
Petrochemicals			
Total organic carbon (TOC)	1,501	1,198	1,227
Suspended solids	497	326	599
Oils and greases	11	4	4

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Waste Management

In the field of waste management, Cepsa applies the principle of prevention as a priority, minimizing the volume of waste produced and its hazardousness whenever possible by applying separation techniques enabling the hydrocarbons contained in the waste to be extracted and recovered for return to the production process. For other kinds of waste, segregation at point of origin facilitates dispatch to authorized plants for energy valorization or recycling. As a last resort, waste that cannot be valorized is sent to authorized deposits.

With the objective of providing information on the waste produced by all Cepsa's activities, for the first time the data include the drilling sludge produced by the exploration and production activity for 2014, which was not previously included. In order to facilitate comparison with previous years, the volumes of waste managed in 2012 and 2013 have been calculated on the same basis.

Cepsa continued with its objective of minimizing waste production, reducing its volumes in the majority of production centers. However, the total volume of hazardous waste increased relative to previous years, due mainly to the expansion of the exploration and production activity, and in particular to the waste generated at the facilities of the recently acquired Coastal Energy.

All the countries in which Cepsa operates are signatories to the international MARPOL (Marine Pollution) convention. Its refineries and logistics terminals for supplying ships in the Canary Islands have authorized treatment plants to receive waste from ships for treatment. In 2014 these facilities treated 84,365 metric tons of MARPOL waste.

Protection of the marine environment

During 2014 a critical points evaluation and an environmental risk analysis were carried out at the

Waste managed (metric tons)	2014	2013	2012
Hazardous waste	54,110	35,980	41,459
Non-hazardous waste	28,754	35,287	41,726
Total	82,864	71,267	83,185

Valencia asphalts terminal, based on internationally recognized models such as the OCIMF's Maritime Terminal Baseline Criteria and Assessment Questionnaires and the CDI-T (Chemical Distribution Institute-Terminal Questionnaires). This evaluation was part of the ongoing process of analyzing the risks of all Cepsa's terminals, which started in 2012 and will continue throughout 2015.

In June, we carried out a General Marine Pollution Simulation at the Tenerife Refinery terminal, which enabled us to check the effectiveness of the response protocols established in the facility's Internal Maritime Plan and of the means employed. The Port Authority of Santa Cruz de Tenerife and the Tenerife Harbormaster's Office collaborated with the simulation.

In R&D&i we continued with three projects already under way:

- **Athenea Project:** Tool for predicting the trajectory of discharges in real time, operability in safe conditions, and environmental risk analysis at maritime facilities.
- **AUV Project:** Development of an autonomous underwater vehicle for detecting spills from underwater pipelines.

- **DECFO Project:** Development of a system for the early detection of pollutants by means of optic fiber in Cepsa's maritime facilities.

Additionally, towards the end of the year we launched a new project called Savemar, the objective of which is to develop an autonomous system, consisting of one or more vessels, for the rapid deployment of discharge containment barriers in the immediate vicinity of our maritime facilities.

Prevention of spills and pollution

Protection of the grounds at Cepsa's production centers is based on applying actions to prevent leaks and spills to zones that have not been especially prepared, and early warning mechanisms and internal control procedures to detect them as soon as possible. This enables us to take timely and appropriate action to avoid any contamination.

Preventive actions are carried out from the design and construction of new facilities or modification of existing ones, through to the facilities inspection and maintenance programs, and environmental monitoring of soils in the production centers by means of piezometric networks. These enable us to monitor and control the quality of underground water at all times.

ENVIRONMENTAL INVESTMENT AND EXPENDITURE

In 2014, Cepsa continued its policy of environmental investment and expenditure, which is aimed mainly at reducing atmospheric emissions and at water treatment.

During 2014 environmental investment totaled €19.22 million, 53% more than in 2013. Environmental expense was €73.93 million. Among the investments made in 2014 in the environment (water, atmosphere, waste, soil, and underground water), we would highlight those made for the inertization of drilling sludge and cuttings in the Algerian desert.

Preventive actions are carried out from the design and construction of new facilities through to the facilities inspection and maintenance stages.

Environmental investment and expenditure (millions of euros)	2014	2013	2012
Environmental investment	19.22	12.55	19.24
Environmental spending	73.93	83.59	83.89

Investment by business unit (millions of euros)	2014		2013		2012	
	Amount	%	Amount	%	Amount	%
Refining	10.21	53.12	7.34	58.46	12.56	65.30
Petrochemicals	0.52	2.70	1.44	11.50	0.48	2.52
Sales and marketing	6.90	35.88	3.73	29.76	4.08	21.21
Exploration and production	1.59	8.30	0.04	0.28	2.11	10.97
Total	19.22	100	12.55	100	19.24	100



CHAPTER 14: The natural environment

PROTECTION OF BIODIVERSITY

Cepsa acknowledges the importance of protecting the biodiversity of individuals and species and of the environments where they live.

The Company embraces the ethical dimension of the conservation of biodiversity so as to pass on to future generations a world with the same bounty of nature as that which we have enjoyed. It also acknowledges the benefits of taking the necessary actions to ensure the continuity of this conduct.

Furthermore, it is keenly aware of the importance of maintaining biological diversity as a source of raw materials, food, medicines, etc., and as a support for values (cultural, recreational, etc.) frequently associated with natural environments and species.

Cepsa carries out and sponsors projects for the protection and conservation of biodiversity, as well as scientific studies, educational

and informative activities, and environmental volunteer work.

It also plays an active part in restoring the habitats of species native to the zones in which it operates, and rehabilitating damaged ecosystems, some of which have been classified as protected areas thanks to its collaboration.

Indirect effects on biodiversity are managed in agreement with the authorities responsible for managing the environment, with the involvement of scientific institutions and NGOs with expertise in the study and conservation of biodiversity.

Cepsa also collaborates in environmental awareness-raising by means of scientific publications and activities geared to schools in the communities in which it operates.

Among the projects and activities carried out in the area of protection of biodiversity and environmental education in 2014, the following merit particular mention:



Development of a database of marine and coastal resources and marine ecosystems beneath coastal energy 's oil rigs in the province of Songkhla, Thailand

In collaboration with the Coral Reef and Benthos Research Unit of the Center of Excellence for Biodiversity of Peninsular Thailand, a study was carried out on the marine ecosystems beneath Coastal Energy's oil platforms, focusing on the benthic, plankton, and fish communities.

The initial results of phase I (2012-2014) show that the presence of the platforms has favored the formation of a particular marine ecosystem beneath these structures, hosting significant communities of fish, crustaceans, mollusks and benthos.

Phase II, which will be carried out from 2015 to 2017, will consist in further research into the marine life beneath the platform and the coast of Songkhla.

The purpose of the project is to obtain knowledge about the marine ecological processes around the oil rigs in order to complete the database of available resources in the area and to understand what measures are needed to manage the marine and coastal resources effectively.

Actions will also be carried out to contribute to an understanding by local communities and the general public of the activities of oil exploration and production.



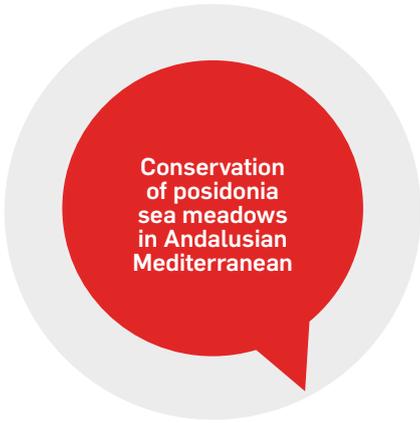
Abundance of apex predators in marine environment of Doñana

The Gulf of Cadiz has a great marine life and numerous species including final predators, also called apex predators, sensitive to alterations in the lower trophic ecosystem. The state of populations of top predators is considered an indicator of habitat status.

The aim of the project is to determine the abundance and spatiotemporal distribution of these species, particularly seabirds and cetaceans in the Doñana maritime area and study what biotic and abiotic factors are found in the species there. Socioeconomic activities are also analyzed which could cause impacts on this group of predators.

This information will be predictive of the impact of activities such as an oil spill, fishing, construction of structures such as wind platforms or ports, etc., in the face of management and conservation habitats and species.

In 2014 the last sampling campaigns were carried out and during 2015 all the information will be finalized to collect new results.



Conservation of posidonia sea meadows in Andalusian Mediterranean

Posidonia oceanica is an aquatic plant, endemic to the Mediterranean. It is considered a good bio-indicator of the quality of coastal marine waters.

Seagrass forms a remarkable ecological importance for various reasons. It plays an important role in the protection of the coastline from erosion, and provide a variety of species found in grassland food and protection, contributing to climate stability, with a CO2 sequestration rate three times higher than tropical forests, and promote the transparency of the water in the areas where it abounds as well as the quality of the sand on the beaches.

Many seagrass meadows are threatened primarily by activity trawling, invasive alien species and the discharge of pollutants and untreated waters. No techniques are known for restoration so prevention is the only conservation tool.

The project started in 2011 under the initiative of the Government of Andalusia, with funding from the European Commission through the LIFE funds Cepsa cofinances and works with several national agencies and international protection of the environment.

LIFE Posidonia Andalucía is the first project that has addressed in an integrated way the different causes of degradation and disappearance of grasslands *Posidonia oceanica* in the Andalusian Mediterranean. The project will carry on through 2015 with the aim of recognizing the status of the prairies of *Posidonia* on the Andalusian coast, prevent or mitigate major threats, and form a long-term strategy for its conservation and involve different sectors and the general population in their conservation.



CHAPTER 14: The natural environment



Madrevieja Environmental Station

More than a hundred catalogued species of birds live in the Madrevieja Environmental Station, a project initiated by Cepsa in 2009, located in the vicinity of the Company's San Roque facilities.

The project started with the creation of two lakes and two seasonal ponds, which have led to the appearance of numerous species associated with this type of habitat.

This initiative forms part of the Company's policy on biodiversity, and shows how it is possible for industrial development to be compatible with nature conservation. The objective is to open a research center in which this coexistence of industry and nature and its positive evolution can be observed, and which will serve also as a space for environmental education and for public use.

The conservation project to create the Madrevieja Environmental was presented to the public until June 2014, for which occasion we made a pathway with explanatory signs about all the habitats, with bird observatories and footbridges across the runoffs.

Since then this natural space has attracted the attention of the scientific community, naturalists from various disciplines, photographers, and several public bodies, and has received visits from a number of environmental institutions.



Protection of the osprey in the Primera de Palos lake and the Odiel marshlands

Cepsa's first project for the recovery of an environmental space adjoining its facilities, launched in 2001. This is a natural freshwater lake included in the Network of Protected Spaces of the Regional Government of Andalusia and since 2005 included in the Ramsar list of internationally important wetlands, which constitutes a first for Spain in terms of its characteristics and how it came about. It contributes to the wealth of flora and fauna in the area, acting as a refuge and store for rare species such as bitterns and pochards, and species under threat such as otters, ruddy ducks, and horned coots. Since its inauguration, numerous restoration and environmental education projects have been carried out, and more than 52,000 visits received.

Among current conservation projects, one that stands out is the project to restore the population of ospreys, at critical risk of extinction in Spain, for which in 2013 Cepsa installed a perch in the center of the sheet of water to serve as a place for them to rest and eat the fish they catch. Thanks to the perch, in 2014 several specimens of osprey were observed, and they are becoming increasingly frequent visitors to the Lake.

Under the same plans, in 2014 Cepsa included in its collaboration agreement with the Regional Government of Andalusia a number of actions aimed at preserving the species in the Odiel Marshes Natural Area and Biosphere Reserve. In this case, the actions will consist of the installation of a number of camera traps to facilitate monitoring of the species and the design and construction of a number of nesting platforms. Furthermore, the two entities agreed to collaborate on showcasing the archaeological and environmental heritage of the Odiel Marshes and promoting its public use by designing tours suited to visitor profiles and led by a monitor who will explain the wealth of flora and fauna to visitors.

PROTECTION OF THE MARINE ENVIRONMENT

Cepsa acknowledges the importance of the marine environment as an ecosystem that is a source of immense ecological wealth and natural resources. One of Cepsa's activities involves the transfer of products, by means of loading and unloading

operations at the terminals of the refineries and maritime facilities or in the maneuvers involved in supplying fuel to quaysides and anchorages.

Given this link with the marine environment, Cepsa takes responsibility for protecting it, and to this end it promotes innovative projects in collaboration with companies that

are leaders in their sectors, research centers and universities, which ensure the greatest possible prevention of pollution, early detection of any such pollution, and access to the best techniques for controlling and cleaning up accidental spills.

The following projects were carried out in 2014.

ATHENEA:
integrated System
for preventing
and managing oil
spills in the marine
environment

The objective of this project is to create an IT tool for the prevention and combating of marine pollution that may occur in loading and unloading operations or when handling hydrocarbons at the maritime facilities of Cepsa's three refineries.

The project, which benefits from the collaboration of the Institute of Environmental Hydraulics of Cantabria and financing from the Ministry of Economy and Competitiveness, seeks not only to prevent pollution, but also to minimize the response time to any possible spills, optimizing the effectiveness of the means of containment and treatment of spills, and reducing their economic and social impact.

It has several modules in development allowing trajectories of possible spills to be calculated and risks and levels of safety of the various operations to be measured, as well as the probability of pollution in the critical scenarios identified.

DECFO:
Detection of pollutants
by means of optic fiber

The objective of this project is the early detection, by means of optic fiber sensors, of possible leaks of harmful and potentially hazardous substances at Cepsa's maritime facilities.

The project involves a number of actions ranging from research and development of new sensors based on optic fiber technology to the design of a detection system consisting of a new infrastructure (distribution and networking of sensors) that also includes the communication protocols for the actions to be initiated in case of alarm and the positioning of the discharge to be marked.

DECFO is being developed by a consortium of companies and research bodies, led by Cepsa, in which Magtel, the Universidad Complutense of Madrid, the University of Cádiz and the University of Seville also participate. It also has financing from CDTI, the Technological Center for Industrial Development.



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Auv Project:
Development of an
AUV (autonomous
underwater vehicle) for
the early detection of
spills from
underwater pipelines

The objective of the project is the design and development of an autonomous underwater vehicle equipped with appropriate sensors for immediately detecting small leaks and spills from the underwater pipelines connecting the monobuoys and the refineries.

Early detection of leaks from the underwater pipelines will enable us to cut the response time to spills and therefore minimize the impact on the marine environment.

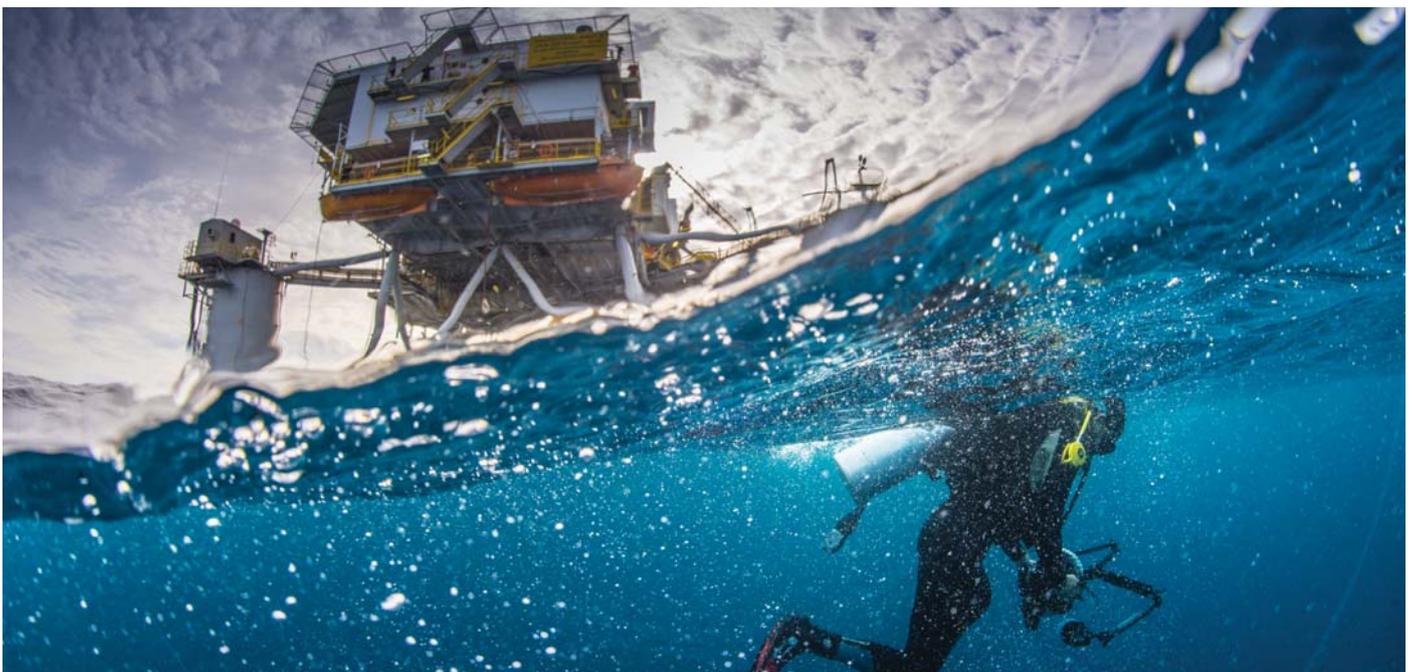
The project is being developed by a consortium led by Cepsa, in which IXION Industry and Aerospace and the Universidad Complutense of Madrid participate, and which is financed by the Ministry of Economy and Competitiveness under the INNPACTO program.

Savemar Project:
Autonomous system
for containing oil
spills at sea

The project has as its objective the development of an autonomous system consisting of one or more surface vessels and an onshore control center for the vessels to deploy individually or together, a containment barrier around a specified zone by means of precise geographical coordinates.

The development of these autonomous systems will enable the onshore control center immediately and easily to deploy a containment barrier to confine any spill that might occur in Cepsa's facilities to the immediate vicinity of the maritime facilities. In this way the impact on the environment will be minimized, avoiding any effects on the surroundings of the facilities and allowing the spilled product to be quickly cleaned up.

For this project we have the collaboration of the Universidad Complutense of Madrid and the UED Distance Learning University, and financing from the Ministry of Economy and Competitiveness under the 2014 Retos-Colaboración ('Challenges-Collaboration') program.



MANAGEMENT OF GREENHOUSE GAS EMISSIONS

Greenhouse gas emissions occur in all our facilities: refineries, chemical plants, cogeneration stations and exploration and production facilities, with the burning of the various fuels and in emissions from processes. Our European facilities are subject to the European Union Emissions Trading Scheme (EU-ETS).

Since 2013 Cepsa Química's plants in Canada have also been subject to a similar system of emission rights called Cap&Trade. The Shanghai chemical plant will also be subject to a pilot emissions trading scheme in this region of China.

Cepsa's management of greenhouse gas emissions is centralized in the Corporate Environmental Protection Unit within the HSE (Health, Safety and Environment) area, which oversees compliance with the directives laid down by the aforementioned emissions trading schemes. Monitoring and notification of greenhouse gas emissions is centralized at the sites, the Environmental Protection area being responsible. The Corporate Environmental Protection Unit oversees buying and selling of emission rights, as well as the exchanges necessary to cover the deficits of some of our facilities. Market transactions are the responsibility of the Gas and Power Unit.

In accordance with Cepsa's Carbon Strategy, we highlight the following initiatives for 2014:

- Through sector associations at national and European level, Cepsa promotes energy regulations oriented towards a global agreement, not only at European level, since this will be the only way to maintain the three principles of the energy policy: security of supply, viability of prices, and competitiveness.

- In 2014 Cepsa obtained certification of its Carbon Footprint at organization level under ISO 14064 corresponding to base year 2013. The carbon footprint covers direct and indirect emissions of the Company's facilities in Spain.
- Cepsa took part in the CDP (Carbon Disclosure Project) 'Supply Chain' and 'Investor 2014' programs.

Improvement of processes and products to reduce energy consumption and emissions

Every year Cepsa carries out action plans aimed at optimizing its processes in its facilities, seeking savings and energy efficiency as key elements for minimizing greenhouse gas emissions.

In 2014 the Gibraltar-San Roque and Tenerife refineries obtained ISO 50001 certification for Energy Efficiency, which will favor the control and monitoring of actions to improve energy efficiency and reduce CO₂ emissions.

The main projects for improving energy efficiency and reducing greenhouse gas emissions embarked on during the year consisted of:

- Recovery of residual heat in condensates at the La Rábida Refinery.
- Replacement of a turbine with an electric motor at La Rábida.
- Cleaning non-condensable gases and burners powered by fuel gas in VDU-1 at the Gibraltar-San Roque Refinery.
- Hot separator in the HDS-IV unit of the Gibraltar-San Roque Refinery.

Direct greenhouse gas emissions

The inventory of emissions drawn up by Cepsa covers the Company's facilities subject to the EU Emissions Trading System, the Canadian plants covered by the Cap&Trade regime, and the Brazilian plants and the

exploration and production facilities, which are not subject to any emission rights trading system.

Emissions were calculated from fuel consumption data, emission factors for each greenhouse gas, and the procedures recommended by CONCAWE (Conservation of Clean Air and Water in Europe, a division of FuelsEurope, the European Petroleum Refiners Association). They were verified under ISO 14064. The methods for calculating these emissions are contained in the relevant Greenhouse Gas Emissions Permits.

In this inventory, Cepsa has adjusted the historical values of emissions in accordance with the new criterion. The Company now counts 100% of the emissions in the petrochemicals and gas and power facilities, irrespective of its percentage ownership of them. With this change, the volume recorded in the inventory aligns with the scope of the emissions verified under ISO 14064 as well as with the data for the other environmental aspects.

CO₂eq emissions fell by 5% relative to the previous year, due mainly to the stoppages at the Nueva Generadora del Sur power plant (throughout the year) and the Tenerife refinery and cogeneration plant (from June 2014). Without taking account of these production stoppages, emissions also fell in petrochemicals, despite the increase in output.

On the other hand emissions the international business increased considerably due to the exploration and production activity in new assets such as those of Coastal Energy. In many cases they were also due to the change in Exploration and Production activity, which went from seismic to drilling, with a notable increase in energy consumption and therefore in emissions.

Emission intensity ratios increased considerably in Exploration and Production, for the same reasons. It should be pointed out that due

CHAPTER 14: The natural environment

to the many different types of field and operations, the ratio is not fully representative for this business. The improvement in intensity in petrochemicals is considerable, as we had anticipated.

Direct greenhouse gas emissions (thousands of metric tons)	2014	2013	2012
	CO ₂ eq	CO ₂ eq	CO ₂ eq
Spain ⁵	5,159	5,419	6,017
Other countries	866	514	702
Total	6,025	5,933	6,719

Emissions by business unit ⁶ (thousands of metric tons)	2014		2013		2012	
	CO ₂	CO ₂ eq ⁷	CO ₂	CO ₂ eq	CO ₂	CO ₂ eq
Exploration and production	540	583	217	233	213	447
Refining ⁸	3,206	3,213	3,267	3,281	3,376	3,389
Petrochemicals	788	792	795	800	767	770
Gas and power						
Cogeneration	1,425	1,434	1,526	1,535	1,581	1,589
Mixed combined cycle	2.2	2.2	83	84	520	523
Total	5,961	6,025	5,888	5,933	6,457	6,718

⁵ Facilities included in the EU CO₂Emissions Trading Scheme pursuant to Directives 2003/87/EC and 2009/29/EC and Phase III (2013-2020).

⁶ Recording data based on our interests only in Asesa, NGS and E&P (working interest in each project).

⁷ The method of calculating CO₂eq emissions in accordance with the methodology verified under ISO 14064.

⁸ Including 50% Asesa.



Intensity of emissions by business unit

As previously explained, the historical values are adjusted in order to bring the calculations into line with the requirements of ISO 14064.

Cepsa looks for savings and energy efficiency as key elements in minimizing greenhouse gas emissions.

	2014	2013	2012
Exploration and Production (t CO ₂ equivalent/t oil and gas)	0.100	0.046	0.078
Refining (t CO ₂ equivalent/t crude processed)	0.147	0.142	0.137
Petrochemicals (t CO ₂ equivalent/t production)	0.160	0.167	0.163
Cogeneration (t CO ₂ equivalent/MWh power produced)	0.665	0.675	0.755
Combined cycle (t CO ₂ equivalent/MWh net produced)	-	0.376	0.427



VERIFICATION OF CO₂ EMISSIONS IN SPAIN

In 2014 Cepsa obtained certification of its Carbon Footprint at organization level under ISO 14064 corresponding to base year 2013. The Carbon Footprint covers direct and indirect emissions of our facilities in Spain.

This is a voluntary certification that verifies the inventory of greenhouse gas emissions, not only those generated by the industrial activity of the refining, chemical and cogeneration plants, which are already governed by strict monitoring regulations, but also those produced by all the activities and services associated with these processes, from the car fleet to the air-conditioning systems, including Cepsa's headquarters (which at the time of the audit was still located at Avenida del Partenón 12, in Madrid).





CHAPTER 15: FURTHER INFORMATION

DRAWING UP THE REPORT

In 2013 we carried out a study on the composition of the report as an exercise to define the content of Cepsa's Annual and Corporate Responsibility Report. Our objective was for it to focus from that moment going forward specifically on those aspects of the social, environmental and economic environment that influence both the activities carried on by the Company's businesses and our stakeholders' decision making.

To carry out the analysis, we started with a study of the corporate responsibility indicators recommended by the international standards on non-financial information (the Global Reporting Initiative's G4 Sustainability Reporting Guidelines) and investors' concerns regarding corporate responsibility through the evaluation criteria of the sustainability indexes (Dow Jones Sustainability Index and FTSE4Good).

The subjects of interest to Cepsa were also compared with those of the sector associations AOP, IPIECA, and EUROPIA (now FuelsEurope), through available public information, and with those of the media, through print media and on-line press monitoring studies.

In drawing up the 2014 Report, we added to the subjects identified in this composition study other topics that deserved to be included in view of their consequences for the press or for the Company's activities.

ADVANCING TOWARDS INTEGRATED REPORTING

With the aim of producing a single Report that shows clearly and in an integrated form how Cepsa creates value in all its spheres of activity and that includes both financial and non-financial information, in 2013 we started a process of gradually bringing our Annual and Corporate Responsibility Report into line with the International Integrated Reporting Framework of the IIRC (International Integrated Reporting Council).

This exercise started with an analysis of the situation from which we were starting out, i.e. previous years' reports, after which we drew up a road map on which we planned a number of actions to be carried out in the next few years so as eventually to fulfill all the requirements of the Framework. The objective is for our Annual and Corporate Responsibility Report, in line with the IIRC guidelines, to bring together all the Company's information, integrating matters relating to our strategy, risks, and opportunities with management and financial performance, social, environmental and economic aspects, the consumption of resources and corporate governance.

In 2013 we fulfilled the majority of the actions that we had planned for the year, and in 2014 we continued progressing with the implementation of the subsequent actions. We made particular progress on improving the connection between our business model, in-depth study of matters relating to

the external environments in which we operate, the risks, Cepsa's overall strategy, and the strategy of each of its businesses. We also set out in greater detail the role of the Company's corporate governance in the attainment of our strategic objectives.

In the next few years we will continue implementing these recommendations, 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 conduct of its business in all areas.

Scope of the information

The information included in this Annual and Corporate Responsibility Report 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 financial and non-financial information on the Company corresponding to the period from January 1 to December 31, 2014 and the comparative information for the corresponding periods of 2013 and 2012 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 financial statements



Ernst & Young, S.L.
Torre Picasso
Plaza Pablo Ruiz Picasso, 1
28020 Madrid

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Fax: 915 727 300
ey.com

AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Sole Shareholder of COMPAÑÍA ESPAÑOLA DE PETRÓLEOS, S.A.U.:

Report on the consolidated financial statements

We have audited the consolidated financial statements of COMPAÑÍA ESPAÑOLA DE PETRÓLEOS, S.A.U. (the Parent) and its subsidiaries (the Group), comprising the consolidated balance sheet as at December 31, 2014, the consolidated income statement, the consolidated comprehensive statement of income, the consolidated statement of changes in equity, the consolidated statement of cash flows, and the consolidated notes thereto for the year then ended.

Responsibility of the directors in respect of the consolidated financial statements

The directors of the Parent are responsible for preparing the enclosed consolidated financial statements so as to give a true picture of the consolidated assets, financial position and results of COMPAÑÍA ESPAÑOLA DE PETRÓLEOS, S.A.U. and its subsidiaries, in accordance with International Financial Reporting Standards adopted by the European Union and other provisions of the regulatory framework for financial reporting applicable to the Group in Spain, and for such internal control as they consider necessary to enable the consolidated financial statements to be drawn up free of material misstatement due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the enclosed consolidated financial statements based on our audit. We have carried out our audit in accordance with the legislation and regulations governing the audit of accounts in force in Spain. This legislation and these regulations require us to comply with ethical demands, and to plan and execute the audit with a view to obtaining reasonable assurance that the consolidated financial statements are free of material misstatements.

An audit involves applying procedures to obtain audit evidence supporting the amounts and disclosures in the consolidated financial statements. The choice of procedures is left to the discretion of the auditor, as is the assessment of the risk that the consolidated financial statements contain material misstatements, whether resulting from fraud or from error. In carrying out this assessment of the risk, the auditor takes account of the relevant internal controls in force for the preparation of the consolidated financial statements by the Directors of the Parent, in order to define appropriate audit procedures in the circumstances, and not with a view to expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes assessing the appropriateness of the accounting policies applied and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the evidence gathered provides an adequate and appropriate basis for our opinion.

Opinion

In our opinion, the enclosed consolidated financial statements give a true and fair view in all significant respects of the consolidated assets and the consolidated financial position of COMPANÍA ESPAÑOLA DE PETRÓLEOS, S.A.U. and its subsidiaries as at December 31, 2014 and of its consolidated results and consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards adopted by the European Union and such other provisions of the regulatory framework for financial reporting as are applicable in Spain.

Report on other legal and regulatory requirements

The accompanying consolidated management report for 2014 contains such explanations as the directors of the Parent consider appropriate concerning the Group's situation, the evolution of its business and other matters; however, it is not an integral part of the consolidated financial statements. We have checked to see that the accounting information contained in the aforementioned consolidated management report agrees with the consolidated financial statements for 2014. Our work as auditors is limited to verifying the consolidated management report in accordance to the extent referred to in this paragraph, and does not include the review of information other than that obtained from the accounting records of COMPANÍA ESPAÑOLA DE PETRÓLEOS, S.A.U. and its subsidiaries.



Miembro ejerciente:
ERNST & YOUNG, S.L.

Año 2015 Nº 01/15/01679
SELLO CORPORATIVO: 96.00 EUR

.....
Informe sujeto a la tasa establecida en el
artículo 44 del texto refundido de la Ley
de Auditoría de Cuentas, aprobado por
Real Decreto Legislativo 1/2011, de 1 de Julio
.....

ERNST & YOUNG, S.L.
(Inscrita en el Registro Oficial de Auditores
de Cuentas con el Nº S0530)

Basilio Gómez Salinas

March 10, 2015

Consolidated Financial Statements

as at December 31, 2014 and 2013

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

	Thousands of euros	
Assets	2014	2013
Non-current assets		
Intangible assets (Note 4)		
Intangible assets and rights	824,206	827,411
Depreciation, amortization and impairment	(336,508)	(323,848)
<i>Total intangible assets</i>	<i>487,698</i>	<i>503,563</i>
Consolidation goodwill (Note 5)	820,991	50,278
Property, plant and equipment (note 6)		
Tangible assets and rights	15,842,101	11,795,820
Depreciation, amortization and impairment	(8,623,174)	(7,465,959)
<i>Total property, plant and equipment</i>	<i>7,218,927</i>	<i>4,329,861</i>
Investments accounted for using the equity method (Note 7)	448,869	289,541
Non-current financial assets (Note 8)	486,310	192,549
Deferred tax assets (Note 14)	428,027	188,827
Total non-current assets	9,890,822	5,554,619
Current assets		
Inventories (note 9)	1,754,320	1,934,059
Trade and other receivables (Note 10)	2,484,570	2,958,556
Current income tax assets	193,449	18,175
Other current financial assets (Note 8)	144,054	171,571
Other current assets	7,971	14,348
Cash and cash equivalents (Note 11)	1,382,597	2,283,143
Total current assets	5,966,961	7,379,852
Total assets	15,857,783	12,934,471

Thousands of euros

Liabilities and equity	2014	2013
Equity (Note 12)		
Capital and reserves		
Share capital	267,575	267,575
Share premium	338,728	338,728
Revaluation reserve	90,936	90,936
Retained earnings	5,121,518	5,275,415
Profit (loss) attributed to the parent company	(349,732)	533,805
Interim dividend	-	(160,545)
Total shareholders' equity	5,469,025	6,345,914
Valuation adjustments		
Conversion differences	444,644	32,375
Other adjustments for changes in value	(276,4339)	(21,210)
Total adjustments for changes in value	168,211	11,165
Total net equity attributable to the parent company	5,637,236	6,357,079
External shareholders (Note 12.g)		
Net equity attributed to external shareholders	100,503	63,732
Profit and loss attributed to external shareholders	17,626	13,543
Total external shareholders	118,129	77,275
Total equity	5,755,365	6,434,354
Non-current liabilities		
Bank borrowings (Note 13)	3,022,419	2,298,635
Other non-current liabilities (Note 13)	81,175	95,662
Deferred tax liabilities (Note 14)	1,939,508	311,311
Capital subsidies (Note 15)	65,216	71,690
Pensions and related obligations (Note 16)	10,879	10,875
Obligations and other provisions (Note 17)	330,244	201,392
Other non-current liabilities (Note 18)	32,890	28,179
Total non-current liabilities	5,482,331	3,017,744
Current liabilities		
Bank borrowings (Note 13)	1,266,129	680,990
Other current liabilities (Note 13)	55,012	29,052
Trade and other receivables (Note 18)	3,223,009	2,640,353
Current income tax liabilities	51,205	109,836
Other current liabilities	24,732	22,142
Total current liabilities	4,620,087	3,482,373
Total equity and liabilities	15,857,783	12,934,471

Notes 1 to 30 to the Financial Statements form part of the Consolidated Balance Sheets.

Consolidated profit and loss accounts

for the years ended December 31, 2014 and 2013

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

	Thousands of euros	
	2014	2013
Sales of products and services	23,902,638	25,244,599
Excise tax on oil and gas charged on sales	2,275,283	2,332,750
Total net revenues (Notes 3.N & 26)	26,177,921	27,577,349
Change in inventories of finished goods and work in progress	(47,395)	(205,154)
Work carried out by the company on non-current assets	76,000	62,277
Provisions (Note 26)	(19,834,783)	(21,292,244)
Other Operating Income	63,672	59,007
Staff costs (Note 26)	(708,536)	(609,534)
Changes in operating allowance	(490,831)	8,584
Other operating expenses		
Excise tax on oil and gas	(2,276,419)	(2,326,582)
Other expenses (Note 26)	(2,284,257)	(2,021,760)
Depreciation and Amortization (Notes 4 and 6)	(1,046,718)	(713,082)
Allocation of subsidies for non-financial fixed assets and others (Note 26)	25,861	41,522
Impairment and results on disposal of fixed assets (Note 26)	(60,208)	(93,345)

Thousands of euros

	2014	2013
Operating profit (loss) (Note 26)	(405,693)	487,038
Share in profits of companies accounted for using the equity method (Note 7)	2,311	46,626
Financial income (Note 28)	89,194	256,913
Financial expenses (Note 28)	(107,122)	(71,537)
Impairment and results on disposal of financial instruments (Note 28)	6,266	75,475
Consolidated profit (Loss) before taxes	(415,044)	794,515
Tax on income (Note 3.m and 14)	82,938	(247,167)
Consolidated profit (Loss) for the year, continuing operations	(332,106)	547,348
Consolidated profit (Loss) for the year	(332,106)	547,348
Attributable to:		
Shareholders of the parent company	(349,732)	533,805
Non-controlling interests	17,626	13,543
Earnings per share:		
Basic	(1.31)	1.99
Diluted	(1.31)	1.99

Notes 1 to 30 to the Financial Statements form part of the Consolidated Income Statement.

Consolidated cash flow statements

for the years ended December 31, 2014 and 2013

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

	Thousands of euros	
Operating Cash Flows		2013
Profit for the year before tax	(415,044)	794,515
Depreciation, amortization and impairment of intangible assets	1,106,666	806,384
Changes in provisions for contingencies and expenses	120,834	7,506
Capital subsidies and other income transferred to results	(26,017)	(6,281)
Impairment and results on disposal of financial instruments	(5,990)	(252,661)
Changes in provisions for current assets	490,830	(17,324)
Other changes	(20,533)	(124,704)
Operating cash flows before changes in working capital	1,250,746	1,207,435
Interest paid	(73,651)	(52,204)
Interest received	41,721	12,909
Dividends received	53,376	54,805
Income tax paid	(370,473)	(271,059)
Other operating cash flows	(349,027)	(255,549)
Changes in working capital	548,921	660,660
Total operating cash flows	1,450,640	1,612,546
(Cash used in) / Cash flows from Investing Activities	2014	2013
Payments		
Intangible assets	(17,204)	(18,854)
Property, plant and equipment	(969,636)	(626,323)
Financial investments		
Associated companies and other investments	(197,903)	(148,769)
Other financial investments	(42,575)	(41,910)
Acquisition of own equity instruments (Note 2.g)	(1,965,031)	(56,430)
Capital grants received	646	1,672
Total Payments	(3,191,703)	(890,614)
Receipts		
Intangible fixed assets	19,977	(5,184)
Property, plant and equipment	44,141	27,245
Long-term financial investments	65,956	330,976
Total receipts	130,074	353,037
Total investment cash flows	(3,061,629)	(537,577)

Thousands of euros

(Cash used in) / Cash Flows from Financing Activities	2014	2013
Dividends paid		
To shareholders of the parent company (Note 12.f)	(302,360)	(361,226)
To non-controlling interest	(11,515)	(12,842)
Total dividends paid	(313,875)	(374,068)
Net change in non-current financial liabilities	2,244,780	124,527
Net change in current financial liabilities	(1,266,126)	(418,248)
Net changes in remunerated financial investments	-	125,000
Financial lease payments	(675)	(675)
Total cash flows from bank borrowings	977,979	(169,396)
Total cash flows from financing activities	664,104	(543,505)
Net increase in cash and cash equivalents	(946,885)	531,505
Exchange rate changes	46,339	(6,695)
Cash and cash equivalents at January 1	2,283,143	1,758,333
Cash and cash equivalents at December 31	1,382,597	2,283,143
Breakdown of changes in working capital		
Inventories	(291,973)	851,731
Trade and other receivables	478,354	(82,387)
Other current financial assets	(79,803)	5,671
Trade and other payables	432,696	(100,359)
Other changes	9,646	(13,996)
Total changes in working capital	548,920	660,660

Notes 1 to 30 to the Financial Statements form part of these Consolidated Statements of Cash Flow.

Consolidated income statement

for the years ended December 31, 2014 and 2013

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

	Thousands of euros	
	2014	2013
Consolidated result for the year of the profit and loss account	(332,106)	547,348
Income and expenses recognized directly in equity	168,096	(54,617)
Cash flow hedges	(11,003)	(4,206)
Net investment hedges	(313,555)	12,124
Exchange rate changes	410,564	(61,146)
Entities accounted for using the equity method	(537)	986
Tax effect	82,627	(2,375)
Transfers to income statement	(12,755)	(8,533)
Cash flow hedges	(18,127)	(13,287)
Entities valued using the equity method	(66)	768
Tax effect	5,438	3,986
Total recognized income / (Expenses) (a+b+c)	(176,765)	484,198
a) Attributable to equity holders of parent company	(197,866)	475,446
b) Attributable to non-controlling interests	21,101	8,752

Notes 1 to 30 to the Financial Statements form part of the Consolidated Statements of Comprehensive Income.

Cepsa Group Financial Information

Income Statement for the Years Ended December 31

	Millions of euros					
	2014	2013	2012	2011 (a)	2011	2010
Sales of products and services	23,903	25,245	26,808	24,681	24,989	19,744
Excise tax on oil and gas charged to sales	2,275	2,333	2,003	2,210	2,210	2,340
Net Sales	26,178	27,577	28,811	26,891	27,199	22,084
EBITDA (Adjusted gross operating profit) (*)						
Trading	13	17				
Corporation	(102)					
Exploration and Production	955	729	872	789	789	635
Refining	244	410	625	450	453	515
Marketing	318					
Petrochemicals	221	214	227	227	247	215
Gas and Power	32	23	53	43	49	43
Total adjusted gross operating income	1,681	1,393	1,777	1,509	1,538	1,408
Adjusted operating income (*)						
Trading	13	17				
Corporation	(101)					
Exploration and Production	283	436	533	487	487	334
Refining	32	72	265	121	121	180
Marketing	231					
Petrochemicals	178	161	161	176	185	145
Gas and Power	13	5	42	35	29	21
Total adjusted operating income	649	691	1,001	819	822	680
Inventory gains / (losses)	(903)	(119)	163	374	385	252
Other non-recurring items	(152)	(85)	(72)	(25)	(65)	43
Total operating income per IFRS	(406)	(487)	1,092	1,168	1,142	975
Profit before tax per IFRS	(415)	795	1,068	1,190	1,178	1,022
Corporate income tax	83	(247)	(477)	(533)	(521)	(374)
Net income (Before minority interests) IFRS	(332)	547	591	657	657	648
Minority interests	(18)	(14)	(15)	(17)	(17)	(14)
Net Income IFRS	(350)	534	576	640	640	634
Losses/(gains) on non-recurring items during the period	809	(163)	(21)	(215)	(215)	(216)
Adjustment to non-controlling interests for net losses/ (gains) on non-recurring items during the period	-	-	-	-	-	-
Adjusted profit for the year attributable to the parent company	459	371	555	425	425	418

(*) Adjusted results excluding the effects of changes in prices of inventories and other non-recurring items.

(a) Figures restated with changes to consolidation method for joint venture companies. Instead of being proportionally consolidated, they are now accounted for using the equity method.

Tangible fixed assets, intangible assets and long-term financial investments
in associated companies
(Details by Business Areas)

	Millions of euros					
	2014	2013	2012	2011 (a)	2011	2010
Trading		-	-	-	-	-
Corporation	57	11	7	8	8	8
Exploration and Production	2,643	386	247	429	429	156
Refining	153	187	371	214	214	356
Marketing	85	-	-	-	-	-
Petrochemicals	85	184	86	53	53	32
Gas and Cogeneration Technology	265	159	23	38	38	69
Total Investments	3,206	926	734	742	742	621

Statement of cash flows for the years ended december 31

	Millions of euros					
	2014	2013	2012	2011(a)	2011	2010
Cash Flows from Operating Activities						
Operating cash flows before changes in working capital	902	951	1,525	1,392	1,421	1,482
Changes in working capital	549	661	(618)	(273)	(306)	(631)
Total cash flows from operating activities	1,451	1,612	907	1,119	1,115	851
(Cash used in) / Cash flows from investing activities						
Capital expenditure	(3,192)	(892)	(761)	(727)	(732)	(720)
Capital grants received	1	2	3	6	6	3
Proceeds from asset sales	130	353	49	22	31	22
Investments due to changes in the Group						
Total (cash used in) / Cash flows from investing activities	(3,062)	(537)	(709)	(699)	(695)	(695)
(Cash used in) / Cash flows from financing activities						
Changes in short or long-term loans	978	(169)	595	369	362	319
Dividends paid	(314)	(374)	(337)	(306)	(306)	(239)
Total (Cash used in)/ Cash flows from financing activities	664	(543)	258	63	56	80
Total net increase/ (Decrease) in cash and cash equivalents	(947)	532	456	483	476	236

(a) Figures restated with changes to consolidation method for joint venture companies. Instead of being proportionally consolidated, they are now accounted for using the equity method.

Statement of capital employed
(Before appropriation of profit) at december 31

	Millions of euros					
	2014	2013	2012	2011 (a)	2011	2010
Assets						
Non-current assets	9,070	5,504	5,514	5,519	5,618	5,661
Intangible assets	488	504	540	445	456	270
Property, plant and equipment	7,219	4,330	4,354	4,594	4,828	5,069
Long-term financial investments	1,363	670	620	480	334	322
Consolidation goodwill	821	50	63	62	62	66
Activos no corrientes	9,891	5,554	5,577	5,581	5,680	5,727
Current assets						
Inventories	1,754	1,934	2,758	2,545	2,605	2,016
Accounts receivable	2,678	2,977	2,874	2,745	2,829	2,777
Other short-term investments	144	172	163	184	126	102
Other current assets	8	14	9	14	16	13
Cash and cash equivalents	1,383	2,283	1,758	1,304	1,315	841
Current assets	5,967	7,380	7,562	6,792	6,891	5,749
Non-current assets held for sale and from discontinued operations	-	-	-	-	-	-
Total assets	15,858	12,934	13,139	12,373	12,571	11,476

Property, plant & equipment and intangible assets as at december 31

	Millions of euros					
	2014	2013	2012	2011 (a)	2011	2010
Gross intangible assets	824	827	848	724	741	528
Operating licenses, concessions, patents, etc.	95	91	105	78	83	75
Software applications	183	179	167	168	169	156
Other intangible assets	546	557	576	478	489	297
Amortization and impairment of intangible assets	337	322	308	279	285	258
Operating licenses, concessions, patents, etc.	55	49	45	41	45	43
Software applications	140	143	133	134	135	125
Other intangible assets	142	130	130	104	105	90
Net intangible assets	488	505	540	445	456	270
Concessions, patents, licenses and other	40	42	60	37	38	32
Software applications	43	36	34	34	34	31
Other intangible assets	405	427	446	374	384	207
Property, plant and equipment, gross	15,842	11,795	11,229	10,876	11,389	10,997
Land and structures	325	404	398	382	397	388
Technical installations and machinery	7,470	7,334	7,008	6,853	7,324	7,171
Investments in oil and gas assets with proven and unproven reserves	6,384	2,739	2,659	2,515	2,515	2,154
Other installations, tools and fittings	153	134	126	123	134	132
Advance payments and property, plant and equipment in progress	938	556	345	296	307	460
Other fixed assets	572	628	693	707	712	692
Depreciation and impairment of property, plant and equipment	8,623	7,295	6,874	6,282	6,561	5,928
Land and structures	97	128	119	111	116	109
Technical installations and machinery	5,206	4,554	4,232	3,991	4,215	3,935
Investments in oil and gas assets with proven and unproven reserves	2,994	2,202	2,006	1,761	1,761	1,452
Other installations, tools and fittings	78	104	99	93	103	96
Other fixed assets	247	307	418	326	366	336
Property, plant and equipment, net	7,219	4,500	4,355	4,594	4,828	5,069
Land and structures	228	276	279	271	281	279
Technical installations and machinery	2,264	2,780	2,776	2,862	3,109	3,236
Investments in oil and gas assets with proven and unproven reserves	3,389	537	653	754	754	702
Other installations, tools and fittings	75	30	27	30	31	36
Other non-current assets	325	321	275	381	346	356
Advance payments and property, plant and equipment in progress	938	556	345	296	307	460

(a) Figures restated with changes to consolidation method for joint venture companies. Instead of being proportionally consolidated, they are now accounted for using the equity method.

Statement of capital employed (adjusted by business areas) as at december 31

	Millions of euros					
	2014	2013	2012	2011(a)	2011	2010
Capital employed						
1. Net fixed assets	9,898	5,555	5,577	5,518	5,640	5,658
2. Working capital	1,303	2,328	2,932	2,553	2,501	2,266
Net assets	11,200	7,883	8,509	8,071	8,141	7,924
3. Long-term operating liabilities	(2,379)	(623)	(669)	(572)	(611)	(604)
Total capital employed	8,822	7,260	7,840	7,499	7,530	7,320
Capital used						
4. Total Shareholders' equity	5,755	6,434	6,312	6,312	6,099	5,759
4.1. Shareholders' equity	5,637	6,357	6,243	6,243	6,026	5,688
4.2. Minority interests	118	77	69	69	73	71
5. Net debt	3,066	826	1,528	1,652	1,431	1,561
5.1. Long-term financing	3,104	2,395	2,540	2,540	2,110	1,829
5.2. Short-term financing	1,321	714	870	870	721	628
5.3. Short-term interest-bearing loans	24	-	(124)	-	(85)	(55)
5.4. Cash and cash equivalents	(1,383)	(2,283)	(1,758)	(1,758)	(1,315)	(841)
Total capital used	8,822	7,260	7,840	7,964	7,530	7,320

(a) Figures restated with changes to consolidation method for joint venture companies. Instead of being proportionally consolidated, they are now accounted for using the equity method.

Statement of capital employed (adjusted by business areas) as at december 31

	Millions of euros					
	2014	2013	2012	2011(a)	2011	2010
Adjusted capital employed						
Trading	(47)	94				
Corporation	(20)					
Exploration and Production	3,177	774	711	883	883	833
Refining	2,784	3,951	4,607	4,159	4,160	4,527
Marketing	923					
Petrochemicals	1,353	1,181	1,247	1,303	1,295	1,054
Gas and Power	455	421	349	337	378	362
Total adjusted capital employed	8,624	6,421	6,914	6,682	6,716	6,776
Gains/(losses) after tax on valuation of inventories	198	839	926	817	814	544
Total capital employed	8,822	7,260	7,840	7,499	7,530	7,320

(a) Figures restated with changes to consolidation method for joint venture companies. Instead of being proportionally consolidated, they are now accounted for using the equity method.

Statement of capital employed (before appropriation of profit) at december 31

	Millions of euros					
	2014	2013	2012	2011(a)	2011	2010
1. Net fixed assets	136.33%	76.52%	74.90%	74.90%	77.30%	77.30%
2. Working capital	17.95%	32.07%	33.21%	33.21%	30.96%	30.96%
3. Long-term operating liabilities	(32.76)%	(8.58)%	(8.11)%	(8.11)%	(8.25)%	(8.25)%
Capital employed	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
4. Equity	79.28%	88.62%	81.00%	81.00%	103.66%	78.67%
5. Net debt	42.23%	11.38%	19.00%	19.00%	(3.66)%	21.33%

Profitability and equity ratios at december 31

	2014	2013	2012	2011(a)	2011	2010
Return on adjusted capital employed (R.O.A.C.E.) ¹	6.8%	5.9%	8.4%	6.8%	6.8%	6.7%
Return on average equity (R.O.A.E.) ²	-5.8%	8.5%	9.2%	9.4%	10.9%	11.6%
Adjusted R.O.A.E. ³	8.4%	6.8%	9.6%	10.5%	8.2%	8.2%
Net income attributable to the parent company/ Average number of shares	(1.3)	2.0	2.2	2.2	2.4	2.4
Adjusted net income for the year attributable to the parent company / Average number of shares	1.7	1.4	1.9	2.1	1.6	1.6
Net income attributable to the parent company/ Total net revenues for the year ⁴	-1.5%	2.1%	2.3%	2.1%	2.6%	3.2%
Adjusted net income attributable to the parent company/ Adjusted total net revenues for the year ⁵	-20.2%	1.5%	2.0%	2.1%	1.7%	2.1%
Average financial debt / Operating cash flows	1.3	0.7	1.8	1.7	1.3	1.7
Net interest-bearing debt / Equity (GEARING)	52.3%	12.8%	24.2%	24.2%	23.5%	27.1%

(1) Net income before interest, deducting operating taxes/Adjusted Average Capital Employed

(2) Net income attributable to the parent company/Average equity attributable to owners of the parent company.

(3) Adjusted net income attributable to the parent company/Adjusted average equity attributable to owners of the parent company.

(4) Net income attributable to the parent company/Net total revenues excluding Excise Taxes.

(5) Adjusted net income attributable to the parent company/Adjusted net total revenues excluding Excise Taxes.

(a) Figures restated with changes to consolidation method for joint venture companies. Instead of being proportionally consolidated, they are now accounted for using the equity method.

Key indicators

	2014	2013	2012	2011	2010	2009
Brent crude (\$ / Barrel)	99.00	108.7	111.60	111.27	79.47	61.51
Exchange rate (\$/ €)	1,329	1,328	1.285	1.392	1.326	1.395

Return on assets

ONP (adjusted)	396.3	396.3	581.9	458.5	443.3	290.9
Adjusted capital invested current year	11.003	7.044	7.583	8.141	7.146	6.688
Adjusted capital invested previous year	7.044	7.583	8.141	7.146	6.688	6.777
ROA	4.39%	5.42%	16.29%	6.00%	6.41%	4.32%



Glossary

Barrel: Measure of volume equivalent to 159 L. Bcm (billion cubic metres): Billion cubic metres.

Biodiesel: Fuel from vegetable oils for use in diesel engines.

BROP: (Beyond Refining Optimization Plan)

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.

CDI-T: (Chemical Distribution Institute -Terminal Questionnaires) Distribution Institute

Clean Development Mechanisms (CDM): Emission reduction projects in less developed countries within the framework of the Kyoto Protocol.

CO₂: Carbon dioxide.

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

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.

Commercial risk: A commercial risk is understood to be the value of a customer's debt, from the moment when a marketing department acquires a commitment to supply until the date on which the debt is paid off.

CONCAWE: European oil company organisation for the protection of the environment and health.

Conversion: Post-distillation process in which the heaviest products, such as fuel and diesel oil, are transformed into lighter ones.

Cracking: This involves breaking up or splitting high molecular weight hydrocarbons (fuels such as diesel oil and fuel oil) into lower molecular weight compounds (naphthas).

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.

Farm in: Acquisition of rights or shares in a contract.

Farm out: Sale of rights or shares in a contract.

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

Gearing: Financial analysis ratio defined as the proportion between the company's fixed interest borrowed funds and its total capital (owned and borrowed).

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.

Hydrocracker: Unit which makes it possible to transform heavy distillation fractions, which due to their characteristics would not be usable as fuels, into fractions of greater value (propane, butane, kerosene and diesel oil) through high-pressure catalytic processes in the presence of hydrogen.

Hydrogen plant: High-purity hydrogen production units (greater than 99.9%). The hydrogen obtained is used in other refinery units to increase the production of diesel oils and to remove sulphur from diesel and petrol.

Hydroskimming: A refinery with a configuration that only includes distillation, reformation and some hydrotreatment.

ILO: International Labour Organization, an internationally recognised United Nations body promoting social justice and human and labour rights.

IMAS: (Instalations, Environment, Customer Service, and Safety)

ISO: (International Organization for Standardization): International Standards Organisation.

ISO 9001: Certifiable quality management regulation.

LAB: Linear alkylbenzene, the most common raw material in the production of biodegradable detergents.

LABSA: The most versatile surfactant, widely used in all kinds of detergent formulations: powders, liquids, gels, agglomerates, bars, tablets.

MWh: Megawatt hour. Energy unit

mmHg: The millimetre of mercury is a unit of pressure also called a 'torr' in honour of its discoverer, Evangelista Torricelli. The atmospheric pressure that surrounds us is equivalent to 760 mmHg and, as such, any pressure that is lower than this implies working in a vacuum.

National Allocation Plan (NAP) of CO₂ Emission allowances:

Legislative Act which regulates the trading of greenhouse gas emission allowances (approved by the Spanish Government and which adapts European Directive 87/2003, concerning such trading, to our legal system). This is for the purpose of contributing towards the reduction of emissions which cause climate change, thus fulfilling the commitment taken on by Spain under the Kyoto Protocol.

NO_x: Nitrogen oxide.

Occupational hazards prevention:

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.

Offshore: Away from the coast or out to sea. This label is given to different kinds of activities that are performed at high sea, such as, for example, the exploitation of oil rigs

Onshore: Along the coastline, on land.

PET: Polyethylene terephthalate. A high-quality plastic used to produce fibres with textile applications and for the manufacturing of lightweight, transparent and totally recyclable containers.

PIA: Purified Isophthalic Acid for the manufacturing of polyesters.

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

PTEL: Liquid effluents treatment plant

Pool: Wholesale electricity market. In this market, governed by the operator OMEL, electricity is purchased and sold on a daily basis.

PSC: Production Sharing Contract.

PTA: Purified Terephthalic Acid. Over 90% of PTA is used to manufacture PET fibre and film.

REACH: Registration, Evaluation and Authorisation of Chemicals. A single comprehensive system established by the European Union which regulates the registration, evaluation and

authorisation of chemical substances and preparations and their free circulation in the European market.

Responsible Care: An initiative that originated in Canada in 1985, to promote the worldwide chemical industry's commitment to sustainability, applied to all products.

Risk analysis: 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.

Safety data record: Document aimed at customers and workers which contains the special characteristics, properties and use of a specific substance.

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.

SO₂: Sulphur dioxide.

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

Tm: Metric tonne.

Treatment: Group of plants whose purpose is to adapt the products to the required specifications. This is the case with the ETBE, Alkylation and Isomerisation plants, which make it possible to obtain high-quality unleaded petrol.

UNE 150008 EX Standard: Spanish regulation for the Assessment of the Environmental Risk at facilities where

business activities are carried out, especially aimed at the industrial sector.

UNE-EN ISO Standard: International regulation concerning Spain.

United Nations Global Pact: 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.

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

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

Workover: Any kind of intervention that involves invasive techniques at oil wells.

Cepsa's main centers and companies

Company name	Address	Activity	Direct stake	Indirect stake	Subscribed capital	Capital disbursed	Reserves and Results	Net Cost of Stake	Consolidation Method (*)	Fiscal Group
Asfaltos Españoles, S.A. (Asesa)	C/ Orense, 34 4ª Planta. 28020 Madrid. España	Refining of crude to obtain asphaltic products	50%		8,529	8,529	17,580	17,869	E	No
Atlas, S.A. Combustibles y Lubrificantes	C/ Playa Benitez, s/n. 51004. Ceuta. España	Marketing of Oil and gas	100%		3,930	3,930	8,856	4,077	G	Yes
C.M.D. Aeropuertos Canarias, S.L.	Polígono Industrial Valle de Güimar. Manzana XIV, parcelas 17 y 18. 38509 Güimar-Santa Cruz de Tenerife. España	Aircraft catering supplies	60%		21,576	21,576	14,661	12,946	G	No
CEDIPSA, CIA. Española Distribuidora de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046. Madrid. España. Explot. e	Installation of Service Stations		100%	8,114	8,114	20,182	10,059	G	Yes
Cepsa Aviación, S.A.	ES. Comb. Aviac. Camino de San Lázaro, s/n Zona ind. Aeropuerto Tenerife Norte Los Rodeos. 38206 San Cristobal de la Laguna - Santa Cruz de Tenerife. España	Transport of Oil and gas	100%		954	954	29,086	956	G	Yes
Cepsa Business Services, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Corporate Services	100%		60	60	511	60	G	Yes
Cepsa Card, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Management of Tax		100%	60	60	389	60	G	Yes
Cepsa Chemical (Shanghai), CO., LTD	Nº 159 Pu Gong Rd., Shanghai. Chemical Industrial Park Shanghai - China	Mfg., Mktng. & Sale of phenol, acetone, and related products		75%	140,056	140,056	-18,830	127,041	G	No

Company name	Address	Activity	Direct stake	Indirect stake	Subscribed capital	Capital disbursed	Reserves and Results	Net Cost of Stake	Consolidation Method (*)	Fiscal Group
Cepsa Chimie Bécancour, Inc.	5250 Boulevard Bécancour. G9H 3X3 Bécancour. Quebec. Canadá	Manufacture, Marketing of Petrochemicals		51%	59,455	59,455	-30,257	20,754	E	No
Cepsa Chimie Montreal, S.E.C.	10200 East Sherbrooke Street. H1B 1B4 Montreal Quebec. Canadá	Manufacture, Marketing of Petrochemicals		51%	161,681	161,681	-60,943	104,437	E	No
Cepsa Colombia, S.A.	Paseo de la Castellana, 259 A. 28046. Madrid. España	Research and Exploration	100%		25,933	25,933	657,402	618,539	G	Yes
Cepsa Comercial Centro, S.A.	Paseo de la Castellana, 259 A. 28046. Madrid. España	Marketing of Oil and gas	100%		1,169	1,169	1,218	262	G	Yes
Cepsa Comercial Noroeste, S.L.	Avda. de los Reyes Leoneses, nº 14 5º D Edificio Europa. 24008 León. España	Marketing of Oil and gas	100%		5,000	5,000	7,822	12,797	G	Yes
Cepsa Comercial Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046. Madrid. España	Operation of Service Stations	100%		82,043	82,043	570,912	204,075	G	Yes
Cepsa E. P., S.A.	Paseo de la Castellana, 259 A. 28046. Madrid. España	Research and Exploration	100%		8,653	8,653	2,237,680	2,213,043	G	Yes
Cepsa EP ESPAÑA, S.L.	Paseo de la Castellana, 259 A. 28046. Madrid. España	Research and Exploration	100%		100	100	-2,050	0	G	No
Cepsa Gas Comercializadora, S.A.	Paseo de la Castellana, 259 A. 28046. Madrid. España	Distribution of Gas	35%		3,060	3,060	42,539	1,071	E	No
Cepsa Gas y Electricidad, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. Spain	Marketing of electric - power	100%		12,330	12,330	35,970	12,328	G	Yes

CHAPTER 15: Further Information Cepsa's main centers and companies

Company name	Address	Activity	Direct stake	Indirect stake	Subscribed capital	Capital disbursed	Reserves and Results	Net Cost of Stake	Consolidation Method (*)	Fiscal Group
Cepsa International B.V.	Beurs - World Trade Centre - Office 668. Beursplein 37. 3011 AA R�tterdam. The Netherlands	Marketing of Oil and gas	100%		4,612	4,612	213,205	184,450	G	No
Cepsa Italia, S.P.A.	Viale Milanofiori Palazzo A/6. 20090 Assago-Mil�n. Italia	Marketing of Petrochemicals		100%	6,000	6,000	9,477	9,737	G	No
Cepsa Kenya Ltd.	P.O. Box 10643-00100 Nairobi - Kenya	Research and Exploration	100%		1	0	5,371	26,290	G	No
Cepsa Liberia, S.L.	Paseo de la Castellana, 259 A. 28046. Madrid. Espa�a	Research and Exploration	100%		392	392	31,275	34,062	G	Yes
Cepsa Marine Fuels, DMCC	Office 3201 / 32nd floor Platinum Tower. Juemeirah Lake Tower Dubai - EAU	Marketing of Petroleum Products (Outside the UAE)	100%		30,689	30,689	-30,277	0	G	No
Cepsa Oleo e Gas do Brasil, LTDA.	Rua do Carmo, 43 9� andar. R�o de Janeiro. Brasil	Marketing of Oil and gas	100%		20,320	20,320	-7,558	21,016	G	No
Cepsa Panam�, S.A.	C/ 50 Edificio Banco Alem�n 6� Piso. Ciudad de Panam�. Rep�blica del Panam�	Supply of Petroleum products to ships	67%		1,277	1,277	-3,650	1,122	G	No
Cepsa Per�, S.A.	Paseo de la Castellana, 259 A. 28046. Madrid. Espa�a	Research and Exploration	100%		136,382	136,382	-55,642	74,148	G	Yes
Cepsa Portuguesa Petr�leos, S.A.	Rua General Firmino Miguel, 3 Torre. 2 2� andar. 1600-100 Lisboa. Portugal	Marketing of Oil and gas	100%			30,000	30,000	125,957	G	No
Cepsa Qu�mica China, S.A.	Paseo de la Castellana, 259 A. 28046. Madrid. Espa�a.	Holding company		75%	12,830	12,830	114,842	95,821	G	Yes

Company name	Address	Activity	Direct stake	Indirect stake	Subscribed capital	Capital disbursed	Reserves and Results	Net Cost of Stake	Consolidation Method (*)	Fiscal Group
Cepsa Química, S.A.	Paseo de la Castellana, 259 A. 28046. Madrid. España	Manufacture, marketing & sale of petrochemicals	100%		60	60	779,613	80,192	G	Yes
Cepsa Suriname, S.L.	Paseo de la Castellana, 259 A. 28046. Madrid. España	Research and Exploration	100%		23,196	23,196	-2,849	20,905	G	Yes
Cepsa Trading, S.A.U.	Paseo de la Castellana, 259 A. 28046. Madrid. España	Marketing of Oil and gas	100%		64	64	15,127	60	G	Yes
Cepsa UK, LTD.	Audrey House, 16-20 Ely Place. EC1N 6SN London. Reino Unido	Marketing of Petrochemicals		100%	3,391	3,391	11,554	10,532	G	No
Cepsa, S.A.	Paseo de la Castellana, 259 A. 28046. Madrid. España.	Corporate Services	100%		61	61	395	61	G	Yes
Cogeneración de Tenerife, S.A.U. (Cotesa)	Avda. Manuel Hermoso Rojas, 3. 38005 Santa Cruz de Tenerife, Tenerife. España	Cogeneration		100%	6,000	6,000	-14,658	0	G	Yes
Compañía logística de hidrocarburos Clh, S.A.	C/ Titán, 13. 28045 Madrid. España	Distribution of Petroleum Products	9%		84,070	84,070	122,203	55,794	E	No
Deten Química, S.A.	Rua Hidrogenio 1744. 2810-280. Camaçari Bahía. Brasil	Manufacture, Marketing of Petrochemicals		71%	66,152	66,152	35,029	152,959	G	No
Generación Eléctrica Peninsular, S.A.	Paseo de la Castellana, 259 A. 28046. Madrid. España	Cogeneration		70%	32,000	32,000	42,373	22,400	G	No
Cepsa (Rhourde El Rouni) Limited	2nd Floor, Midtown Plaza P.O. Box 448. KY1-1106 Grand Cayman. Cayman Islands	Research and Exploration	100%		111,193	106,746	61,403	157,635	G	No
MEDGAZ, S.A.	Muelle de Poniente, s/n. 04002 Almería. España	Construction gas pipeline Europe - Algeria; transport of gas	42%		30,000	30,000	40,519	151,850	E	No

CHAPTER 15: Further Information Cepsa's main centers and companies

Company name	Address	Activity	Direct stake	Indirect stake	Subscribed capital	Capital disbursed	Reserves and Results	Net Cost of Stake	Consolidation Method (*)	Fiscal Group
Nueva Generadora del Sur, S.A.	Avda. San Luis, 77 Edificio C 4ª planta. 28033 Madrid. España	Generation of Electricity	50%		99,000	99,000	-132,088	25,000	E	No
Petróleos de Canarias, S.A. (PETROCAN)	Explanada de Tomás Quevedo, s/n. 35008 Las Palmas de Gran Canaria. Gran Canaria. España	Warehousing, Ship's supplies, stevedoring, sea terminals	100%		120	120	31,845	10,543	G	Yes
Propel Productos de Petróleo, L.D.A.	Avda. Columbano Bordalo Pinheiro, 108- 3º. 1070-067 Lisboa. Portugal	Management services for fuel stations	93%	7%	224	224	1,865	1,380	G	No
Red Española de Servicios, S.A. (RESSA)	Paseo de la Castellana, 259 A. 28046. Madrid. España	Management of Tax		56%	250	250	31,377	10,104	G	No
Servicios Energéticos de alta eficiencia, S.A.	Paseo de la Castellana, 259 A. 28046. Madrid. España	Marketing of electric power	100%		100	100	889	100	G	Yes
Spanish Intoplane Services, S.L.	Paseo de la Castellana, 259 A. 28046. Madrid. España	Marketing of Oil and gas	100%		1,000	1,000	4,525	1,300	G	No
Coastal Energy Company	Thailand/ Malasya	Research and Exploration		100%	2,410,679	2,410,679	2,526,554	2,126,893	G	No
Coastal Energy Kbm Sdn. Bhd.	Malasya	Research and Exploration		70%	3,764	3,764	25,285	29,049	G	No
Cec Services (Thailand) LTD.	Level 16 Unit 1601-1602, Level 39. 10110. Bangkok	Research and Exploration		100%	14,233	14,233	1,601,215	1,615,448	G	No
Apico LLC Thailand	Thailand	Research and Exploration		39%	79,572	79,572	97,253	176,824	E	No

(*) G = Full consolidation; E = Equity method



This report describes the activities of Cepsa and of the subsidiaries in which Cepsa has management responsibility, the results obtained in 2014, its strategy and its contribution to social development and well-being. Its contents are complemented by the information available on the Company's website www.cepsa.com and the Group's other corporate publications. Any queries concerning the document will be attended to by the Communication and Institutional Relations Division at the Group's head office at the following address.

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