Compañía Española de Petróleos, S.A.

Financial statements for the year ended 31 December 2022 and directors' report, together with independent auditor's report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Shareholders of Compañía Española de Petróleos, S.A.,

Opinion

We have audited the financial statements of Compañía Española de Petróleos, S.A. (the Company), which comprise the balance sheet as at 31 December 2022, and the statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2022, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2.1 to the financial statements) and, in particular, with the accounting principles and rules contained therein.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Most Significant Audit Matters

The most significant audit matters are those matters that, in our professional judgement, were considered to be the most significant risks of material misstatement in our audit of the financial statements of the current period. These risks were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those risks.

Measurement of the portfolio of non-current investments in Group companies and associates

Description

As indicated in Note 9.3 to the accompanying financial statements, the balance of "Non-Current Investments in Group Companies and Associates", amounting to EUR 4,146 million, in the Company's balance sheet includes the net cost of the Company's ownership interests in the share capital of its investees that are not listed on regulated markets. The aforementioned investments constitute the main item in the Company's financial statements as at 31 December 2022.

Note 4.1 to the financial statements explains that at least at each reporting date the Company tests financial assets not measured at fair value through profit or loss for impairment. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. Recoverable amount is the higher of fair value less costs of disposal and the present value of the future cash flows from the investment. The recoverable amount is determined by discounting the cash flows expected to be generated by the investees that will be available to the shareholders, when such cash flow calculation is available, which requires the use of judgements and significant estimates by management when determining the key assumptions established, including most notably the discount rates and perpetuity growth rates. Unless there is better evidence of the recoverable amount, it is based on the value of the equity of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement.

The measurement of these ownership interests was identified as a significant matter in our audit because of both the significant amount that the cost of the ownership interests represent in the context of the financial statements taken as a whole and the high degree of judgment that management has to use when measuring certain investments in Group companies and associates.

Procedures applied in the audit

Our audit procedures to address this matter included reviewing the design and implementation of the relevant controls established to detect indications of impairment that would make it necessary to test the aforementioned ownership interests for impairment and performing tests to verify that the aforementioned controls operate effectively.

Also, we: i) analysed the methodology employed by the Company as the basis for estimating the impairment losses that should be recognised or reversed, as applicable, in relation to the ownership interests; and ii) replicated the calculations made by the Company in order to verify the accuracy of the measurements made by it.

Also, we checked the consistency of the main assumptions included in the future cash flow valuation models, mainly in relation to the free cash flow forecasts, considering the discount rates and perpetuity growth rates used by management, for which purpose we had the assistance of our internal valuation experts.

In addition, we analysed the reasonableness of the projected operating assumptions, evaluating the reasonableness of the future cash flow forecasts and their consistency with historical information on the investees and with information obtained from external sources.

In addition, we assessed and reviewed the audit work performed on the financial information of certain audited subsidiaries in order to obtain sufficient appropriate evidence of the measurement of these investments in the Company's financial statements.

Lastly, we verified that the disclosures provided in Notes 4.1 and 9.3 to the accompanying financial statements in connection with this matter were in conformity with those required by the applicable accounting regulations.

Recoverability of deferred tax assets

Description

The balance sheet as at 31 December 2022 includes deferred tax assets amounting to EUR 263 million, of which EUR 216 million relate to tax assets (mainly tax loss and tax credit carryforwards, as described in Note 16.6 to the financial statements), which will be recoverable in the context of the Spanish tax group headed by the Company.

At the end of the year Company management prepares financial models to assess the recoverability of the deferred tax assets recognised, taking into consideration new legislative developments and the most recently approved business plans. Also, as indicated in Note 16.6 to the financial statements, the changes in these assets included, among others, the partial reversal of the tax assets arising from the impairment of the investment in the Coastal Group companies, since the liquidation process of Cepsa Energy Company International S.L.U. was completed in 2022.

We identified this matter as one of the most significant in our audit since the preparation of these models requires a significant level of judgement, largely in connection with the projections of business performance, which affect the estimate made of the recoverability of the tax assets.

Procedures applied in the audit

Our audit procedures included, among others, obtaining an understanding of, and reviewing, the Company's processes for assessing the recoverability of the deferred tax assets, including the revision of the design and implementation of the relevant controls established in respect of the data and assumptions used in the analysis, as well as tests to verify that the aforementioned controls operate effectively.

In addition, we reviewed the aforementioned financial models, including their clerical accuracy, that the key assumptions included in the business plans were adequately supported by the approved budgets and the reasonableness thereof based on the current circumstances of the tax group and the expectations as to their potential future performance, as well as the consistency of those financial models with those used in other areas of estimation, such as the impairment test on the exploration and production assets of the Group of which the Company is the parent. We also reviewed the tax legislation applicable to the deferred tax assets recognised. Also, we involved our internal experts from the tax area in the analysis of the reasonableness of the principal tax assumptions considered in relation to the treatment of the deductibility of impairment losses on the investments made in the Coastal Group.

Lastly, we evaluated whether Note 16.6 to the accompanying financial statements contained the disclosures required in this connection by the regulatory financial reporting framework applicable to the Company.

Other Information: Directors' Report

The other information comprises only the directors' report for 2022, the preparation of which is the responsibility of the Company's directors and which does not form part of the financial statements.

Our audit opinion on the financial statements does not cover the directors' report. Our responsibility relating to the directors' report, in accordance with the audit regulations in force, consists of:

a) Solely checking that the non-financial information statement has been furnished as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) Evaluating and reporting on whether the other information included in the directors' report is consistent with the financial statements, based on the knowledge of the entity obtained in the audit of those financial statements, as well as evaluating and reporting on whether the content and presentation of this section of the directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we observed that the information described in section a) above was furnished as provided for in the applicable legislation and that the other information in the directors' report was consistent with that contained in the financial statements for 2022 and its content and presentation were in conformity with the applicable regulations.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the Company's equity, financial position and results in accordance with the regulatory financial reporting framework applicable to the Company in Spain, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in Appendix I to this auditor's report. This description, which is on the following pages, forms part of our auditor's report.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Javier Medrano Dominguez
Registered in ROAC under no. 22.892

2 March 2023

Appendix I to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the use by the directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the entity's directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the significant risks communicated with the entity's directors, we determine those risks that were of most significance in the audit of the financial statements of the current period and are therefore the most significant assessed risks.

We describe those risks in our auditor's report unless law or regulation precludes public disclosure about the matter.

FINANCIAL STATEMENTS

Compañía Española de Petróleos, S.A.

for the year ended December 31, 2022

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CEPSA

Balance sheet

BALANCE SHEET AS AT DECEMBER 31, 2022

€ Thousand

Assets	Notes	2022	2021
Non-current assets		*6,498,458*	*6,289,121*
Intangible assets	6	***61,100***	***65,893***
Patents		6,577	6,784
Goodwill		120	160
Computer sofware		54,232	58,759
Other intangible assets		171	190
Property, plant and equipment	7	***1,940,010***	***1,860,345***
Land and buildings		111,284	89,254
Plant and machinery		1,528,529	1,550,365
Property, plant and equipment in the course of construction and advance payments		300,197	220,726
Investments in Group companies and associates	19.2	***4,146,328***	***3,834,492***
Equity instruments	9.3	4,146,328	3,834,492
Non-current financial assets	9.1	***87,649***	***23,120***
Equity instruments		1,931	1,931
Loans to third parties		670	729
Derivatives	10	74,061	9,730
Other financial assets		10,987	10,730
Deferred tax assets	16.6	***263,371***	***505,271***
Current assets		*7,968,738*	*5,367,001*
Non-current assets held for sale	11	-	***39,671***
Inventories	12	***3,016,594***	***2,091,835***
Trade and other receivables		***2,473,659***	***1,903,827***
Trade receivables for sales and services	9.1	915,900	815,819
Trade receivables, group companies	9.1, 19.2	1,362,667	1,004,779
Other debtors	9.1	5,939	2,968
Personnel	9.1	2,642	2,217
Current tax assets	16.1	145,151	73,830
Public entities	16.1	41,360	4,214
Currents investment in Group Companies and associates	9.1, 19.2	***2,284,456***	***940,993***
Loans to third parties		1,536,360	936,160
Derivatives	10	740,480	4,181
Other financial assets		7,616	652
Currents financial assets	9.1	***25,384***	***37,465***
Loans to third parties		-	3,648
Derivatives	10	6,690	15,749
Other financial assets		18,694	18,068
Currents prepayments and accrued income		***2,541***	***4,769***
Cash and cash equivalents		***166,104***	***348,441***
Cash		63,685	17,516
Short-term higly-liquid investments		102,419	330,925
Total assets		***14,467,196***	***11,656,122***

The accompanying Notes 1 to 24 are an integral part of this Balance Sheet at December 31, 2022

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BALANCE SHEET AS AT DECEMBER 31, 2022

€ Thousand

Shareholder's Equity and Liabilities	Notes	2022	2021
Shareholder's Equity	13	*3,799,661*	*3,178,553*
Shareholder's Equity		***3,759,691***	***3,170,248***
Registered share capital		268,175	268,175
Share premium		351,581	351,581
Reserves			
Legal reserves		53,605	53,605
Other reserves	13.2	2,754,271	3,283,902
Treasury shares		(1,892)	(1,736)
Prior year losses		(785,279)	(815,545)
Profit (loss) for the year		1,119,230	30,266
Adjustments for changes in value	10, 13.5	***37,827***	***(4,574)***
Hedging transactions		37,827	(4,574)
Grants, donations or gifts and legacies received	13.6	***2,143***	***12,879***
Grants, donations or gifts and legacies received		2,143	12,879
Non-current liabilities		*3,208,959*	*3,470,000*
Long-term provisions	14	***366,505***	***201,460***
Provisions for long-term employee benefits		64,661	22,492
Provisions for environmental actions		52,751	15,552
Other provisions		249,093	163,416
Long-term debts	15.1	***1,396,834***	***1,715,214***
Bank borrowings		1,190,332	1,622,467
Derivatives	10	199,300	83,397
Other financial liabilities		7,202	9,350
Payable to group companies and associates	15.1, 19.2	***1,389,190***	***1,489,090***
Deferred tax liabilities	16.7	***53,759***	***61,293***
Non-current accruals and deferred income		***2,671***	***2,943***
Current liabilities		*7,458,576*	*5,007,569*
Liabilities related to non-current assets held for sale		***-***	***19,237***
Short-term provisions	14	***205,849***	***150,766***
Short-term debts	15.1	***540,633***	***87,140***
Bank borrowings		399,532	28,409
Derivatives	10	61,720	624
Other financial liabilities		79,381	58,107
Payable to group companies and associates	15.1, 19.2	***3,983,070***	***2,325,580***
Trade and other payables		***2,729,703***	***2,423,784***
Suppliers	15.1	466,262	323,418
Suppliers, group companies and associates	15.1, 19.2	1,097,872	1,361,059
Other payables	15.1	943,975	510,716
Personnel	15.1	61,699	55,117
Current tax liabilities	16.1	74	-
Public entities, other	16.1	159,023	145,212
Advances from customers	15.1	798	28,262
Current accruals and deferred income		***(679)***	***1,062***
Total shareholder's equity and liabilities		***14,467,196***	***11,656,122***

The accompanying Notes 1 to 24 are an integral part of this Balance Sheet at December 31, 2022

CEPSA

Income Statement

€ Thousand

	Notes	2022	2021
Continuing Operations			
Revenue	18.1	***27,371,242***	***17,733,341***
Sales		27,207,442	17,559,535
Services		163,800	173,806
Changes in inventories of finished goods and work in progress		***345,208***	***168,089***
Own work capitalised	6, 7	***20,138***	***27,193***
Procurements	18.2	***(23,125,993)***	***(14,137,887)***
Goods consumed		(2,268,478)	(1,949,554)
Raw materials and other materials consumed		(20,827,545)	(12,185,016)
Subcontracted work		(29,970)	(18,104)
Impairment of merchandise, raw materials and other supplies		-	14,787
Other operating income		***32,091***	***21,511***
Non-core and other current operating income		22,512	18,887
Income-related grants transferred to profit or loss		9,579	2,624
Staff costs		***(385,155)***	***(280,015)***
Wages, salaries and similar expenses	18.4	(322,728)	(217,662)
Employee benefit costs	18.4	(61,995)	(62,114)
Provisions		(432)	(239)
Other operating expenses		***(4,130,235)***	***(3,532,872)***
External Services		(1,652,218)	(1,135,337)
Taxes other than income taxes		(2,306,573)	(2,233,616)
Losses, impairment and change in operating allowances		(1,456)	(74)
Other current operating expenses		(169,988)	(163,845)
Amortization/Depreciation	6, 7	***(265,602)***	***(293,609)***
Allocation of non-financial fixed asset and other grants	13.6	***224,280***	***89,724***
Overprovisions		***9,171***	***949***
Impairment and gains or losses on disposals of non-current assets		***(1,606)***	***11,859***
Impairment and other losses	7	(165)	(8,386)
Gains or losses on disposals and other		(1,441)	20,245
Other gains or losses	18.5	***(37,344)***	***(4,675)***
Operating profit /(loss)		***56,195***	***(196,392)***
Finance Income		***1,076,480***	***240,705***
From investments in equity instruments		1,024,445	219,670
Group companies and associates	9.3, 19.1	1,024,227	219,529
Third parties		218	141
From marketable securities and other financial instruments		52,035	21,035
Group companies and associates	19.1	34,123	8,969
Third parties		17,912	12,066
Finance Costs		***(203,724)***	***(127,774)***
On debts to Group companies and associates	19.1	(89,252)	(38,588)
On debts to third parties		(105,408)	(83,192)
Interest cost relating to provisions	14	(9,064)	(5,994)
Change in fair value of financial instruments		***15,638***	***79,978***
Held-for-trading financial assets/liabilities and other		15,638	79,978
Exchange losses	17	***(33,946)***	***(87,339)***
Impairment and gains or losses on disposals of financial instruments		***162,428***	***24,279***
Impairment and other losses	9.3, 18.6	162,238	23,236
Gains or losses on disposals and other		190	1,043
Financial profit / (Loss)		***1,016,876***	***129,849***
Profit / (Loss) before tax		***1,073,071***	***(66,543)***
Income tax (expense)/benefit	16.4	46,159	96,809
Profit / (Loss) for the year from continuing operations		***1,119,230***	***30,266***
Profit / Loss for the year		***1,119,230***	***30,266***

Notes 1 to 24 of the Notes to the Financial Statements form an integral part of the Profit and Loss Statement for 2022

Statement of changes in equity

A) STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2022

€ Thousand

Statement of recognised income and expense	Notes	2022	2021
Profit/Loss per income statement (I)		*1,119,230*	*30,266*
Income and expenses recognised directly in equity			
Net (losses)/gains on cash flow hedges	10	11,566	134,812
Grants, donations or gifts and legacies received	13.6	209,965	95,945
Tax effect	16.3	(55,383)	(57,689)
Total income and expenses recognised directly in equity (II)		*166,148*	*173,068*
Transfer to income statement			
Net (losses)/gains on cash flow hedges	10	44,969	(102,668)
Grants, donations or gifts and legacies received	13.6	(224,280)	(89,724)
Tax effect	16.3	44,828	48,098
Total transfers to income statement (III)		*(134,483)*	*(144,294)*
Total statement of recognised income and expense (I+II+III)		*1,150,895*	*59,040*

Notes 1 to 24 of the Notes to the Financial Statements are an integral part of the Statement of Revenue and Expenditure corresponding to financial year 2022

Statement of changes in equity

B) STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2022

€ Thousand

	Share Capital	Share Premium	Reserves	Treasury shares	Prior year losses	Profit / Loss for the Year	Adjustments for changes in value	Grants, Donations or Gifts and Bequests Received	Total
Closing balance 2020	*267,575*	*338,728*	*3,860,058*	*-*	*-*	*(815,545)*	*(28,681)*	*8,213*	*3,630,348*
Adjusted balance at begining 2021	*267,575*	*338,728*	*3,860,058*	*-*	*-*	*(815,545)*	*(28,681)*	*8,213*	*3,630,348*
Total recognised income and expense	***-***	***-***	***-***	***-***	***-***	***30,266***	***24,107***	***4,666***	***59,039***
Transactions with shareholders or owners	***600***	***12,853***	***(522,551)***	***(1,736)***	***-***	***-***	***-***	***-***	***(510,834)***
Share capital increase	600	12,853	-	-	-	-	-	-	13,453
Dividends paid (-)	-	-	(522,551)	-	-	-	-	-	(522,551)
Transactions with treasury shares (net)	-	-	-	(1,736)	-	-	-	-	(1,736)
Other changes in equity	***-***	***-***	***-***	***-***	***(815,545)***	***815,545***	***-***	***-***	***-***
Closing balance 2021	*268,175*	*351,581*	*3,337,507*	*(1,736)*	*(815,545)*	*30,266*	*(4,574)*	*12,879*	*3,178,553*
Adjusted balance at begining 2022	*268,175*	*351,581*	*3,337,507*	*(1,736)*	*(815,545)*	*30,266*	*(4,574)*	*12,879*	*3,178,553*
Total recognised income and expense	***-***	***-***	***-***	***-***	***-***	***1,119,230***	***42,401***	***(10,736)***	***1,150,895***
Transactions with shareholders or owners	***-***	***-***	***(582,923)***	***(156)***	***-***	***-***	***-***	***-***	***(583,079)***
Dividends paid (-)	-	-	(582,923)	-	-	-	-	-	(582,923)
Transactions with treasury shares (net)	-	-	-	(156)	-	-	-	-	(156)
Other changes in equity	***-***	***-***	***53,292***	***-***	***30,266***	***(30,266)***	***-***	***-***	***53,292***
Closing balance 2022	*268,175*	*351,581*	*2,807,876*	*(1,892)*	*(785,279)*	*1,119,230*	*37,827*	*2,143*	*3,799,661*

Notes 1 to 24 of the Notes to the Financial Statements form an integral part of the Statement of Changes in Equity corresponding to financial year 2022

Statement of cash flows

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

€ Thousand

	Notes	2022	2021
Cash flow from operating activities (I)		***762,517***	***778,890***
Profit/Loss for the year before tax	16.4	***1,073,071***	***(66,543)***
Adjustment to result		***(424,978)***	***174,781***
Depreciation and amortization charge	6, 7	265,602	293,609
Impairment losses		(76,188)	(66,876)
Changes in provisions		318,843	165,883
Recognition of grants in P&L	13.6	(224,280)	(89,724)
Gains/Losses on derecognitions and disposals of non-current assets		1,441	(20,245)
Gains/Losses on derecognitions and disposals of financial instruments		(190)	(1,043)
Finance income		(1,076,480)	(240,705)
Finance costs		194,660	121,780
Exchange differences	17	110,478	93,176
Changes in fair value of financial instruments		(15,638)	(79,978)
Other income and expenses		76,774	(1,096)
Operating working capital		***(784,338)***	***361,596***
Inventories	12	(979,308)	(1,039,803)
Trade and other receivables		(47,294)	(803,182)
Other current assets		(1,256,893)	(66,089)
Trade and other payables		67,795	1,213,810
Other current liabilities		1,431,362	1,056,860
Other cash flows from operating activities		***898,762***	***309,056***
Interest paid		(185,323)	(96,839)
Dividends received		1,017,481	219,426
Interest received		50,712	20,552
Income tax (paid) / collected		24,366	175,551
Other payments (proceeds)		(8,474)	(9,634)
Cash flow from investing activities (II)		***(253,359)***	***(172,021)***
Payment for investment		***(258,728)***	***(254,651)***
Group companies and associates		(82,409)	(71,930)
Intangible assets		(15,154)	(16,013)
Property, plant and equipment		(158,398)	(165,579)
Other financial assets		(2,767)	(1,129)
Proceeds from disposals		***5,369***	***82,630***
Group companies and associates		194	1,055
Property, plant and equipment		3,168	78,679
Other financial assets		2,007	2,896
Cash flow from financing activities (III)		***(691,493)***	***(1,339,751)***
Proceeds and payment relating to equity instruments		***-***	***11,717***
Issue of equity instruments		-	13,453
Acquisition of own equity instruments		-	(1,736)
Proceeds and payments on issued		***(108,570)***	***(828,917)***
Issued bank borrowing		250,001	429,985
Issued group companies and associated borrowings		-	-
Issued Other debts		450	2,474
Repaid of bank borrowing		(353,285)	(1,252,788)
Repaid of other debts		(5,736)	(8,588)
Dividends in return on other equity instruments paid		***(582,923)***	***(522,551)***
Dividends		(582,923)	(522,551)
Effect on exchange rate changes (IV)		***(2)***	***1,575***
Net increase/decrease in cash and cash equivalents (I+II+III+IV)		***(182,337)***	***(731,307)***
Cash and cash equivalents at beginning of year		348,441	1,079,748
Cash and cash equivalents at end of year		166,104	348,441

Notes 1 to 24 of the Notes to the Financial Statements are an integral part of the Cash Flow Statement corresponding to financial year 2022

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Compañía Española de Petróleos, S.A. (CEPSA)

1. Company activities

I. Corporate information

Compañía Española de Petróleos, S.A. (hereinafter "CEPSA" or "the Company") was incorporated on September 26, 1929, for an indefinite period of time, with registered address at Paseo de la Castellana, 259 A, 28046 Madrid (Spain). It is entered in the Madrid Trade Registry, Volume 588 of the Companies Book, Sheet 35, Page M-12689, and its Tax Identification Number is A-28003119.

CEPSA shares were owned mainly by two shareholders: "Cepsa Holding, LLC," owner of shares representing 61.36% of the share capital, a company incorporated in the United Arab Emirates and ultimately controlled by Mubadala Investment Company, PJSC ("MIC"), and the company "Matador Bidco, S.À.R.L.," owner of shares representing the remaining 38.41% of the share capital, a company incorporated in Luxembourg and ultimately controlled by The Carlyle Group, Inc. (See **Note 13.1**).

The Company engages in all kinds of extraction, industrial, commercial, corporate and promotion activities connected mainly with oil and gas, in solid, liquid, and gaseous form in Spain and abroad; the production of compound and synthetic oil, petrochemical, chemical, and other derivative materials; all types of mineral and hydrocarbon deposits, underground structures, rock, mineral, and geological resources, and on a complementary basis, any other raw materials, substances, products, energy, or waste that are related to, connected with, a substitute for, derive from, or complement the above. The Company also carries out the above activities through the incorporation of or ownership of shares in other companies with similar or identical corporate purposes.

CEPSA is the parent of a Group of subsidiaries and is required under current legislation to prepare consolidated financial statements separately. The consolidated Financial Statements of the CEPSA Group for 2021 were approved by the Directors in a meeting of the Board of Directors on March 15, 2022, approved at the Shareholders' Meeting on March 16, 2022 without amendment, and duly filed with the Commercial Registry of Madrid. The consolidated financial statements for 2022 are expected to be prepared by the Board of Directors on March 2, 2023 and to be approved without changes by the General Shareholders' Meeting.

Company operations

Note 9.3 describes the incorporation of new companies during the year 2022.

In 2022 the assets and liabilities relating to the non-monetary contribution of the exploration and production business (see **Notes 5, 7 and 9.3**) made to the company "Cepsa Exploración y Producción, S.L.U." were derecorded.

II. Regulatory framework

The Company's activities, whether carried out in Spain or in other countries, are subject to numerous regulations. Any changes that may arise in applicable legislation can affect the framework in which these activities are carried out and therefore the profits generated by the Company's operations.

The hydrocarbons sector, in which CEPSA operates, is basically regulated by Law 34/1998, of October 7, on the Oil and Gas Sector ("LSH"), amended by Law 11/2013 of July 26 and Law 8/2015 of May 21, which regulates certain measures to support entrepreneurship and stimulate growth and tax and non-tax measures related to exploration, research and development of hydrocarbons.

Petroleum products

In the fuel sector, the fourth additional provision of Law 8/2015, dated May 21, establishes limitations on the expansion of gas station networks belonging to wholesale operators with a provincial market share of more than 30 percent.

The aforementioned Law has also established the possibility for retail operators to supply each other.

The price of petroleum products is liberalized, and with the exception of packaged LPG of more than 8 kg and less than 20 kg with a tare weight exceeding 9 kg, it is subject to maximum retail prices.

The LSH establishes that the wholesale operator with the largest market share in the corresponding mainland and island territories to carry out this home delivery service is obliged to deliver LPG containers weighing between 8 and 20 kilograms to the homes of all petitioners.

According to the Resolution of June 14, 2020, of the Directorate General of Energy Policy and Mines, Atlas S.A., Combustibles y Lubrificantes (owned by CEPSA) is obliged to supply bottled liquefied petroleum gas at regulated prices to homes in the cities of Ceuta and Melilla.

Royal Decree-Law 6/2022, dated March 29, created an extraordinary and temporary discount of 20 euro cents per liter/kg on the price of certain energy products from April 1, 2022, to June 30, 2022, which Royal Decree-Law 11/2022, dated June 25, extended until December 31, 2022. In order to help finance the discount, wholesale operators that distribute oil products with refining capacity in Spain and an annual turnover of more than 750 million euros must pay a non-tax public capital contribution. Operators who undertake to unequivocally provide a discount on the sales of the subsidized products to end consumers are not obliged to pay this contribution. This discount is made on the retail price for a minimum amount equivalent to 5 euro cents per liter or per kg. Cepsa undertook to provide the discount.

Royal Decree-Law 20/2022, dated December 27, extends until June 30, 2023, the restriction on the maximum selling price of bottled liquefied petroleum gas established by the Resolution of May 12, 2022, of the General Directorate of Energy Policy and Mines.

Supervisory body

Pursuant to Law 3/2013, dated June 4, creating the Spanish National Markets and Competition Commission (CNMC), the CNMC supervises and controls the energy sector in general and hydrocarbons in particular.

Pursuant to the ninth Additional Provision of the aforementioned law, the Ministry of Ecological Transition (MITECO) supervises operations in the energy sector. As set out in this provision, the acquirer must notify MITECO of certain transactions in the energy sector.

Royal Decree-Law 1/2019, of January 11, transfers powers to the CNMC in order to bring them into line with the requirements derived from European law relating to Directives 2009/72/EC and 2009/73/EC of the European Parliament and of the Council, of July 13, 2009, concerning common rules for the internal market in electricity and natural gas.

Refining

As far as refining activities are concerned, there are numerous industrial safety and environmental protection regulations, particularly Royal Legislative Decree 1/2016, dated December 16, which published the revised text of the law on the integrated prevention and control of pollution.

Minimum security stocks

The LSH establishes obligations to maintain minimum security stocks that affect petroleum products and natural gas, given their special importance for maintaining regular economic activity.

Royal Decree 1766/2007, dated December 28, regulates the obligation to maintain minimum security stocks in the oil and natural gas sectors.

In accordance with the aforementioned Royal Decree, the minimum security stock obligation for petroleum products, excluding LPG, is equivalent to 92 days of sales in the previous 12 months. However, this has been reduced since the beginning of the conflict in Ukraine, and by virtue of Order TED/725/2022, dated July 27, it stands temporarily at 84.2 days, of which Cepsa must maintain 42.2 days.

With respect to natural gas, Royal Decree-Law 6/2022 has extended the obligation to maintain minimum stocks established in Royal Decree 1766/2007 from 20 days to 27.5 days of final sales or consumption in the previous calendar year.

Natural gas

With respect to natural gas, the CEPSA Group's natural gas marketing activity is regulated, in addition to the Hydrocarbons Industry Law, by Royal Decree 1434/2002, of December 27, 2002, which regulates the transportation, distribution, marketing, supply and authorization procedures for natural gas facilities.

Electricity sector

The CEPSA Group also operates in the electricity sector as a marketer, producer and representative agent, all of which are regulated by Law 24/2013, of December 26, 2013, on the Electricity Sector, Royal Decree 1955/2000, of December 1, 2000, which regulates the activities of transmission, distribution, marketing, supply and

authorization procedures for electricity facilities, and Royal Decree 413/2014, of June 6, 2014, which regulates the activity of electricity production from renewable energy sources, cogeneration and waste.

In relation to natural gas and electricity sales and electricity production, for 2022 we must highlight the following: the entry into force of Royal Decree-Law 6/2022, dated March 29, which adopts urgent measures within the framework of the National Plan addressing the economic and social consequences of the conflict in East Europe, updating the specific remuneration system for electricity production from renewable energy sources, high-efficiency cogeneration and waste; Royal Decree-Law 10/2022, dated May 13, which temporarily establishes a production cost adjustment mechanism to reduce the price of electricity in the wholesale market, Royal Decree-Law 17/2022, dated September 20, which adopts urgent measures in the field of energy, in the application of the remuneration system for cogeneration facilities, and temporarily reduces the Value Added Tax rate applicable to deliveries, imports and intra-Community acquisitions of certain fuels, establishing a waiver of the specific remuneration system for cogeneration facilities for the purposes of applying the mechanism regulated in Royal Decree-Law 10/2022, of May 13; as well as Royal Decree-Law 20/2022, dated December 27, on measures to address the economic and social consequences of the conflict in Ukraine and to support the reconstruction of the island of La Palma and other situations of vulnerability.

Climate change

Law 7/2021 on Climate Change and Energy Transition, of May 22, which aims to ensure Spain's compliance with the objectives of the Paris Agreement and to facilitate the decarbonization of the Spanish economy and its transition to a circular model guaranteeing the rational use of resources, as well as the adaptation to climate change and implementation of a sustainable development model.

The aforementioned Law establishes a number of objectives that must be met at the national level, of which the following should be highlighted:

- the objective of a car and light commercial vehicle fleet with no direct CO2 emissions by 2050.
- the deployment of the electric vehicle charging system. To this end, it includes the obligation for service station owners to progressively install an electric recharging infrastructure within 21 or 27 months from the entry into force of the regulation, depending on the service station's sales volume. This obligation is enforceable from the law's entry into force for new service stations or those that undertake reforms that require the revision of their administrative title.

Furthermore, the "Hydrogen Roadmap: a Commitment to Renewable Hydrogen" has been approved, with which the Government aims to promote this sustainable energy carrier, important for achieving the goal of climate neutrality by 2050.

Additionally, Royal Decree-Law 6/2002, already mentioned above, has transposed Article 7a of Directive 98/70/EC of the European Parliament and of the Council, dated October 13, 1998, relating to the quality of gasoline and diesel fuels and amending Council Directive 93/12/EEC (FQD Directive), establishing a new mandatory target of a 6 percent reduction in the intensity of greenhouse gas emissions during the life cycle in transport per unit of fuel and energy supplied in transport.

2. Basis for the Financial Statements

2.1. Regulatory framework for financial reporting applicable to the Company

The financial statements were prepared by the directors in accordance with the regulatory financial reporting framework applicable to the Company, which consists of:

a) The Spanish Commercial Code and all other Spanish corporate laws.

b) The Spanish National Chart of Accounts approved by Royal Decree 1514/2007, modified by Royal Decree 602/2016 and Royal Decree 1/2021 and its sector-specific adaptations.

c) The enforceable rules adopted by the Accounting and Auditing Institute implementing the Spanish National Chart of Accounts and its complementary rules.

d) All other applicable Spanish accounting legislation.

2.2. Non-mandatory accounting principles applied

No non-mandatory accounting principles have been applied. Additionally, in approving these financial statements, the Directors took account of all mandatory accounting principles and standards having a material impact on them. All mandatory accounting principles have been applied.

2.3. True and fair view

The accompanying financial statements, prepared from the Company's accounting records, are presented in accordance with the regulatory financial reporting framework applicable to the Company, and, in particular the accounting principles and criteria set forth herein, and present fairly, in all material respects, its financial position, the profits of its operations and cash flows for the related year. These financial statements are presented in thousands of euros unless otherwise stated.

These financial statements, which have been approved by the Company's Directors, will be submitted for approval by the General Shareholders' Meeting, which is expected to approve them without amendment. The Financial Statements for 2021 were approved without amendment at the Shareholders' Meeting held on March 16, 2022.

2.4. Critical aspects of the assessment and estimation of uncertainty

In preparing the accompanying financial statements estimates were made by the Company's directors in order to measure certain assets, liabilities, income, expenses and commitments reported herein.

Basically, these estimates concern:

- Determining the recoverable amount in order to calculate impairment losses on certain assets such as intangible assets, property, plant, and equipment, and investments in Group companies, associates, and joint ventures (see **Note 4.1**).
- Service lives of tangible and intangible assets (see **Notes 6 and 7**).
- When the fair values of financial assets and financial liabilities recorded in the Balance Sheet cannot be measured using quoted prices in active markets, their fair value is measured using alternative valuation techniques including the *Discounted Cash Flow* model. The inputs to these models are taken from observable markets where possible, but if this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk (own and counterparty) and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments (see **Notes 9, 15 and 23)**.
- The calculation of the inventories valuation (see **Note 12)**.
- The evaluation of possible results of legal claims and contingencies, for which the Company relies on the opinions of its legal counsel. These opinions are based on their best professional judgment and take into account the situation at the time of the judicial proceedings, as well as the accumulated legal experience in relation to the various matters in question. Since the outcome may ultimately be decided by courts, they may be different from the estimates (see **Note 14).**
- The calculation of provisions in this regard, the assessment of possible results of claims and contingencies is based on the opinions of the Company's legal and fiscal counsel and take account of the situation at the moment of the proceedings, as well as their overall experience (see **Note 14**).
- Similarly, judgments and estimates are made to record costs and establish provisions for write-offs and environmental repairs using current information on expected costs and remediation plans. Most write-off events are expected to happen in the near future and the precise requirements that must be met when the event occurs are uncertain. Decommissioning technologies and costs are constantly changing, as are political, environmental, safety, and public expectations (see **Note 14**).
- The calculation of Income tax and the recognition of deferred tax assets. They are recorded to the extent that it is probable that sufficient taxable profit will be available to enable them to be offset. Significant management judgment is required to determine the amount of deferred tax assets that can be recorded, based upon taxable profits as well as timing (see **Note 16**).

Although these estimates were made on the basis of the best information available at 2022 year-end, events that take place in the future might make it necessary to change these estimates (upward or downward) in coming years. Changes in accounting estimates would be applied prospectively.

2.5. Changes in estimates

In 2022 there were no significant changes in accounting estimates with respect to the criteria applied in 2021.

2.6. Comparative information

The information contained in these Financial Statements for the year 2021 is presented solely for purposes of comparison with the information for the period ended December 31, 2022.

2.7. Grouping of items

Certain items of the Balance Sheet, the Income Statement, the Statement of Changes in Shareholders' Equity and the Statement of Cash Flows are presented in a grouped form to facilitate understanding, although to the extent that it is significant, the following information has been included in the corresponding Notes to the Financial Statements.

2.8. Correction of errors

No material error has been detected in the preparation of the attached Financial Statements that has necessitated a restatement of the amounts set forth in the Financial Statements for the year 2021.

2.9. Change in accounting criteria

In 2022 there were no significant changes in accounting criteria with respect to the criteria applied in 2021.

3. Appropriation of profit

The proposed distribution of profits for the year-ended December 31, 2022, formulated by the Company's Directors, which will be submitted for approval at the General Shareholders' Meeting, is as follows:

	€ Thousand **2022**
Voluntary reserves	333,951
To offset prior year losses	785,279
Total applied	***1,119,230***

4. Rules for recognition and measurement

CEPSA has prepared its 2022 Financial Statements pursuant to the measurement standards set out in the General Accounting Plan. Generally, the specific standards applicable to a balance sheet heading are described in the Note corresponding to said heading. Conversely, more general standards or those that apply to several headings are described below:

4.1. Measurement of impairment of fixed assets: goodwill, intangible assets, property, plant, and equipment, and investments in Group companies and associates, and other financial assets.

CEPSA assesses at year-end, or whenever the circumstances so justify, whether there are indications of impairment of goodwill. Intangible assets, property, plant and equipment, investments in Group and associated companies and other financial assets are assessed only if there are indications of impairment. In both cases, the recoverable amount is estimated.

A) INTANGIBLE AND TANGIBLE FIXED ASSETS

At each year-end, the Company analyzes whether there is any indication of impairment of its assets or cash-generating units to which goodwill or other intangible assets have been allocated and, if any, by means of the so-called "impairment test," the possible existence of impairment losses that reduce the recoverable value of such assets to an amount lower than their book value.

These assets (except the financial assets) are grouped into cash generating units [(1)] (CGUs) when, individually taken, they do not generate cash flows separately from others generated from other assets of the CGU. The grouping of the assets in different CGUs implies the making of professional judgments and the consideration, among other parameters, of the business segments and the geographic areas in which the Company operates.

The Company's CGU is called "Energy", which includes the Energy Parks, Mobility & New Commerce and Commercial & Clean Energies businesses, which are considered a single CGU due to the interrelation of flows that exist throughout its production process. Excepted from this treatment, within the Energy Solutions segment, is

[1] *A cash-generating unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.*

the gas and power area, where the plant corresponds to a CGU, since they have an individualized remuneration from the Spanish government.

Investments in Group companies and associates

At least at year-end the Company performs an "impairment test" for financial assets that are not recorded at fair value through profit or loss. Objective evidence of impairment is considered to exist if the recoverable amount of the financial asset is less than its carrying amount, the recoverable amount being understood as the higher of its fair value less costs to sell and the present value of future cash flows from the investment. Unless there is some better indication of the recoverable amount, the equity of the company in which the stake is held is used, corrected for any unrealized capital gains at valuation date.

In order to perform the impairment test mentioned above, the carrying amount of a cash-generating unit or investment is obtained as follows:

a) include the carrying amount of only those assets that can be attributed directly, or allocated on a reasonable and consistent basis, to the CGU and will generate the future cash inflows used in determining the CGU's value in use;

b) It shall not include the carrying amount of any recorded liability, unless the recoverable amount of the CGU cannot be determined without consideration of this liability.

The recoverable amount of each CGU or asset is determined as the higher of the value in use and the fair value less costs of disposal that would be obtained from the assets associated with the cash-generating unit.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset using assumptions consistent with the CEPSA Group's 2023 Budget as approved by the Board of Directors and the long-term plan.

These projections cover the following five years and include a residual value appropriate to each business for which a constant expected growth rate is used that ranges from 0% to 2.5% based on the expected long-term CPI, as well as the expected growth for the country specific to each business under analysis. For the purpose of calculating residual values, the only investment considered is maintenance capital expenditure and any investment needed for renovation purposes in order to maintain the asset's or CGU's productive capacity.

The valuation of investments in Group and Associated companies in the Exploration and Production segment (*Upstream*) uses cash flow projections that cover the economically productive life of the oil and gas fields limited by the termination of permits, agreements or operating contracts. The general principles applied to determine the variables that most affect the cash flows of this business line are described below:

Oil and gas sales prices

The estimated crude oil prices used to project the cash flows of each of the assets are those used in the Group's 2023 Budget and long-term plan. These estimates are based on assessments made by international agencies and other market players. The pathway has been developed based on macroeconomic, financial and market information and available analyst forecasts and contemplates energy transition and decarbonization scenarios that are consistent with the objectives of the Paris (COP 21) and Glasgow (COP 26) Climate Summit.

In order to mitigate the effect of volatility in crude oil prices, CEPSA used a sensitivity analysis of different price curves for its impairment analysis. Thus, as mentioned above, the Group has considered two scenarios for future prices:

- Scenario 1 (75% weighted): the prices considered are USD 90, 85, 80, 75 and 75 per barrel for each year of the 2023-2027 period. Later on prices are increased by a CPI of 2%. The quoted Brent crude oil price is used as the base price, and the remaining international prices are calculated with the use of differentials.

- Scenario 2 (weighted by 25%): With a price curve, in dollars per barrel, of 77, 67, 62, 61 and 62 for the period 2023 to 2027, after which prices increase annually with the same CPI as that used in "Scenario 1".

Regarding the weighting between the two scenarios, 75% has been considered for the former and 25% for the latter, considering the current scenario of high prices.

Reserves and production schedules

For each asset a long-term development plan is established with an annual production schedule. This production profile takes probable reserves and best estimate of contingent resources, if applicable, weighted by associated risk factors. The CEPSA Reserves and Contingent Resources Evaluation Procedure follows the guidelines established by the Society of Petroleum Engineers (SPE), the American Society of Petroleum Geologists (AAPG), the World Petroleum Council (WPC), the Society of Petroleum Evaluation Engineers (SPEE), and the Society of Exploration Geophysicists (SEG) in March 2007, revised in November 2011 and June 2018, and is known by the

abbreviated term "SPE-PRMS" (Petroleum Resources Management System). To determine the reserves, the procedure takes into account, among other factors: estimates of the volume of oil and natural gas in place, recovery factors, assumptions of price forecasts, and estimates of costs and investments.

Reserves are certified annually by the Group's internal experts, independent of the Exploration and Production area. Additionally, every two years, the registered volumes are audited by independent specialized firms. The last external audit for Reserves was performed during the first half of 2022 on reserves as of December 31, 2021. Said audit did not generate significant differences with those recorded in the Group.

Operating costs and investments

For exploration and production assets, the development plan established for each asset takes into account the investments necessary for production of the estimated reserves and resources. For both capital expenditure and operating expenses, according to current purchasing contracts and our best estimate, the inflation rate used, when applicable, depends on the country where the asset is located.

Discount rate

In order to calculate the present value of these flows, they are discounted at a rate equivalent to the *weighted average cost of capital* (WACCs) adjusted for country risk, also considering the business risk corresponding to each asset or CGU.

The parameters taken into account for the composition of the aforementioned discount rates were:

- Risk-free rate: Normalized yield of sovereign bonds corresponding to each geographic area or country. For flows in dollars, the yield of the 20-year U.S. sovereign bond is used and for flows in euros, the normalized yield of the German bond recommended by the methodology of the consulting firm Kroll, Inc. is used as a basis.
- Risk premium for investment in equity (equity risk premium): 6.0% as a general rule.
- Country risk-premium of the location of the asset
- Beta: It is calculated based on the average of comparable companies for each business, deleveraging and re-leveraging according to a defined capital structure for each sector.
- Average cost of debt: Calculated as the aggregation of the risk-free rate, an average spread (calculated as the spread between the average cost of debt observed for a group of integrated O&G companies and the 20-year U.S. or German sovereign bond yield) and, if applicable, the country risk premium.
- Capital structure: Equity-to-debt ratio defined for each business, being, as a general rule, 25% debt and 75% equity.

These discount rates have been calculated taking into account the local currencies of the cash generating units.

All data used for the calculation are obtained from reputable external sources with a solid track record.

The discount rates used in the countries whose assets or CGUs had signs of impairment in 2022 and 2021 are as follows:

Business Unit	2022	2021
Energy Solutions	7.5% - 9%	5.0% - 7.5%

The valuation of these assets and CGUs has used cash flow projections covering a period of 5 years (except in the case of assets with contracts establishing a specific time horizon) plus terminal value, with a growth rate of 0% - 2.5% per annum.

These analyses have had an impact on some of the figures used by management in the valuation of investments in investees and associates.

Sensitivity analysis

In the case of those assets or CGUs for which CEPSA performs an impairment test as a result of identifying indications of impairment, the Company analyzes whether reasonably foreseeable changes in the key assumptions used to determine their recoverable amounts would have a material impact on the financial statements. In the case of those assets and CGUs in which the recoverable amount exceeds the carrying amount by a significant percentage, it is not considered that such variations could have a significant impact. In the case of those assets or CGUs for which the margin is below this threshold, CEPSA performs sensitivity analyzes in order to quantify changes in the recoverable amounts of these assets or CGUs as a result of changes in key assumptions deemed reasonably foreseeable.

Specifically, the most relevant sensitivity analyzes performed considered changes to the following inputs:

€ Million

Sensitivity analysis	Variation	Effect on impairment Increase/(Decrease) 2022	2021
Increases in WACC	50 p.b.	11	-
Decrease in the oil price	10%	-	-
Change in $/€ exchange rate	0.05 $/€	62	26

Based on the price curves published by contrasting analysts ([2]), we consider the estimates made for the calculation of the recoverable value in the impairment tests performed in the Company's subsidiaries to be reasonable.

Recognition of impairment

If the recoverable amount of a tangible or intangible asset (or a cash-generating unit) is estimated to be less than its carrying amount, its value is reduced to its recoverable amount, recognizing an impairment loss as an expense under IMPAIRMENT AND GAINS OR LOSSES ON DISPOSAL OF FIXED ASSETS in the Income Statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit), is increased up to the revised estimate of its recoverable amount, except for goodwill, recognizing an income item, in such a way that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recorded for the asset (cash-generating unit) in prior years.

When the impairment of interests in group companies and associates is assessed, changes are calculated as the difference between the carrying value of said interests and the recoverable amount. This is understood to be the greater of fair value, less selling costs, and the present value of the future cash flows deriving from the investment. The future cash flow calculation considers the totality of CGUs in which the investee in question could be held.

Unless there is better indication of the recoverable amount of investments in group companies and associates, the equity of the investee is used, adjusted by the unrealized gains existing at valuation date, and including the goodwill, if any, arising at CEPSA as a result of the acquisition of the investment. The main assumptions applied in the measurement of equity instruments and the related sensitivity analyses therefore coincide with the contents described above.

Impairment losses are recorded as expenditure under Impairment and gain/loss on the disposal of financial instruments in the Income Statement.

B) FINANCIAL ASSETS

Whenever objective evidence exists, and at least at each reporting date CEPSA tests financial assets not measured at fair value through profit or loss for impairment. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When this occurs, the appropriate write-down is recorded in the Income Statement.

In any case, for equity instruments at fair value with changes in equity, impairment will be presumed to exist after a drop of one and a half years or 40% in their market price, without the value having recovered. Impairment is recorded in the Income Statement.

As regards the valuation adjustments of trade and other receivables, CEPSA recognizes a write-down when the receivable is over six months past-due or when the company's legal advisory department takes legal action in order to obtain collection settlement or when the customer is in bankruptcy.

4.2. Current and non-current items

CEPSA considers the following current assets:

- those linked to the normal operating cycle, which is generally considered to be one year,
- those other assets whose maturity, disposition or realization is expected to occur in the short term from the closing date of the financial year,
- financial assets held to negotiate, with the exception of financial derivatives whose settlement period is greater than a year, and
- cash and cash equivalents.

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[2] *Analysts considered are Wood Mackenzie, JP Morgan, Barclays, Société Generale, Citi, IHS, Morgan Stanley, and the US Energy Information Administration.*

Assets not meeting these criteria are classified as non-current.

It considers the following current liabilities:

- those linked to the normal operating cycle,
- financial liabilities held to negotiate, with the exception of financial derivatives whose settlement period is greater than one year, and
- generally, any obligation that will mature or be discharged in the short term.

All other liabilities are classified as non-current.

4.3. Statement of Cash Flows

CEPSA reports the information regarding cash flows from operations using the "indirect method," which implies starting with the Profit before taxes on the Income Statement, and subsequently adjusting this figure for the effects of non-monetary transactions and accruals for the period, as well as gains or losses associated with cash flows from investing or financing operations.

5. Business Combinations

MEASUREMENT CRITERIA

Business combinations with third parties outside the Group are accounted for with the acquisition method for which the date of acquisition is determined and the combination cost is calculated recording the identifiable assets acquired and liabilities assumed at their fair value as at said date.

Goodwill or the negative difference of the combination is determined by the difference between the reasonable values of the assets acquired and liabilities assumed and the combination cost, all as at the date of acquisition.

The cost of combination is determined by adding:

The fair value as at the date of acquisition of the assets, liabilities incurred or assumed, and the equity instruments issued.

The fair value of any contingent consideration dependent on future events or fulfillment of predetermined conditions.

Expenses related to the issuing of equity instruments or financial liabilities delivered in exchange for the acquired components are not part of the cost of the combination.

Fees paid to legal counsel and other professionals who worked on the combination and any costs generated internally for these concepts have not been included in combination costs. Said amounts are directly applied to the Income Statement.

In the exceptional event that this combination yields a negative difference, it is applied to the Income Statement as revenue.

If as at year-end of the financial year in which the combination takes place, the measurement processes necessary to apply the acquisition method described above cannot be carried out, this accounting will be considered provisional and said provisional values may be adjusted within the period necessary to obtain the information required, which shall never exceed one year. The effects of the adjustments carried out in this period are accounted for retroactively modifying the comparative information where necessary.

Subsequent changes to the fair value of the contingent consideration are adjusted and recorded in income, unless said consideration was classified as equity, in which case subsequent changes in value are not recorded.

Business combinations with group companies and associates

As defined in the business combination standard, in non-cash contributions to a group company for the purposes of business, investment in the equity interests of an acquiree will be measured by the accounting value of the equity components of the business.

In mergers, spin-offs, and non-cash contributions for the purpose of business, as defined by the business combinations standard, the following criteria will apply:

In transactions between group companies in which the parent company of the group or the company controlling a subgroup and its subsidiary directly or indirectly intervenes in the constituent elements of the business acquired, they will be measured with the corresponding amount in the consolidated group or subgroup financial statements once the transaction is complete, pursuant to the Consolidated Financial Statement Preparation Standard set out in the Code of Commerce.

In the case of transactions between group companies, equity components of the business will be measured according to the book values in the individual financial statements before the transaction.

Any difference that may arise in the accounting records due to the application of the above criteria will be recorded under a reserves entry.

Equity interests in other companies will not be considered business in and of themselves.

In 2022, within the Group, CEPSA carried out a spin-off of the exploration and production branch of activity to the subsidiary Cepsa Exploración y Producción, S.L.U. in the form of an increase in unrestricted reserves approved by its Extraordinary General Meeting of Shareholders on March 22, 2022, and carried out on January 1, 2022. In accordance with the recording and valuation rules of the Spanish National Chart of Accounts, the branch of activity that was the subject of the contribution was valued globally at its net book value, which amounted to 15,702 thousand euros (see **Note 9.3**). This figure corresponded mainly to the net book value of the intangible assets spun off (see **Note 6**), and the net among existing debts and accounts receivable, amounting to 5,053 thousand euros and 9,957 thousand euros, respectively.

This spin-off by way of segregation was duly registered with the Trade Registry on March 31, 2022. Also, and in compliance with article 89 of Law 27/2014, dated November 27 on Corporate Income Tax, the operation availed itself of the special tax regime described in Chapter VII of title VII therein.

During the 2021 financial year, the liquefied gas (LPG) commercialization business in Spain was spun off from "Cepsa Comercial Petróleo, S.A.U." to "Gasib Sociedad Ibérica de Gas Licuado, S.L.U." and from Portugal from "Cepsa Portuguesa de Petróleos, S.A." to "Gasib Sociedad Iberica de Gas Liquifeito, LDA". The objective of this operation was to provide them with their own commercial, technical and support unit structure to enable them to face an ambitious growth plan in the coming years and compete in better conditions due to the specialization of their functions.

6. Intangible assets

MEASUREMENT CRITERIA

*As a general rule, intangible assets are initially valued at their acquisition price or cost of production. They are subsequently measured at cost less the corresponding accumulated amortization and, if appropriate, any impairment losses (see **Note 4.1**). These assets are amortized in line with their service lives.*

Research and Development Costs

The Company recognizes research costs in the Income Statement as and when incurred over the course of the year.

Patents, licenses, trademarks and similar

This account reflects amounts paid to buy or the right to use the different forms of intellectual property, including expenses incurred to register that of the Company. These amounts are amortized at the same rates as those used to depreciate the industrial units to which they relate (between 7 and 45 years).

CEPSA owns registered trademarks and industrial drawings, which it uses in part of its commercial transactions. These assets are subject to amortization during the period in which they are expected to generate economic benefits for the company. For this purpose, where the useful life cannot be reliably estimated, it must be amortized within 10 years, without prejudice to any particular rules that may exist, which is the time period used by the Company.

Goodwill

Goodwill is recorded when triggered by an acquisition for consideration, in the context of a business combination. Goodwill is subject, at least annually, to an impairment test in accordance with the methodology indicated below and, if necessary, the corresponding valuation adjustment is recorded.

Goodwill impairment losses cannot be reversed in future periods.

Software applications

CEPSA recognizes computer software at the amount of costs incurred to acquire and develop them; these costs include website development costs. Software application maintenance costs are charged to Income Statement in the fiscal year in which they are incurred.

Software applications are amortized on a straight-line basis for a maximum period of 5 years.

Other intangible assets

Surface rights are amortized in accordance with the agreements executed for this type of operations (between 7 and 45 years).

Additionally, this heading includes licenses and management contracts with a useful life of less than 50 years.

Other intangible assets are amortized on a straight-line basis over a maximum of five years.

The main changes during 2022 and 2021 are as follows:

€ Thousand

2022	Balance at 01.01.2022	Spin-off	Additions or charges for the year	Transfers	Retirements or disposals	Balance at 12.31.2022
Assets						
Concessions	58	-	-	-	-	58
Patents and licences	50,791	-	955	-	-	51,746
Goodwill	399	-	-	-	-	399
Computer software	224,766	(8,445)	19,137	495	(74)	235,879
Other intangible assets	571	-	-	-	-	571
Total	***276,585***	***(8,445)***	***20,092***	***495***	***(74)***	***288,653***
Accumulated amortisation and impairment losses						
Concessions	(58)	-	-	-	-	(58)
Patents and licences	(44,007)	-	(1,162)	-	-	(45,169)
Goodwill	(239)	-	(40)	-	-	(279)
Computer software	(166,007)	3,211	(18,851)	-	-	(181,647)
Other intangible assets	(381)	-	(19)	-	-	(400)
Investments in areas with unproven reserves	-	-	-	-	-	-
Total	***(210,692)***	***3,211***	***(20,072)***	***-***	***-***	***(227,553)***
Net intangible assets	***65,893***	***(5,234)***	***20***	***495***	***(74)***	***61,100***

€ Thousand

2021	Balance at 01.01.2021	Additions or charges for the year	Transfers	Retirements or disposals	Balance at 12.31.2021
Assets					
Concessions	58	-	-	-	58
Patents and licences	49,911	1,165	43	(328)	50,791
Goodwill	399	-	-	-	399
Computer software	205,945	17,847	1,347	(373)	224,766
Other intangible assets	571	-	-	-	571
Investments in areas with unproven reserves	109,969	-	-	(109,969)	-
Total	***366,853***	***19,012***	***1,390***	***(110,670)***	***276,585***
Accumulated amortisation and impairment losses					
Concessions	(58)	-	-	-	(58)
Patents and licences	(42,897)	(1,438)	-	328	(44,007)
Goodwill	(200)	(39)	-	-	(239)
Computer software	(147,968)	(18,345)	1	305	(166,007)
Other intangible assets	(362)	(19)	-	-	(381)
Investments in areas with unproven reserves	(109,969)	-	-	109,969	-
Total	***(301,454)***	***(19,841)***	***1***	***110,602***	***(210,692)***
Net intangible assets	***65,399***	***(829)***	***1,391***	***(68)***	***65,893***

In 2022 and 2021, 6,440 and 4,699 thousand euros, respectively, were recorded corresponding to personnel, finance, and other costs relating essentially to software applications developed in those years, were capitalized as intangible assets with a credit to OWN WORK CAPITALIZED in the accompanying Income Statement. The rest of the investment recorded by CEPSA under SOFTWARE APPLICATIONS relates essentially to acquisitions made in order to upgrade computer software to the most recent market versions.

In 2021, the amount recorded under INVESTMENTS IN AREAS WITH UNPROVEN RESERVES, which in 2020 included investments in the Rhoude El Rouni field, located in Algeria, was derecorded. This investment was fully amortized.

In 2022, as a result of the spin-off described in **Note 5**, intangible assets amounting to 5,234 thousand euros, net of amortization, were derecorded.

At 2022 and 2021 year-end, CEPSA had the following fully amortized intangible assets still in use:

€ Thousand

Gross carrying amount	2022	2021
Concessions	58	58
Patents and licences	33,883	32,580
Computer software	152,848	138,302
Total	***186,789***	***170,940***

At year-end 2022 and 2021, CEPSA's intangible assets were not subject to any guarantees or any other circumstance of a substantive nature affecting them.

At year-end 2022 and 2021, CEPSA had firm intangible asset purchase commitments amounting to 3,091 and 2,446 thousand euros, respectively.

No impairment was recorded in 2022 and 2021.

The CEPSA's policy is to take out insurance policies to hedge possible risks affecting its intangible assest.

7. Property, plant & equipment

MEASUREMENT CRITERIA

Other items of property, plant and equipment

Property, plant and equipment is initially recorded at acquisition cost. Cost includes the acquisition cost and personnel costs and other items related directly to these assets, as well as financial costs accrued only during the construction period [3]. It also includes the estimated present value of the abandonment costs to be borne by CEPSA, where appropriate.

The costs of expansion, modernization or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalized as an investment. Periodic maintenance, upkeep and repair expenses are recorded in profit or loss in the year in which they are incurred. Eliminated assets and the related accumulated depreciation are derecorded.

Own work capitalized is measured at accumulated external costs plus in-house costs, determined on the basis of in-house materials consumption, direct labor and general manufacturing costs.

Assets acquired before December 31, 1996 are measured at cost, revalued and adjusted, where appropriate, pursuant to applicable legislation.

The Company decided to undertake the revaluation of certain qualifying property, plant & equipment items on its balance sheet, pursuant to Act 16/2012 of December 27. The assets involved were buildings and technical installations located in Algeciras and Huelva, whose restated value did not exceed their market value.

CEPSA depreciates its property, plant and equipment using the straight-line method, at annual depreciation rates based on the years of estimated useful life, as follows:

Property, plant and equipment	***Depreciation rates***
Buildings and other structures	*10% - 2%*
Technical installations and machinery	
Machinery, installations, and tooling	*100% - 1%*
Furniture and fixtures	*25% - 7%*
Transport elements	*25% - 17%*
Information processing equipment	*50% - 7%*
Other items	*10%*

Environmental investments

Environmental investments are defined as investments whose main purpose is minimizing the impact on the environment and protecting and improving the environment, including the reduction or elimination of pollution in the future caused by the operations performed by the Company.

Finance leases

In finance leases in which the Company acts as the lessee, the cost of the leased assets is disclosed in the balance sheet, based on the nature of the leased asset, and, simultaneously, a liability for the same amount is recorded. This amount will be the lower of the fair value of the leased asset and the present value, at the inception of the lease, of the agreed minimum lease payments, including the price of the purchase option, when it is reasonably certain that it will be exercised. The minimum lease payments do not include contingent lease installments, the cost of services and taxes to be paid by and reimbursed to the lessor. The total finance charges arising under the lease are allocated to the Income Statement for the year in which they are incurred using the effective interest method. Contingent rent is recorded as an expense for the period in which it is incurred.

Leased assets are depreciated, based on their nature, using similar criteria to those applied to the items of property, plant and equipment that are owned.

Tank heel inventory

The volume of crude oil and product at tank heels under the lowest operable level is considered not part of operating stock, but is rather considered a fixed asset inherent to the company's operations. Thus, it should be recorded under Property, plant, and equipment – Technical installations.

Said volume of crude oil and product is recorded as a non-current asset as long as it is stored at the bottom of tanks. If a tank is drained for inspection or repair, the full content is moved to other tanks, transferred to the production system, or released for sale. Right now, the volume considered to be the tank heel is extracted and is allocated to the proper use and

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[3] For non-current assets that necessarily take a period of more than twelve months to be ready for their intended use, the capitalized costs include such borrowing costs as might have been incurred before the assets are ready for their intended use, and which have been charged by the supplier or relate to loans or other specific-purpose or general-purpose borrowings directly attributable to the acquisition or production of the assets.

purpose. In the case of crude oil, a portion of this volume is discarded as it is not fit for production. In these products, the entire tank heel is generally valid.

This crude oil and product transferred from inventory was valued at inventory cost as at the date of transfer (January 1, 2020). It is considered a non-depreciable asset, except for the estimated portion of crude oil to be discarded at the time the tank is drained. The estimated volume to be discarded is estimated at 10% of the tank heel volume. The value corresponding to this expendable volume depreciates linearly over the course of the period between tank inspections, which is estimated to be 15 years for crude oil tanks and 20 for product tanks.

When the tank is drained, the value of the tank heel volume that is not discarded is transferred back to inventory at historical cost. At this time, the difference between the net carrying value of the tank heel and the value transferred to inventory is recorded as profit or loss in the Income Statement.

Henceforth, when an out-of-service tank is started up, the volume of crude oil or product corresponding to the tank heel will be calculated at the inventory cost as of the day of the transfer and another transfer from Inventory to Property, Plant, and Equipment will be recorded.

Finally, the impairment value for tank heels is included under assets corresponding to the Energy Solutions CGU.

The main changes during 2022 and 2021 are as follows:

€ Thousand

2022	Balance at 01.01.2022	Spin-off	Classified as held for sale	Additions or charges for the year	Transfers	Retirements or disposals	Balance at 12.31.2022
Assets							
Land and buildings	91,766	-	-	-	22,561	(228)	114,099
Plant and machinery	5,957,293	-	99,899	68,253	129,342	(48,300)	6,206,487
Furniture	5,309	-	-	-	10	-	5,319
Computer hardware	28,497	(1,620)	79	-	1,481	-	28,437
Transport equipment	296	-	-	-	55	-	351
Other property, plant and equipment	7,664	-	525	-	761	-	8,950
Works in progress	220,726	(483)	5,109	232,436	(154,705)	(2,886)	300,197
Total	***6,311,551***	***(2,103)***	***105,612***	***300,689***	***(495)***	***(51,414)***	***6,663,840***
Accumulated depreciation and impairment losses							
Land and buildings	(2,333)	-	-	(303)	-	-	(2,636)
Plant and machinery	(4,320,762)	-	(61,797)	(242,066)	-	33,430	(4,591,195)
Furniture	(3,449)	-	-	(397)	-	-	(3,846)
Computer hardware	(25,252)	1,478	(27)	(2,037)	-	-	(25,838)
Transport equipment	(296)	-	-	(12)	-	-	(308)
Other property, plant and equipment	(1,613)	-	(230)	(715)	-	-	(2,558)
Total	***(4,353,705)***	***1,478***	***(62,054)***	***(245,530)***	***-***	***33,430***	***(4,626,381)***
Accumulated depreciation							
Plant and machinery	(179)	-	-	-	-	-	(179)
Land and buildings	(97,322)	-	-	-	-	52	(97,270)
Total	***(97,501)***	***-***	***-***	***-***	***-***	***52***	***(97,449)***
Net items of property, plant and equipment	***1,860,345***	***(625)***	***43,558***	***55,159***	***(495)***	***(17,932)***	***1,940,010***

€ Thousand

2021	Balance at 01.01.2021	Non-Cash contributions	Classified as held for sale	Additions or charges for the year	Transfers	Retirements or disposals	Balance at 12.31.2021
Assets							
Land and buildings	61,659	-	-	-	30,107	-	91,766
Plant and machinery	5,906,149	-	(99,899)	-	265,980	(114,937)	5,957,293
Investments in areas with proven reserves	991	-	-	-	-	(991)	-
Furniture	4,889	-	-	-	420	-	5,309
Computer hardware	31,041	-	(79)	-	2,758	(5,223)	28,497
Transport equipment	296	-	-	-	-	-	296
Other property, plant and equipment	55,411	-	(525)	-	1,596	(48,818)	7,664
Works in progress	597,518	15,373	(5,109)	153,069	(302,251)	(237,874)	220,726
Total	***6,657,954***	***15,373***	***(105,612)***	***153,069***	***(1,390)***	***(407,843)***	***6,311,551***
Accumulated depretiation and impairment losses							
Land and buildings	(2,030)	-	-	(303)	-	-	(2,333)
Plant and machinery	(4,219,926)	-	61,797	(269,348)	(1)	106,716	(4,320,762)
Investments in areas with proven reserves	(991)	-	-	-	-	991	-
Furniture	(3,049)	-	-	(400)	-	-	(3,449)
Computer hardware	(27,469)	-	27	(3,033)	-	5,223	(25,252)
Transport equipment	(296)	-	-	-	-	-	(296)
Other property, plant and equipment	(1,159)	-	230	(684)	-	-	(1,613)
Total	***(4,254,920)***	***-***	***62,054***	***(273,768)***	***(1)***	***112,930***	***(4,353,705)***
Accumulated depreciation							
Land and buildings	(179)	-	-	-	-	-	(179)
Plant and machinery	(97,322)	-	-	-	-	-	(97,322)
Land and buildings in the course	(221,861)	-	-	(11,473)	-	233,334	-
Total	***(319,362)***	***-***	***-***	***(11,473)***	***-***	***233,334***	***(97,501)***
Net items of property, plant and equipment	***2,083,672***	***15,373***	***(43,558)***	***(132,172)***	***(1,391)***	***(61,579)***	***1,860,345***

i. Own expense capitalization.

Own work capitalized is recorded at production cost and includes, where appropriate, personnel, financial expenses and other costs incurred during the related construction period; during 2022 and 2021, property, plant, and equipment amounting to 13,698 and 22,494 thousand euros, respectively, were recorded under OWN WORK CAPITALIZED on the accompanying Income Statement, according to their nature.

ii. Additions.

The entries or additions to property, plant and equipment in 2022 and 2021, amounting to 300,689 and 153,069 thousand, respectively, are mainly due to investments in the energy parks aimed at expanding, improving and making production processes more flexible, such as investments made for the replacement of the Torre Arenillas polyduct in Palos de la Frontera; particle filter installations in our "fluid catalytic cracking" processes in Palos de la Frontera and San Roque; co-processing projects for the treatment of vegetable oils in our refining production processes. In general, improvements in industrial facilities to minimize environmental impact and increase safety in the development of activities.

iii. Balance Sheet Reclassifications.

In 2022 and 2021, 14,839 and 8,792 thousand euros, respectively, corresponding to the value of the permanent inventories in tanks, were reclassified from INVENTORIES to FIXED ASSETS, under the TECHNICAL INSTALLATIONS AND MACHINERY HEADING (see **Note 2.4**).

iv. Disposals, derecognitions, and reductions.

In 2022, the most significant items are the write-off of catalytic converters for 13,300 thousand euros and multi-year shutdowns for 15,700 thousand euros.

In 2021 the following were noteworthy: The sale of the platinum from the catalysts of the Gibraltar-San Roque and La Rábida refineries for 26,914 thousand euros and additionally, the derecognition of assets of the Energy Solutions CGU together with their associated impairment for 233,334 thousand euros (see point vii).

v. Held for sale.

In 2022, the transfer of the assets of the La Rábida II Plant, which in 2021 were transferred to non-current assets held for sale for a net amount of 43,558 thousand euros, was reversed. (See **Note 11**)

vi. Impairment.

No impairment charges or reversals were made in 2022.

In 2021, an impairment was recorded in the Energy Solutions CGU amounting to 11,473 thousand euros.

vii. Breakdown of land and buildings value.

Set out below is a breakdown of the value of land and buildings for 2022 and 2021:

€ Thousand

Investment property	2022	2021
Land	101,818	79,496
Buildings	9,466	9,758
Total	***111,284***	***89,254***

viii. Fully amortized non-current assets.

At December 31, 2022 and 2021, fully depreciated property, plant, and equipment still in use were as follows:

€ Thousand

Gross carrying amount	2022	2021
Land and buildings	1,727	1,727
Plant and machinery	2,961,202	2,781,532
Furniture	1,475	1,409
Computer hardware	21,689	21,454
Transport equipment	295	295
Other property, plant and equipment	518	518
Total	***2,986,906***	***2,806,935***

ix. Subsidies applied to investments.

At year-end 2022, CEPSA has received grants from the Ministry of Industry, Tourism, and Trade amounting to 829 thousand euros (1,519 thousand euros at year-end 2021), for plant and machinery at refineries, as well as grants from the Ministry of Economy amounting to 256 thousand euros (318 thousand euros at December 31, 2021). There are grants transferred to profits based on the corresponding amortization (see **Note 13.6**).

x. Purchase commitments.

At year-end 2022 and 2021, CEPSA had firm commitments to purchase certain Property, Plant, and Equipment assets amounting to 83,284 and 80,479 thousand euros, respectively. The commitments mainly correspond to the following projects:

- The replacement of the Torre Arenillas polyduct in Palos de la Frontera; particle filter installations in our "fluid catalytic cracking" processes in Palos de la Frontera and San Roque; co-processing projects for the treatment of vegetable oils in our refining production processes; maintenance of the Puente Mayorga combined cycle turbo-generator and the engineering stage of the biofuels project in Huelva,
- generally, improvements in industrial installations to minimize the environmental impact and improve infrastructure and installations.

xi. Balance sheet restatement.

In accordance with Law 16/2012 on Balance Sheet Restatement, as of December 27, CEPSA restated its property, plant, and equipment at December 31, 2013, amounting to 128,036 thousand euros. In 2022 and 2021, the additional depreciation charges resulting from the asset above revaluation amounted to 1,585 and 4,036 thousand euros, and it has proceeded to record write-offs of 77 thousand euros in 2022 and 510 thousand euros in 2021 (corresponding to assets that have been practically depreciated and eliminated from the inventory).

xii. Other

CEPSA has been granted administrative concessions by the Spanish State to use berthing facilities, access areas and adjacent areas of the ports of Algeciras, which are to revert in 2027, in Santa Cruz de Tenerife, between 2027 and 2041 and in Palos de la Frontera, between 2026 and 2061. CEPSA management expects all the concessions to be renewed on expiration. The facilities are adequately being maintained and the related cost will have been depreciated in full for accounting purposes during the concession term.

At 2022 year-end, CEPSA had no property, plant, and equipment assets subject to guarantees or any other circumstance of a substantive nature that may affect them.

At year-end 2022, all property, plant, and equipment assets are assigned to operating facilities.

The CEPSA's policy is to take out insurance policies to hedge possible risks affecting its property, plant, and equipment.

8. Leases

MEASUREMENT CRITERIA

*Leases are classified as finance leases whenever the terms of the lease substantially transfer all the risks and rewards incidental to ownership of the leased asset to the lessee (see **Note 7**). Other leases are classified as operating leases.*

On operating leases, in which the Company acts as leaseholder or lessor, lease income and expenses are charged to the Income Statement in the year in which they accrue.

Any receipt or payment made when contracting an operating lease is treated as an advance collection or payment that is charged to profits over the lease term, as the profits from the leased asset are transferred or received.

In addition, and when the Company acts as a lessor, the acquisition cost of a leased asset is classified on the balance sheet in accordance with its nature, increased by directly attributable contract expenses, which are subsequently expensed throughout the life of the lease arrangement following the same criterion used to recognize lease income.

8.1. Operating leases: lessee

Set out below is a breakdown of assets under operating leases and the future amounts payable at December 31, 2022 and 2021:

€ Thousand

2022	Building	Plant	Transport equipment	Computer hardware	Others	Total
Lease payments payable						
2023	15,014	5,030	10,494	134	6,555	37,227
2024	15,348	1,721	1,581	23	879	19,552
2025	14,237	329	1,123	-	734	16,423
2026	11,108	149	1,123	-	602	12,982
2027	2,000	81	1,123	-	-	3,204
Other maturities	172	466	935	-	-	1,573
Future payments	***57,879***	***7,776***	***16,379***	***157***	***8,770***	***90,961***
Contingent rent recognised in income	***187***	***1,768***	***12,697***	***404***	***10,480***	***25,536***

€ Thousand

2021	Building	Plant	Transport equipment	Others	Total
Lease payments payable					
2022	12,812	6,248	8,543	735	28,338
2023	12,411	1,682	3,949	142	18,184
2024	13,522	1,090	1,126	-	15,738
2025	12,411	190	1,123	-	13,724
2026	9,284	79	1,123	-	10,486
Other maturities	401	444	2,058	-	2,903
Future payments	***60,841***	***9,733***	***17,922***	***877***	***89,373***
Contingent rent recognised in income	***4,977***	***748***	***8,402***	***-***	***14,127***

8.2. Operating leases: lessor

At year-end 2022 and 2021, the Company had no contracts in which it is lessor.

9. Financial Assets

MEASUREMENT CRITERIA

Classification

The financial assets held by CEPSA are classified in the following categories:

Financial Assets at Amortized Cost: Includes financial assets, including those admitted to trading on an organized market, for which the Company holds the investment with the objective of receiving cash flows from the execution of the contract, and the contractual conditions of the asset give rise, at specified dates, to cash flows that are solely collections of principal and interest on the principal amount outstanding.

In general, they are included in this category:

i) Trade receivables: Arising from the sale of goods or the rendering of services under trade transactions with deferred payment, and

ii) Non-trade receivables: Arising from loans or credits granted by the Company for which collections are of a determined or determinable amount.

Financial Assets at Fair Value Through Equity: This category includes financial assets whose contractual conditions give rise, at specified dates, to cash flows that are solely collections of principal and interest on the amount of principal outstanding, and are not held for trading or classified in the previous category. Investments in equity instruments irrevocably designated by the Company at the time of initial recognition are also included in this category, provided that they are not held for trading and are not to be measured at cost.

Financial Assets at Cost: This category includes the following investments: a) equity instruments of Group companies, joint ventures and associates; b) equity instruments whose fair value cannot be reliably determined and the derivatives underlying these investments; c) hybrid financial assets whose fair value cannot be reliably estimated, unless the requirements for accounting at amortized cost are met; d) contributions made in joint ventures and similar contracts; e) participating loans with contingent interest; f) financial assets that should be classified in the following category but whose fair value cannot be reliably estimated.

Companies linked to the Group by a controlling relationship are considered Group companies, while associates are companies over which the Company exerts significant influence. The joint venture category comprises companies over which, by virtue of an agreement, control is exercised jointly with one or more other shareholders.

Financial assets at Fair Value Through Profit or Loss: Includes financial assets held for trading and those financial assets that have not been classified in any of the above categories. Also included in this category are financial assets optionally

designated by the Company at the time of initial recognition, which otherwise would have been included in another category, because such designation eliminates or significantly reduces a valuation inconsistency or accounting asymmetry that would otherwise arise.

Initial valuation

Financial assets are initially recorded at the fair value of the consideration given, plus any directly attributable transaction costs. In held-for-trading financial assets directly attributable transaction costs are recorded in the Income Statement. However, transaction costs directly attributable to assets recorded at fair value through profit or loss are recorded in the Income Statement for the year.

In the case of equity investments in Group companies where there is control over the subsidiary, the fees paid to legal advisers and other professionals relating to the acquisition of the investment are recorded directly in the Income Statement.

Subsequent valuation

Financial assets at amortized cost are recorded at amortized cost by applying this valuation method and charging accrued interest to the Income Statement using the effective interest method.

Financial assets included in the fair value through equity category are recorded at fair value, without deducting any transaction costs that may be incurred in their disposal. Changes in fair value are recorded directly in equity until the financial asset is derecorded or impaired, at which time the amount so recorded is taken to the Income Statement.

Financial assets at fair value through profit or loss are measured at fair value and the result of changes in fair value is recorded in the Income Statement.

Financial assets at cost are measured at cost less any accumulated impairment losses. These corrections are calculated based on the difference between the book value and the recoverable amount, which is understood to be the greater of fair value net of selling costs, and the present value of the future cash flows deriving from the investment. Unless there is better indication of the recoverable amount of the investments in equity instruments, the equity of the investee is taken into account, adjusted by the unrealized gains existing at the valuation date, net of the tax effect.

CEPSA derecognizes a financial asset when it expires or when the rights to the cash flows from the financial asset have been transferred and substantially all the risks and rewards of ownership of the financial asset have been transferred, such as in the case of firm asset sales, factoring of trade receivables in which the Company does not retain any credit or default risk, sales of financial assets with repurchase agreements or securitization of financial assets in which the transferring company does not retain subordinated financing nor grants any other type of guarantee or assumes any other type of risk.

However, the Company does not derecognize financial assets, and recognizes a financial liability for an amount equal to the consideration received, in the assignment of financial assets in which the risks and rewards inherent to ownership thereof are substantially retained, such as the discounting of trade bills, factoring *with recourse, sales of financial assets with buyback agreements at a fixed price or at the selling price plus interest and securitization of financial assets in which the assigning company retains subordinated financing or other kinds of guarantees that substantially absorb all expected losses.*

9.1. Breakdowns by valuation categories of financial assets

9.1.1 Long-term financial assets

The carrying value of Long-term financial investments and Long-term loans to Group companies are classified for valuation purposes in the following categories at the end of 2022 and 2021:

€ Thousand

Classes / Categories	Notes	Equity instruments 2022	Equity instruments 2021	Credits/others 2022	Credits/others 2021	Total 2022	Total 2021
Financial assets valued at amortized cost		-	-	11,657	11,459	11,657	11,459
Financial assets valued at cost		1,931	1,931	-	-	1,931	1,931
Derivatives	10	-	-	74,061	9,730	74,061	9,730
Total		***1,931***	***1,931***	***85,718***	***21,189***	***87,649***	***23,120***

At the end of 2022 and 2021, FINANCIAL ASSETS AT AMORTIZED COST mainly includes long-term non-trade receivables for financing facilities, for customer loyalty and long-term guarantees provided for the rental of buildings for 2,282 thousand euros (2,795 thousand euros in 2021).

FINANCIAL ASSETS AT COST includes mainly the fair value of permanent financial investments in equity instruments in entities not listed on official stock exchanges, which are not investments in Group and associated companies.

At December 31, 2022 and 2021 there were no firm non-current sales commitments to third parties.

There were no changes arising from impairment losses during 2022 and 2021.

The breakdown, by maturity, of LONG-TERM FINANCIAL INVESTMENTS and loans to companies under LONG-TERM INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES as at December 31, 2022 and 2021 is as follows:

€ Thousand

		Maturing in					
2022	**Notes**	**2024**	**2025**	**2026**	**2027**	**Subsequent years**	**Total**
Financial assets valued at amortized cost		3,551	3,594	475	12	4,025	11,657
Financial assets valued at cost		-	-	-	-	1,931	1,931
Derivatives	10	50,958	4,666	-	-	18,437	74,061
Total		***54,509***	***8,260***	***475***	***12***	***24,393***	***87,649***

€ Thousand

		Maturing in					
2021	**Notes**	**2023**	**2024**	**2025**	**2026**	**Subsequent years**	**Total**
Financial assets valued at amortized cost		190	5,666	585	468	4,550	11,459
Financial assets valued at cost		-	-	-	-	1,931	1,931
Derivatives	10	-	7,527	957	-	1,246	9,730
Total		***190***	***13,193***	***1,542***	***468***	***7,727***	***23,120***

9.1.2 Short-term financial assets

The carrying amounts of trade and other receivables, short-term investments in Group and associated companies and short-term financial investments are classified for valuation purposes in the following categories at year-end 2022 and 2021:

€ Thousand

Classes / Categories	Notes	Credits/others			Total
		2022	**2021**	**2022**	**2021**
Financial assets valued at amortized cost		3,849,818	2,784,311	3,849,818	2,784,311
Derivatives	10	747,170	19,930	747,170	19,930
Total		***4,596,988***	***2,804,241***	***4,596,988***	***2,804,241***

The fair value of these derivative financial instruments was estimated discounting their associated cash flows by applying prevailing interest and exchange rates at the balance sheet date, and including spreads in accordance with the credit risk of each instrument. For some derivative instruments, market value as provided by the pertinent financial entities is used as a complementary reference (see **Note 10**).

During financial year 2022, the recovery in demand and crude oil prices has resulted amounting to trade receivables returning to pre-pandemic levels.

9.2. Impairment adjustments arising from credit risk

For each class of financial assets, the changes arising from impairment losses recorded in this section during 2022 and 2021 were as follows:

€ Thousand

2022	**Impairment as of 01.01.2022**	**Impairment/ (Reversal) during 2022**	**Acumulated as of 12.31.2022**
Loans and recievables			
Trade recievable for sales and services	38,054	(9,801)	28,253
Loans to third parties	9,967	-	9,967
Total	***48,021***	***(9,801)***	***38,220***

€ Thousand

2021	**Impairment as of 01.01.2021**	**Impairment/ (Reversal) during 2021**	**Acumulated as of 12.31.2021**
Loans and recievables			
Trade recievable for sales and services	40,186	(2,132)	38,054
Loans to third parties	9,967	-	9,967
Loans to Group Companies and associates	15,037	(15,037)	-
Total	***65,190***	***(17,169)***	***48,021***

9.3. Equity instruments

A) INFORMATION ABOUT GROUP COMPANIES AND ASSOCIATES

The main information relating to Group companies and associates at 2022 and 2021 year-end is as follows:

€ Thousand

2022	Ownership %	Recognized Cost	(Impairment) and Reversal for the year (Note 18.6)	Accumulated impairment	Net investment	Dividends received
ASFALTOS ESPAÑOLES, S.A.	50%	17,869	-	-	17,869	-
CEPSA ALGERIE, S.L.	100%	299,064	-	-	299,064	-
CEPSA (RHOUDE EL ROUNI), S.L.U.	100%	167,624	-	-	167,624	-
CEPSA AVIACIÓN, S.A.	100%	18,944	-	-	18,944	7,284
CEPSA COLOMBIA, S.A.	100%	207,722	90,521	(137,962)	69,760	-
CEPSA COMERCIAL PETROLEO, S.A.U.	100%	537,784	-	-	537,784	113,272
CEPSA E.P. ABU DHABI, S.L.U.	100%	1,591,936	22,066	-	1,591,936	213,695
CEPSA EP ESPAÑA, S.L.U.	100%	28,251	(11,488)	(25,939)	2,312	-
CEPSA GAS Y ELECTRICIDAD, S.A.U.	100%	124,886	76,070	(10,934)	113,952	-
CEPSA GAS COMERCIALIZADORA S.A.	70%	24,941	-	-	24,941	-
CEPSA INTERNATIONAL, B.V.	100%	204,530	16,555	(49,875)	154,655	-
CEPSA MARINE FUELS, DMCC	100%	30,323	-	(30,323)	-	-
CEPSA PERU, S.A.U.	100%	167,455	13,454	(69,218)	98,237	-
CEPSA PORTUGUESA PETRÓLEOS S.A.	100%	65,592	-	-	65,592	28,140
CEPSA QUIMICA, S.A.	100%	556,564	-	-	556,564	413,545
CEPSA SURINAME, S.L.U.	100%	137,257	(24,121)	(90,714)	46,543	-
CEPSA TRADING S.A.	100%	9,983	-	-	9,983	148,024
CMD AEROPUERTOS CANARIOS, S.L.	60%	12,946	-	-	12,946	2,355
COASTAL ENERGY COMPANY, S.L.U.	100%	53,016	-	-	53,016	-
COASTAL ENERGY KBM SDN BHD	70%	77,551	-	(75,169)	2,382	-
GASIB SOCIEDAD IBÉRICA DE GAS LICUADO, S.L.U.	100%	156,604	-	-	156,604	17,590
MOPU HOLDINGS (SINGAPORE), PTE. LTD.	100%	163,891	(1,948)	(163,789)	102	1,957
NUEVA GENERADORA DEL SUR, S.A.	50%	3,691	-	-	3,691	3,950
PETRÓLEOS DE CANARIAS, S.A.	100%	40,721	-	-	40,721	19,623
Other investments	-	131,113	(18,871)	(30,007)	101,106	54,792
Total	***-***	***4,830,258***	***162,238***	***(683,930)***	***4,146,328***	***1,024,227***

Table I (in the final pages of these explanatory notes) contains a breakdown of companies holding significant direct ownership interests in CEPSA at December 31, 2022, a breakdown of their equity and information on their activity. A breakdown of the companies in which CEPSA has an indirect shareholding is also included in Table II.

At December 31, 2022 none of the Group companies were listed on a stock exchange.

It should be noted that there were no changes in control during the 2022 financial year.

Main changes in 2022:

- New incorporation of the main companies:
  - "Cepsa Exploración y Producción, S.L.U.", amounting to 15,705 thousand euros, arising from a spin-off of a branch of activity at Compañía Española de Petróleos, S.A.".
  - "Mitra TAU, S.L.U." amounting to 3 thousand euros. Subsequently, capital was increased in 994 thousand euros.
  - "Mitra Omega, S.L.U." amounting to 3 thousand euros. Subsequently, capital was increased in 994 thousand euros.
  - "Mitra RHO, S.L.U." amounting to 3 thousand euros. Subsequently, capital was increased in 994 thousand euros.
- Increases in the fair value of net investments amounting to 136,808 thousand euros, which have been disclosed under the heading Fair value hedges in this note.
- Capital increases at:
  - "Generación Carteia, S.L." amounting to 5,734 thousand euros, arising from a spin-off of a branch of activity in the company "Cepsa Gas y Electricidad, S.A.U.".
  - Contribution of shareholders in "Spanish Intoplane Service, S.L.U.", amounting to 2,905 thousand euros.
  - "Cepsa E.P. Spain", amounting to 13,800 thousand euros.
  - Owner contributions to "Cepsa Suriname, S.L." amounting to 36,003 thousand euros.
  - "Cepsa EP Mexico S. de R.L. de C.V." amounting to 2,231 thousand euros.
  - "Mitra Alfa, S.L.U." amounting to 2,200 thousand euros.

- "Mitra Beta, S.L.U." amounting to 1,400 thousand euros.
- "Mitra Gamma, S.L.U." amounting to 2,000 thousand euros.
- "Mitra Delta, S.L.U." amounting to 6,600 thousand euros.
- "Mitra Epsilon, S.L.U." amounting to 700 thousand euros.
- "Mitra Nu, S.L.U." amounting to 6,000 thousand euros.

- Capital reductions:
  - "Cepsa Gas y Electricidad, S.A.U." amounting to 5,734 thousand euros due to a spin-off of a branch of activity assigned to the company "Generación Carteia, S.L.".
  - "Coastal Energy KBM SDN BHD" amounting to 3,468 thousand euros.
  - "Cepsa Colombia, S.A." amounting to 89,250 thosand euros due to the return of the share premium.
- Derecognitions:
  - The company "Magna Expergere, S.A.U." was derecorded due to liquidation, amounting to 9,060 thousand euros.

€ Thousand

2021	Ownership %	Recognized Cost	(Impairment) and Reversal for the year (Note 18.6)	Accumulated impairment	Net investment	Dividends received
ASFALTOS ESPAÑOLES, S.A.	50%	17,869	-	-	17,869	-
CEPSA ALGERIE, S.L.	100%	282,067	-	-	282,067	-
CEPSA (RHOUDE EL ROUNI), S.L.U.	100%	157,844	-	-	157,844	-
CEPSA AVIACIÓN, S.A.	100%	18,944	-	-	18,944	-
CEPSA COLOMBIA, S.A.	100%	293,593	85,940	(228,483)	65,110	-
CEPSA COMERCIAL PETROLEO, S.A.U.	100%	530,948	-	-	530,948	-
CEPSA E.P. ABU DHABI, S.L.U.	100%	1,500,615	14,231	(22,066)	1,478,549	-
CEPSA EP ESPAÑA, S.L.U.	100%	14,451	(3,000)	(14,451)	-	-
CEPSA GAS Y ELECTRICIDAD, S.A.U.	100%	130,621	(87,004)	(87,004)	43,617	-
CEPSA GAS COMERCIALIZADORA S.A.	70%	24,941	24,941	-	24,941	-
CEPSA INTERNATIONAL, B.V.	100%	197,406	14,089	(66,430)	130,976	-
CEPSA MARINE FUELS, DMCC	100%	30,323	-	(30,323)	-	-
CEPSA PERU, S.A.U.	100%	162,538	(13,811)	(82,672)	79,866	-
CEPSA PORTUGUESA PETRÓLEOS S.A.	100%	65,592	-	-	65,592	-
CEPSA QUIMICA, S.A.	100%	553,129	-	-	553,129	149,845
CEPSA SURINAME, S.L.U.	100%	101,254	-	(66,593)	34,661	-
CMD AEROPUERTOS CANARIOS, S.L.	60%	12,946	-	-	12,946	-
COASTAL ENERGY COMPANY, S.L.U.	100%	49,956	-	-	49,956	-
COASTAL ENERGY KBM SDN BHD	70%	80,789	-	(75,169)	5,620	-
GASIB SOCIEDAD IBÉRICA DE GAS LICUADO, S.L.U.	100%	156,604	-	-	156,604	13,500
MAGNA EXPERGERE, S.A.	100%	9,060	-	-	9,060	-
MOPU HOLDINGS (SINGAPORE), PTE. LTD.	100%	163,891	-	(161,841)	2,050	-
NUEVA GENERADORA DEL SUR, S.A.	50%	3,691	-	-	3,691	502
PETRÓLEOS DE CANARIAS, S.A.	100%	40,721	6,510	-	40,721	-
Other investments	-	80,867	(33,696)	(11,136)	69,731	55,823
Total	***-***	***4,680,660***	***8,200***	***(846,168)***	***3,834,492***	***219,670***

Changes during the 2021 fiscal year:

- New incorporation of the main companies:
  - "Gasib Sociedad Iberica de Gas Licuado, S.L.U.", amounting to 156 million euros, from a spin-off of a branch of activity in the company "Cepsa Comercial Petróleo, S.A.U.".
  - "Gasib Sociedade Iberica de Gas Liquefeito, LDA" for 365 thousand euros, from a spin-off of a line of business at "Cepsa Portuguesa Petróleos, LTD."
  - "Magna Expergere, S.A.U." amounting to 9,060 thousand euros,
  - "Terminal Puerto Tartessos, S.A." amounting to 5,000 thousand euros,
- Increases in the fair value of net investments amounting to 177,002 thousand euros, which have been disclosed under the heading Fair value hedges in this note.
- Capital reductions:
  - "Cepsa Colombia, S.A." amounting to 108,236 thousand euros,
  - "Cepsa Comercial Petróleo, S.A.U., amounting to 156 million euros, for a spin-off of a branch of activity to "Gasib Sociedad Iberica de Gas Licuado, S.L.U.".

- "Cepsa Portuguesa Petróleos, S.A." amounting to 365 thousand euros, for a spin-off of a branch of activity to "Gasib Sociedade Iberica de Gas Liquefeito, LDA".
- "Mopu Holding (Singapore), PTE. LTD" amounting to 117,498 thousand euros.

- Derecognitions:
  - The companies "IOT4OIL, S.L.U." amounting to 12 thousand euros, "Cepsa Oleo e Gas do Brasil, LTDA" amounting to 59,273 thousand euros and "Coastal Energy Malasya SDN BH" amounting to 22,596 million euros were derecorded due to their liquidation.

Fair value hedge

In 2022 and 2021, CEPSA applied fair value hedge accounting to its equity instruments in Group companies and associates as detailed below:

		€ Thousand
	2022	**2021**
CEPSA ALGERIE, S.L.	16,997	17,169
CEPSA (RHOUDE EL ROUNI) S.L.U.	9,780	12,171
CEPSA COLOMBIA, S.A.	3,379	7,535
CEPSA E.P. ABU DHABI, S.L.U.	91,321	114,874
CEPSA INTERNATIONAL B.V.	7,124	10,063
CEPSA PERU, S.A.U.	4,917	7,071
COASTAL ENERGY COMPANY, S.L.U.	3,060	3,808
COASTAL ENERGY KBM SDN BHD	230	408
MOPU HOLDINGS (SINGAPORE), PTE. LTD.	-	3,903
Total	***136,808***	***177,002***

Impairment

In 2022 and 2021, the necessary impairment adjustments were recorded to adjust the cost of investments in the equity of Group and associated companies to their recoverable amount. Unless there is some better indication of the recoverable amount, the equity of the company in which the stake is held is used, corrected for any unrealized capital gains at valuation date. Cash flows have been calculated when applicable in accordance with the assumptions described in **Note 4.1**. The impairments and reversals recorded are mainly due to the impact on the subsidiaries' shareholders' equity of the recovery in oil product prices and demand. The amount of impairment recorded in 2022 amounts to 56,429 thousand euros, and the reversal amounts to 218,667 thousand euros.

2022 saw an increase in demand after a year 2021 impacted by pandemic. Additionally, the geopolitical situation between Russia and Ukraine generated an increase in energy and commodity prices that has persisted throughout the year. As a result, some businesses have experienced significant growth, which has translated into improved results.

10. Derivative financial instruments

MEASUREMENT CRITERIA

CEPSA uses financial derivatives to hedge against the risks to which its activities, operations, and projected cash flows are exposed. The main risks derive from exposure to changes in exchange rates, interest rates and commodities prices. As part of these transactions the Company contracts hedging instruments.

For these instruments to qualify for hedge accounting, the Company designates them as hedges from the outset, while also documenting the hedging relationship. Initially and periodically over the life of the instrument (and at the very least at the close of each financial year), the Company checks that the hedging ratio is effective, i.e., that such changes in fair value or cash flows of the hedged item (as attributable to the risk hedged) can be expected to be offset almost completely by those of the hedging instruments.

The Company applies the following types of hedges, which are accounted for as described hereunder:

- Fair value hedges: In this case, the changes in value of the hedging instrument and the hedged item, attributable to the hedged risk, are recorded in profit and loss.

- Cash flow hedges: With this type of hedge, the portion of gain or loss on the hedging instrument that is determined to be effective is recognized provisionally in equity and transferred to the Income Statement in the period in which the hedged item affects the result, unless the hedge corresponds to an envisaged transaction ultimately leading to recognition of a non-financial asset or liability, in which case the amounts recognized in equity will be included in the cost of the asset or liability when it is acquired or assumed.

Hedges cease to be accounted for when the hedging instrument matures, or is sold, finalized or exercised, or ceases to meet the criteria for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recorded in

equity is retained in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recorded immediately in the Income Statement.

Throughout the normal course of business, CEPSA enters into crude oil and natural gas sales and purchase contracts. These contracts are held and maintained to meet physical crude oil and gas needs based on period hydrocarbons purchase and sale estimates and are monitored systematically and adjusted based on physical delivery, where applicable. This is why they are called "own use" contracts.

Pursuant to the risk management policies explained in **Note 23**, CEPSA uses derivative financial instruments to hedge the foreign currency, interest rate, and *commodity* price risks to which future cash flows are exposed.

The types of derivatives normally used are *forward* contracts to *hedge* foreign currency risk, swap contracts to *hedge interest* rates and futures and *swap* contracts to hedge *commodity* price risk. The transaction limits and the hedging instruments are approved by Group management and the monitoring process observes the separation of the performance and control functions.

The following derivatives were not designated as hedging instruments since they do not meet all the requirements to qualify for hedge accounting, established in the Spanish GAAP. At 2022 and 2021 year-end, the characteristics of CEPSA's derivative financial instruments not assigned to hedge accounting were as follows:

€ Thousand

		Fair value		
2022	**Notes**	**Asset**	**Liability**	**Notional or contractual value**
Currency forward	9.2, 15.1	5,349	(61,720)	1,545,097
Currency forward Group Companies	15.1, 19.2	-	(409)	52,651
Product swaps Group Companies	9.1, 19.2, 15.1	505,375	(480,353)	2,206,724
Total		***510,724***	***(542,482)***	***3,804,472***

€ Thousand

		Fair value		
2021	**Notes**	**Asset**	**Liability**	**Notional or contractual value**
Currency forward	9.2, 15.1	15,749	(594)	1,321,950
Currency forward Group Companies	19.2	-	(201)	30,451
Product swaps Group Companies	9.1, 19.2, 15.1	126	(1,314)	162,912
Total		***15,875***	***(2,109)***	***1,515,313***

The notional or contractual amounts of the contracts settled do not reflect the actual risk assumed by CEPSA, since these amounts only constitute the basis on which the derivative's settlement calculations were made.

The final maturity of the aforementioned foreign currency *forwards* is February 28, 2023 and their impact, recorded in the Income Statement, due to the valuation amounts to a negative 56,371 thousand euros in 2022 and a positive 15,155 thousand euros in 2021.

The final maturity of the aforementioned product *swaps* is December 31, 2023 and their impact, recorded in the Income Statement, due to the valuation amounts to 25,021 thousand euros positive in 2022 and 1,188 thousand euros negative in 2021.

On the other hand, at the end of financial years 2022 and 2021, the following financial instruments are documented as fair value hedges:

€ Thousand

		Fair value		
2022	**Notes**	**Asset**	**Liability**	**Notional or contractual value**
Product swaps Group Companies	9.1, 15.1, 19.2	230,853	(1,321,110)	1,063,428
Interest rate swap	9.1, 15.1	29,118	(207,358)	2,837,505
Cross currency Swap	9.1	(5,844)	-	191,370
Total		***254,127***	***(1,528,468)***	***4,092,303***

€ Thousand

		Fair value		
2021	**Notes**	**Asset**	**Liability**	**Notional or contractual value**
Product swaps Group Companies	15.1, 19.2	-	(890,768)	3,628,148
Cross currency Swap	9.1, 15.1	3,281	(63,947)	2,235,880
Total		***3,281***	***(954,715)***	***5,864,028***

At the end of 2022, the Company has a fair value hedge on firm commitments related to natural gas purchases. In these signed commitments, the price is not fixed on the basis of the reference that governs the gas commercialization market in Spain, for which reason swaps have been contracted to transform these reference indexes.

CEPSA also maintains cash flow hedges associated with gas purchases in order to set their reference in accordance with the standards applicable in Spain.

At year-end 2022 and 2021, the following derivatives are documented as cash flow hedges:

€ Thousand

		Cash Flow Hedges		
2022	**Notes**	**Asset**	**Liability**	**Notional or contractual value**
Interest rate swap	9.1	52,129	-	1,081,112
Cross currency Swap	15.1	-	8,058	197,598
Product swaps Group Companies	9.1, 15.1, 19,2	4,252	(6,620)	585,147
Total		***56,381***	***1,438***	***1,863,857***

€ Thousand

		Cash Flow Hedges		
2021	**Notes**	**Asset**	**Liability**	**Notional or contractual value**
Interest rate swap	9.1, 15.1	4,684	(14,888)	1,316,257
Cross currency Swap	9.1, 15.1	1,764	(4,592)	350,000
Product swaps Group Companies	9.1, 15.1, 19,2	4,056	(12,133)	83,637
Total		***10,504***	***(31,613)***	***1,749,894***

These instruments cover the interest on loans in USD, for the same notional amount. The fair value of these derivative financial instruments at December 31, 2022, net of their tax effect, is recorded as an increase in equity, under ADJUSTMENTS FOR CHANGES IN VALUE, with the balance of this heading at the end of 2022 being a positive 37,828 thousand euros, and a negative 4,574 thousand euros at December 31, 2021.

11. Non current assets held for sale

MEASUREMENT CRITERIA

Cepsa classifies a non-current asset or disposal Group as held for sale when it has made a decision to sell the asset, the sale is highly probable, and it is available for immediate sale in its present condition and the sale is expected to be completed within the next twelve months.

These assets or disposal groups are valued at the lower of carrying amount or fair value less costs to sell.

Assets classified as non-current assets held for sale are not amortized, but at each balance sheet date the corresponding valuation adjustments are made so that the carrying amount does not exceed the fair value less costs to sell.

Income and expenses generated by non-current assets and disposal groups held for sale that do not meet the requirements to be classified as discontinued operations are recorded in the appropriate line item in the Income Statement according to their nature.

The detailed description of the assets and liabilities classified under this heading for the years 2022 and 2021 is as follows:

€ Thousand

Assets and liabilities held for sale	**2022**	**2021**
Property, plant and equipment	-	43,558
Non-current financial assets	-	3
Inventories, accounts receivable and other accounts receivable	-	(3,890)
Provisions	-	(10,460)
Trade and other payables	-	(8,777)
Total	***-***	***20,434***

At the end of 2021, the assets and liabilities of the La Rábida II plant were removed from the balance sheet and transferred to assets and liabilities HELD FOR SALE. After the legal period had elapsed without the sale having materialized, at year-end 2022, the process was reversed and the assets and liabilities were transferred back to their original headings and revised its valuation to reflect the lower of its carrying amount prior to its classification as HELD FOR SALE adjusted for depreciation and impairment and its recoverable amount.

12. Inventory

MEASUREMENT CRITERIA

Inventories are measured at the lower of acquisition or production cost and net realizable value. Trade discounts, rebates, other similar items and interest included in the nominal value of the debits are deducted when determining the acquisition price.

The cost of production includes those of direct materials and, where applicable, direct labor costs and general manufacturing costs and the fraction of the depreciation of the non-current asset items used in the production process. Generally, manufacturing overhead and depreciation incurred in the period affect production costs, but if there is a significant drop in refinery load as a result of a significant event (idle capacity), the portion of the costs corresponding to said underuse of production units is not applied to production costs.

The net realizable value represents an item's estimated selling price less all estimated costs for completing its manufacture and the costs to be incurred in its marketing, sale and distribution.

The cost of inventories is assigned by using the weighted average cost formula.

The Company recognizes the appropriate write-downs as an expense in the Income Statement when the net realizable value of the inventories is lower than acquisition or production cost.

In the case of refined products, the costs incurred are allocated in proportion to the selling price of the related products (isomargin method), due to the complexity of allocating production costs to each item.

Greenhouse gas emission allowances

In compliance with the commitments acquired by the European Union to reduce greenhouse gas emissions, within the framework of the Kyoto Protocol and, therefore, of the various community and national regulations that have been issued for its regulation, the Company must deliver, by April 28 of the following year, an amount of CO_2 emission rights equivalent to the emissions made and verified during the year.

CEPSA's emissions rights for complying with the delivery obligations arising from its greenhouse gas emissions are classified under "Inventories" as indicated in Royal Decree 602/2016, which amended the General Chart of Accounts.

In this regard, the greenhouse gas emission allowances are recorded under "Commercial inventory." The value is as follows:

a) Rights acquired are valued based on acquisition price,

b) Rights received freely, in accordance with the emissions trading scheme, are valued at the prevailing market price at the beginning of the corresponding year, assuming an official capital grant applied to results at as expenses arising from the emissions associated to the received rights without consideration paid.

*Emissions allowances are derecorded at the moment of delivery, when transferred to third parties, or when they meet the conditions established to consider them expired (see **Note 22**).*

Should the emissions rights' market value be inferior to the carrying amount of the recorded rights, their carrying amount will be adjusted to market value.

Depending on whether the rights are acquired or received from the Administration, the following would apply:

• With the acquired rights, to provide the provision for the impairment of inventory, or

*• With the received rights, to correct the value of the commercial inventory. In this case, the value of official capital grants is also adjusted with a balancing entry under NON-FINANCIAL AND OTHER CAPITAL GRANTS ON THE INCOME STATEMENT (see **Notes 13.6 and 22**).*

The obligation to deliver emission allowances for the CO_2 emissions produced in the year is recorded as the greenhouse gas emissions are made. These costs are recorded under the heading GREENHOUSE GAS EMISSION EXPENSES within other operating expenses in the Profit and Loss Statement, with a balancing entry in a short-term provision, provision for greenhouse gas emission allowances, within short-term provisions, which will be canceled when the corresponding emission allowances are delivered.

The unit value to be assigned to emissions is determined by reference to:

- Firstly, the carrying amount of the emission allowances received for no consideration.

- Then, based on the weighted average cost of the rest of inventoried emissions rights.

- Finally, if necessary, the latest estimate of how much it would cost to acquire the remainder of the rights.

The breakdown of inventories at December 31, 2022 and 2021 is as follows:

€ Thousand

	2022	2021
Goods for resale (includes CO2)	1,294,543	887,230
Raw materials	631,169	467,386
Materials and other inventories	78,714	73,485
By-products and recovered materials	12,388	9,540
Refined finished products	1,100,329	661,923
Advances to suppliers	3,075	209
Impairment of inventories	(103,624)	(7,938)
Total	***3,016,594***	***2,091,835***

Pursuant to the Resolution of the Directorate General for Energy and Mines, dated March 30, 2009, as an operator authorized to distribute oil products in Spain, CEPSA is required to maintain minimum safety stocks of certain products equivalent to 50 days of sales for the preceding 12 months in the domestic market for 2022, excluding sales to other wholesalers, compliance with which is inspected and monitored by Corporación de Reservas Estratégicas (CORES). Company management considers that this obligation has been met.

For 2022, *TRADE INVENTORIES* includes an amount of 1,104,779 thousand euros corresponding to the change in the fair value of the firm commitment to purchase gas since the application of the fair value hedge by CEPSA. In the second quarter of the year, the fair value hedge was discontinued, reaching 48% of the original hedge as mandated by Cepsa Group management. For 2021 it included an amount of 879,733 thousand euros.

The heading TRADING INVENTORIES also includes greenhouse gas emission allowances (see **Note 22**).

During the 2022 fiscal year, 14,839 thousand euros corresponding to the value of permanent inventories in tanks (8,792 thousand euros in 2021) were reclassified from INVENTORIES to FIXED ASSETS, TECHNICAL INSTALLATIONS AND MACHINERY (see **Note 7.iii**).

The changes in impairment losses in INVENTORIES in this Balance Sheet for the years 2022 and 2021 were as follows:

€ Thousand

2022	Balance at 01.01.2022	Additions for the year	Reversal	Disposal o additions	Balance at 12.31.2022
Impairment of finished products	2,366	98,053	(2,367)	-	98,052
Impairment of finished goods	5,572	-	-	-	5,572
Total	***7,938***	***98,053***	***(2,367)***	***-***	***103,624***

€ Thousand

2021	Balance at 01.01.2021	Additions for the year	Reversal	Disposal o additions	Balance at 12.31.2021
Impairment of finished products	46,937	2,367	(46,938)	-	2,366
Impairment of finished goods	20,359	-	(14,787)	-	5,572
Total	***67,296***	***2,367***	***(61,725)***	***-***	***7,938***

During 2022 and 2021, impairment adjustments for raw materials and finished products have been recorded for 95,686 thousand euros (reversal) and 44,571 thousand euros (reversal), respectively. These amounts are included in the Profit and Loss Statement in the line CHANGE IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS.

Lastly, Impairment of other supplies includes the impairment of spare parts and sundry materials arising at CEPSA's refineries in 2021, which amounted to 14,787 thousand euros (reversal) in 2021; no changes occurred in 2022.

At year-end 2022 and 2021, CEPSA had no inventory purchase commitments.

At the end of 2022 and 2021 CEPSA had leased to third parties stocks with a short-term maturity, for 59,727 Mt and 23,522 Mt, respectively.

13. Equity

MEASUREMENT CRITERIA

An equity instrument represents a residual portion in the equity of a company after deducting all its liabilities.

Equity instruments issued by the Company are recorded in equity at the amount received, net of issuance costs.

Treasury stock acquired by the Company during the year is recorded, at the value of the consideration paid in exchange, directly as a reduction in Equity. Gains or losses arising from the purchase, sale, issue or redemption of own equity instruments are recorded directly in Equity, and in no case is any gain or loss recorded in the Income Statement.

13.1. Share capital and share premium

At the end of 2022, the share capital amounted to 268,175,000 euros, represented by 536,350,000 registered shares of 0.50 euros par value each, of the same class and series, fully subscribed and paid up.

At December 31, 2022, the ownership of CEPSA's shares corresponds mainly to two shareholders:

- Cepsa Holding, LLC, a company incorporated in the United Arab Emirates and ultimately controlled by Mubadala Investment Company, PJSC, holds shares representing 61.36% of the share capital.
- Matador Bidco, S.A.R.L., a company incorporated in Luxembourg and ultimately controlled by The Carlyle Group, Inc. holds shares representing 38.41% of the share capital.

The Corporate Enterprises Act expressly permits the use of the share premium account balance to increase share capital and does not establish any specific restrictions as to its use. During 2022 and 2021, the balance of this account which amounted to 351,581 thousand euros, did not undergo any changes.

At the date of authorization for issue, these percentages have not changed.

13.2. Reserves

A) LEGAL RESERVE

Under the Spanish Companies Act, 10% of net profit for each year must be transferred to legal reserves until the balance reaches at least 20% of the share capital. Such reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for that purpose.

At December 31, 2022, CEPSA's legal reserve is fully funded amounting to 53,605 thousand euros.

B) BREAKDOWN OF OTHER RESERVES

The breakdown other reserves for 2022 and 2021 is as follows:

€ Thousand

	2022	2021
Voluntary reserves	1,589,578	2,172,656
Other voluntary reserves	948,782	895,491
Reserve for shares or equity interests of the parent company	1,892	1,736
Special reserves goodwill	997	997
Special revaluation reserves	212,571	212,571
Differences by capital adjustment to euros	451	451
Total	***2,754,271***	***3,283,902***

Revaluation reserve

This reserve in the amount of 212,571 thousand euros, relates to the revaluations made pursuant to the 1979 State Budget Law 1/1979, 1981 State Budget Law 74/1980, Royal Decree-Law 7/1996, of June 7, and Royal Decree- Law 16/ 2012 on asset revaluations.

The entire balance of the aforementioned revaluations relating to State Budget Law 1/1979 and State Budget Law 74/1980, amounting to 15,896 thousand euros and 16,602 thousand euros, respectively, can be transferred to unrestricted voluntary reserves.

The balance shown under Revaluation reserve, Royal Decree-Law 7/1996 of June 7, which amounts to 58,438 thousand euros, is still subject to the restrictions contained in the legislation under which it was recorded and can be used, free of tax to eliminate recorded losses and increase capital.

From January 1, 2007 (i.e., ten years after the date of the balance sheet reflecting the revaluation transactions), the balance of this reserve can be taken to unrestricted reserves, provided that the monetary surplus has been realized. The surplus will be deemed to have been realized in respect of the portion on which depreciation has been taken for accounting purposes or when the revalued assets have been transferred or derecorded.

As of December 31, 2022, the unrestricted balance of this reserve amounted to 58,438 thousand euros, included in OTHER RESERVES in the attached Balance Sheet. If this balance were used in a manner other than that provided for in Royal Decree-Law 7/1996, it would be subject to tax.

The revaluation reserve pursuant to Royal Decree-Law 16/2012 showed a balance as at December 31, 2022 of 121,635 thousand euros. Pursuant to Article 9.10 of the aforementioned Law, if the three-year verification period has elapsed, the balance of the reserve may be used to eliminate negative accounting profits, to increase share capital and, from 2022 onwards, as a freely distributable reserve. However, this balance can only be distributed directly or indirectly when the restated assets have been fully depreciated, transferred or written off the balance sheet. Thus, the balance as of December 31, 2022 may be used to eliminate negative accounting profits and/or to increase share capital.

Once verified by the tax authorities, or after three years, the balance may be used to offset losses or to increase capital; 10 years after the 2012 balance restatement, it may be used for unrestricted reserves. However, the reserve may only be directly or indirectly distributed when the revalued assets have been totally depreciated, transferred or derecorded.

13.3. Dividends

Approved in 2022

On July 27, 2022, the Extraordinary General Shareholders' Meeting of the Company resolved to approve the distribution of a dividend charged to voluntary reserves in the amount of 250,386 thousand euros, at a rate of 0.47 euros per share. Said dividend was paid on July 28, 2022.

On December 15, 2022, the Company's Shareholders' Meeting agreed to approve the distribution of a dividend from Voluntary Reserves for an amount of 332,537 thousand euros at 0.62 euros per share. Said dividend was paid on December 16, 2022.

Approved in 2021

On December 13, 2021, the Company's Shareholders' Meeting agreed to approve the distribution of a dividend from Voluntary Reserves for an amount of 310,851 thousand euros at 0.58 euros per share. Said dividend was paid on December 15, 2021.

On July 14, 2021, the Company's Shareholders' Meeting agreed to approve the distribution of a dividend from Voluntary Reserves for an amount of 211,700 thousand euros at 0.395 euros per share. Said dividend was paid on July 15, 2021.

13.4. Treasury shares

At 2022 year-end, the Company holds 168,760 treasury shares. These shares represent 0.03% of the share capital, the average acquisition price of which was 11.2 euros per share. At December 31, 2021, the Company held 156,671 cash shares and its wholly-owned subsidiary Magna Expergere, S.A.U. held 400,000 shares of the Company.

The treasury shares correspond to new shares, from capital increases carried out during the year 2021, and acquired by the Company to give greater flexibility to its shareholding structure.

13.5. Other adjustments for changes in value

The breakdown by nature of the other valuation adjustments in 2022 and 2021 was the following:

€ Thousand

	Notes	2022	2021
Hedging transactions		50,437	(6,098)
Tax effect of hedging transactions		(12,610)	1,524
Total	10	***37,827***	***(4,574)***

13.6. Subsidies, donations, and bequests received

MEASUREMENT CRITERIA

In accounting for subsidies, donations, and bequests received from third parties other than the shareholders, the Company applies the following criteria:

a) Non-returnable subsidies, donations, and legacies: These are measured at the fair value of the amount of the grant or asset received, depending on whether or not it is of a monetary nature, recorded as equity and subsequently transferred to profit and loss in proportion to the depreciation and amortization for the period in respect of the item subsidized or covered by the grant, or when the asset is disposed of or its value corrected for impairment, where applicable.

b) Returnable grants: They are recorded as liabilities for as long as they are of a returnable nature.

c) Operating grants: These are recorded as income when granted except if they are intended to finance operating losses of future financial years, in which case they are recorded in those financial years. If they are granted to finance specific expenses, recognition takes place as and when these expenses accrue.

The information on the grants received by the Company in 2022 and 2021, which are part of equity, net of the tax effect, and on the amounts taken to the Income Statement in this connection is as follows:

2022 € Thousand

Agency	Notes	Territorial Extension	Opening Balance	Increases	Decreases and transfer to income	Closing Balance
Grants Received						
Ministry of Tourism and Trade		Central Government	1,519	-	(690)	829
Ministry of Economy and Finance		Central Government	318	-	(62)	256
Ministry of the Environment and Rural and Marine Affairs	22	Central Government	13,026	209,965	(222,991)	-
Andalusia Autonomous Government		Autonomous Region	2,310	-	(537)	1,773
Total			***17,173***	***209,965***	***(224,280)***	***2,858***

2022 € Thousand

Agency	Notes	Territorial Extension	Opening Balance	Increases	Decreases and transfer to income	Closing Balance
Tax effect						
Ministry of Tourism and Trade		Central Government	(380)	-	173	(207)
Ministry of Economy and Finance		Central Government	(82)	-	16	(66)
Ministry of the Environment and Rural and Marine Affairs	22	Central Government	(3,255)	(52,491)	55,746	-
Andalusia Autonomous Gov.		Autonomous Region	(577)	-	135	(442)
Total			***(4,294)***	***(52,491)***	***56,070***	***(715)***
Total grants net of the tax effect			***12,879***	***157,474***	***(168,210)***	***2,143***

2021 € Thousand

Agency	Notes	Territorial Extension	Opening Balance	Increases	Decreases and transfer to income	Closing Balance
Grants Received						
Ministry of Tourism and Trade		Central Government	2,289	-	(770)	1,519
Ministry of Economy and Finance		Central Government	577	-	(259)	318
Ministry of Science and Innovation		Central Government	7	-	(7)	-
Ministry of the Environment and Rural and Marine Affairs	22	Central Government	5,199	95,945	(88,118)	13,026
Andalusia Autonomous Gov.		Autonomous Region	2,880	-	(570)	2,310
Total			***10,952***	***95,945***	***(89,724)***	***17,173***

€ Thousand

Agency	Notes	Territorial Extension	Opening Balance	Increases	Decreases and transfer to income	Closing Balance
Tax effect						
Ministry of Tourism and Trade		Central Government	(572)	-	192	(380)
Ministry of Economy and Finance		Central Government	(146)	-	64	(82)
Ministry of Science and Innovation		Central Government	(2)	-	2	-
Ministry of the Environment and Rural and Marine Affairs	22	Central Government	(1,299)	(23,986)	22,030	(3,255)
Andalusia Autonomous Gov.		Autonomous Region	(720)	-	143	(577)
Total			***(2,739)***	***(23,986)***	***22,431***	***(4,294)***
Total grants net of the tax effect			***8,213***	***71,959***	***(67,293)***	***12,879***

CEPSA considers that all the requirements to ensure that the grants received are not repayable have been met.

14. Provisions and contingencies

MEASUREMENT CRITERIA

When preparing the financial statements the Company's directors make a distinction between:

a) Provisions: credit balances covering current obligations deriving from past events, the fulfillment of which is likely to lead to an outflow of resources, but the amount and/or time of fulfillment of which are uncertain.

b) Contingent liabilities: possible obligations that might arise as a result of past events, the future materialization of which depends on whether or not one or more future events occur over which the Company has no influence.

The financial statements include all the provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognized in the Financial Statements, but rather are disclosed in the notes, unless the possibility of an outflow in settlement is considered to be remote.

Provisions are measured by the current value of the best possible estimate of the amount necessary to settle or transfer the obligation, taking into account the information available on the event and its consequences, and recording adjustments arising by updating these provisions as a financial expense on an accrual basis.

The compensation to be received from a third party at the time of the settlement of the obligation, provided there is no doubt that such reimbursement shall be collected, is recorded as an asset, except in the event that there is a legal link underlining part of the risk, and under which the Company is not obliged to respond; in this situation, the compensation shall be taken into account to estimate the amount for which, where appropriate, the corresponding provision shall be made.

The breakdown of the non-current provisions in the accompanying balance sheets and of the main changes therein in 2022 is as follows:

€ Thousand

2022	Notes	Balance at 01/01/2022	Charges for the year	Transferred to Current	Revaluation increases	Amounts used	Balance at 12/31/2022
Long-term employee benefit obligations		22,492	46,824	(3,232)	427	(1,850)	64,661
Environmental contingencies	20	15,552	36,992	-	786	(579)	52,751
Other provisions		163,416	89,151	-	7,851	(11,325)	249,093
Total		***201,460***	***172,967***	***(3,232)***	***9,064***	***(13,754)***	***366,505***

The breakdown of the current provisions in the accompanying balance sheet and of the main changes in 2022 is as follows:

€ Thousand

2022	Notes	Balance at 01/01/2022	Additions	Transferred to Current	Held for sale	Amounts used	Balance at 12/31/2022
Provision for Greenhouse Gas Emissions	22	144,513	196,198	-	10,460	(153,988)	197,183
Restructuring provision		2,757	-	-	-	(20)	2,737
Payments for Equity instruments		-	1,396	-	-	(1,396)	-
Short-term employee benefit obligations		3,496	(9)	3,232	-	(3,290)	3,429
Other provisions		-	2,500	-	-	-	2,500
Total		***150,766***	***200,085***	***3,232***	***10,460***	***(158,694)***	***205,849***

A) Provisions for employee benefit obligations

MEASUREMENT CRITERIA

CEPSA has the following pension commitments toward employees and their beneficiaries:

Non-current defined contribution remuneration

- Commitments covered through employee pension plans: These establish the participants' right to receive retirement or, if applicable, death or invalidity benefits in accordance with their specifications. The plans take the form of hybrid plans and combine defined contribution plans, which cover retirement—whereby the sponsor makes periodic contributions—and defined benefit plans which cover benefits for death or disability through a temporary annually renewable policy arranged with an insurance company under which the sponsor undertakes to make the contributions corresponding to the pension plans. Therefore, these contingencies must be treated as if the scheme were a defined contribution scheme. The accrued amount of the contingency assumed by the sponsor is covered each year through the annual contribution, which is recognized under "Personnel Expenses" in the Income Statement.

- Life insurance: This concerns a defined contribution commitment embodied in an insurance policy establishing the insured parties' right to receive retirement, death or invalidity benefits as the case may be. It sets out the contributions to be made by the Company taking out the insurance, as a complement to the Pension Plan, or because the commitment assumed toward the personnel exceeds the maximum limits on contributions to pension plans. The contributions are recognized under "Personnel Expenses" in the Income Statement.

- Annuity income for retired employees: These are obligations prior to the arrangement of pension plans, which entitle personnel or their beneficiaries to receive supplementary social security pension benefits in the event of retirement, death or permanent disability. This commitment has been externalized in full through the related insurance policies. The contributions made, through modification of the group insured, variation of said policy commitments or CPI revaluations, are recognized under "Employee benefits expense" on the Income Statement.

The adjustments arising from commitments are recorded as expenses or income for the year, as appropriate, and their amount is not material.

Long and short-term defined benefit remuneration

- The Company has entered into a commitment with a specific group of employees for the payment of an annuity in the form of monetary consideration arising from the closing of company stores. Actuarial studies are performed annually, based on life expectancy tables (PEMF2000) with a discount rate of 1.5% and salary increases anticipated at 0.25%, and the actuarial gains and losses are recorded in the Income Statement. The annual accrual of obligations to employees and the interest cost on the funds are recorded under "Staff costs" and "Finance costs".

- Employees have the right to receive from the Company both medals for seniority and values awards. In the La Rábida refinery, workers have the right to receive amounts / remuneration in kind for length of service. On an annual basis, an actuarial study is performed, recognizing the actuarial gains and losses as expenses or income, as applicable.

CEPSA recognizes under the heading Long-Term Provisions - Long-Term Employee Benefit Obligations on the liability side of the balance sheet the present value of the defined benefit obligations, net of the fair value of the assets that meet the requirements to be considered as "qualifying assets" and of the "unrecorded past service cost" of post-employment benefits, if any.

I. Non-current defined contribution remuneration

During 2022 and 2021, CEPSA has recorded the following amounts as an expense for defined contribution commitments included under PERSONNEL EXPENSES in the Income Statement:

€ Thousand

	Notes	2022	2021
Retirement (Pension Plan)		5,374	4,535
Life Insurance		4,741	4,294
Total	18.4	***10,115***	***8,829***

II. Non-current defined benefit remuneration

The provisions recorded in the balance sheet for these commitments at December 2022 and 2021 amounted to 64,661 thousand euros and 22,492 thousand euros, respectively.

Provisions were calculated by discounting the foreseeable flow of payments until retirement date at 1.71%. The average payment period for this group amounted to 4.20 years.

B) ENVIRONMENTAL PROVISIONS

CEPSA has recorded provisions to remediate the possible risk of gradual soil contamination, which were charged to OTHER OPERATING EXPENSES in the Income Statement and quantified on the basis of internal estimates and technical studies. In addition, CEPSA has taken out insurance policies to cover the third party liability that might arise from sudden accidental pollution and gradual subsequent pollution.

CEPSA has a provision for environmental risks and obligations, the balance of which, as of December 31, 2021, amounted to 15,552 thousand euros. Changes in 2022 were as follows: Additions of 36,992 thousand euros (relating to the decommissioning of the Tenerife Refinery), a financial restatement of 786 thousand euros, and derecognition of 579 thousand euros, with a balance at December 31, 2022 of 52,751 thousand euros.

The above provision covers expenses incurred by resolving the gradual land contamination, partially covered by insurance policies in force.

C) RESTRUCTURING PROVISIONS

In 2014, three processes of collective dismissal were carried out in the company's work centers in Madrid, the Gibraltar-San Roque refinery and the La Rábida refinery. At the end of the 2014 fiscal year, all personnel departures had already taken place, except in the case of Huelva, which occurred in February 2015.

With regard to short-term provisions for this same item, commitments of 20 thousand euros were paid in 2022. The ending balance at December 31, 2022 amounts to 2,737 thousand euros (2,757 thousand euros in 2021).

D) OTHER NON-CURRENT PROVISIONS

The breakdown of the changes in 2022 and the balances at each year-end are as follows:

€ Thousand

Other provisions - Year 2022	Balance at 01/01/2022	Charges for the year	Revaluation increases	Amounts used	Balance at 12/31/2022
Provision for taxes	114,225	19,954	5,276	-	139,455
Provision for third-party liability	7,112	619	-	-	7,731
Provisions for other expenses	42,079	325	1,102	(9,170)	34,336
Provision for decommissioning	-	68,253	1,473	(2,155)	67,571
Total	***163,416***	***89,151***	***7,851***	***(11,325)***	***249,093***

The provision FOR TAXES includes the provisions made by the Company during the year to cover its tax risks arising from tax assessments signed in disagreement. The applications amount for the financial year corresponds to cancellations with credit to the earnings for excess provisions, mainly due to an accrual interest recalculation and reassessment of the expected amount of obligations, as certain assessments came down in the Company's favor (see **Note 16.4**).

The provisions for OTHER LIABILITIES AND OTHER EXPENSES cover the contingencies arising from CEPSA's ordinary operations in its relationships with third parties.

In OTHER EXPENSES, 9,170 thousand euros from excess provisions from previous financial years have been applied to earnings in 2022. The other applications were applied to other entries on the balance sheet as the corresponding obligation was paid.

At the beginning of 2022, the Company announced the start of the processes for the decommissioning of the Tenerife Refinery. A project that involves the gradual de-installation of the different units of the refinery and subsequent soil remediation, two of the fundamental steps to meet the objectives of Santa Cruz Verde 2030 (SCV2030). For this purpose, provisions amounting to 68,253 thousand euros have been recorded, which have increased the carrying amount of the assets involved in this decommissioning process. The movements in 2022 were as follows: financial restatement of 1,473 thousand euros and derecognition of 2,155 thousand euros, with a balance at December 31, 2022 of 67,571 thousand euros.

CEPSA's management considers that the provisions recorded in the accompanying balance sheet adequately cover the risks relating to litigation, arbitration proceedings and other transactions described in this note and therefore do not expect that any additional liabilities will arise.

In view of the nature of the contingencies covered by these provisions, it is not possible to determine a reasonable schedule for the related payments, if any.

15. Debt (Long- and short-term)

MEASUREMENT CRITERIA

Financial liabilities assumed or incurred by the Company are classified in the following valuation categories:

A: Financial liabilities at amortized cost: accounts payable by the Company that have arisen from the purchase of goods or services in the normal course of business and those which, not having commercial substance, as derived instruments, come from loan or credit operations received by the Company.

These liabilities are initially recorded at the fair value of the consideration received, adjusted for the directly attributable transaction costs. These liabilities are subsequently valued at amortized cost.

B. Financial Liabilities at Fair Value Through the Profit and Loss Account

Liability derivative financial instruments are valued at fair value, following the same criterion as those corresponding to financial assets at fair value through profit or loss described in the preceding section.

Assets and liabilities are presented separately in the balance sheet and only at their net amount when the company has the enforceable right to offset the recorded amounts and, in addition, intends to settle the amounts corresponding to the net value or to realize the asset and settle the liability simultaneously.

CEPSA derecognizes financial liabilities when the obligation underlying the liability ceases to exist.

15.1. Breakdown by category of financial liabilities

The carrying amounts of *LONG-TERM DEBT AND SHORT-TERM DEBT AND PAYABLE TO GROUP COMPANIES AND ASSOCIATES* at year-end 2022 and 2021 are classified for valuation purposes in the following categories:

Long-term financial instruments € Thousand

Classes	Bank borrowings and finance leases		Derivatives / Others		Total	
Categories	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Financial liabilities at amortized cost	1,190,332	1,622,467	1,396,392	1,498,440	2,586,724	3,120,907
Derivatives	-	-	199,300	83,397	199,300	83,397
Total	***1,190,332***	***1,622,467***	***1,595,692***	***1,581,837***	***2,786,024***	***3,204,304***

Short-term financial instruments € Thousand

Classes	Bank borrowings and finance leases		Derivatives / Others		Total	
Categories	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Financial liabilities at amortized cost	399,532	28,409	4,824,565	3,757,843	5,224,097	3,786,252
Derivatives	-	-	1,870,212	905,040	1,870,212	905,040
Total	***399,532***	***28,409***	***6,694,777***	***4,662,883***	***7,094,309***	***4,691,292***

The breakdown, by maturity, of LONG-TERM DEBT at December 31, 2022 and 2021 is as follows:

€ Thousand

	Maturing in					
2022	**2024**	**2025**	**2026**	**2027**	**Rest**	**Total**
Bank Borrowings	53,698	152,074	556,708	206,490	221,362	1,190,332
Derivatives	40,147	37,722	88,955	-	32,476	199,300
Other financial liabilities	2,246	714	659	588	2,995	7,202
Total	***96,091***	***190,510***	***646,322***	***207,078***	***256,833***	***1,396,834***

€ Thousand

	Maturing in					
2021	**2023**	**2024**	**2025**	**2026**	**Rest**	**Total**
Bank Borrowings	387,978	47,387	221,553	632,908	332,641	1,622,467
Derivatives	574	26,793	13,952	24,001	18,077	83,397
Other financial liabilities	2,943	1,525	960	799	3,123	9,350
Total	***391,495***	***75,705***	***236,465***	***657,708***	***353,841***	***1,715,214***

15.2. Financing costs and lines

As usual, since its signing in 2014, it has received approval from the 18 banks participating in its 2 billion euros syndicated revolving credit facility to extend its maturity for a further year and links it for the first time to sustainability indicators: CO_2 emission reductions and gender diversity. With unanimous consent therefrom by banks, this set the maturity at September 2027, notably improving CEPSA's liquidity quality. Of this amount, there were no amounts available at the date of this report.

The average annual nominal interest rate recorded for all loans and their associated derivatives (Cross Currency Swaps and Interest Rate Swaps), the long-term and short-term interest received in euros was 0.68% and 0.15% in 2022 and 2021, respectively. For foreign exchange instruments, the total cost was 2.03% and 2.66% in those years. The overall average annual cost of financing was 1.49% in 2022 and 1.66% in 2021.

At December 31, 2022 and 2021, CEPSA had committed and undrawn credit lines with several banks amounting to more than 3,178,389 thousand and 2,728,982 thousand euros, respectively (see **Note 23**).

At December 31, 2022, and during the entire 2022 financial year, CEPSA has not been affected by the need to comply with any financial ratios as it holds the status of a company with an external rating, which is expected to be maintained throughout 2023.

15.3. Average supplier payment terms

In accordance with the requirement established in the Third Additional Provision of Law 15/2010, of July 5, as amended in turn by Law 31/2014, of December 3, the new requirement incorporated by Law 18/2022, of September 28 and by the Resolution of January 29, 2016 of the Spanish Accounting and Auditing Institute, on the information to be included in the Annual Accounts Report in relation to the average payment period to suppliers in commercial transactions, the data relating to payments made and payments pending, as well as the ratios related to these figures are as follows:

Days

Average supplier payment period	**2022**	**2021**
Average period for payment to suppliers	17	15
Ratio of paid transactions	17	15
Ratio of outstanding payment transactions	9	17

Thousands of euros

	2022	**2021**
Total payments made	35,957,113	20,692,027
Total pending payments	1,213,302	826,867
Total payments made in less than maximum period	33,947,826	-
Percentage of total payments made	94%	-

Number of invoices

	2022	**2021**
Total number of invoices paid in less than maximum period	77,153	-
Total number of invoices paid	118,000	-
Percentage of total number of invoices paid	65%	-

16. Tax matters

MEASUREMENT CRITERIA

The tax income or expense comprises current tax income or expense and deferred tax income or expense.

The current income tax expense is the amount payable by the Company as a result of income tax assessments for a given year. Deductions and other tax advantages, excluding retentions and advance payments, as well as tax loss carryforwards effectively applied in the current year, give rise to a reduced amount of current taxation.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences identified as amounts expected to be payable or recoverable deriving from differences between carrying amounts of assets and liabilities and their tax value, tax-loss carryforwards not yet offset and tax deductions not yet applied. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled.

Deferred tax liabilities are recorded for all taxable temporary differences except those deriving from the initial recognition of goodwill or other assets and liabilities in a transaction that does not affect either the tax result or the accounting result and is not a business combination.

Deferred tax assets are recorded only to the extent that it is considered probable that the Company will have sufficient future taxable profits against which to offset them.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recorded directly in equity.

At each accounting close the deferred tax assets recorded are reviewed and the appropriate adjustments are made where there are doubts as to their future recoverability. At the close of each accounting period any deferred tax assets not recorded in the balance sheet are evaluated and recorded to the extent that their recovery from future taxable profits becomes probable.

16.1. Current Balances with Government Bodies

The breakdown of current tax balances receivable from and payable to tax authorities at 2022 and 2021 year-end is as follows:

€ Thousand

Receivables	2022	2021
Income tax refundable	148,477	71,688
IGIC refundable	9,251	4,286
Other	28,783	2,070
Total	***186,511***	***78,044***

€ Thousand

Payables	2022	2021
Income tax payable	74	-
VAT payable	130,252	118,174
Social Security payable	3,757	3,827
Other	25,014	23,211
Total	***159,097***	***145,212***

Since 2010, CEPSA in Spain has adhered to the Code of Good Tax Practices approved by the plenary session of the Forum of Large Companies established at the request of the State Tax Administration Agency.

CEPSA files consolidated corporate income tax returns as the parent company of tax Group number 4/89. In this regard, the main balances receivable from and payable to Group companies for the years 2022 and 2021 are as follows:

€ Thousand

Amounts receivable (payable)	2022	2021
COASTAL ENERGY COMPANY	689	(6)
CEPSA COLOMBIA, S.A.	(15,422)	(8,516)
CEPSA COMERCIAL PETROLEO, S.A.U.	(1,564)	12,069
CEPSA TRADING, S.A.U.	19,056	5,496
GASIB SOCIEDAD IBERICA DE GAS, S.A.	3,609	2,930
RESSA, S.A.U.	357	164
CEPSA ALGERIE, S.L.	26,074	(18,379)
CEPSA EP ABU DHABI, S.L.	119,115	(2,279)
CEPSA QUIMICA, S.A.	4,696	21,556
CEPSA GAS Y ELECTRICIDAD, S.A.U.	183	(12,790)
Other Companies	21,598	1,400
Total	***178,391***	***1,645***

16.2. Reconciliation of accounting result with the tax base

The reconciliation of CEPSA's pre-tax profit and taxable profit for Spanish corporate tax purposes for 2022 and 2021 is as follows:

€ Thousand

2022	Statement of income		Income and expenses recognised directly in equity		Total
Accounting profit for the year (after tax)	1,119,230	-	-	31,665	1,150,895
	Increases	Decreases	Increases	Decreases	
Income tax	-	(46,159)	10,555	-	(35,604)
Individual permanent differences	91,516	(1,201,889)	-	-	(1,110,373)
Individual temporary differences					
Arising in the year	118,862	-	(221,531)	-	(102,669)
Arising in prior years	45,957	(1,489,048)	-	179,311	(1,263,780)
Tax base	***1,375,565***	***(2,737,096)***	***(210,976)***	***210,976***	***(1,361,531)***

€ Thousand

2021	Statement of income		Income and expenses recognised directly in equity		Total
Accounting profit for the year (after tax)	30,266	-	-	28,774	59,040
	Increases	Decreases	Increases	Decreases	
Income tax	-	(96,809)	9,591	-	(87,218)
Individual permanent differences	158,047	(376,642)	-	-	(218,595)
Individual temporary differences					
Arising in the year	14,139	-	(230,757)	-	(216,618)
Arising in prior years	48,806	(358,990)	-	192,392	(117,792)
Tax base	***251,258***	***(832,441)***	***(221,166)***	***221,166***	***(581,183)***

The permanent differences arose mainly as a result of non-deductible expenses and income not computable for tax purposes. Those recorded in 2022 and 2021 correspond mainly to dividends received, penalties and non-deductible expenses and other non-deductible provisions.

Temporary differences are essentially due to accrued expenses and income that will be tax-deductible in subsequent periods. The most significant differences are mainly due to:

- non-deductible fixed asset impairment losses,
- provisions for non-deductible risks and expenses,
- application of Law 4/2008, which regulates unrestricted amortization with maintenance of employment,
- application of Royal Decree 13/2010, which regulates unrestricted amortization without maintenance of employment, and
- the application of Law 16/2012, which regulates the revaluation of balance sheets and the 70% limit on the deduction of depreciation.

It also includes expenses derived from the hedging and updating of pension supplement commitments.

16.3. Taxes recorded in equity

The breakdown of the taxes recorded directly in equity in 2022 and 2021 is as follows:

€ Thousand

2022	Increases	Decreases	Total
Deferred taxes			
Arising in the year			
Grants	52,491	-	52,491
Other - cash flow hedge	2,892	-	2,892
Arising in prior year			
Grants	-	56,070	(56,070)
Other - cash flow hedge	-	(11,242)	11,242
Total taxes recognized directly in equity	***55,383***	***44,828***	***10,555***

€ Thousand

2021	Increases	Decreases	Total
Current tax			
Arising in the year			
Grants	23,986	-	23,986
Other - cash flow hedge	33,703	-	33,703
Arising in prior year			
Grants	-	22,431	(22,431)
Other - cash flow hedge	-	25,667	(25,667)
Total taxes recognised directly in equity	***57,689***	***48,098***	***9,591***

16.4. Reconciliation of the accounting result and income tax expense

The reconciliation between the profit/(loss) for the year and income tax expense (on profit) during 2022 and 2021 is as follows:

€ Thousand

Reconciliation of Profit before taxes and Income tax (Tax base)	2022	2021
Recorded profit (before tax)	1,073,071	(66,543)
Permanent differences	(1,110,373)	(218,595)
Income Tax rate 25%	(9,326)	(71,285)
Tax credits applied	-	-
Double taxation	(195)	(322)
R+D+i and other	(2,850)	(6,781)
Tax expense adjustment	2,497	25,962
Tax inspections	(2,285)	(20,750)
Deferred taxes adjustment	(34,000)	(23,633)
Total tax expense / (income)	***(46,159)***	***(96,809)***

In calculating the corporate income tax expense, R&D&I deductions and other tax incentives have been taken, in accordance with the applicable regulations.

In the column relating to 2022, the tax expense regularization includes the expenses corresponding to the difference between the Revenue recorded for the Corporate Income Tax in 2021 and that corresponding to the final settlement for 2022, amounting to 2,497 thousand euros, mainly due to deductions eventually credited in the final settlement.

For the years 2022 and 2021, deferred tax adjustment includes mainly the adjustment of the deferred tax asset derived from portfolio impairment, in the portion corresponding to foreign subsidiaries, which represented an income of 34,000 thousand euros in the year 2022 and an expense of 5 million euros in the year 2021.

16.5. Breakdown of Corporate Tax

The breakdown of the corporate tax expense for 2022 and 2021 is as follows:

€ Thousand

	2022	2021
Current tax		
Continuing operations	(343,216)	(147,187)
Deferred tax		
Continuing operations	297,057	50,378
Total tax expense / (income)	***(46,159)***	***(96,809)***

16.6. Deferred tax assets

The breakdown of the balance of this account as at the close of 2022 and 2021 is as follows:

€ Thousand

Temporary differences (Deferred tax assets)	2022	2021
Non-current assets (Depreciation /amortisation and other)	2,683	4,132
Impairment of group companies investment	1,983	295,148
Other provisions	39,809	11,544
Tax loss carryforwards	197,187	165,825
Deductions pending application	18,708	19,100
Other	3,001	9,522
Total deferred tax assets	***263,371***	***505,271***

Impairment on loans and receivables mainly includes the partial reversal of the tax credit generated by the impairment of the investment in the Coastal Group companies, as the liquidation process of the Coastal Energy Company International S.L.U entity was completed in 2022 upon termination of their reserves.

Also, at December 31, 2022, the Company has tax loss carryforwards for the year amounting to 197,187 thousand euros.

These tax credits were recorded in the balance sheets for both years. Based on the best estimate of the Company's future earnings, recovery is considered probable.

Also, at December 31, 2022, the Company has deductions pending application for Corporate Income Tax of the tax group amounting to 18,708 thousand euros corresponding almost in their entirety to CEPSA. Based on prevailing legislation, double taxation deductions do not lose validity. For the remainder of the deductions, the expiration period is 15 years, on a general basis. According to the projected earnings for future years established in the long-term plan, it is expected that statutory deductions will be fully used.

In application of Law 20/1991 of June 7, 1991, Canary Islands Tax Law, Article 94.1.a Deduction for Investment in the Canary Islands, the following deductions for New Fixed Assets in the Canary Islands are pending application:

Investments 2020 8,044 thousand euros; deduction 2,011 thousand euros.

Investments 2021 3,650 thousand euros; deduction 912 thousand euros.

These investments should remain in service at the Company for either five years (three years in the case of movable property) or the related useful life, whichever is shorter.

16.7. Deferred tax liabilities

The breakdown of the balance of this account as at the close of 2022 and 2021 is as follows:

€ Thousand

Temporary differences (Deferred tax liabilities)	2022	2021
Investments new non-current assests	36,907	48,482
Tax credit	1,507	1,501
Grants, donations	716	4,294
Other	14,629	7,016
Total deferred tax liabilities	***53,759***	***61,293***

Deferred tax liabilities relating to Property, Plant, and Equipment include the effect of unrestricted amortization in accordance with Law 4/2008, due to the start-up of the assets in question for expansion of the La Rábida Energy Park. They also include the assets subject to unrestricted amortization as per Royal Decree Law 13/2010.

The eleventh additional provision of the Corporate Tax Law applied to unrestricted amortization depreciation with maintenance of employment and reversal of the same was:

		€ Thousand
Accelerated depreciation	**2022**	**2021**
Depreciation for the period	(39,860)	(40,080)

At the end of the reporting period the requirements of the eleventh additional provision were met.

Unrestricted amortization and its reversal not subject to maintenance of employment in 2022 and 2021 amounted to 4,920 and 5,968 thousand euros, respectively.

16.8. Years pending checks and inspections

As established by currently applicable legislation, taxes cannot be considered definitively settled until the declarations filed have been inspected by the tax authorities or until the four-year limitation period has passed.

Various assessments have been signed in disagreement for different taxes, including corporate income tax for which CEPSA has filed the corresponding appeals before the corresponding courts. The Company has fully provisioned for the amounts determined by said tax assessments and related late-payment interest that meet the established requirements up to year-end 2022 and have been graded probable risk (see Note 14).

Also, on July 4, 2022, the CEPSA Tax Group received notification of the commencement of verification and investigation proceedings for corporate income tax for 2017 to 2020 and VAT, personal income tax and non-resident income tax for June 2018 to December 2020, which are currently in progress.

The Company files VAT returns as part of the VAT Group number 2800/08.

In the opinion of the Company's directors, managers, and tax advisors, related party transactions are carried out at arm's length, transfer prices are adequately supported and it is estimated that there is no significant risk of material liabilities arising in the future in this respect.

In the Official State Gazette of December 28, 2022, Law 38/2022, of December 27, 2022, for the establishment of the temporary energy tax was published. This Law, in force as from the day following its publication, establishes that the tax will have the nature of a non-tax public benefit and will be levied in 2023 and 2024 on the main electricity, natural gas, fuel and liquefied petroleum gas operators whose net turnover exceeds certain thresholds, as well as on companies with a certain turnover from crude oil, natural gas, coal mining or oil refining activities. Its amount will be equal to 1.2% of the net turnover derived from the aforementioned activities carried out in Spain in 2022 and 2023, respectively, adjusted by the amount of certain income items, including, among others, the Tax on Hydrocarbons.

Additionally, this law introduced a time limitation as from January 1, 2023, whereby only 50% of the individual tax losses corresponding to each and every one of the entities comprising the tax Group may be included in the taxable income of the tax group. The amount of the individual tax loss carryforwards not included in the taxable income of the tax consolidation Group will be included, in equal parts, in the ten tax periods beginning on or after January 1, 2024.

17. Foreign currency

MEASUREMENT CRITERIA

CEPSA's functional currency is the euro. Therefore, transactions in currencies other than the euro are deemed to be "foreign currency transactions" and are recorded by applying the exchange rates prevailing at the transaction date while exchange differences arising at the date of settlement of the transactions are charged or credited, as appropriate, to profit and loss.

Monetary assets and liabilities denominated in foreign currencies are recorded in the Balance Sheet at each year-end in euros at the exchange rates then prevailing. Any resulting gains or losses are recorded directly in the Income Statement in the year in which they arise.

Non-monetary items measured at historical cost are translated at the exchange rate prevailing at the transaction date.

The breakdown of balances and transactions in foreign currency, mostly in US dollars, valued at the year-end exchange rate and the average exchange rates for the years 2022 and 2021, is as follows:

€ Thousand

Balances in other currencies	2022	2021
Trade and other receivables	483,449	357,168
Loans to group companies and third parties	394,005	119,074
Other long and short term financial assets	740,968	268,652
Trade and other payables	894,960	870,777
Long and short term bank borrowings and loans to group companies	2,557,519	1,697,469
Other financial liabilities	1,318,511	935,492
Sales	8,131,329	5,496,251
Purchases	19,045,438	11,900,781
Services provided	513,208	2,279
Services received	894,100	102,105
Finance income	919,882	426,813
Finance expense	528,495	400,633

The gains (losses) on exchange recorded in the Income Statement for 2022 and 2021, by class of financial instrument, are as follows:

€ Thousand

2022	Transactions settled in the year	Balances pending maturity	Total
Financial Assets			
Loans	33,692	2,647	36,339
Other	89,145	(3,326)	85,819
Fair value hedge	-	59,840	59,840
Total	***122,837***	***59,161***	***181,998***
Financial Liabilities			
Bank debt	(12,635)	(34,933)	(47,568)
Debt securities and other liabilities	(25,581)	(130,767)	(156,348)
Other	(8,092)	(3,936)	(12,028)
Total	***(46,308)***	***(169,636)***	***(215,944)***

€ Thousand

2021	Transactions settled in the year	Balances pending maturity	Total
Financial Assets			
Loans	1,915	8,179	10,094
Other	13,632	3,762	17,394
Fair value hedge	-	58,240	58,240
Total	***15,547***	***70,181***	***85,728***
Financial Liabilities			
Bank debt	(20,376)	(46,088)	(66,464)
Debt securities and other liabilities	(3,425)	(107,447)	(110,872)
Other	14,091	(9,822)	4,269
Total	***(9,710)***	***(163,357)***	***(173,067)***

18. Revenue and expenses

MEASUREMENT CRITERIA

Income and expenses are recorded in accordance with the accrual principle, i.e., when the real flow of goods and services that they represent occurs, irrespective of when the associated monetary or financial flow occurs. Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

Revenue from the sale of goods and the rendering of services is measured at the monetary amount received or, if applicable, at the fair value of the consideration received or expected to be received, which, unless there is evidence to the

contrary, is the agreed price less any discounts, taxes, and interest included in the face value of the receivables. The best estimate of the variable consideration is included in the measurement of revenue when its reversal is not considered highly probable (NOTE: An exception is made for licensing agreements based on sales or use).

Revenue recognition occurs when (or as) control over the goods or services committed is transferred to the customer.

Revenue recorded over time for goods or services for which control is not transferred at any point in time is measured by reference to the stage of completion at the balance sheet date, provided that reliable information is available to measure the stage of completion. Otherwise, revenue is recorded only to the extent of costs incurred that are reasonably expected to be recovered in the future.

Revenues from commitments to be executed at a given time are recorded at that date, recording as inventories the costs incurred up to that time in the production of the goods or services.

Revenues from the sale of crude oil are recorded when the relevant potential risks and rewards incidental to ownership and control of the crude oil have been transferred, which occurs when title passes to the buyer. This generally occurs when product is physically transferred into a vessel, pipe or other delivery mechanism.

Revenue from the production of crude oil in which the Company has an interest with other producers is recorded based on the working interest and the terms of the relevant production sharing contracts.

Based on the Resolution of the ICAC of February 10, 2021, which establishes standards for recording, valuation and preparation of the annual accounts for the recognition of revenue from the delivery of goods and the rendering of services" the Group applies "agent" accounting in certain transactions that meet at least the following characteristics: (i) the Group is not primarily responsible for the fulfillment of the commitment to provide the goods or services; (ii) the Group has no inventory risk before and after the transfer of control to the customer; and (iii) there is no actual ability to establish sales prices, except for a margin in respect of commission for intermediation.

SALES and SUPPLIES exclude the value of transactions relating to the exchange of goods of a similar nature carried out with other operators, which are recorded in the same way as swaps (see below).

In accordance with the legislation applicable to companies operating in the oil and gas industry, the Excise Tax on oil and gas sales is recorded as part of the selling price and as an addition to cost under Revenue and Other operating expenses, respectively, in the Income Statement.

Swaps

Asset exchange means the acquisition of property, plant and equipment or intangible assets in exchange for the delivery of other non-monetary assets or a combination of monetary and non-monetary assets.

As a general rule, the asset received in an asset exchange transaction with commercial substance is recorded at the fair value of the asset given up, plus, where appropriate, any monetary consideration paid. The valuation differences that arise on derecognition of the asset given up in the exchange are recorded in the Income Statement.

Assets received in an exchange have commercial substance when cash flows from the item received is different (risks, calendar and amounts) to the item provided or when the present value of cash flows after taxes from the activities related to the exchange are modified by the transaction.

Assets received in an exchange that lack commercial substance are recorded at the carrying amount of the asset given up plus, where appropriate, any monetary consideration paid, up to the limit of the fair value of the asset received if this is lower.

Severance pay

Under current legislation, CEPSA is required to pay termination benefits to employees when employment is terminated under certain conditions. Accordingly, reasonably quantifiable severance payments are recorded as an expense in the financial year in which the decision to terminate is taken.

Environmental expenses

*Environmental expenses are deemed to be those incurred to prevent, reduce or repair damage to the environment, i.e., the natural surroundings, as well as those relating to environmental commitments. (See **Note 20**)*

18.1. Revenues from the delivery of goods and provision of services.

The breakdown of revenue in 2022 and 2021 by geographical area and line of business is as follows:

€ Thousand

Activities	2022	2021
Hydrocarbon derived products	24,995,122	15,997,306
Petrochemical derived products	1,303,405	1,085,635
Gas and power	908,915	476,594
Services Provided	163,800	173,806
Total	***27,371,242***	***17,733,341***

€ Thousand

Products Sales	2022	2021
Spain	23,085,118	14,006,106
Rest European Union	1,436,369	1,000,289
Middle East	64,879	664,821
Africa	1,270,334	1,127,958
Rest of the world	1,514,542	934,167
Total	***27,371,242***	***17,733,341***

In 2022 and 2021, sales from exchanges arranged by other operators not included in REVENUE amounted to 3,437,189 thousand euros and 1,253,761 thousand euros, respectively, considered to be exchanges of assets of a similar nature and value and activities as agent.

From April 2022, Cepsa offered special discounts on fuels. Until the end of the year, customers were able to discount up to 50 cts/l, of which 20 cts/l were covered by the Spanish Government and an additional 30 cts/l through Cepsa discounts. These discounts, which remained in effect until the end of the year, had a negative impact on the Company's service station business, resulting in a lack of profits for the year. This mainly affected Fishing Ports businesses.

At December 31, 2022 there were no repurchase commitments for inventories.

18.2. Procurement

The breakdown of the balances of GOODS CONSUMED and RAW MATERIALS AND OTHER MATERIALS CONSUMED in 2022 and 2021 is as follows:

€ Thousand

Procurements	2022	2021
Goods consumed		
Purchases	2,394,768	1,855,767
Changes in inventories	(126,290)	93,787
Total	*2,268,478*	*1,949,554*
Raw materials and other materials consumed		
Purchases	21,011,867	12,338,780
Changes in inventories	(184,322)	(153,764)
Total	*20,827,545*	*12,185,016*
Other external expenses		
Other external expenses	29,970	18,104
Raw materials impairment		
Raw materials impairment	-	(14,787)
Total	***23,125,993***	***14,137,887***

18.3. Breakdown of purchases based on source

The breakdown, by origin, of the purchases and other external expenses made by CEPSA in 2022 and 2021 is as follows:

€ Thousand

Breakdown of purchases by origin	2022	2021
National	4,969,558	2,930,468
Intra-Community	1,261,216	441,508
Import	17,205,831	10,840,675
Total	***23,436,605***	***14,212,651***

18.4. Personnel expenses and social security costs

The breakdown of EMPLOYEE BENEFIT COSTS in 2022 and 2021 is as follows:

€ Thousand

Wages, salaries and employee benefits	Notes	2022	2021
Wages and salaries		322,728	217,662
Employer social security costs		40,581	42,670
Pension contributions and provisions to pension allowances	14	10,115	8,829
Other employee benefit costs		11,299	10,615
Total		***384,723***	***279,776***

In 2021, the Board of Directors approved a long-term incentive plan linked to the achievement of certain objectives set by the Group. The settlement of the plan with the unitholders may be formalized through the delivery of a number of shares and/or amounts in cash. In case of vesting, the parent company would pay the settlement to all Group participants, although the cost of the program will be borne by each of the subsidiaries receiving the services of the plan's participants.

In order to make the best estimate of the amount to be settled, since these are non-market conditions, as defined in IFRS 2, the different variables involved in determining the settlement value are periodically reevaluated:

- Expected date for the plan's settlement.
- Number of participants who will meet the continuance requirement.
- Level of compliance objectives, using models based on discounted future cash flows.

During 2022, the company has recorded expenses associated with this plan amounting to 76 million euros (zero in 2021). The directors estimate that 49% of this amount will be paid in shares. Also, during the year there were no settlements to unitholders or consolidation of rights.

18.5. Other profit / (loss)

The breakdown of OTHER PROFIT / (LOSS) in the Income Statement of 2022 and 2021 is as follows:

€ Thousand

	2022		2021	
Other gains/(losses)	Expenses	Income	Expenses	Income
Expenses and compensation for accidents	946	301	615	433
Environmental contingencies	36,481	-	(1,055)	-
Penalties and fines	512	-	247	1
For litigation and other disputes	723	-	1,949	-
For breach of contract	-	-	-	12
Indemnity for loss of profits	-	4,931	-	-
Exceptional income from definitive allowances	-	-	-	12
Other indemnities	-	203	-	-
Exceptional income and other expenses	4,117	-	3,377	-
Total	***42,779***	***5,435***	***5,133***	***458***

The most relevant amount corresponds to the provision for the environmental provision of Tenerife (see **Note 14**).

18.6. Impairment and losses

This heading includes the net reversal of the impairment of equity instruments in 2022 and 2021 amounting to 162,238 thousand euros and 8,200 million euros, respectively (see **Note 9.3**). In addition, in 2021 there was a reversal of the impairment of short-term loans amounting to 15,037 thousand euros. (See **Note 9.2**)

19. Related party transactions and balances

MEASUREMENT CRITERIA

CEPSA performs all its transactions with related parties at market prices. Transfer prices are also appropriately documented, so the Company's Directors consider that there are no significant risks in this respect from which material liabilities might arise in the future.

However, in the merger, spin-off, or non-monetary contribution of a business, the constituent elements of the business acquired are valued by the amount corresponding to the business, after the operation has been carried out, in the consolidated Financial Statements of the Group or sub-group.

19.1. Group companies, associates and related party transactions

CEPSA performs its transactions with related parties on an arm's length basis.

Related party transactions are mainly due to the fact that the Company sells its products primarily through its subsidiaries. Most of these purchases involve the supply of crude and products to be used in production processes. Likewise, SERVICES RECEIVED are related to the re-invoicing from Group companies for different services (charges, fees, expenses, technical services, staff, etc.).

Regarding loans to Group companies, the average interest rate applied by CEPSA to loans granted to subsidiaries in 2022 and 2021 was similar to the average cost of external financing for the same type of transaction (see **Note 15**).

LOANS TO COMPANIES, which include non-current investments in Group companies and associates shown in the accompanying Balance Sheet, correspond to renewable credit facilities which mature in 12 to 36 months.

The breakdown of related party transactions during 2022 and 2021 is as follows:

€ Thousand

2022	Notes	Parent company	Other Group Companies	Associates and Other	Other related parties
Purchases		-	(21,542,536)	(29,964)	109
Sales		-	13,332,653	63,244	-
Services provided		-	139,772	2,360	-
Services received		-	(638,449)	(2,050)	-
Net result of hedging		-	29,696	-	-
Interest paid		-	(89,252)	-	-
Interest collected		-	34,123	-	-
Dividends	9.3	-	1,020,239	3,988	-
Other income		-	1,366	-	-
Other financial income (exchange differences and trading portfolio)		-	(859)	-	-
Total		***-***	***(7,713,247)***	***37,578***	***109***

€ Thousand

2021	Notes	Parent company	Other Group Companies	Associates and Other	Other related parties
Purchases		-	(12,159,450)	(18,673)	(680,863)
Sales		-	9,812,128	25,369	3,799
Services provided		-	139,155	1,061	-
Services received		(49)	(362,796)	(2,520)	(1,017)
Interest paid		-	(38,588)	-	-
Interest collected		-	8,901	-	68
Dividends	9.3	-	219,000	529	-
Other income		-	569	-	-
Other financial income (exchange differences and trading portfolio)		-	(1,559)	-	-
Total		***(49)***	***(2,382,640)***	***5,766***	***(678,013)***

In addition, OTHER FINANCIAL RESULTS mainly includes exchange differences and trading portfolio results from transactions with Group and associated companies, amounting to positive 8,111 thousand euros and negative 8,970 thousand euros.

19.2. Balances with related parties

At the end of 2022 and 2021, CEPSA held the following balances with related parties:

€ Thousand

2022	Notes	Other group company	Associates and other	Other related parties	Total
Non-current financial assets and investments		4,117,673	28,655	-	4,146,328
Equity instruments	9.3	4,117,673	28,655	-	4,146,328
Trade receivables	9.1	1,358,730	3,898	39	1,362,667
Current financial assests and investments	9.1	2,280,468	3,988	-	2,284,456
Loans to third parties		1,536,360	-	-	1,536,360
Derivatives	10	740,480	-	-	740,480
Other financial assets		3,628	3,988	-	7,616
Bank borrowings	15.1	(1,389,190)	-	-	(1,389,190)
Current payables	10, 15.1	(3,983,070)	-	-	(3,983,070)
Trade payables	15.1	(1,094,456)	(395)	(3,021)	(1,097,872)
Total		***1,290,155***	***36,146***	***(2,982)***	***1,323,319***

€ Thousand

2021	Notes	Other group company	Associates and other	Other related parties	Total
Non-current financial assets and investments		3,805,837	28,655	-	3,834,492
Equity instruments	9.3	3,805,837	28,655	-	3,834,492
Trade receivables	9.1	999,645	4,425	709	1,004,779
Current financial assests and investments	9.1	940,490	503	-	940,993
Loans to third parties		936,160	-	-	936,160
Derivatives	10	4,181	-	-	4,181
Other financial assets		149	503	-	652
Bank borrowings	15.1	(1,489,090)	-	-	(1,489,090)
Current payables	10, 15.1	(2,325,580)	-	-	(2,325,580)
Trade payables	15.1	(1,357,587)	168	(3,640)	(1,361,059)
Total		***573,715***	***33,751***	***(2,931)***	***604,535***

Dividends were distributed to the shareholders in 2022 and 2021 amounting to 582,922 and 522,551 thousand euros, respectively (see **Note 13.3**).

In 2022 and 2021, the LONG-TERM DEBT heading mainly includes the balance of the book credit with "Cepsa Finance, S.A.U.," the Group company dedicated to obtaining financing from international markets, especially via bond issuance.

19.3. Remuneration of directors and senior executives

In 2022 the remuneration of the members of the Board of Directors accrued in the Consolidated Group was 2,419 thousand euros for fixed and variable remuneration (1,395 thousand in 2021), 2,775 thousand euros for bylaw-stipulated benefits (2,847 thousand in 2021) and 3,393 thousand euros (3,445 thousand euros in 2021) for other items.

CEPSA Group's directors and officers liability insurance policy was renewed for 12 months on December 14, 2022, with a total annual net premium of 147 thousand euros for the entire Group. This amount is paid by CEPSA as the policyholder and cannot be broken down by individuals, as apart from covering Board members and Managers, it also covers all those employees who make decisions on behalf of the company.

Directors who do not perform executive functions only receive bylaw-stipulated fees, which totaled 2,550 thousand euros in 2022.

In accordance with the provisions of the current text of article 229 of the Spanish Companies Act, the Company's directors have disclosed the following conflicts of interest:

In connection with the circular resolutions adopted by the Board of Directors on January 1, 2022, the Chief Executive Officer, Mr. Maarten Wetselaar, abstained from voting on the resolutions ratifying his appointment as Chief Executive Officer and the Services Agreement and other related Management Incentive Plan documents between the Company and the Chief Executive Officer, due to his personal involvement in both matters, all of which was duly reflected in the corresponding texts of the resolutions.

At the Board of Directors meeting held on February 3, 2022, the Chief Executive Officer, Mr. Maarten Wetselaar, recused himself and abstained from deliberating and voting on the resolutions adopted with regard to the execution of the co-investments of participants in the Management Incentive Plan of the Company, due to his being a participant therein, and to the amendment of the Services Agreement between the Company and the

Chief Executive Officer, given that he is a party to this agreement, both circumstances of which were included in the corresponding meeting Minutes.

At the Board of Directors meeting held on March 15, 2022, and in connection with a tax litigation issue submitted to the Board for approval, the three Proprietary Directors on behalf of the direct shareholder Matador Bidco S.À.R.L., Mr. Martialis Quirinus Henricus van Poecke, Mr. James Robert Maguire and Mr. Joost Bart Maria Dröge, declared that they were involved in a potential conflict of interest related to certain agreements in place between the two core shareholders of the Company. Accordingly, they recused themselves and abstained from deliberating and voting on the resolution adopted with regard to such tax litigation issue, as duly reflected in the corresponding meeting Minutes.

At the Board of Directors meeting held on April 25, 2022, the Chief Executive Officer, Mr. Maarten Wetselaar, recused himself and abstained from deliberating and voting on the resolution adopted regarding the approval of the final 2022 scorecard, due to a conflict of interest inasmuch as it concerned his own scorecard, which was recorded in the corresponding meeting Minutes.

At the Board of Directors meeting held on November 8, 2022, the Director, Mr. Jacob Schram, recused himself and abstained from deliberating and voting on the resolution adopted to approve, as a related party transaction, the consulting services agreement between Cepsa and Schanjem AS, an entity affiliated with and controlled by Mr. Schram, all of which was duly reflected in the Minutes of the meeting.

On March 16, 2022, and on the occasion of his resignation as a Director, Mr. Musabbeh Helal Musabbeh Ali Alkaabi declared that neither he, nor any of his related parties, were involved in any direct or indirect conflicts with the interests of the Company up until said date, with the exception of those already declared previously in connection with positions or directorships held in companies engaged in the energy sector: (i) Chairman of Mubadala Energy; (ii) Vice Chairman of Masdar; and (iii) Director of Dolphin Energy Ltd.

The incumbent Directors at the date of drafting these Financial Statements made certain conflict of interest disclosures with regard to their management positions and directorships in other companies operating in the same oil and gas space as CEPSA, and, by means of their respective disclosure letters dated February 17, 2023 and addressed to the Secretary of the Board of Directors, confirmed such potential conflicts of interest in connection with the positions and offices held in companies in the energy sector, as follows:

Mr. Ahmed Yahia

Mr. Yahia currently serves as Chief Executive Officer of Direct Investments at Mubadala Investment Company PJSC and is also Chairman of NOVA Chemicals, both companies active in the energy space.

Mr. Martialis Quirinus Henricus van Poecke

Mr. van Poecke currently serves as Chairman of Carlyle International Energy Partners (CIEP), an investment fund affiliated with The Carlyle Group and active in the energy space, and he is a Director of the following entities engaged in the energy sector: (i) Assala Energy UK Limited; (ii) BSOG Holding Activity SRL; (iii) Discover Exploration Ltd.; (iv) Neptune Energy Group Ltd.; (v) Varo Energy B.V.; and (vi) Flamingo (Jersey) Limited. He is also a major shareholder and Chairman of the Supervisory Board of ONE-Dyas B.V.

Mr. Maarten Wetselaar

Mr. Wetselaar confirmed that for the year ended December 31, 2022 and up to the date of his letter, neither he, nor any of his related parties, were involved in any direct or indirect conflicts with the interests of the Company, with the exception of those already declared and included in the corresponding minutes of the meetings and resolutions of the Board of Directors, as stated above.

Mr. James Robert Maguire

Mr. Maguire is currently Managing Director and Head of Carlyle International Energy Partners (CIEP), an investment fund affiliated with The Carlyle Group and active in the energy space, and serves as Director of the following entities engaged in the energy sector: (i) Assala Energy UK Limited; (ii) BSOG Holding Activity S.R.L.; (iii) CIEP Epoch NewCo 1 Ltd. (iv) Mazarine Energy B.V.; (v) Neptune Energy Group Limited; and (vi) Flamingo (Jersey) Limited.

Ms. Alyazia Ali Saleh Ahmed Alkuwaiti

Ms. Alkuwaiti is currently Executive Director of Energy at Mubadala Investment Company PJSC, a company active in the energy space, and also holds the following offices in entities which operate in the same oil & gas space as CEPSA: (i) Director of the Supervisory Board of OMV Aktiengesellschaft; and (ii) Director of Mubadala Energy.

Mr. Marwan Naim Salem Nijmeh

Mr. Nijmeh is currently Deputy Chief Legal Officer at Mubadala Investment Company PJSC, and a Director of Mubadala Energy, both companies active in the energy space.

Mr. Saeed Mohamed Hamad Fares Almazrouei

Mr. Almazrouei is currently Deputy Chief Executive Officer of Direct Investments at Mubadala Investment Company PJSC, and serves as Director of OMV Aktiengesellschaft and NOVA Chemicals, both companies active in the energy space.

Mr. Angel Corcóstegui Guraya

Mr. Corcóstegui confirmed that for the year ended December 31, 2022 and up to the date of his letter, neither he, nor any of his related parties, were involved in any direct or indirect conflicts with the interests of the Company.

Mr. Jacob Schram

Mr. Schram confirmed that for the year ended December 31, 2022 and up to the date of his letter, neither he, nor any of his related parties, were involved in any direct or indirect conflicts with the interests of the Company, with the exception of the one declared at the Board of Directors meeting held on November 8, 2022, as stated above.

Mr. Gregory Mark Nikodem

Mr. Nikodem is currently Managing Director overseeing energy investments at The Carlyle Group and serves as a Director of Nouryon, a company engaged in the chemicals sector.

At the date the Annual Financial Statements were formulated, no other direct or indirect conflict of interest has been reported.

During 2022 and 2021, the average number of members of the Board of Directors has risen to 10 directors, while the average number of people included as Senior Management (corresponding to the members of the Management Committee, regardless of the type of employment relationship they hold) amounts to 11 and 9 people, respectively. As of December 31, 2022, the Board of Directors consisted of 10 directors (9 men and 1 woman), plus the non-director Secretary and Vice-Secretary, while Senior Management consisted of 11 persons.

Remuneration to members of Senior Management who are not executive directors of the Group amounted to 10,956 thousand euros (5,875 thousand euros) in respect of fixed and variable remuneration and 3,741 thousand euros (1,759 thousand euros in 2021) for other items. Senior executives receive an annual fixed and variable remuneration payment. Variable remuneration is calculated as a percentage of fixed remuneration, with said percentage being conditional upon the level of achievement of the objectives established for the year. These objectives, which are subject to measurement and control systems, are determined on the basis of the earnings of the Consolidated Group, occupational safety rates, operating aspects of the business, such as the execution of projects pursuant to established criteria relating to price, quality and deadlines, and individual performance. The increase in compensation in 2022 is mainly due to the higher number of people who, on average, formed part of this group (due to changes in its composition), as well as the increase in variable compensation, linked to the Group's profits (which in 2021 were still impacted by COVID-19).

19.4. Group structure

The Company is the parent of the CEPSA Group. The CEPSA Group organizes and manages its business through the following segments:

- **Energy Solutions** includes the supply and refining of crude oil into petroleum products and their export, sale of manufacturing surpluses, trading activities, generation of electricity and steam, activities that are closely involved in the production processes, and sale to industrial customers. Additionally, it includes the distribution and commercialization of hydrocarbon products.
- **Chemicals** includes production, distribution, and sale of petrochemical and oleochemical products.
- **Exploration and Production** includes exploration, development, and production of crude oil and natural gas reserves.

Lastly, the figures for corporate functions carried out by the parent company are reported under "Non business", which is not a business segment.

20. Environmental information

At the end of 2022 and 2021 CEPSA had the following significant items of property, plant and equipment used to minimize the environmental impact and to protect and improve the environment, classified in accordance with their use:

€ Thousand

2022	Gross carrying amount	Accumulated Depreciation	Net carryng amount
Water	105,413	(87,009)	18,404
Air	331,899	(259,663)	72,236
Waste	33,318	(7,584)	25,734
Soil/Ground water	10,093	(3,260)	6,833
Other/Noise	56,068	(17,443)	38,625
Total	***536,791***	***(374,959)***	***161,832***

€ Thousand

2021	Gross carrying amount	Accumulated Depreciation	Net carryng amount
Water	107,023	(83,795)	23,228
Air	322,407	(245,398)	77,008
Waste	34,143	(5,525)	28,617
Soil/Ground water	9,287	(2,880)	6,407
Other/Noise	22,202	(19,540)	2,662
Total	***495,060***	***(357,139)***	***137,922***

The expenses incurred in 2022 and 2021 (including in-house resources), and expenditure for the purpose of protecting and improving the environment, by use, were as follows:

€ Thousand

	Expenses		Investments	
Environment - Expenses	**2022**	**2021**	**2022**	**2021**
Water	23,209	12,415	2,222	394
Air	60,292	25,956	12,806	10,660
Waste	3,504	2,702	-	-
Soil/Ground water	1,194	2,472	733	652
Other/Noise	3,079	2,239	28,099	47
Total	***91,278***	***45,784***	***43,860***	***11,753***

In accordance with the definition contained in the Spanish Accounting and Audit Institute (ICAC) Resolution which approved the rules for the recognition, measurement and disclosure of environmental matters in financial statements, environmental investments were identified for the purpose of this classification.

In order to achieve sustainable development, CEPSA has programs in place for the ongoing improvement of its production processes, the reduction of wastewater, the elimination of spills and the management of waste. To this end it has implemented an environmental management system, enabling it to comply with its statutory obligations and to introduce betterments on a rolling basis. CEPSA's environmental investments reflect the commitments it has acquired through its environmental targets.

The most significant environmental assets recorded by CEPSA under TECHNICAL INSTALLATIONS are the following: sulfur recovery plants, plants for the treatment of amine gas and acidified water, waste water treatment plants (chemical and biological), and technical improvements to production plant equipment in order to achieve enhanced energy efficiency and the reduction of CO_2 and NO_x emissions.

Company management does not expect any contingencies to arise in connection with its actions in this respect. However, it has taken out insurance policies to cover the risks that could arise from its activities, except for that of soil pollution, the only contingency not covered in the insurance policies. CEPSA has therefore recorded a provision totaling 52,751 thousand euros and 15,552 thousand euros as of December 31, 2022 and 2021 respectively (see **Note 14.B**).

21. Other disclosures

21.1. Personnel

The average number of employees in 2022 and 2021, by category, was as follows:

Categories	2022	2021
Directors	1	1
Senior Management	11	9
Management	61	57
Technical personnel and other managers	1,600	1,681
Specialists/Assistants	901	956
Total	***2,574***	***2,704***

The headcount as of December 31, 2022, by category and gender, was as follows:

Categories	Men	Women
Directors	1	-
Senior Management	8	3
Management	54	20
Technical personnel and other managers	1,183	431
Specialists/Assistants	777	110
Total	***2,023***	***564***

The average number of employees as of December 31, 2022 and 2021 of people with a disability higher than or equal to 33%, by category, is the following:

Categories	2022	2021
Technical personnel and other managers	9	9
Specialists/Assistants	2	2
Total	***11***	***11***

21.2. Audit Fees

During 2022 and 2021, the fees charged for auditing the financial statements and other services provided by the Company's auditor or by companies related to the auditor through control, common ownership or management were as follows:

€ Thousand

2022	2022	2021
Audits of accounts	484	456
Other verification services	251	686
Other services	652	325
Total	***1,387***	***1,467***

21.3. Off-balance sheet agreements

Guarantees issued to third parties and other contingent liabilities

At December 31, 2022 and 2021, CEPSA as parent Company of the group, had provided guarantees to various entities, mainly to secure financing for Group companies in connection with supply contracts. The breakdown of these guarantees is as follows:

€ Thousand

Endorsements	2022	2021
Bank guarantees to public authorities as a result of CEPSA's business activities (1)	304,589	289,677
Guaranted provided by CEPSA to financial institutions		
As a result of financial transactions of Group subsidiaries (2)	1,714,752	1,859,487
Other guarantees (3)	300,343	303,408
Total	***2,319,684***	***2,452,572***

As regards 2022:

1. Includes bank guarantees amounting to 456 thousand euros in connection with subsidized loans presented to Public Entities which are already included on the liability side of CEPSA's balance sheet.
2. Of these operations, 1,663,186 thousand euros already appear on the liabilities side of the balance sheet of the Group's subsidiaries.

3. Other guarantees include Letter Credit for 175,520 thousand euros, Guarantees to other entities for 124,812 thousand euros and guarantees in foreign currency.

CEPSA management does not believe that any unforeseen liabilities potentially arising from the guarantees provided at December 31, 2022 would have a material effect.

Non-current firm commitments of CEPSA at year-end 2022 and 2021 are as follows:

€ Thousand

2022	2023	2024	2025	2026	2027	Rest	Total
Gas Transportation	49,221	50,205	41,209	52,233	53,278	180,534	426,680

€ Thousand

2021	2022	2023	2024	2025	2026	Rest	Total
Gas Transportation	48,256	49,221	50,205	51,209	52,233	233,812	484,936

The Company has purchase commitments for natural gas with "Sonatrach," which have been assigned in full to "Cepsa Gas Comercializadora, S.A.". It should be noted that the contract establishes the possibility of a periodic review of the applicable price, and the review of the last three-year period is pending completion.

22. Greenhouse gas emission allowances

In order to comply with the recent commitments to reduce greenhouse gas emissions assumed by the European Union by 55% by 2030 compared to 1990 levels, as reflected in the European Climate Law of June 30, 2021, several EU and national regulations were issued to comply with the new 2021-2030 compliance period, such as Law 9/2020 and Royal Decree 1089/2020. The preliminary free-of-charge allocation rights were published by the Administration in July 2021.

The allowances assigned to CEPSA were as follows:

Thousands of MT

Rights assigned - CO2	2019	2020	2021	2022
Assigned allowance	2,680	2,625	2,860	2,514

The free allocation of allowances in each year is valued at the market price at the time of the allocation, €33.55/Mt in 2021, and €83.52/Mt in 2022.

At year-end 2022, the market price of emission allowances was €80.38/MT for EUA'S allowances.

At year-end 2022, the allocated rights have been valued in inventories at €66.41/MT, due to the irreversible impairment recorded in September 2022.

The changes in 2021 and 2022 were as follows:

€ Thousand

Rights assigned - Movements	Greenhouse gas emission allowances (Thousands of MT)	Inventories (Note 12)	Grants (Note 13.6)	Provisions for current contingencies (Note 14)
Balance at 12.31.2021	*145*	*7,497*	*13,026*	*144,513*
Assignments without consideration	2,514	209,965	209,965	-
Prior years assignment	-	-	-	-
Additions/period provisions	3,401	176,582	-	216,109
Disposals	(2,972)	(153,989)	(199,888)	(153,988)
Held for sale	-	-	-	10,460
Sales / disposals	(139)	(7,278)	-	-
Unreversed impairment loss	-	(43,014)	(23,103)	(19,911)
Balance at 12.31.2022	***2,949***	***189,763***	***-***	***197,183***

€ Thousand

Rights assigned - Movements	Greenhouse gas emission allowances (Thousands of MT)	Inventories (Note 12)	Grants (Note 13.6)	Provisions for current contingencies (Note 14)
Balance at 12.31.2020	*3,102*	*54,941*	*5,199*	*49,533*
Assignments without consideration	2,515	84,363	84,363	-
Prior years assignment	345	11,582	11,582	-
Additions/period provisions	162	8,160	-	155,043
Disposals	(2,795)	(49,602)	(88,118)	(49,602)
Held for sale	-	-	-	(10,461)
Sales / disposals	(3,184)	(101,947)	-	-
CER'S rights	-	-	-	-
Balance at 12.31.2021	***145***	***7,497***	***13,026***	***144,513***

The value of the CO_2 emission allowances which were freely assigned in accordance with the Emissions Trading Scheme in 2022 was 209,965 thousand euros, equivalent to 2,514 thousand tons. In addition, allowances have been bought and sold.

Recognitions reflected in the table of changes in 2022 include compliance deliveries, as well as purchases of allowances to "Cepsa Gas y Electricidad, S.A.U."

The disposals reflected in the changes table for 2022 include the deliveries of CO2 allowances (see **Note 12**).

The value of the emissions made is recorded under OTHER OPERATING EXPENSES in the accompanying Income Statement and a SHORT-TERM PROVISION is recorded as an offsetting entry for the obligation to deliver to the government the emissions allowances for each of the years. In 2022 and 2021, estimated emissions amounted to 3,032 thousand tons with a value of 218,536 thousand euros and 2,990 thousand tons with a value of 154,974 thousand euros, respectively.

The use of the grants allocated cost free and recorded under GRANTS, DONATIONS, AND BEQUESTS RECEIVED (see **Note 13.6**) is recorded under GRANTS FOR NON-FINANCIAL AND OTHER NON-CURRENT ASSETS in the Income Statement, according to the rate of emissions.

In 2023, the allowances corresponding to emissions produced in 2022 will be delivered to the European Union, with the amount corresponding to these allowances derecorded in Inventory and Short-TERM PROVISIONS.

The Company's management does not expect any contingencies to arise in respect of its action in this field.

23. Corporate risks management policy

23.1. Main risks associated with CEPSA's activity

CEPSA operates in environments characterized by a number of external factors, changes in which could affect the manner in which operations are performed and the profits obtained therefrom.

Specifically the Company is exposed to the following risks deriving from the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note sets out information on CEPSA's exposure to each of these risks, objectives, policies and processes for measuring and managing risk, and the management of capital. Additional quantitative disclosures are included below.

In relation to the geopolitical situation between Russia and Ukraine that began in February 2022, it should be noted that Cepsa does not own or operate any assets, does not maintain relevant commercial relations with customers in Russia or Ukraine and is not exposed to the Russian ruble. In addition, the Company does not obtain crude oil from either of these two countries. As such, the impact on Cepsa's financial statements derives mainly from the increasing volatility of commodity prices, the evolution of global macroeconomic conditions and their effect on demand and economic growth.

23.2. Risk management model

The Board of Directors, through the Audit, Compliance, Ethics, and Risks Committee, and other specific committees, together with the Directors of the respective divisions, supervises and monitors risks on a regular basis, adapting the risk profile to prevailing circumstances, where appropriate.

i. Credit risk

Credit risk is usually defined as the risk of financial loss to which CEPSA is exposed when it grants commercial or financial credit to a third party and the third party defaults on its obligations, usually as a result of liquidity or solvency problems. The Group is exposed to credit risk in its business activities and in its financing activities, including deposits with banks and financial institutions, transactions in foreign currencies and the trading of financial instruments.

Commercial debts: The Group does not have a significant concentration of credit risk on commercial debts as it is widely distributed among a large number of clients and other counterparts. A significant part of these balances come from the logistics exchanges of petroleum products and trading operations, which are solidly guaranteed and represent very important amounts.

To manage this risk, CEPSA Group has IT systems for the complete and automated treatment of both external and internal data. With this information and via application of scoring models and the assessment of risk analysts, counterparties are classified based on credit risk, establishing a credit limit for each one of them. On certain occasions, whether as a result of accumulation of risk with a certain counterparty, or due to unwillingness to assume certain risks, the Group transfers credit risk to third parties by arranging banking guarantees or credit insurance policies.

The Group also has a series of internal rules and procedures periodically updated which regulate the management of credit risk at a global level and for each business. This regulation deals with, among other aspects, the determination of commercial credit limits, the monitoring and control of the assigned credit limits, the establishment of the most adequate collection instruments, the guarantees to be requested in case of excessive or unacceptable risk, the steps to be taken in case of non-payment to collect past-due balances, etc.

Based on the parameters related to customer solvency and payment habits included in the credit quality analysis system, the following classification of customer portfolio is possible:

- High quality: Preferred customers, customers with excellent credit category and financial capacity, customers with cash in advance or secured payment terms.
- Medium quality: Medium-sized customers with a good reputation and financially solvent but with a record of slow payments.
- Low quality: New clients without any credit history, clients who are repeatedly slow in making payments and whose financial position is weak.

The breakdown of this analysis for the years 2022 and 2021, is as follows:

Credit quality € Thousand

2022	Notes	High quality	Medium quality	Low quality	Total
Trade receivables for sales and services and Other debtor		866,295	53,158	2,386	921,839
Trade receivables, group companies	19	1,362,667	-	-	1,362,667
Personnel		2,642	-	-	2,642
Cash and cash equivalents		166,104	-	-	166,104
Total		***2,397,708***	***53,158***	***2,386***	***2,453,252***

€ Thousand

2021	Notes	High quality	Medium quality	Low quality	Total
Trade receivables for sales and services and Other debtor		760,836	51,830	6,121	818,787
Trade receivables, group companies	19	1,004,779	-	-	1,004,779
Personnel		2,217	-	-	2,217
Cash and cash equivalents		348,441	-	-	348,441
Total		***2,116,273***	***51,830***	***6,121***	***2,174,224***

Balances receivable are supervised based on their due dates, which helps mitigate exposure to unrecoverable trade receivables. The maturity schedule for unimpaired "Trade and other receivables" for 2022 and 2021 follows:

€ Thousand

Debt - Maturities	2022	2021
Not past due	914,502	805,894
0-30 days past due	5,333	10,457
31-90 days past due	2,090	2,719
91-180 days past due	694	490
More than 180 days past due	1,862	1,444
Total	***924,481***	***821,004***

Some credit insurance policies have been arranged to hedge the risk of default on a portion of the past-due receivables that have not been provisioned. Also, guarantees have been provided that cover another portion of the debt due.

In order to mitigate credit risk arising from financial debt and cash positions, CEPSA only works with reputable and highly solvent Spanish and international financial institutions. An analysis is made of counterparty risk in investments and financial instrument contracts.

ii. Liquidity risk

Liquidity risk refers to CEPSA's ability to make all of its current and planned future payments, refinance its credit operations, and obtain new funding at reasonable market prices to thus satisfy the financial needs to properly conduct its business.

The Company continuously monitors its financial position, developing short-term cash forecasts, as well as conducting long-term financial planning set out in both the budget and the strategic plan.

Thus, CEPSA pursues a conservative financial policy which involves maintaining available cash balances and other liquid financial instruments, as well as committed credit lines yet to be drawn down, sufficient to cover debt maturing in more than 4 years without having to obtain new financing in the market or refinance existing lines of credit.

The Company regularly assesses the concentration of risk with respect to refinancing its debt and has concluded that it is low.

The tables below present an analysis of the maturities of the financial liabilities existing at December 31, 2022:

Liquidity risk € Thousand

2022	0 - 3 months	3 - 12 months	2 years	3 years	4 years	5 years	>5 years	Total
Debts								
Suppliers and Other payables	1,410,237	-	-	-	-	-	-	1,410,237
Suppliers, group companies and associates	1,097,872	-	-	-	-	-	-	1,097,872
Total debts	*2,508,109*	*-*	*-*	*-*	*-*	*-*	*-*	*2,508,109*
Borrowings								
In Currency US Dollar	-	30,354	31,412	31,449	336,104	83,950	46,948	560,217
In Currency Euro	250,000	119,178	20,323	119,608	219,401	121,706	179,431	1,029,647
Total borrowings	*250,000*	*149,532*	*51,735*	*151,057*	*555,505*	*205,656*	*226,379*	*1,589,864*
Derivative instruments liabilities								
Derivative instruments liabilities	*61,720*	*-*	*40,147*	*37,722*	*88,955*	*-*	*32,476*	*261,020*
Other liabilities								
Other financial liabilities	-	79,381	2,499	715	699	504	2,785	86,583
Public entities, payables	159,023	-	-	-	-	-	-	159,023
Payable to group companies and associate	3,983,070	-	-	497,443	496,377	-	395,370	5,372,260
Other payables	62,497	-	-	-	-	-	-	62,497
Total other liabilities	*4,204,590*	*79,381*	*2,499*	*498,158*	*497,076*	*504*	*398,155*	*5,680,363*
Total liquidity risk	***7,024,419***	***228,913***	***94,381***	***686,937***	***1,141,536***	***206,160***	***657,010***	***10,039,356***

iii. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Cepsa is exposed to several types of market risks (price risks, exchange rate risks and interest rate risks) which affect the financial profits. The main market risks inherent to the oil sector result from fluctuations in crude oil prices, derivative prices, the refining margin and the exchange rate.

The Company monitors its exposure to market risk through ongoing sensitivity analysis. For each of the market risk factors detailed below, a table is shown with the sensitivity of the Company's net profit to these factors to which its financial instruments are exposed.

The estimates made reflect the impact of favorable and adverse changes. The impact on profit and/or equity is estimated on the basis of the financial instruments held by CEPSA at each year end.

Financial instruments subject to market risk include financial assets at fair value through profit or loss, available-for-sale financial assets, derivative financial instruments, current deposits, borrowings and certain other financial instruments.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates used by the Company in its operations. The Company's exposure to foreign exchange risk relates primarily to import and export activities (when revenues or expenses are denominated in a currency other than the Company's functional currency) and the translation of foreign companies.

The Company's profit and equity are exposed to fluctuations in the exchange rates of the currencies in which it does business. The most significant foreign currency exposure is to the US dollar. CEPSA follows exchange rate risk hedging policies in order to minimize its impact on both profits and equity.

At December 31, 2022 and 2021, debt with credit institutions in dollars, including euro debt swapped into dollars through cross currency swaps, amounted to an equivalent value of 2,508 and 2,540 million euros, respectively (see **Note 15**). 88% of the dollar-denominated debt and currency swaps are allocated to hedge accounting transactions, mainly fair value hedges (2,447 million dollars) (see **Note 10**).

The exchange rate risk sensitivity of the financial instruments held by CEPSA is shown below, as a result of the appreciation or depreciation of the euro against the dollar, after considering the accounting hedges at the end of the fiscal year:

€ Million

Effect of fluctuations in the euro against the U.S. dollar	2022	2021
Impact on profit or loss after taxes		
+0.05 USD/EUR	78.99	20.50
-0,05 USD/EUR	(86.76)	(22.45)

Commodities price risk

CEPSA businesses have a certain degree of sensitivity to the changes in and volatility of oil prices, managed through a hedging system, refining margins and energy product sales. In this connection the Company's high degree of vertical integration, which has increased in recent years, is a strategy that, by itself, mitigates the effects of economic cycles and their specific impact on the result.

Variations in the price of crude oil also affect refining and sales operations, which is the contrary to the impact on the exploration and production area, the size of which depends on the speed with which raw material price changes are passed on the international and local finished product markets.

Exposure to all these prices is constantly monitored, and on certain occasions the Company contracts financial derivatives with a view to reducing its exposure to their volatility. These derivatives are therefore economic hedging of profits, though they are not always accounted for as hedges for accounting purposes (see **Note 10**).

Interest rate risk

The Company's exposure to interest rate risk relates primarily to its borrowings at floating rates, mainly USD Libor. CEPSA's policy is to manage its debt portfolio with the objective of minimizing debt costs.

To manage and mitigate this risk, CEPSA obtains financing at a fixed rates or contracts interest rate hedges via financial derivatives when it considers appropriate (see **Note 10**).

The sensitivity analysis excludes all fixed income financial instruments carried at amortized cost as well as loans with variable rates which, through transactions with derivatives, result in a similar effect to a fixed rate. Currency and commodity based derivatives have not been included in the sensitivity analysis below as they are not considered to be exposed to interest rate risk.

The following table shows the sensitivity of the Company's interest expense to reasonably possible changes in interest rates, assuming all other variables remain unchanged.

€ Million

	2022	2021
Interest rate variations effect	**Income statement**	**Income statement**
+ 50 bps	2.62	10.57
- 50 bps	(2.62)	(10.57)

iv. Environmental risks

The Group has a "Health, Safety, Environment and Quality Policy" that seeks to ensure the protection of the environment during the development of its activities. It considers aspects such as the reduction of consumption and impacts on the atmosphere, climate, marine environment, soil, groundwater, noise levels and biodiversity. It also serves as a basis for the implementation of the Environmental Management System in the organization in accordance with the main applicable standards.

We have an Environmental Management System, audited and reviewed annually by an independent third party, covering all businesses. In addition, 84% of our facilities are ISO 14001 certified. This allows us to ensure compliance with applicable legislation and reduce the impact of our activities, facilities, products and services in a transparent manner, aligning ourselves with the expectations of our stakeholders. We have reinforced this system with ISO 50001 certification (for energy consumption management and energy efficiency) at our energy parks in Spain in Gibraltar San Roque, La Rábida, Tenerife, chemical plants in Palos and Puente Mayorga, and Detén in Brazil, and at our Research Center.

In addition, for our main facilities in Spain, we prepare and publish annual environmental declarations that are externally validated together with their environmental management systems under the requirements of the European Eco-Management and Audit Scheme (EMAS).

We have technical teams in each business unit that control and manage all environmental aspects related to it and ensure compliance with regulatory requirements and the maximum reduction of impacts. Likewise, at the corporate level, there is another technical team specialized in each of the environmental vectors that provides support to the different business units.

We apply the precautionary principle established in the Rio Declaration on the Environment in our activities through the following actions:

- Risk identification, assessment and minimization.
- Audit programs.
- Environmental Impact Assessment (EIA).

- Due diligence in the processes of purchases and acquisitions of industrial plants.
- Safety datasheets for all our products.
- Impact management, such as in the marine environment, in which we work very actively establishing plans, protocols and drills focused on the prevention of marine pollution.

23.3. Capital management

Maintaining a sound equity structure is one of CEPSA's capital management priorities.

This objective is achieved by controlling the level of borrowing in order to protect against possible changes in economic and industry-based circumstances and to ensure readiness to appropriate financing which enables the Company to take on new profitable business opportunities to act as pillars of growth and contribute significant value.

The trend of indebtedness is determined through the relationship between CEPSA's net debt and its Equity, based on the following breakdown for 2022 and 2021:

€ Thousand

Net debt	Notes	2022	2021
Non-current financial liabilities	15	1,190,332	1,622,467
Current liabilities	15	399,532	28,409
Gross debt		*1,589,864*	*1,650,876*
Cash and cash equivalents		(166,104)	(348,441)
Remunerated net debt		*1,423,760*	*1,302,435*
Net equity		***3,799,661***	***3,178,553***
Remunerated net debt / (Net equity+Remunerated net debt)		***27%***	***29%***

CEPSA analyzes this ratio on a regular basis, using future estimates, as it considers it key to do so in order to establish its investments policies and dividend distribution.

24. Subsequent events

Pursuant to the application of the temporary energy tax (see **Note 1**), the CEPSA Group must pay this tax during the first twenty days of September 2023 in accordance with its 2022 revenue, making an advance payment of 50% during the first twenty days of February. The total amount payable on the 2022 tax is approximately 324 million euros.

On January 1, 2023, "La Rábida II cogeneration plant" was sold to the Grupo Generación Carteia, S.L. company.

On February 1, 2023, the Shareholders' Meeting accepted the resignation tendered by Mr. Joost Dröge from the Board of Directors. On that same date, the Shareholders appointed Mr. Gregory Nikodem as a director, for a six-year term, in accordance with the Company's Articles of Association.

No other events took place subsequent to year-end which might represent a modification to the information contained in these Notes, or which reflect circumstances which did not exist at year-end and would affect the application of the going concern principle.

Table I

Detail of significant direct holdings at December 31, 2022:

€ Thousand

Name	Registered Office	Line of Business	Ownership %	Equity: Share Capital Subscribed	Equity: Share Capital Paid	Equity: Reserves + Net Profit/Loss	Net Cost of holding
ASFALTOS ESPAÑOLES, S.A. (ASESA)	Paseo de la Castellana,141 Planta 19. 28046 Madrid. España	Oil Refining to obtain asphalt products	50%	8.529	8.529	29.044	17.869
ATLAS, S.A. COMBUSTIBLES Y LUBRIFICANTES	C/ Playa Benitez, s/n. 51004 Ceuta. España	Oil and gas trading	100%(*)	3.930	3.930	913	4.077
C.M.D. AEROPUERTOS CANARIOS, S.L.	Polígono Industrial Valle de Güimar Manzana XIV, parcelas 17 y 18. 38509 Güimar - Santa Cruz de Tenerife. España	Jet fuel distribution	60%	21.576	21.576	12.551	12.946
CEPSA (RHOURDE EL ROUNI) LIMITED	2nd Floor, Midtown Plaza P.O. Box 448. KY1-1106 Grand Cayman. Cayman Islands (***)	Research and exploration	100%	100.791	100.791	162.472	167.624
CEPSA ALGERIE, S.L.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Research and exploration	100%(*)	37	37	480.522	299.064
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	Oil and gas transport	100% (*)	954	954	19.540	18.944
CEPSA BIOENERGIA SAN ROQUE, S.L.U.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Oil and gas trading	100%	3.003	3.003	1.899	4.902
CEPSA BUSINESS SERVICES, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Corporate services	100% (*)	60	60	2.035	3.117
CEPSA COLOMBIA, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Research and exploration	100% (**)	24.109	24.109	(23.478)	69.760
CEPSA COMERCIAL PETRÓLEO, S.A.U.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Petrol station administration	100%	82.043	82.043	548.244	537.784
CEPSA E.P. MEXICO S. DE R.L. DE C.V.	Av.Paseo de la reforma, 295 Piso 8 Oficina A. 06500 Cuauhtemoc - Ciudad de Mexico. Mexico	Research and exploration	100%(*)	10.670	10.670	(9.784)	862
CEPSA EP ABU DHABI, S.L.U.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Research and exploration	100%	3	3	1.395.577	1.591.936
CEPSA EP ESPAÑA, S.L.U.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Research and exploration	100%	100	100	2.212	2.132
CEPSA FINANCE, S.A.U.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Other business management consulting activities	100%	100	100	86	100
CEPSA GAS COMERCIALIZADORA, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Gas distribution	70%	3.060	3.060	81.380	24.941
CEPSA GAS Y ELECTRICIDAD, S.A.U.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Electricity distribution	100%	12.330	12.330	(7.657)	113.952
CEPSA INTERNATIONAL B.V.	Beurs - World Trade Centre - Office 668 Beursplein 37. 3011 AA Rótterdam. The Netherlands	Oil and gas trading	100%	3.138	3.138	118.027	154.656
CEPSA PERU, S.A.U.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Research and exploration	100%	60	60	77.428	98.237
CEPSA PETRONUBA, S.A.U.	Refinería "La Rábida" Polígono Nuevo Puerto.. 21810 Palos de la Frontera. HUELVA. España	Bunkering services	100%	60	60	1.077	60
CEPSA PORTUGUESA DE PETROLEOS, S.A.	Avda. Columbano Bordalo Pinheiro, 108-3º B. 1070-067 Lisboa. Portugal	Oil and gas trading	100%(***)	30.000	30.000	48.402	65.592
CEPSA QUÍMICA, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Production and sale of petrochemicals	100%(*)	60	60	650.235	556.564
CEPSA SURINAME, S.L.U.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Research and exploration	100%	23.706	23.706	17.404	46.543
CEPSA TRADING, S.A.U.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Oil and gas trading	100%	60	60	3.821	9.983
CEPSA TREASURY, S.A.U.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Financial Services	100%	60	60	130	60
CEPSA, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Corporate services	100%(*)	61	61	2.051	61
COASTAL ENERGY COMPANY, S.L.U.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Research and exploration	100%	37	37	(281.278)	53.016
COASTAL ENERGY KBM SDN BHD	Level 23, Etiga Twins, 11 Jalan. - Pinangm KL. Malasia	Research and exploration	70%	832	832	2.205	2.382
MOPU HOLDINGS (SINGAPORE) PTE LTD	6, Temasek Boulevard #38-01 Suntec Tower Four. 038986 -. Singapore	Research and exploration	100%	-	-	(57.648)	102
NUEVA GENERADORA DEL SUR, S.A.	Avda. San Luis, nº 77 Edificio C 4ª planta. 28033 Madrid. España	Power cogeneration	50%	2.290	2.290	16.839	3.691
OLEODUCTOS CANARIOS, S.A. (OLECASA)	Explanada de Tomás Quevedo, s/n. 35008 Las Palmas de Gran Canaria (GRAN CANARIA). España	Environmental Services	27%	108	108	597	45
PETRÓLEOS DE CANARIAS, S.A. (PETROCAN)	Explanada de Tomás Quevedo, s/n. 35008 Las Palmas de Gran Canarias (GRAN CANARIA). España	Bunkering services	100%(*)	120	120	37.430	40.721
PROPEL-PRODUTOS DE PETROLEO, L.D.A.	Avda. Columbano Bordalo Pinheiro, 108-3º. 1070-067 LISBOA. Portugal	Supply point management services	93%	224	224	(24)	1.356
SERVICIOS ENERGETICOS DE ALTA EFICIENCIA, S.A.U.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Electricity sales	100%	100	100	3.006	5.408
SPANISH INTOPLANE SERVICES, S.L.U.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Oil and gas trading	100%	1.000	1.000	1.432	2.905
GASIB Sociedad Ibérica de Gas Licuado, S.L.U.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Wholesale of liquefied gases	100%	6	6	191.786	156.604

100%(*) less a participation held by another subsidiary of CEPSA GROUP
100%(**) less two shares held by another subsidiary of CEPSA GROUP
100%(**) less four shares held by another subsidiary of CEPSA GROUP

Table II

Detail of significant indirect holdings at December 31, 2022:

€ Thousand

Name	Registered Office	Line of Business	Ownership	Equity Share Capital Subscribed	Equity Share Capital Paid	Equity Reserves + Net Profit
ABU DHABI OIL, CO, LTD (ADOC)	1-1 Shibaura 1 - Chome, Minato - Ku. - Tokyo. Japan	Research and exploration	Indirect	92	92	346,007
ATLAS NORD HYDROCARBURES, S.A.S. (ANH)	4, Rue Blida Casablanca Maroc	Petrol station administration	Indirect	26,597	26,597	(316)
BITULIFE, S.A.	105, Rue Amir Abdelkader Casablanca Morocco	Sales of asphalts	Indirect	1,603	1,603	6,663
CEC (KHORAT), S.L.U.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Research and exploration	Indirect	46	46	(14,025)
CEDIPSA, CIA. ESPAÑOLA DISTRIBUIDORA DE PETROLEOS, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Sales in service station	Indirect	8,114	8,114	15,997
CEPSA CARD, S.A.U.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Group Cards management	Indirect	60	60	1,177
CEPSA CHEMICAL (SHANGHAI), CO., LTD	Nº 159 Pu Gong Rd., Shanghai Chemical Industrial Park. - Shanghai. China	Manufacturing, Commercialization of phenol, acetone and related products	Indirect	241,637	241,637	(9,283)
CEPSA CHEMICAL PRODUCTS (SHANGHAI), LTD	Nº 159 Pu Gong Rd., Shanghai Chemical Industrial Park. - Shanghai. China	Manufacturing, Commercialization of phenol, acetone and related products	Indirect	26,176	26,176	(9,888)
CEPSA CHIMIE BÉCANCOUR, INC.	5250 Boulevard Becancour. G9H 3X3 Becancour. QUEBEC. Canadá	Manufacturing, Commercialization of petrochemical products	Indirect	1,152	1,152	95,447
CEPSA GIBRALTAR, LTD.	Europort Building 7 2nd Floor. (P.O. Box 51). - -. Gibraltar	Oil and gas trading	Indirect	71	71	20,207
CEPSA ITALIA, S.p.A.	Viale Milanofiori Palazzo A/6. 20090 Assago- MILAN. Italia	Commercialization of petrochemical products	Indirect	6,000	6,000	15,853
CEPSA PERUANA, S.A.C.	Av Ricardo Rivera Navarrete, 501 Piso 18 Oficina B. 27 San Isidro-Lima. Perú	Research and exploration		78,428	78,428	(16,658)
CEPSA QUÍMICA CHINA, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Shareholder	Indirect	12,830	12,830	105,150
CEPSA UK, LTD.	Audrey House 16 - 20 Ely Place. EC1N 6SN London. Reino Unido	Commercialization of petrochemicals	Indirect	3,337	3,337	30,375
COSMO ABU DHABI ENERGY E&P Co. Ltd	Hamamatsucho BLDG., 1-1-1 Shibaura, Minato-Ku. - Tokyo. Japan	Research and exploration	Indirect	28	28	35,502
CS CHEM LIMITED	Audrey House 16-20 Ely Place. EC1N 6SN London. United Kingdon	Production and sale of Lab-Las	Indirect	1	1	92,278
DETEN QUIMICA, S.A.	Rua Hidrogenio 1744 Complejo Industrial. 42810-010 Camaçari Bahía . Brasil. Brasil	Manufacturing, Commercialization of petrochemical products	Indirect	61,333	61,333	177,237
DETISA COMERCIAL PETRÓLEO, S.A. DE C.V.	Paseo de la Reforma 295 Piso 8 Oficina A Ciudad de Mexico	Petrol station administration	Indirect	7,734	3,419	(2,163)
GENERACIÓN ELÉCTRICA PENINSULAR, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Cogeneration	Indirect	32,000	32,000	118,940
RED ESPAÑOLA DE SERVICIOS, S.A.U. (RESSA)	Paseo de la Castellana, 259 A. 28046 Madrid. España	Group Card management	Indirect	300	300	35,126
SIL CHEMICALS, LTD	161 A, Raufu Taylor Close Victoria Island. - Lagos. Nigeria	Production and sale of Lab-Las	Indirect	125	125	92,537
SINARMAS CEPSA PTE, LTD	108 Pasir Panjang Road - Golden Agri Plaza. 118535 Singapore. -	Sulphonation and sulfation of LAB and fatty alcohols.	Indirect	330,201	330,201	18,478
Sociéte de Recherches et d'Exploitations Industrielles, SOREXI, S.A.	105, Rue Amir Abdelkader Casablanca Morocco	Oil and gas trading	Indirect	1,171	1,171	20,643
SURESA RETAMA, S.L.U.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Wind generation	Indirect	605	605	13,022
TEIDE RE, S.A.	74, Rue de Merl. L - 2146 Luxemburgo.	Reinsurance Operations	Indirect	2,725	2,725	45,149

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MANAGEMENT REPORT

Compañía Española de Petróleos, S.A.

for the year ended December 31st, 2022

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1. Company situation

a. Our Group

Compañía Española de Petróleos, S.A. (hereinafter "CEPSA" or "the Company") was incorporated on 26 September 1929, for an indefinite period of time, with registered address at Paseo de la Castellana, 259 A, 28046 Madrid (Spain). It is registered in the Madrid Mercantile Register, Volume 588 of the Companies Book, Sheet 35, Page M-12689, and its Tax Identification Number is A-28003119.

Cepsa's shares are mainly held by two shareholders: Cepsa Holding, LLC, which owns 61.36% and is controlled by Mubadala Investment Company, and Matador Bidco, S.A.R.L., which holds the remaining 38.41% and is controlled by The Carlyle Group, Inc.

CEPSA and its investees form a diversified business Group which operates in the energy industry in Spain and abroad, engaging in business activities related to the exploration and extraction of crude oil and natural gas, the production of petrochemical and energy products, asphalts and lubricants, and their distribution and marketing, gas distribution and electricity generation, as well as trading activities.

We want to play a key role in the energy transition. Our Positive Motion strategy is designed to make us leaders in mobility and sustainable energy in Spain and Portugal and a benchmark for energy transition. Our new strategy sets the stage for everything we are doing and will do in the next years: creating positive value, experiences and solutions in energy and mobility, offering our customers ways to tackle the decarbonisation challenge and having a positive impact on the world around us.

At Cepsa, we maintain our commitment to safety and the environment. We are aware of the impact of our activities on the environment and defend the compatibility of development and conservation of the environment, supporting the sustainability and optimization of our activities with the minimum possible impact on the natural environment.

b. Business model

Cepsa is an integrated global energy and chemical company that is involved throughout the entire oil and gas value chain, either by itself or through its subsidiaries. Thanks to our technical excellence and adaptability, we are currently one of the leading industrial groups in Spain in terms of sales, as well as a benchmark group for the industry. We operate in more than twenty countries, and we work to continue expanding our activities.

Energy Solutions

The Energy Solutions segment comprises Energy Parks, Commercial&CleanEnergies, Mobility&NewCommerce, and Trading activities.

Energy Parks

Our Energy Parks operations are concentrated in Spain, with two energy parks in the south, which account for 33% of installed capacity, strategically located close to key sea ports, from which we cater to domestic and international demand for refined products.

At our refineries we distil crude oil and transform it into more value-added products of use in numerous sectors, including the transport, residential, industrial and petrochemical sectors, so meeting society's need for energy and materials. We strive to select the grades of crude oil that best suit our energy parks and whose hydrocarbon content is apt for the various end products we manufacture.

This business's future is conditioned by surplus refining capacity in Europe and the competitiveness of new refineries located outside of the continent. Regulation is also impacting the sector considerably, marked by increasingly restrictive environmental and technical product specifications, including stricter emissions limits and the requirement to make growing use of biofuels.

One of our most important projects last year was the dismantling of the Cepsa refinery in Santa Cruz de Tenerife (Santa Cruz Verde 2030). That project is unique on account of its scale and relevance and marks one of the biggest industrial-to-urban land reconversion projects in Europe, so making it a symbol of the energy transition. That land will be transformed and given a new environmental lease of life, taking an energy and social sustainability approach. The dismantling work is linked with the commissioning of a new storage and distribution station in Granadilla Port, scheduled for 2025.

In parallel, we are working on a range of short- and longterm initiatives at our energy parks to reduce our energy consumption by investing in new technology. We are also in the midst of far-ranging digital transformation to render our energy parks more competitive and spearhead the sector's technological transition.

We aim to be a top-level national player in the biofuel space by maximising our co-processing and production capacity, increasing the value of our assets and striking alliances to ensure the supply of advanced raw materials.

We want to lead the green hydrogen value chain by investing specifically to satisfy the needs of our own processes, as well as demand for industrial green hydrogen in southern Spain, in line with the European Union's ambitious objectives.

Commercial&CleanEnergies

Commercial & Clean Energies provides customer solutions, including management of B2B businesses in the manufacturing, agricultural, aviation, lubricant, asphalt, gas and electricity segments. It also develops decarbonization solutions for its customers by creating value chains around the biofuel, hydrogen and renewable energy (solar and wind power) businesses.

Our deep experience producing and supplying energy and our technological know-how place us ideally to lead the production of second-generation biofuels, so driving circular economy ideals.

Against that backdrop, we plan to become the leading supplier of SAF, underpinned by agreements with most of the airlines. We are currently the Spanish aviation industry's number-two supplier.

In 2022, the traceability of the sustainable fuel we sold for flights taking off from Seville airport was certified, for the first time in Spain, under the International Sustainability Carbon Certification (ISCC EU) system. That certification covers our SAF from production through to physical supply.

Framed by our commitments to championing the decarbonisation of the shipping industry and contributing to a circular economy, we successfully pilot tested advanced shipping biofuels in Spain. We are now ready to sell those advanced biofuels to our customers from the shipping sector.

We are one of Spain's leading hydrogen producers and we aim to lead the production of green hydrogen in Spain and Portugal by 2030. Our ambition, under the scope of our Positive Motion strategy, is to be a key player in the import and export of this energy source between Europe, Africa and the Middle East, leveraging the strategic location of our facilities on the Iberian Peninsula.

That ambition is evident in our plans to build the largest green hydrogen development in Europe at our energy parks.We will also develop a portfolio of solar and wind projects in order to generate the renewable electricity needed to produce that green hydrogen.

Elsewhere, creation of the first green hydrogen corridor between northern and southern Europe will support the European Union's RePower strategy, which aims to guarantee energy independence, secure supply and stimulate the production of clean energy. The corridor is a fundamental step in our strategy, as hydrogen is one of the major enablers of our ambition to become a benchmark player in Europe's energy transition.

The Renewables, Gas & Power business has one combined cycle power plant and seven combined heat and power plants at our main productive facilities (powered by natural gas), which mainly cover internal consumption needs. It also supplies gas and power to industrial and service sector consumers. This business is carried out in the Iberian Peninsula, mainly in Spain. It also supplies some of our other businesses, including Trading, Mobility & New Commerce, Energy Parks and Chemicals.

The challenge here is to boost business volumes, the goal being to expand our renewable generation capacity, in an increasingly volatile market environment and in activities heavily impacted by regulation. We are committing strategically to new energy markets with growth potential, such as renewable energies.

We are developing new renewable energy facilities in order to help deliver the decarbonisation and climate change targets announced in conjunction with our new Positive Motion strategy. That pipeline of renewable assets will cover our

green electricity requirement and certify the volume of power generated from renewable sources. In 2022, we obtained grid connection rights for photovoltaic developments with installed capacity of 2.2 GW.

Lastly, we import natural gas into Spain and we complement our gas supply activity with short-term trading activities. Cepsa Gas Comercializadora, S.A. (70%-owned by the group parent) principally supplies gas to industrial customers.

Mobility&NewCommerce

The Mobility & New Commerce business manages the transformation of mobility, seeking leadership in electric mobility and developing digital commerce solutions that leverage its customer and service station networks.

We offer our customers sustainable energy solutions to cover all their needs. We want the quality of our services and the customer experience with us to be consistently memorable.

The decarbonisation of road transport and end customer mobility is driving us forward. We are building the largest e-mobility ecosystem in Spain and Portugal, in partnership with Endesa, to meet our customers' charging needs, whether at home or on the road. Our ultimate goal is to create a network of ultra-rapid charging facilities with at least one 150-kW charger every 200 kilometres on main intercity roads.

The extraordinary fuel discounts offered at our service stations in Spain of up to €0.30 per litre comprised: the €0.20 subsidy provided by the Spanish government, plus the €0.05 universal discount which Cepsa offers all of its customers and an additional €0.05 for members of Cepsa's loyalty programme. During the first quarter of 2023, we are offering our loyalty programme members a discount of €0.10/litre (borne entirely by the company) and an additional €0.02/litre discount for customers purchasing fuels from the Optima range.

We plan to stimulate demand for green hydrogen in commercial road transport by placing hydrogen service stations every 300 kilometres on the main roads connecting Spain with Europe by 2030.

Cepsa's service stations, which constitute the second-largest network in Spain and Portugal, are set to be transformed into ultra-convenient, digitally-friendly rest spaces and eateries in which our customers will encounter a broad variety of services, including fresh food, drug store products, e-commerce services with home delivery and sustainable car washing, all in addition to multi-energy refuelling options.
We plan to launch a new loyalty programme with the main aim of enhancing the customer experience. The goal is to bring in three million customers in four years, leveraging the new CEPSAGOW app.

Lastly, Cepsa is creating a data-driven culture in parallel, using advanced analytics to transform the customer experience. It will also use artificial intelligence (AI) in decision-making processes so that it can offer end-to-end services in real time.

Trading

The Trading business generates key value for the company, procuring the raw materials needed by our productive facilities and managing product storage and logistics, in coordination with the rest of the company's business units. It also gives us a foothold in international markets, gleaning information about trends in product flows, prices and forecasts, crucial for strategic planning.

Through this business we support and generate value for all of Cepsa's businesses, likewise extracting value from our own portfolio and our deep knowledge of the crude markets, leveraging our full experience to constantly search for new business opportunities.

The new organisational structure reinforces the strategic lines already existing within the Trading business: optimisation of the company's assets by developing the trading optimisation model, creation of the Singapore office to globalise the business and manage flows across several markets and development of the biofuel trading business.

Trading activity within the Crude & Products business procures the raw materials needed by our production facilities and manages storage and placement in the product channel, in coordination with the rest of the company's business units. It also coordinates product supply activities with the Energy Parks and Commercial & Clean Energies businesses, including the supply of biofuels. It manages the shipping aspect, ensuring compliance with safety protocols, specifically the guidelines set by the Vetting unit, which is responsible for assessing and approving the tankers needed in this business.

Our Gas, Energy & Environmental Product Trading business line has access to the wholesale energy, gas and carbon markets. That connectivity along the value chain is essential to maximising the flexibility of Cepsa's energy portfolio and managing its emissions.

Lastly, we bring our vast know-how and experience to managing volatility and constantly searching for opportunities to monetize in the futures and derivatives markets.

Exploration & Production

The Exploration & Production unit, which is present in North Africa, the Middle East and Latin America, explores for, develops and produces oil and natural gas. We currently have a stake in the second-largest oil field in Algeria.

Our asset in Abu Dhabi, where we have an operating concession until 2058, is currently at the development phase and is expected to reach peak production in 2025. SARB's output (Abu Dhabi) reached 120,000 bopd in July, five months ahead of schedule.

Last year we also participated in a deep-water exploration drilling campaign at Block 53 in Suriname, one of the highest potential areas discovered in recent years. We have a 25% interest in that asset. The drilling work confirmed the presence of an active oil system in the south-eastern area of the block. Work is underway to evaluate the readings and the rock and fluid samples taken.

We participate in the above assets using a range of formulas, including as operator, joint venturer and lead technical partner in non-operated assets. The oil and gas we produce is mainly sold by our Trading teams.

In 2022, we continued to focus on the cost streamlining process embarked on in 2020 and 2021 in order to eke out efficiency gains and invest highly selectively in projects.

In the current crude price climate, coupled with the cut in OPEC+ production quotas and ongoing search for operational excellence, the Exploration & Production business is a cash generator, reinforcing the company's financial muscle.

In terms of its strategic direction, the Exploration & Production business is focused on maximising the value of its existing portfolio. Framed by that strategy, in the coming years, investments will focus on our existing assets with a view to maximising their value and efficiency.

KEY EXPLORATION & PRODUCTION

ASSETS UNITED ARAB EMIRATES

- Cepsa has a 20% interest in the SARB, UMM LULU, Bin Nasher and Al Battel offshore fields, which are non-operated assets, under concession. In production since 2019.

- Cepsa has a 13% interest in Abu Dhabi Oil Company CO, LTD (ADOC) through Cosmo Abu Dhabi Energy Exploration & Production CO, LTD (CEPAD). Four offshore crude oil fields in production (Uhm Al Anbar, Neewat Al Galan, Mubarraz and Hail), located off the Abu Dhabi coast. Not operated.

ALGERIA

- Rhourde el Krouf (RKF) crude oil field. Located in the Berkine Basin. 49%-owned by Cepsa, joint operation, in production. Onshore.

- Ourhoud crude oil field. Located in the Berkine Basin. 37%-owned by Cepsa, joint operation, in production. Onshore.

- BMS crude oil field. Located in the Berkine Basin. 75%-owned by Cepsa, joint operation, in production. Onshore.

- Timimoun natural gas field. Located in the Timimoun Basin, 11%-owned by Cepsa, joint operation, in production. Onshore.

PERU

- Block 131: 100%-operated by Cepsa. Onshore and in production. Located in the Ucayali Basin.

COLOMBIA
Onshore. Crude oil. In production:

- Caracara (70%), located in the Los Llanos Basin, operated by Cepsa.

- La Cañada Norte (17%), located in the Magdalena Upper Valley. Not operated by Cepsa.

- Llanos 22 (55%), located in the Los Llanos Basin. Operated by Cepsa.

SURINAME

- Exploration Block 53 with a discovery under assessment. Located in the Guyana-Suriname Basin. 25%-owned by Cepsa. Deep-offshore asset. Not operated.

MEXICO

- Three exploration blocks, Blocks 16, 17 and 18. Located in the Tampico-Misantla Basin. Not operated by Cepsa (20% interest). Shallow-water offshore assets.

Chemicals

Cepsa's Chemicals business is the leading developer of chemical products and processes that improve people's lives and enable businesses all around the world.

Our chemicals facilities in Spain are located close to our energy parks and process highly value-added raw materials.

We have chemicals plants in Spain, Canada, Brazil, Nigeria and China and oleochemical facilities in Indonesia and Germany.

Our products have a number of uses, including as raw material for detergents, resins, electronic parts, synthetic fibres and pharmaceutical products, among others.

We are committed to research, development and innovation to guarantee the sustainability of our industry and the quality of our products. We are present in the everyday lives of millions of people and in the value chain of virtually every industrial sector. We are strategically committing to circular economy criteria to rationalise the use of inputs in order to build a more sustainable, efficient and just world.

We are the world-leading producer of LAB (linear alkylbenzene) and the number-two global producer of phenol/acetate, underpinned by our technological leadership in both cases.

In 2022, we launched our new family of sustainable products, NextLAB and NextPhenol, which use renewable and circular raw materials in order to help our customers hit their sustainability targets. For the first time in history, we supplied Unilever with the maiden LAB made from renewable sources for the manufacture of linear alkylbenzene sulphonate (LAS), the surfactant used in biodegradable detergents.

In the LAB line in particular we are proud to be the joint owners of the best manufacturing technology in the world. We are leading its industrial implementation (DETAL Project at the chemicals plant in Puente Mayorga), which is enabling us to increase our production of LAB and solidify our leadership, underpinned by a safer, more efficient and more sustainable process which optimises the use of raw materials and electricity, while reducing the generation of emissions and waste and the consumption of water. Puente Mayorga was the first LAB plant in the world to take this important step, becoming the first chemical facility to use next-generation DETAL technology. DETAL technology is also improving the quality and versatility of our LAB.

c. Corporate governance

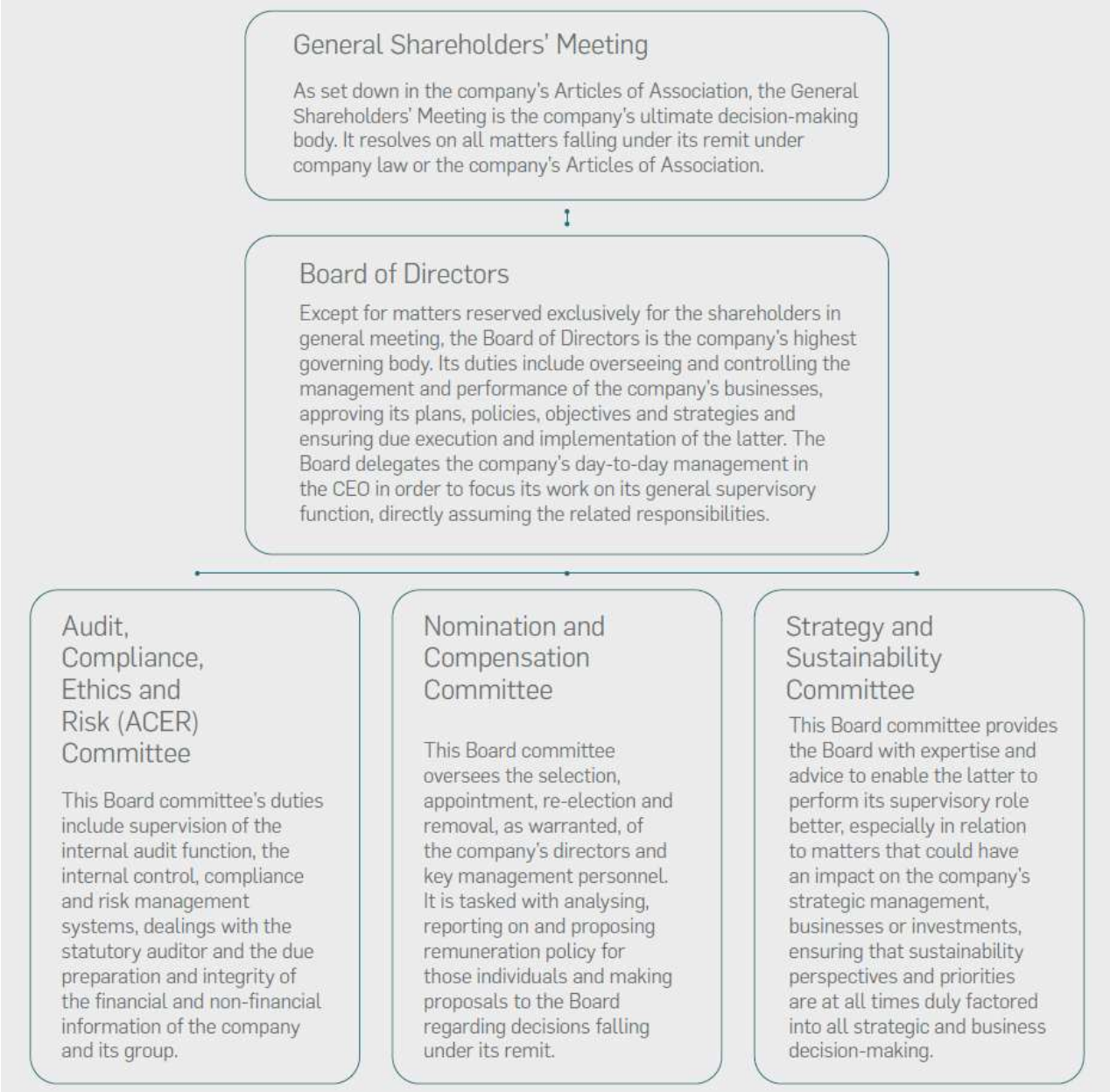
Our corporate governance model is articulated around the recommendations made in Spain's Code of Good Governance of Listed Companies, as applicable, prevailing company law and principles of ethics and transparency, framed by international standards and best practices in corporate governance.

Management bodies

Our most important governing bodies are the General Shareholders' Meeting, the Board of Directors and the Board's three advisory committees.

Shareholder representation at the General Meeting is proportionate to their ownership interests. Along with the Board of Directors, it is the company's highest governing body.

Cepsa has two main shareholders: Cepsa Holding, LLC, with a 61.36% interest, which is controlled by Mubadala Investment Company, and Matador Bidco, S.A.R.L., which owns 38.41%, and is controlled by The Carlyle Group.



At the executive level, there are two committees in charge of managing the company's day-to-day operations:

Management Committee

This executive body is responsible for day-to-day management of all of Cepsa's businesses, its strategic organisation and coordination and integration of all economic, social, environmental and ethical aspects into all high-level decision-making. It is currently made up of 12 heads of the various business lines and corporate functions, as well as the CEO.

Investment and Contracts Committee

The responsibilities assigned to this internal committee include reviewing and deciding on contracting and investment related decisions, subject to certain thresholds stipulated in the Company's Delegation of Authority. It also monitors the scope and development of investment projects underway and any budget deviations affecting projects under its remit.

In order to foster and support diversity, we also have a Diversity and Inclusion Committee, which is responsible for overseeing the implementation and development of the diversity and inclusion strategy and programme.

How the members of the Company's governing bodies are selected

The company's shareholders are tasked with appointing or re-electing directors at the General Meeting based on a recommendation by the Nomination & Compensation Committee.

The Nomination & Compensation Committee is in charge of selecting the most suitable candidates for the various positions on the Board of Directors and its three committees.

If there are vacancies on the Board, motions for the appointment of new directors are submitted at the General Meeting for ratification.

When selecting candidates, the committee considers a range of attributes, including the diversity of skills and expertise they bring, their ability to devote the necessary amount of time to the post and their knowledge of matters of particular importance to the energy business (industrial, technical and financial acumen, among others).

An effort is made to ensure the Board's composition is well balanced, marked by a wide majority of non-executive directors.

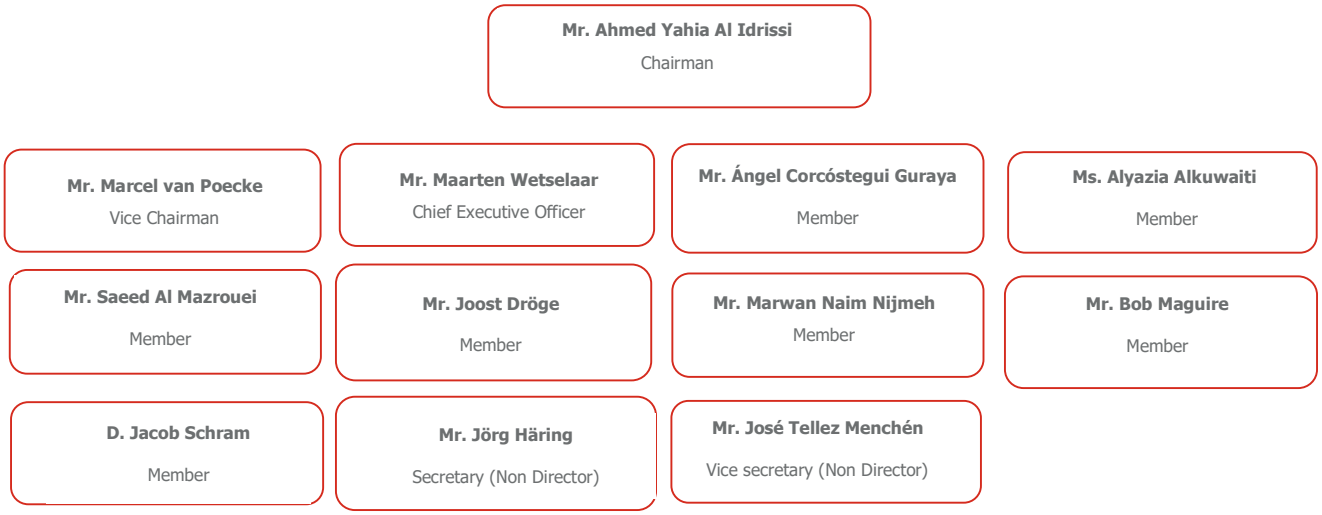
The members of our ACER Committee are appointed in light of their skills, expertise and professional experience in the areas of accounting, auditing, internal control and financial and non-financial risk management and control. Each member must bring financial expertise and at least one must meet the definition of financial expert stipulated in the ACER Committee's regulations.

All director candidates must be professionals of proven integrity whose conduct and professional trajectories are aligned with the principles enshrined in Cepsa's Code of Ethics and Conduct and its vision and values.

Composition of the Board of Directors and its Board Committees

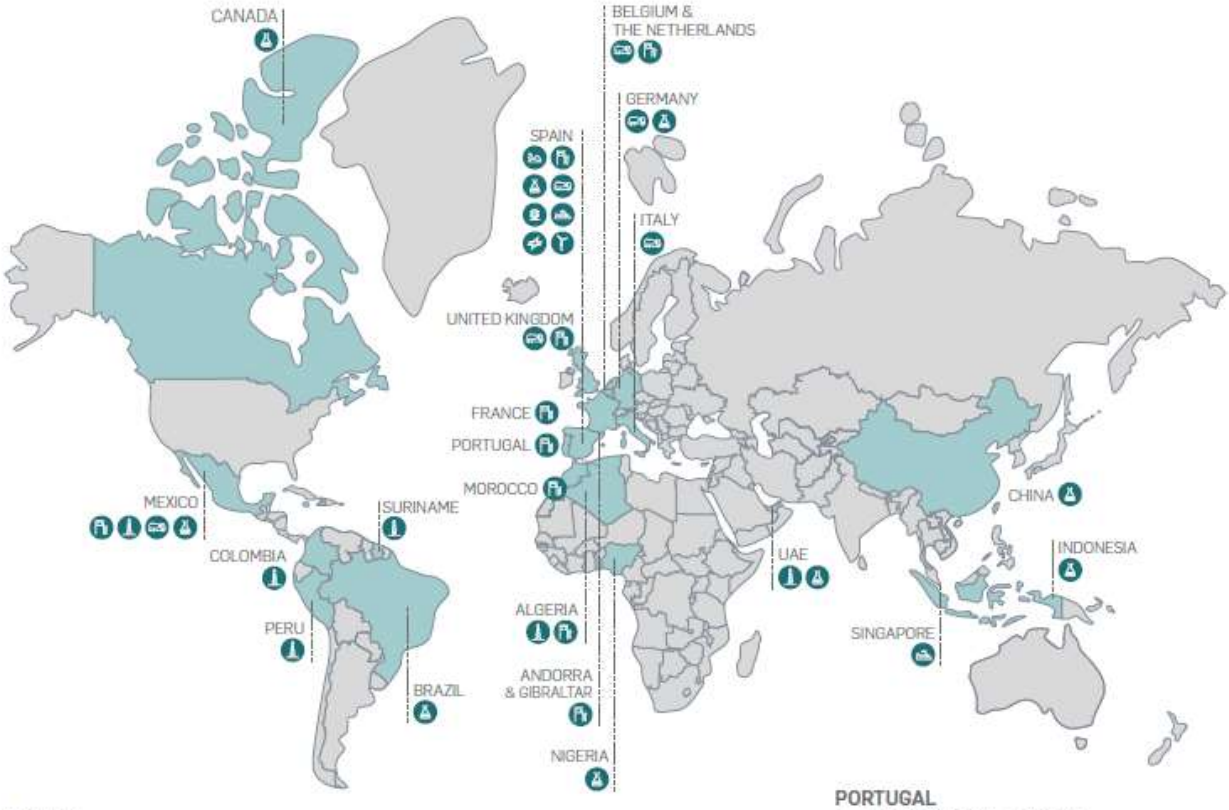
The Board of Directors is made up of 11[1] members. As at 31 December 2022, it consisted of 10 directors, as there was one vacancy[2] at year-end. Seven of those directors are proprietary, one is independent, another is executive and the last qualifies as 'external'.

[1] On 27 October 2022, the company's shareholders resolved to increase the number of directors to 11 and appointed Jacob Schram to the Board in the category of 'external director', albeit with no ties to the main shareholders.
[2] On 16 March 2022, the company's shareholders accepted the resignation of Musabbeh Al Kaabi, so creating a vacancy on the Board of Directors. As at 31 December 2022, the vacancy created by the departure of Mr. Al Kaabi remained open.



The Board's profile is markedly international and all of the directors bring extensive professional track records and expertise from the energy, finance, manufacturing and sales sectors.

Cepsa is a world company with presence in 21 countries around the world. The following map shows he countries where we operate:



ALGERIA
- Exploration and Production
- Distribution and marketing of petroleum products

ANDORRA & GIBRALTAR
- Distribution and marketing of petroleum products

BELGIUM & THE NETHERLANDS
- Distribution and marketing of chemicals products
- Distribution and marketing of petroleum products

BRAZIL
- Chemicals

CANADA
- Chemicals

COLOMBIA
- Exploration and Production

CHINA
- Chemicals

FRANCE
- Distribution and marketing of petroleum products

GERMANY
- Distribution and marketing of chemicals products
- Chemicals

INDONESIA
- Chemicals

ITALY
- Distribution and marketing of chemicals products

MEXICO
- Distribution and marketing of petroleum products
- Exploration and Production
- Distribution and marketing of chemicals products
- Chemicals

MOROCCO
- Distribution and marketing of petroleum products

NIGERIA
- Chemicals

PERU
- Exploration and Production

PORTUGAL
- Distribution and marketing of petroleum products

SINGAPORE
- Trading

SPAIN
- Refining
- Distribution and marketing of petroleum products
- Chemicals
- Distribution and marketing of chemicals products
- Gas and Electricicty
- Trading
- Corporation
- Renewable energy generation

SURINAME
- Exploration and Production

UAE
- Exploration and Production
- Chemicals

UNITED KINGDOM
- Distribution and marketing of chemicals products
- Distribution and marketing of petroleum products

Chemicals · Exploration and Production · Refining · Gas and Electricicty · Trading · Corporation
Distribution and marketing of chemicals products · Distribution and marketing of petroleum products · Renewable energy generation

d. Foreseeable performance of the entity – Transforming our energy business

We are transforming our energy business into a mobility and sustainable energy ecosystem. We aim to supply energy and chemical products with as small a carbon footprint as possible to reduce our emissions and help our customers with their decarbonisation pathways.

Leading sustainable mobility and new sales models

Fostering customer mobility and the decarbonisation of road transportation is a priority for us. To do that, we are developing the biggest sustainable mobility ecosystem in Spain and Portugal by:

Installing a leading network of ultra-rapid roadside charging stations. Target for 2030: at least one charging facility per 200 km.

Offering our B2B customers on-the-go charging network and onsite charging solutions to facilitate their transition to sustainable mobility.
Stimulating demand for hydrogen for heavy road transportation. Target for 2030: at least one refuelling station per 300 km.
Mobility-as-a-service: transformation of our 1,800 existing service stations in Spain and Portugal into digitalised, ultra-convenient premises that offer an unbeatable customer experience, including food service, by teaming up with leading quick-commerce, fast dining and fresh food retailers.

Leader in green hydrogen

Green hydrogen is generated from wholly sustainable and renewable sources and does not generate carbon emissions. It is an energy transition enabler. Green hydrogen, and the green ammonia and green methanol that can be made from it, have the potential to reduce global energy demand by 15-20% in 2050, as they can be deployed in shipping, aviation, heavy cargo transport and other industrial sectors where electrification is challenging. Green hydrogen can also be used to make synthetic fuels.

Green hydrogen is produced by electrolysis, which splits water into oxygen and hydrogen molecules using electricity generated from renewable sources, so that it is produced without generating carbon emissions, making it the only genuinely clean form of hydrogen.

Spain is very well positioned to lead the way in the production of green hydrogen and we want to become a key exporter by leveraging the location of our energy parks in southern Spain (Andalusia), where the cost of producing renewable energy is among the lowest and where direct port access exists.

Thanks to that privileged location, we can offer a full suite of solutions for industrial, road transportation and shipping customers, while decarbonising our own hydrogen consumption at our energy parks. In 2030, the company will have capacity to generate 2 GW of green hydrogen 70% of which will go to customer decarbonisation, including to customers in the shipping industry, where we will sell green hydrogen molecules in the form of green ammonia. The remaining 30% will be used to cover our own hydrogen needs so that the company will be able to stop using grey hydrogen by then.

Second-generation (2G) biofuels

Biofuels will play a key role in the decarbonisation of transport. They are currently the most cost-efficient way of decarbonising the transport sector as they are compatible with today's existing manufacturing and transport systems and the only technologically mature solution for certain sectors, including aviation and heavy cargo transport.

The production of biofuels is aligned with the European Commission's Fit for 55 package aimed at fostering the use of alternative greener fuels to reduce GHG emissions intensity, particularly in shipping and aviation. In aviation, the legislative initiative known as RefuelEU Aviation seeks to drive the production and consumption of SAF (Sustainable Aviation Fuels) in the European Union, pushing their use to 2% in 2025, 5% in 2030 and 63% in 2050.

Second-generation (2G) biofuels, unlike their first-generation counterparts (1G), are made from waste such as used cooking oils and biodegradable industrial waste. Their circularity makes it possible to reduce CO2 emissions by as much as 90% compared to traditional fuels.

Our investments in this sector will be centred entirely around the production of biofuels from 2G raw materials. Thanks to our experience producing biofuels and our strong credentials in adapting to technological change, we are in a position to:

- Lead production of biofuels in Spain and Portugal, with plans to produce 2.5 million tonnes by 2030, so servicing road, sea and air carriers.
- Lead production of SAF (Sustainable Aviation Fuels) by 2030, the goal being to make 0.8 million tonnes a year, a third of the total required under European regulations. We already command 35% of the Spanish aviation fuel market and we are the Spanish aviation industry's number two supplier.

Transforming the company: energy parks

Our energy parks, located in Campo de Gibraltar (Cadiz) and Palos de la Frontera (Huelva), are strategic assets. They generate cash that facilitates our energy transition strategy. We plan to tap innovation and technology to realise the parks' full potential to develop new green products and decarbonize our production process.

They are strategically located in southern Europe close to major ports, key markets and important industrial customers and boast excellent logistics connections. In these Energy Parks, safety and operational excellence is a key strategic focus along with a strong focus on commercial optimization of operations. In addition, we use IoT (Internet of Things - networks and communication technology between devices and with the cloud) combined with advanced analytics to optimize production processes.

Ambitious pipeline of renewable energy developments

Renewable sources of energy are marking a watershed moment in the energy market and constitute a key enabler of climate change action and our Net Zero by 2050 ambitions.
Europe wants 80% of demand for power to come from renewable sources by 2050. Our goal is to create a portfolio of 7 GW of renewable assets. That would contribute 7.8pp to Spain's renewable energy targets for 2030. That output would be used mainly for internal consumption in 2030, specifically including for the production of green hydrogen. It will also enable the supply of green energy for electric mobility. 2.2 GW of the planned 7 GW already has grid connection rights.

We currently have a 8 MW wind farm in Jerez with 11 wind turbines. Thanks to that facility, we are avoiding the emission of 32,000 tonnes of carbon a year.

Global leader in raw materials for detergents and technical plastics

We are committed to leveraging innovation and technology to drive sector transformation by using more sustainable chemical products. We want to bolster our leadership position in the new green chemistry era: transition to lower-carbon products and processes that enhance the day-to-day lives of households and businesses all over the world.

We are the global leader in the production of linear alkylbenzene (LAB), the key raw material in biodegradable detergents, and the world's second-largest producer of phenol/acetate, essential raw materials in the automotive, construction and pharmaceuticals industries.

To reinforce our leadership in a sector undergoing transformation, we plan to continue to add the capacity, strike the alliances and preserve the autonomy needed by a pioneering player, while continuing to develop new products using renewable and recycled raw materials, such as our lower-carbon NextLAB and NextPhenol product ranges.

Portfolio of Exploration & Production assets in several of the world's most prolific basins

We are constantly trying to enhance our portfolio by strengthening our position and orienting our assets towards sustainability and efficiency. We generate value by working under a single, centralised management model at both operated and non-operated production facilities.

We are committed to sustainability and social responsibility in our business communities. Driven by that commitment, we have endorsed the World Bank's Zero Routine Flaring by 2030 initiative.

Exploration & Production is a resilient and long-life business in which:

- We are optimising our performance and helping reduce carbon intensity.
- We are focusing on keeping our barrels low cost and low carbon.
- We have a very solid team of technical experts.
- There are attractive options for investing in production fields and top-quality exploration opportunities.

e. Ethical Management

Ethics in our day-to-day operations

We are strongly committed to ensuring compliance with the law and our in-house policies, commitments and values with the aim of nurturing a culture genuinely based on ethics, honesty and transparency. We take a zero-tolerance stance towards any form of inappropriate conduct.

We are creating a culture in which any breach must be reported without fear of disclosure or retaliation, when made in good faith, a culture in which honesty is invoked to rally our employees around the idea that they should do things right out of conviction rather than any fear of punishment.

Our Code of Ethics and Conduct and our compliance policies guide how we conduct ourselves in the workplace. They embody applicable best practices and the values that our shareholders, duly represented in our Board of Directors, want us to embrace. Because it is important that our employees and managers are familiar with and understand their contents, we run continuous training and awareness initiatives on both the intranet and the corporate website. We also urge formal endorsement as a way of setting an example with a very high percentage of staff taking that step.

We also call on our other partners and stakeholders to make a similar commitment by asking them to sign our Code of Ethics and Conduct as well as our Supplier Code of Ethics and Conduct, which sets out the specific commitments and conduct suppliers must uphold in their dealings with Cepsa; that endorsement is made official during the supplier certification process. The contracts governing business dealings with third parties include specific clauses regarding compliance with our principles.

The Code prioritises the performance of due diligence with third parties before arranging any business transactions, framed by the precautionary principle and by human rights safeguards.

Ethics and Compliance Channel and grievance management

We have an Ethics and Compliance Channel, which any employee or third party can use to notify us of inappropriate behaviour or other breaches of the Code of Ethics and Conduct, prevailing legislation and Cepsa's body of in-house rules and regulations. All notifications are handled confidentially and can be made anonymously. The Channel is available online 24 hours a day, 365 days a year and there are versions in Spanish, English, French and Portuguese. There is also a hotline, manned 24/7, managed by an independent third party, which can be contacted from any country.

The Channel is managed entirely by the Ethics and Compliance Office, which reports functionally to the Board's Audit, Compliance, Ethics and Risk Committee.

We inform our stakeholders about the Channel over our website as well as in the contracts that govern our business dealings and provide our employees and suppliers with related training.

A recent survey about ethical matters revealed that our employees know where to go if they have a question or concern about a compliance issue (93%).

Cepsa takes a zero-tolerance stance towards any retaliation against whistle-blowers, to which end it has put in place the safeguards stipulated in Spanish law protecting corruption whistleblowers, in line with the contents of Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law.

Once a complaint and/or query has been received through the Ethics and Compliance Channel, the Ethics and Compliance Office initiates the process with a first review or preliminary analysis. Subsequently, the Office can close the case if it finds no evidence or decide that there are clear indications that the case should be brought to the investigation unit in order to obtain a definitive ruling. Lastly, once the investigation unit has reported its findings, the Office reports to the pertinent body.

2. Business outlook

a. Business environment

Global macroeconomic environment

After a year of strong growth in 2021, the global economy was expected to gain momentum from the second quarter of 2022 on, rapidly absorbing the impact of the Omicron variant. Since then, however, the economic outlook has steadily deteriorated, due largely to the geopolitical situation between Russia and Ukraine, which has triggered a humanitarian tragedy in eastern Europe, and the sanctions put in place to pressure Russia into ceasing its hostilities.

That crisis is unfolding as the global economy recovers gradually from the COVID-19 pandemic, a process marked by significant differences between advanced and emerging economies. Elsewhere, lockdowns in China as part of its strict zero-COVID policy further undermined growth last year.

Those circumstances combined to spark a widespread increase in energy prices for much of the year, in turn prompting many central banks to tighten their monetary policies. As a result, the global economy bucked expectations and slowed across the board in 2022, with inflation reaching the highest levels in a decade.

In its most recent set of macroeconomic forecasts, the World Bank[1] reports global growth of 2.9% in 2022 (down from 5.9% in 2021), forecasting an even more pronounced slowdown in growth, to 1.7%, in 2023. That is the lowest growth rate in three decades outside the years of the COVID-19 and financial crises. That forecast is 1.3 percentage points below the World Bank's previous forecast, made six months earlier.

Weakness in the leading economies or an increase in geopolitical tensions could push the global economy into recession. However, China reopened its borders in January 2023, a development expected to have a positive impact on its economy.

Inflation started to rise sharply again from June 2022, averaging over 9% during the second half of the year, fuelled mainly by the growth in energy and food prices, affected by the situation in eastern Europe. Inflation has been spreading and intensifying, with the prices of many goods and services rising considerably.

The World Bank expects average inflation to fall from 7.6% in 2022 to 5.2% in 2023 and 3.2% in 2024. Specifically, it expects energy prices to correct sharply throughout 2023, helping to push headline inflation considerably lower. Nevertheless, inflation is expected to remain high in the medium term in advanced, emerging and developing

[1]Global Economics Prospects. January 2023

economies alike. In Spain, inflation ended the year at 5.7% year-on-year, down more than one point from the November reading, to put the average rate for 2022 at 8.4%, the highest in 36 years.

Monetary policy was tightened in many countries during the second half of the year in a bid to curb rampant inflation, with the main central banks increasing their benchmark rates a number of times. The universe of risks facing the economy has increased considerably and the room for policy mitigation is narrowing.

In light of those circumstances, multilateral efforts remain essential to responding to the humanitarian crisis, preventing greater economic fragmentation, preserving global liquidity, managing debt, tackling the climate crisis and putting an end to the pandemic.

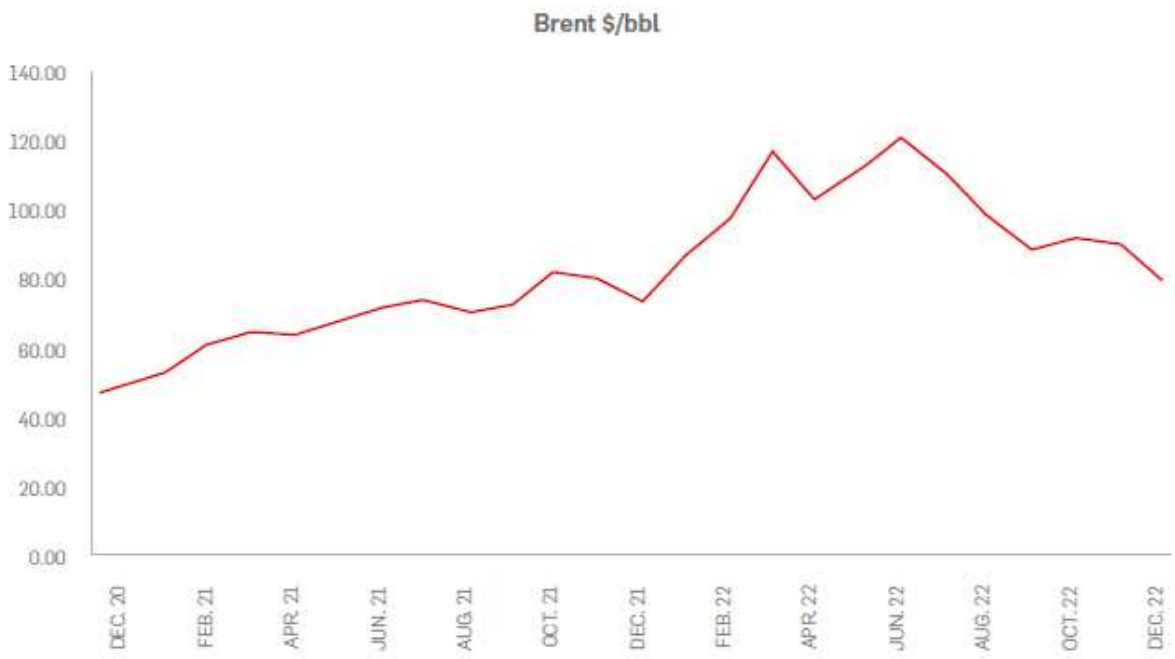
As for the Spanish economy, the International Monetary Fund (IMF) expects the country's GDP to drop from 5.2% in 2022 to 1.1% in 2023 (down 0.1pp from its last forecast). For 2024, it is forecasting GDP growth of 2.4%, down 0.2pp from its previous forecast.

In line with the IMF, the Bank of Spain has been flagging uncertainties around the economic outlook, particularly how events play out in eastern Europe and the economic repercussions. Against that backdrop, the Bank of Spain has trimmed its growth forecasts and is currently estimating growth of 4.6%, 1.3% and 2.7% in 2022, 2023 and 2024, respectively (5.4%, 3.9% and 1.8% in its December report). It has also increased its inflation forecasts: inflation is now expected to fall from 8.4% in 2022 to 4.9% in 2023 and 3.6% in 2024 (3.7%, 1.2% and 1.5% as of December).

SECTORAL ENVIRONMENT

Price of crude oil (Brent) and supply

Brent crude oil price trend over the last two years is shown below:



Prices started 2022 at high levels due to the recovery in demand in the wake of the pandemic, coupled with the quota cuts announced by OPEC in 2021. That situation, exacerbated by the prevailing uncertainty, saw prices rally to levels not seen since 2008.

Other factors shaping the market included the shortage of supplies on account of the situation in Ukraine, the strength of the dollar and Chinese economic weakness. The recovery of demand to pre-pandemic levels and the production cuts announced by OPEC+ (2 million barrels per day) kept prices high for much of the year.

However, the main trigger for the price rally was the onset of the crisis in eastern Europe, a situation which led to the West imposing economic sanctions on Russia. Those sanctions, against one of the world's biggest oil and gas producers, sent prices soaring to over 130 $/bbl in early March. Those events, coupled with the prospect of a global recession and tighter monetary policy, weighed on prices.

Towards the end of the year, however, supply exceeded demand by more than 1 million barrels per day ("mb/d"), despite the OPEC cuts and supply interruptions in the US due to inclement weather. In parallel, the zero-COVID policies implemented in several Chinese cities had a significant impact on demand, driving prices lower towards the end of the year.

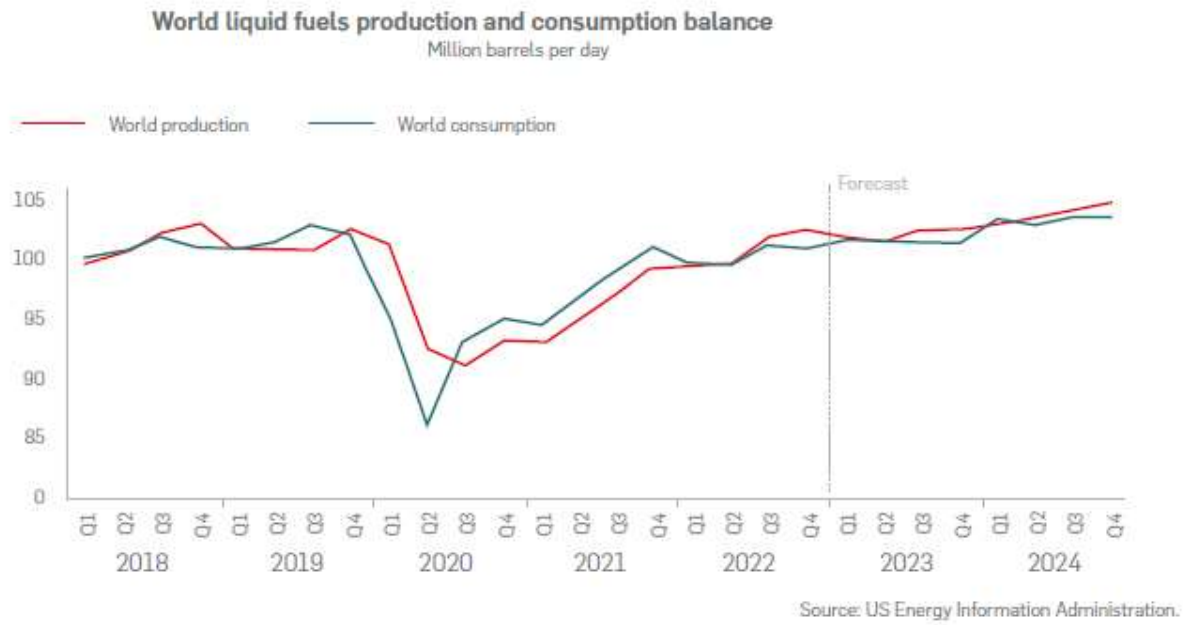
Global oil supply growth is expected to ease to 1 mb/d in 2023, having jumped by 4.7 mb/d in 2022, led by OPEC+. The overall increase of 1.9 mb/d in non-OPEC+ producer nations is expected be partially offset by a reduction of 870 kb/d in OPEC+ production due to the drop anticipated in Russia.

So far in 2023, oil futures have once again risen sharply, pointing to Brent prices of close to $90/b. The main contributing factors have been the reopening of the Chinese economy and brighter prospects for global growth.

In addition, the EU ban on the purchase of Russian oil and gas takes effect from 5 February 2023, rounding out the embargo in Russian oil and the price cap of $60/b already in place since December 2022. That ban is expected to drive price tightening, particularly in diesel products.

While lower oil prices provide relief for consumers facing surging inflation, the overall impact of the embargoes on Russian oil and product supplies remains to be seen.

Trend in global oil and gas production and demand



Global crude oil inventories are expected to increase in 2023, specifically by 0.6 mb/d on average, as production is expected to outpace consumption.

In October 2022, OPEC+ announced production cuts of 2.0 mb/d in a signal of strength to the market in a complex environment shaped by falling prices, concerns over demand trends, production issues and sanctions on Russian oil. That cut was ratified at a meeting held on 1 February 2023.

In its January 2023 report, the US government's Energy Information Administration (EIA) estimated average global liquid fuels production at 102.8 million barrels per day (b/d) in 2024, compared to 100mb/d in 2022, driven by significant growth in non-OPEC+ output. However, there is lingering uncertainty around Russian oil supply, particularly in early 2023. Global liquid fuels consumption, meanwhile, is forecast to increase from 99.4 mb/d on average in 2022 to 102.2 mb/d in 2024.

The slow recovery in demand anticipated in the first half of 2023 foreshadows an ongoing accumulation of inventories such as that observed from the third quarter of 2022. Demand for oil spiked during the third quarter of 2022 thanks to stronger than expected transport fuel consumption in the OECD. In the fourth quarter, OECD demand fell back by 900 kb/d, shaped by weak industrial activity and weather conditions, whereas in non-OECD countries, demand firmed by 500 kb/d.

According to the International Energy Agency (IEA), global demand for oil will increase by 1.9 mb/d in 2023 to a record 101.7 mb/d. Almost half of that demand is expected come from China after lifting its COVID restrictions. Aircraft fuel remains the biggest source of growth: an increase of 840 kb/d.

Regulation

The regulatory landscape is becoming increasingly complex and influential in the energy industry, primarily in developed economies, where (ever more unpredictable) new regulations, environmental requirements and technical product specifications are becoming more and more stringent, while the market is demanding cleaner products.

Between COP-21 (held in Paris in 2015) and COP-26, organised in Glasgow at the end of 2021, energy transition has been climbing agendas worldwide, in line with growing social and political awareness. COP-26 went a step further by bringing forward the requirement to revise carbon emission action plans for 2030 to year-end 2022, instead of 2025, as established in Paris. Against that backdrop, governments are legislating with a strong focus on the energy transition.

In a pioneering move in October 2022, we agreed the extension of our syndicated loan, agreeing for the first time to tie its financial cost to delivery of environmental and social indicators.

Refining margins

The European refining market faces a structural drop-off in demand, which is expected to peak in 2030 and then start to trend lower. While the main threats come from surplus refining capacity in Europe and new refineries in Asia, the above-mentioned regulatory thrust, coupled with increasingly stringent environmental requirements, are significantly impacting refining margins and their variability.

In 2022, refining margins began low. However, the economic recovery in the West sparked strong demand which improved the industry's outlook and drove margin expansion.

During the first quarter, Brent prices shot up to 10-year highs, reaching $130/b, fuelled mainly by the recovery in demand and significant tension in the European oil and gas markets, heavily dependent on Russian crude and distillates. Although the initial sanctions against Russia had little effect on energy commodities, they did steer the market to a new phase, piling further pressure on the energy markets. Energy product prices, such as TTF (the natural gas benchmark in Europe), reached unprecedented levels, significantly impacting European refining margins. Exceptionally low stocks of light and middle distillates worldwide drove growth in jet, gasoil and petrol crack spreads, driving refining margins to relatively high levels.

The second quarter was marked by stagnation in the armed conflict and an increasingly tight macroeconomic situation. Historically-low light and middle distillate inventories and growth in demand, helped by the start of the summer season in the US, drove product spreads to unprecedented levels, further bolstering refining margins.

At the end of the first half a new package of sanctions was levied on Russia with the aim of banning crude and distilled product imports by the end of the year, while the flow of gas from Russia to Europe, primarily via the Nord

Stream 1 pipeline, faced several cuts. All that put further pressure on the main energy commodities in Europe, fuelling energy costs and driving refining margins to all-time highs.

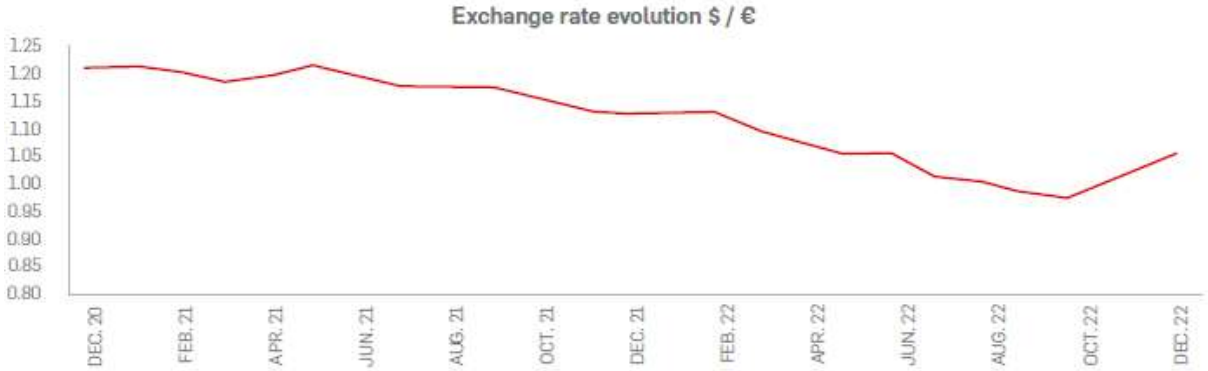
In the third quarter, refining margins eased but remained at historically high levels, shaped mainly by the growth in energy costs, especially natural gas and electricity, a reduction in light and middle distillate spreads and a drop in oil and gas prices against the backdrop of ongoing volatility. Global distillate production rebounded while demand that continued to ease, weighed down by new lockdowns in China.

Margins likewise remained high during the fourth quarter, buoyed by government aid and strong spreads (in light and middle distillates), in turn underpinned by restrictions on the purchase of Russian oil and gas from the end of the year and the reopening of China after ditching its zero-COVID policy.

2023 is expected to be another year of relatively high margins, underpinned by historically-low oil and gas product inventory levels. Margins are expected to ease in the following years due to the forecast slowdown in economic growth and elimination of the global supply chain bottlenecks.

Exchange rate

The euro weakened against the dollar in early 2022, hurt by the fallout from the Omicron variant, which hit Europe hard towards the end of 2021. The Federal Reserve's rate tightening in 2022, more aggressive than that of the European Central Bank, designed to mitigate the impact of rampant inflation and the energy crisis derived from the war in Ukraine, caused the euro to fall below parity against the dollar. However, the European single currency rebounded towards the end of 2022, ending the year at $/€1.07.



Source: European Central Bank

b. Analysis of consolidated results

The financial statements for the year ended December 31, 2022 were prepared in accordance with the regulatory framework of financial information applicable to the Company, applying the accounting criteria established in Spanish National Chart of Accounts.

Net revenue amounted 27,371 million euros in 2022, over 56% compared 2021, driven by higher oil prices, improved margins and increased production in our Energy Parks. In this sense, the Energy Parks business, which in the previous year was significantly impacted by extremely low margin levels, even becoming negative, has improved driven by the recovery of margins and the increase in business volume.

For its part, the cost of supplies increased by 8,988 million euros, to stand at 23,126 million euros in the accumulated of the year, due to the increase in the price of crude oil and raw materials on the one hand, and to demand increase on the other.

Cepsa has presented a profit before tax of 1,073 million euros, while in 2021 it was negative in 67 million euros. Finally, the Profit after taxes for 2022 has been positive by 1,119 million euros.

c. Financial and equity position

At December 31, 2022, CEPSA's total assets amounted to 14,467 million euros, compared to 11,656 million euros the previous year.

Of the above figure, non-current assets, including property, plant, and equipment, intangible and financial assets, and deferred tax assets totaled 6,498 million euros at year-end 2022, with an increase of 3.3% compared to 2021.

Equity amounted to 3,800 million euros at December 31, 2022, which represents 20% of assets.

In compliance with the third additional provision on "Duty of information" of Law 15/2010, the average payment period to suppliers was 17 days.

3. Risk management model

Our Integrated Risk Management and Control System is compliant with the COSO-ERM criteria and ISO 31000 standard. It sets out the general framework, principles and procedures for efficiently managing any kind of risks.

In 2022, our Board of Directors reviewed and approved Cepsa's General Risk Policy, which formulates the principles and guidelines for ensuring the systematic identification, assessment, measurement and control of threats, in keeping with our defined risk tolerance thresholds.

To support the strategic planning process, we analysed the main risks to which the company is exposed, including potential new, emerging risks, assigning probability of occurrence and impact estimates to each, as well as factoring in other parameters such as speed of materialisation. To do that we analysed external sources and cross-checked them against our in-house information, gleaned from our business units and corporate departments, to assess their impact.

The key phases of our integrated risk management process are:

1. Understanding the external and internal contexts, establishing assessment criteria.
2. Identifying the resulting risks, including those related with climate change, for which our risk taxonomy is aligned with the criteria established by the TCFD.
3. Analysing and assessing the risks, looking at both positive and negative causes and consequences.
4. Risk management strategy, depending on its relevance, and risk appetite, as established in our policy, by implementing the most appropriate responses to minimise the probability of occurrence or potential impact.
5. Regular monitoring and reviewing the risks, reporting to the Management Committee and the Audit, Compliance, Ethics and Risk Committee quarterly and the Board of Directors at least twice a year.

Risk management governance

Our risk management system, designed around the three lines of defence model, provides an end-to-end vision of how the various areas of the organisation interact, boosting the effectiveness of our key risk management and control processes.

The Board of Directors is ultimately responsible for the correct functioning of our Integrated Risk Control and Management System. It relies on the Audit, Compliance, Ethics and Risk Committee to implement and supervise that system.

The Management Committee is tasked with ensuring compliance with the defined risk tolerance thresholds across the company and with managing risks in line with our Risk Policy.

The Corporate Risk Unit proposes, drafts and implements our guidelines and establishes common methodologies and tools to create uniform criteria and ensure that risks are managed coherently and consistently across all business units and corporate functions.

The business units and corporate functions identify, analyse, assess and manage threats and carry out action plans which are coordinated by the business-level risk units.

Key risks faced by the company

The spectrum of risks to which the company is exposed can be classified into four major categories, in which the various ESG-related risks are duly identified:

- Strategic. Risks related with the general environment and the company's strategic positioning and planning, including political, economic and technological factors.
- Financial. Risks derived from volatility in commodity prices and the prices of other financial variables, as well as risks related with hedging and trading strategies and financial and tax management.
- Operational. Risks associated with value chain management, operational effectiveness and efficiency, resource and people management, personal and facility safety, the environment and asset integrity.
- Compliance. Risks related with governance, compliance with legal requirements and other commitments assumed and with the company's legal strategy.

Emerging risks

As part of our analytical strategic planning process, we identified key emerging risks and cross-checked them against external sources. We are monitoring those new risks at least quarterly. The main emerging risks identified in 2022, in line with the most recent Emerging Risks reports published by Gartner, are:

- Economic recession. The danger of an economic recession with lasting consequences caused by the energy crisis derived from the conflict in Europe, the scope for persistently high inflation and the increasing cost of capital as a result of central bank monetary tightening could have an adverse effect on our earnings, harm our ability to raise capital or trigger other financial impacts related with the supply chain. At Cepsa we have identified and quantified the impacts this scenario could have on demand for our products, on commodity prices and on the cost of the materials we need to execute our projects. To mitigate those impacts, we are monitoring market trends in real time, identifying efficiency and cost-saving plans in order to defend our profit margins and planning forward-looking initiatives together with our suppliers. Last year we also benchmarked the company's relative positioning in terms of business continuity and resilience as part of our response to the risk of crises.

- Growing social and political expectations. This refers to the fact that organisations such as Cepsa, pressured by stakeholders, are having to respond to a growing number of social and/or political issues, which could imply change in response to new market rules, tighter requirements or increased and unpredictable regulatory pressure. We must keep a close eye on possible regulatory developments, which is why the company has reinforced the team devoted to that monitoring task. That team is delivering better insight into the possible impact of such threats and an enhanced ability to tackle them by means of contract underwriting and actions with sector associations.

Risk culture

Our Risk Policy prioritises fostering a company-wide risk culture by working on several fronts:

- In-house training programmes. Designed to educate participants about the company's risk management methodology and the use of technical upgrades to ensure standardised and robust assessments.
- Improved management tools. As part of this effort, we organised sessions about the new risk tool implemented in 2022 for users.
- Other continuous learning initiatives: regular meetings addressing new trends and emerging risks and the publication of ad-hoc reports.

In addition, the Corporate Risk area organises workshops devoted to how to analyse investment projects and other specific topics in which we identify, assess and discuss cross-cutting risks with senior management, as well as the key business-specific threats.

4. Internal Control System

Our internal control system is based on international best practices, most importantly the methodologies established by COSO, the International Standard on Assurance Engagements (ISAE 3000), the international standard on compliance management systems (ISO 19600) and the international standard on anti-bribery management systems (ISO 37001).

The control models that are audited and certified by the Audit, Compliance and Risk Department annually are:

- Internal control over financial reporting system (ICFR)
- Internal control over non-financial reporting system (ICNFR)
- Crime prevention odel (CPM)
- Anti-bribery and anti-corruption model

The internal control system is based on combined assurance articulated around the Institute of Internal Auditor's Three Lines Model, which was updated in 2020, to provide an end-to-end vision of how the various parts of the organisation effectively interact and coordinate so as to render its management and relevant risk control processes more effective. The design and effectiveness of the internal control model is assessed annually prior to certification.

In 2022, Cepsa updated its internal control system to align it with the changes made within the organisation. In parallel, further improvements were made to the system, broadening its scope in the Exploration & Production, Energy Parks and Commercial and Clean Energies businesses. On the non-financial reporting front, the company did Taxonomy-related work, specifically working on a control system designed to ensure that the information reported in the integrated report presents a true and fair view.

5. Other relevant information

a. Treasury shares

At 2022 year-end, the Company holds 168,760 treasury shares. These shares represent 0.03% of the share capital, the average acquisition price of which was 11.2 euros per share.

At December 31, 2021, the Company held 156,671 cash shares and its wholly-owned subsidiary Magna Expergere, S.A.U. held 400,000 shares of the Company.

The treasury shares correspond to new shares, from capital increases carried out during the year 2021, and acquired by the Company to give greater flexibility to its shareholding structure.

b. Non-financial information

In accordance with Article 262.5 of the Consolidated Text of the Spanish Corporate Enterprises Act, in the wording given by Law 11/2018, of December 28, the Company must include in the management report a statement of non-financial information or draw up a separate report with the same content as that provided for in the consolidated financial statements. However, a subsidiary of a group is exempt from the obligation to include in the management report such a statement of non-financial information or to prepare a separate report with the same content, if that company and its subsidiaries, if any, are themselves included in the consolidated management report of another company that is drawn up in accordance with the content set out in that Article.

Therefore, the Company makes use of the aforementioned waiver, since the statement of non-financial information is contained in the separate report for the same year, issued by Compañía Española de Petróleos, S.A., which is referred to as the Integrated Management Report, which has been prepared in accordance with applicable regulations, and which is subject to the same criteria for authorization for issue, approval, filing and disclosure as the consolidated management report. In particular, this separate report, as well as the consolidated financial statements of Compañía Española de Petróleos, S.A. y Sociedades Dependientes will be filed in the Madrid Mercantile Register.

c. Events after the balance sheet date

Events subsequent to the year-end are disclosed in Note 24 to the Financial Statements.

6. Annexes
Risks

The spectrum of risks to which the company is exposed can be classified into four broad categories: strategic risks, financial risks, operational risks and compliance risks.

Strategic risks

Strategic risks are related with the general business environment and include political, economic, socio-cultural and technological factors, as well as those related with the company's positioning and strategic planning.

Risks	Description and control measures
Geopolitical and economic risk	As a global firm, we are exposed to geopolitical tensions arising in our operating markets and the resulting changes to the social, economic and operating environment. This could result in, for example, regulatory changes, higher taxes, international trade wars, production caps or restrictions on operations. We manage this risk by constantly monitoring the situation in the countries where we operate and reviewing certain potential sources of risk, including security, political uncertainty, the efficiency and effectiveness of governments and the legal, tax and regulatory landscape. The most important development of 2022 was the Russia-Ukraine crisis, which triggered trade restrictions, international sanctions, commodity price inflation and global macroeconomic turbulence. We set up specific taskforces to assess, control and mitigate the effects of this event.
Market demand and competition risk	We offer our products and services in highly competitive markets, where differentiation poses a considerable challenge. Changes in market conditions and the arrival of new market entrants could have an impact on our margins and market share. The mere need to speed up the transition process means we must diversify and face rapidly evolving competitors who are entering markets for sustainable products. Demand for energy is shifting in line with changes in the economic landscape, regulatory pressure, efficiency-driven technological developments and changes in consumer preferences, and this could affect our business volumes. Levers to address these risks include our quest for customer service excellence, ongoing monitoring of market trends and continuous improvement as one of our core values.
Energy transition and sustainability: technology, regulation and climate change risk	We have aligned our strategy and operations to regulatory requirements and stakeholder expectations regarding climate change and the energy transition. Abrupt market changes, stricter regulations, technological challenges and developments or changes in the pace of transition could have adverse impacts on certain elements of our strategic approach. We are able to remain at the forefront of the transition by adapting to technological developments, closely monitoring and tracking recent and emerging trends and regulations in Spain, as well as elsewhere in Europe or the rest of the world, regarding sustainability, fuel quality and the promotion of renewable energies. In 2022, we updated our identification of risks and opportunities derived from climate change in accordance with the TCFD (Task Force on Climate-Related Financial Disclosures) taxonomy. In the fourth quarter, we identified and assessed risks and opportunities taking into consideration three different climate-related scenarios and we calculated the financial impact over three different time horizons, to 2030, 2040 and 2050, in order to evaluate the resilience of our strategy to climate change.

Financial risks are derived from fluctuations in commodity prices and other financial variables, such as interest or foreign exchange rates, as well as risks related with financial and tax management.	
Risks	Description and control measures
Commodity price risk	We are a diversified company with operations along the energy value chain. As such, we are exposed to fluctuations in commodity prices, such as oil, gas, CO2, electricity and the prices of commodity by-products. Despite our diversification, commodity market fluctuations, potential interventions or supply disruptions can lead to unexpected deviations in the assumptions used in our planning. Note that potential corrections in certain commodity prices can actually have a positive impact. Commodity markets, especially the oil and gas markets, tightened in 2022 as Russian imports fell because of the Russia-Ukraine conflict, triggering considerable price volatility and distorting trade volumes. Price fluctuations, volatilities and liquidity in these markets are tracked constantly and managed using hedging strategies. Initiatives are also drawn up to streamline production processes and boost efficiency, thereby reducing energy dependence. This enables us to maximise margins during bouts of extreme volatility in energy markets.
Foreign currency risk	Our operations are generally sensitive to changes in the euro's exchange rate against the US dollar, as most crude and oil and petrochemical products are quoted in US dollars. Therefore, foreign exchange rate volatility poses a source of uncertainty that requires monitoring due to its potential implications for costs and revenues. We manage the currency risk in purchase and sale transactions centrally and by entering into currency hedges to hedge the overall net position of US dollar cash flows of the various group companies. We also hedge the currency risk of our investments in foreign operations by holding borrowings in the foreign currency in which the cash flows of each subsidiary are denominated.
Interest rate risk	We are exposed to changes in interest rates due to the potential impact on interest income and expenses on floating rate loans and borrowings and on the return on investments due to the impact on discounted cash flows. We keep a certain percentage of our financing at fixed rates or enter into interest rate hedges where considered appropriate to manage and mitigate this risk.
Liquidity risk	Liquidity risk refers to the company's ability to meet all its payment obligations, whether operational/recurring or projected/related with projects or investments, and any payments arising from debt maturities, as well as to cope with any situations of financial market stress or stress in the company's own business areas or geographical markets. We pursue a conservative financing policy to mitigate liquidity risk, holding considerable amounts of available cash and cash equivalents and undrawn credit facilities to meet future payment obligations over a period of a least 24 months in a cash neutral scenario. We only use highly-rated and renowned Spanish and international banks as counterparties and assess the counterparty risk of all the institutions with which we do business, especially when arranging investments and financial instruments.

Credit risk	We are exposed to credit risk arising from the risk that a counterparty (e.g. supplier, customer, partner, financial institution) will not meet its business or financial obligations. The current economic environment of widespread energy price inflation is squeezing margins and eroding customer solvency, increasing the probability of default. To manage credit risk, we have a sound credit-assessment process based on comprehensive and automated processing of internal and external business and financial data. With that data, we use scoring models and assessments by risk analysts to classify counterparties based on their credit risk, setting limits for each and reviewing these limits regularly. We also take out credit insurance policies to cover most of our commercial counterparty risk.
Tax strategy and management risk	There is a specific tax regime for the energy sector. Taxes on profits, production and product consumption are commonplace in both the upstream and downstream sectors. That regime exposes us to the risk of changes in the tax regulations applicable in the countries where we have operations and different interpretations of the regulations by the taxation authorities. The main purpose of the company's tax strategy is to comply with applicable tax legislation where it operates and ensure that all Cepsa companies do the same.

Operational risks

Operational risks are associated with value chain management, operational effectiveness and efficiency, resource and people management, personal and facility safety and respect for the environment.

Risks	Description and control measures
Process, employee and environmental safety risk	Our activities inherently expose us to operational risks such as incidents or accidents affecting assets or, in a worst-case scenario, damage to third parties or the environment. We have undertaken several initiatives to manage this risk: • Having a safety management system based on OHSAS 18001:2007 that is ISO 14,001 certified and covers safety at all levels in the organisation • Running our industrial plants in such a way as to ensure the integrity of our operations, putting in place hazard control and risk mitigation measures to minimise the consequences of potential major accidents and providing the highest level of protection and safety to the people who work at Cepsa, as well as the assets, processes and environments and populations around our facilities, as articulated in the HSEQ Policy
Data security risk	Our business processes rely heavily on digital systems in both the information technology (IT) and the operational technology (OT) spheres. Therefore, a potential cyber attack on systems supporting critical and business processes could end up interrupting operations, affecting the related business units or resulting in a loss of information that is valuable to the company, sensitive or confidential. We manage this risk through the following: 1. The cybersecurity function, articulated around international standards and best practice 2. Cybersecurity governance, consisting of a. Management using scorecards, with regular reporting to the Management Committe b. Fostering a cybersecurity culture in the company through training and awareness initiatives, including compulsory training on cybersecurity and drills simulating real multichannel attack c. Body of OT information systems and cybersecurity regulations, under the umbrella of the Cybersecurity Policy, articulated through their relevant standards and procedures and specific procedure d. Third-party cybersecurity risk managemen 3. Secure architecture implemented in both IT and OT environments: reinforcement of access controls with two-factor authentication and VPN connection device authentication 4. System hardening: eliminating obsolete protocols / updating patche 5. Cybersecurity insurance, with ample coverage for the risk scenarios identifie 6. Cyber resilience: procedure for cybersecurity incident response and escalation to the highest corporate crisis management body (4C). We also have an ISO 20,000-certified continuous improvement process related to Cepsa's technology contingency plan

Water management risk	Water is a scarce resource that is essential for our industrial operations so we must adapt water management to climate change. Protecting the environment is one of our core corporate values and we strive to minimise the environmental impact of our operations. Our sustainability pledge has led to the start-up of water recovery and withdrawal projects and initiatives to promote more rational use of water. We particularly monitor the amount and quality of water needed for our production activities.
Talent and culture management risk	We need a new business culture with more participative processes to address the challenges posed by the energy transition and digital transformation. More importantly, we need a new type of leadership, a new way of managing talent and we must identify and develop new skills. We are in the midst of our strategy to tackle the challenges thrown up by the energy sector's transition. Therefore, we could be affected if we are unable to attract and retain the right talent or if our organisational models and corporate culture are not aligned or in sync with this transition.
Project execution risk	Framed by the transition to a sustainable model, our Positive Motion strategy entails executing myriad ambitious projects to transform our production activity. A shortage of resources to execute these projects, which has become increasingly possible because of the Russia-Ukraine conflict, inflation-induced cost overruns and other factors (e.g., delays in securing permits and licences, changes in technical, tax, regulatory and political conditions) could have an adverse impact on project execution and, accordingly, our financial performance and the delivery of our strategy. We manage this risk through in-depth planning and ongoing control of all project costs and deadlines.
Supply risk	Shortages in global supply chains and of cargo ships and containers are putting pressure on the commodity and components markets, which could undermine product availability and cause prices to rise. Actions taken to minimise supply risk include identifying critical supplies and spare parts, maintaining open communication with existing suppliers to ensure we can procure them and entering into contracts to limit delivery risk and international shipping costs.

Compliance Risks

Compliance risks are related with governance and compliance with legal and other commitments assumed and with management of the company's legal affairs.

Risks	Description and control measures
Regulatory compliance risk	Sensitive or confidential data leakage or any breach of laws or regulations could have an adverse impact on our reputation and result in penalties or claims for compensation. We have an effective compliance management system in place to address this risk and minimise its impacts.

Ethical misconduct risk	Ethical misconduct or breach of rules and regulations exposes us to criminal or administrative proceedings that could have an adverse effect on our reputation, operations, financial performance and stakeholder value. As we operate internationally, we are also subject to anti-corruption and anti-bribery laws in many different jurisdictions. We manage this risk with: Our Code of Ethics and Conduct, which sets out the core principles, rules and the ethical conduct applicable to our people.
Compliance risks associated with economic and trade sanctions imposed by the United States, the European Union or other jurisdictions	Non-compliance with international sanctions, which increased considerably in 2022 due to geopolitical tension, could have severe financial impacts for the company, particularly a potential disruption in funding sources or breach of other covenants with banks. We have a third-party due diligence procedure in place to manage this risk based on the Control Policy on Sanctions and Embargoes in Trade Relations, Exports and Dual-Use Goods approved by the Board of Directors. Due diligence is performed centrally by the Ethics and Compliance Office, with the assistance of an external consultant depending on the risk levels identified in the counterparties and transactions.
Litigation and arbitration risk	We manage administrative, judicial and arbitration proceedings in relation with claims arising in the ordinary course of business. We cannot predict the scope and final outcome reliably, irrespective of the amount of each case. Based on current information, management considers that these risks are reasonably covered by the amount of provisions recognised.

Compañía Española de Petróleos, S.A. (Cepsa)

Financial Statements and Management Report – 2022 Financial Year

I hereby certify that, to the best of my knowledge and belief, the Financial Statements (Balance Sheets, Income Statements, Statements of Changes in Equity, Statement of Comprehensive Income recognized in Equity, Cash Flow Statements and Notes to the Financial Statements), along with the Management Report of Compañía Española de Petróleos, S.A. (CEPSA) for 2022 and drafted and approved by the Board of Directors of Compañía Española de Petróleos, S.A. at its meeting held on 2 March 2023, were prepared in accordance with generally applicable accounting standards and present a true and fair view of the assets and liabilities, financial position and results of Cepsa.

Madrid, 2 March 2023

Carmen Angela de Pablo Redondo
Chief Financial Officer

COMPAÑÍA ESPAÑOLA DE PETRÓLEOS, S.A.

Financial Statements and Management Report for the year ended December 31, 2022

The Financial Statements (Balance Sheet, Statement of Income, Statement of Changes in Equity, Cash Flow Statement and Notes to the Financial Statements) and Management Report of Compañía Española de Petróleos, S.A. (CEPSA) for the year ended December 31, 2022, contained in this document, have been adopted and issued by the Board of Directors of Compañía Española de Petróleos, S.A. (CEPSA) at its meeting held on March 2, 2023, in compliance with Article 253 of the Spanish Companies Act in force.

To the best of our knowledge, the Financial Statements, prepared in accordance with generally accepted accounting principles, offer a true and fair view of the financial situation and results of Compañía Española de Petróleos, S.A. (CEPSA), and the Management Report accompanying the Financial Statements offers a true and fair view of the development and performance of the businesses and financial position of the Company, together with a description of the key risks and uncertainties that it faces.

Madrid, March 2, 2023

Mr. Ahmed Yahia
Chairman

Mr. Martialis Quirinus Henricus van Poecke
Vice Chairman

Mr. Maarten Wetselaar
Managing Director

Mr. Gregory Mark Nikodem
Director

Mr. Ángel Corcóstegui Guraya
Director

Mr. Saeed Mohamed Hamad Fares Almazrouei
Director

CEPSA

Ms. Alyazia Ali Saleh Ahmed Alkuwaiti
Director

Mr. Marwan Naim Nijmeh
Director

Mr. James Robert Maguire
Director

Mr. Jacob Schram
Director

Mr. Jörg Christian Häring
Corporate Secretary (Non-Director)

Mr. José Aurelio Téllez Menchén
Corporate Deputy Secretary (Non-Director)